

CORPORATE GOVERNANCE REPORT

INTRODUCTION

Saab AB is a Swedish public limited liability company and the company's Series B shares are listed on Nasdaq Stockholm.

Saab's corporate governance is based on the Swedish Companies Act, the Swedish Annual Accounts Act, Nasdaq Stockholm Rules for Issuers, the Swedish Code of Corporate Governance and other relevant Swedish and foreign laws, regulations and guidelines.

Saab has a Code of Conduct containing ethical guidelines in a number of areas on how the company and its employees are expected to act in contacts with customers, business partners and in society as well as their interaction with one another as colleagues. Saab's Code of Conduct is a part of the governance of Saab. For further information, see page 52.

Swedish Code of Corporate Governance

Since Saab's shares are traded on Nasdaq Stockholm and it must follow good practices in the securities market, Saab is also obligated to comply with the Swedish Code of Corporate Governance (the Code). The Code is available at www.bolagsstyrning.se.

Saab applies the Code and strives to maintain a high standard in its corporate governance. This Corporate Governance Report is prepared in accordance with the Annual Accounts Act and the Code, and describes how Saab applied the Code during the financial year 2016. Saab's website, www.saabgroup.com, has a special section for corporate governance issues, which is updated in accordance with the Code.

The Corporate Governance Report includes the Board of Directors report on internal control on financial reporting which can be found at the end of this Corporate Governance Report.

This Corporate Governance Report has been reviewed by the company's auditor.

Saab did not deviate from the provisions of the Code in 2016.

① SHAREHOLDERS' MEETING AND OWNERSHIP STRUCTURE

Pursuant to the Swedish Companies Act, the Shareholders' Meeting is the highest decision-making body in a company. At a Shareholders' Meeting, the shareholders are given the opportunity to exercise their voting rights. The Annual General Meeting shall be held within six months of the end of each financial year. Shareholders at the Annual General Meeting vote on resolutions relating to the annual report, dividend, Board election, Board fees, auditors' fees, adoption of remuneration guidelines for senior executives and, when applicable, election of the external auditor and other matters stipulated in the Companies Act. The preparations and implementation of the Annual General Meeting 2016 were carried out in accordance with the Code, and the Annual General Meeting 2017 will also comply with the provisions of the Code. The Annual General Meeting of Saab was held on 14 April 2016 in Linköping and attended by 480 shareholders, representing about 69 per cent of the total voting rights in the company. This year the Annual General Meeting will be held on 5 April 2017 in Stockholm. For more information, see page 146.

On 31 December 2016, Saab's share capital amounted to SEK 1,746,405,504 and consisted of 1,907,123 Series A shares and 107,243,221 Series B shares. Series A shares have ten votes each, while Series B shares have one vote each. One Series A share may, on demand of the owner, be converted into one Series B share. The Saab shares are registered with Euroclear Sweden AB. The quota value per share is SEK 16. The Series B shares are listed on Nasdaq Stockholm on the Large Cap list. The Series A shares are not listed. All Series A shares are owned by Investor AB.

The Board of Directors has an authorisation from the Shareholders' Meeting to repurchase shares; see page 82 for more information. As of 31 December 2016, Saab held 2,744,821 of its own Series B shares, corresponding to 2.5 per cent of the share capital. For more information on the ownership structure, see page 20.

LARGEST SHAREHOLDERS, 30 DECEMBER 2016

Source: Modular Finance	Share of capital, %	Share of votes, %
Investor AB, Sweden	30.0	40.4
Knut and Alice Wallenberg Foundation, Sweden	8.7	7.7
Swedbank Robur Funds, Sweden	4.8	4.2
Fidelity, USA	3.0	2.6
AFA Insurance, Sweden	2.7	2.3
Unionen, Sweden	2.7	2.3
Handelsbanken Funds, Sweden	1.6	1.4
Dimensional Fund Advisors, USA	1.4	1.2
Lannebo Funds, Sweden	1.3	1.1
Norges Bank, Norway	1.0	0.9

② NOMINATION COMMITTEE

According to the Nomination Committee process adopted by the Annual General Meeting 2011, which applies until further notice, Saab shall have a Nomination Committee consisting of one representative of each of the four shareholders or groups of shareholders with the greatest number of votes, along with the Chairman of the Board. The names of the four shareholder representatives and the shareholders they represent shall be announced at least six months prior to the Annual General Meeting based on known voting rights as per the last business day of August in the year before the Annual General Meeting. The Nomination Committee process includes procedures, where necessary, to replace a member who leaves the committee before its work has been completed.

According to the process, the Nomination Committee drafts a proposal on the following issues to be presented to the Annual General Meeting for resolution:

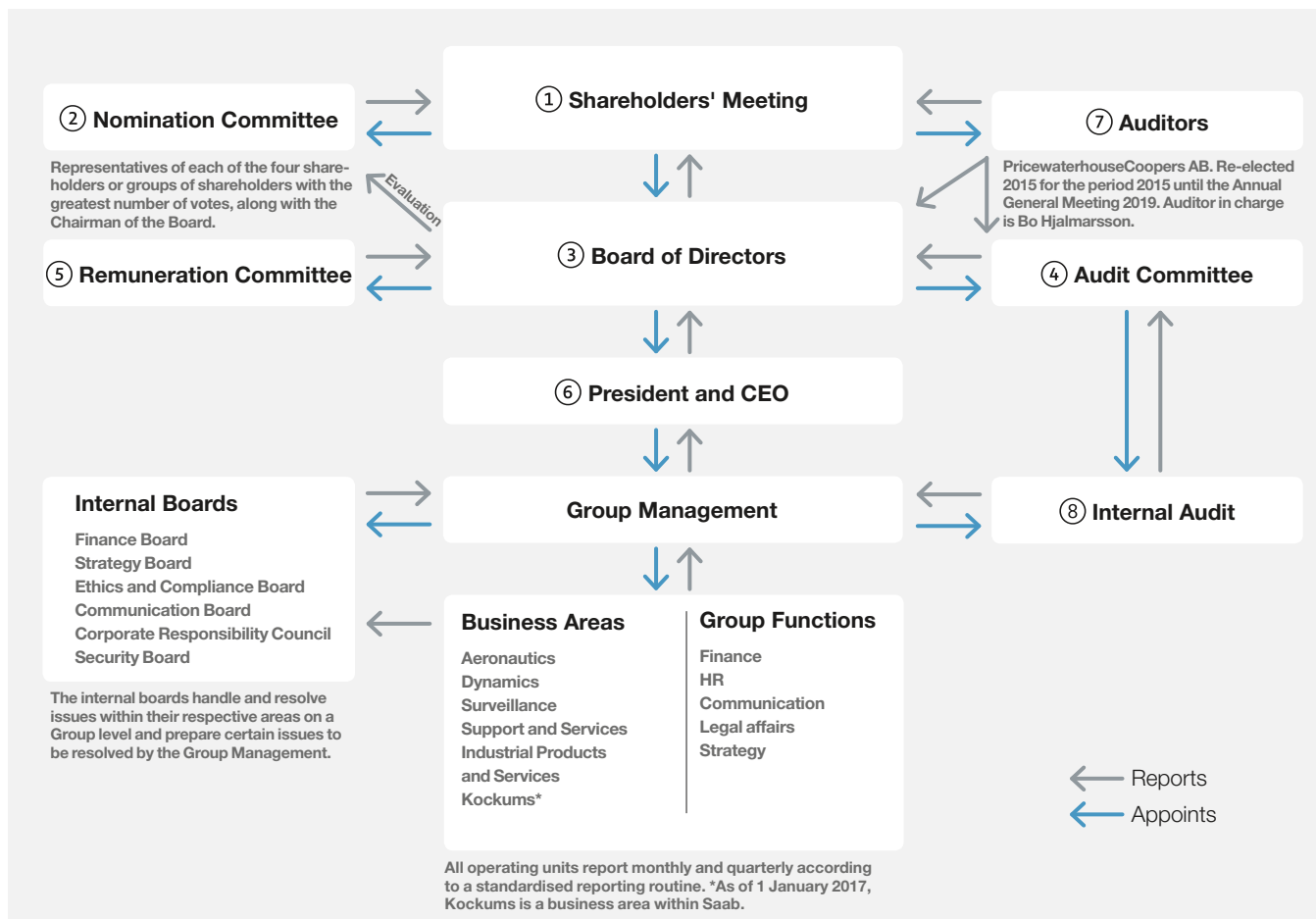
- a) Chairman of the Shareholders' Meeting
- b) Board of Directors
- c) Chairman of the Board
- d) Remuneration to the members of the Board, allocated between the Chairman and other members of the Board, and remuneration for committee work
- e) Election of auditors, if applicable, and
- f) Fees paid to Saab's auditors.

Ahead of Saab's Annual General Meeting on 5 April 2017, it was announced in a press release on 22 September 2016 that, in addition to Chairman of the Board Marcus Wallenberg, the following shareholder representatives had been appointed to Saab's Nomination Committee (shareholder's name in parentheses): Petra Hedengran (Investor AB), Peter Wallenberg Jr (Knut and Alice Wallenberg Foundation), Jan Andersson (Swedbank Robur Funds) and Anders Algotsson (AFA Insurance). Petra Hedengran is Chairman of the Nomination Committee.

These persons in the aggregate represent approximately 55 per cent of the votes in Saab based on the ownership structure as of 31 August 2016.

The proposals of the Nomination Committee have been presented in connection with the notice of the Annual General Meeting 2017.

GOVERNANCE AND REPORTING 2016



MEMBERS OF THE NOMINATION COMMITTEE FOR ANNUAL GENERAL MEETING 2017

Member	Representing	Share of votes, % 31 August 2016	Share of capital, % 31 August 2016
Petra Hedengran	Investor AB	39.5	30.0
Peter Wallenberg Jr	Knut and Alice Wallenberg Foundation	7.6	8.7
Jan Andersson	Swedbank Robur Funds	4.6	5.3
Anders Algotsson	AFA Insurance	3.3	3.9
Marcus Wallenberg	Chairman of the Board of Saab AB		

Johan Forssell, Sten Jakobsson, Sara Mazur, Per-Arne Sandström, Cecilia Stegö Chilò, Lena Treschow Torell, Marcus Wallenberg and Joakim Westh were re-elected. Bert Nordberg was elected as a new Board member. Marcus Wallenberg was elected Chairman of the Board of Directors. At the statutory Board meeting after the Annual General Meeting, Sten Jakobsson was elected Deputy Chairman of the Board. Among the Board members, only President Håkan Buskhe is employed by the company.

Information on remuneration to the members of the Board as resolved by the Annual General Meeting 2016 is set forth in note 10.

Members of the Board elected by the Shareholders' Meeting

Regulars

Marcus Wallenberg	Sara Mazur	Lena Treschow Torell
Håkan Buskhe	Bert Nordberg	Joakim Westh
Johan Forssell	Per-Arne Sandström	
Sten Jakobsson	Cecilia Stegö Chilò	

Employee representatives

Regulars

Stefan Andersson	Deputies
Conny Holm	Göran Gustavsson
Nils Lindskog	Magnus Gustafsson
	Tina Mikkelsen

The Board members' other significant professional commitments, work experience, shareholdings etc. are set forth in the presentation of the Board of Directors on pages 76–77.

③ BOARD OF DIRECTORS

Composition of the Board

According to Saab's Articles of Association, the Board of Directors shall, in addition to the employee representatives, consist of at least six and not more than twelve members. Board members are elected annually by the Shareholders' Meeting. According to the resolution of the Annual General Meeting on 14 April 2016, Saab's Board of Directors shall consist of ten members elected by the Shareholders' Meeting with no deputies. In addition, the employee organisations appoint three Board members with an equal number of deputies.

At the Annual General Meeting on 14 April 2016, Håkan Buskhe,

Independence requirement

The table below sets forth the members of the Board elected by the Shareholders' Meeting who, according to the provisions of the Code, are considered independent in relation to the company and its management, as well as in relation to the company's major shareholders.

COMPOSITION AND INDEPENDENCE OF THE BOARD IN 2016

Member	Elected	Independent of the company/-management	Independent of major shareholders
Marcus Wallenberg	1992	Yes	No ¹⁾
Håkan Buskhe	2011	No ²⁾	Yes
Johan Forssell	2010	Yes	No ³⁾
Sten Jakobsson	2008	Yes	Yes
Sara Mazur	2013	Yes	Yes
Bert Nordberg	2016	Yes	Yes
Per-Arne Sandström	2005	Yes	Yes
Cecilia Stegö Chilö	2010	Yes	Yes
Lena Treschow Torell	2005	Yes	No ⁴⁾
Joakim Westh	2010	Yes	Yes

¹⁾ Member of Investor AB's Board.

²⁾ President and CEO of Saab.

³⁾ Member of Investor AB's Board and CEO of Investor AB.

⁴⁾ Member of Investor AB's Board.

Accordingly, the company fulfils the requirement of the Code that a majority of the Board Members appointed by the Shareholders' Meeting are independent of the company and its management, and that at least two of them are independent of the major shareholders.

Work of the Board

According to the Board's rules of procedure, eight ordinary meetings shall normally be held each year, in addition to the statutory meeting. The Board may also meet when circumstances demand. During 2016, the Board held one statutory meeting and seven ordinary meetings, or a total of eight meetings. All of the Board meetings in 2016 were held in Stockholm, with the exception of two meetings in connection with the Annual General Meeting in April, which was held in Linköping.

The Board annually adopts rules of procedure, an instruction on the allocation of work between the Board and the President, and an instruction on financial reporting to the Board.

The rules of procedure contain provisions on the number of Board meetings, a list of matters to be considered at the meetings, reporting from the auditor, and special decisions to be taken at the statutory meeting. The rules of procedure and special instruction for the President set forth the delegation of responsibilities between the Board and its two committees, the Remuneration Committee and the Audit Committee, including the Chairman's role, as well as between the Board and the President. The instruction for the President sets forth the President's duties and authority, including matters which require a Board decision. Policies on investments, financing and reporting are also connected to the instruction.

During the year, the Board was assisted by the Secretary of the Board of Directors, General Counsel Annika Bärems, who is not a member of the Board.

The Board of Directors' meetings follow an agenda. Prior to the meetings, the Board Members receive documentation and supporting material for the issues on the agenda. At each Board meeting the President presents a Market and Operations Report. A financial report is

also presented at each Board meeting and addressed in detail prior to the publication of the interim reports and year-end report. The Board regularly considers investments, research and development matters, organisational issues, management of significant risks, mergers and acquisitions, and company divestments. The Board's annual work includes deciding on the company's business plan and strategy, which it addressed in September. The Board meeting every December considers the company's budget for the coming year. The Board also decided then on the minimum and maximum levels for each performance target in the company's Performance Share Plan. During 2016, the Board has, as in recent years, especially focused on issues related to Gripen NG to Brazil and Gripen E to Sweden. It also worked during the year with other material export and marketing issues and was kept informed of the work on the company's Sustainability Report. In October, the members of the Board participated in business ethics training. The training was based on case studies and was a continuation of the training made in 2013. During 2016, the company arranged two special information sessions for the Board's members, where they received detailed information on for example a specific business area, a product or potential business opportunities.

Committee work represents an important part of the Board's work. After each meeting of the Audit and Remuneration Committees, the respective Chairman submits a report to the Board on the issues that were dealt with at the meeting. The Board then adopts resolutions on any matters prepared by the committees.

BOARD OF DIRECTORS' COMMITTEE WORK**4** *Audit Committee*

In accordance with the principles set out in the Swedish Companies Act and the Code, the Board of Directors has appointed an Audit Committee consisting of three members. The work of the Audit Committee is mainly of a preparatory nature, i.e., preparing matters for resolution by the Board. The Audit Committee has certain limited decision-making power. For example, it has established guidelines for services other than auditing that the company may procure from its auditors. The Audit Committee consists of the following members: Per-Arne Sandström (Chairman of the Committee), Johan Forssell and Joakim Westh, of whom Per-Arne Sandström and Joakim Westh are independent of the company and its management as well as of the major shareholders. All members of the committee have accounting or auditing competence. The General Counsel, Annika Bärems, was Secretary to the Audit Committee during 2016.

The Audit Committee's assignment is set forth in the Board's rules of procedure, which were updated in 2016 in accordance with new EU audit rules. The Audit Committee shall, among other things, monitor the company's financial reporting and submit proposals to ensure the integrity of the financial reporting, monitor the efficiency of the company's internal control, internal audit and risk management in respect of the financial reporting, keep informed of the audit of the annual report and consolidated accounts, inform the Board of the results of the audit, review and monitor the auditors' independence, assist the Nomination Committee in preparing the proposal for the Shareholder Meeting's election of the auditors and in certain cases procure auditing services, in addition to establishing guidelines for services other than auditing that may be provided by the company's auditor. Moreover, the Audit Committee shall annually monitor and evaluate the effectiveness and appropriateness of the company's business ethics programme, including the Code of Conduct, and keep itself informed of material devia-

tions or non-compliance with the company's ethical standards, including whistleblower reports, through regular reporting from the Ethics and Compliance Board. The company's external auditor participates in the meetings of the Audit Committee. During 2016, the Audit Committee focused especially on current issues relating to the company's financial position, the financial reporting, budget, risk management, internal control and issues relating to the company's ethical standards. The Committee also decided in 2016 on updated guidelines on which services other than auditing may be procured from the company's auditor.

The Audit Committee keeps minutes of its meetings, which are distributed to the other members of the Board. In 2016, the Committee held six meetings.

5 Remuneration Committee

In accordance with principles set out in the Code, the Board of Directors has appointed a Remuneration Committee consisting of three members: Marcus Wallenberg, Sten Jakobsson and Lena Treschow Torell. Lena Treschow Torell is Chairman of the committee. All the members are independent of the company and its management. The General Counsel, Annika Bärems, was Secretary to the committee during 2016.

The Remuneration Committee's tasks are to prepare the Board's resolutions on remuneration principles, remuneration and other terms of employment for the Group Management, monitor and evaluate variable remuneration programmes for the Group Management, both ongoing and those ended during the year, and monitor and evaluate the application of the remuneration guidelines for senior executives adopted by the Annual General Meeting as well as the current remuneration structures and levels in the company. The Remuneration Committee also proposes remuneration guidelines for senior executives to be submitted to the Annual General Meeting following resolution by the Board of Directors. Matters concerning the employment terms, remuneration and other benefits for the President are prepared by the Remuneration Committee for resolution by the Board. The Remuneration Committee is responsible for interpretation and application of the remuneration guidelines for senior executives. The Remuneration Committee has no decision-making powers of its own. During 2016, the Remuneration Committee focused especially on issues relating to the company's long-term incentive programmes, including proposals for minimum and maximum levels for each performance target in the company's

Performance Share Plan as well as the introduction of Special Projects Incentive.

The Remuneration Committee keeps minutes of its meetings, which are distributed to the other members of the Board. In 2016, the Committee held three meetings.

EVALUATION

The Chairman of the Board annually performs an evaluation of the Board's work and possible improvements to the forms and effectiveness of its work. The evaluation is made by having the Board members respond to a questionnaire and give their opinions on the Board's performance. The results are compared with previous years and discussed at the Board meeting in December. The questionnaire consists of six parts covering the breadth of the Board's competence, how the Board conducts its work, the Chairman, the Board's composition, the cooperative atmosphere and possible improvements. The Chairman of the Board does not participate in the Board's discussion on the results of the Chairman's evaluation.

The Nomination Committee is informed of the results of the evaluation in connection with its proposal on the composition of the Board.

The Board continuously evaluates the President's work by monitoring the company's performance relative to established goals. It also evaluates the President's work by responding to a questionnaire about the President in the areas of performance, organisation, people and leadership. The President does not participate in this evaluation.

6 CHIEF EXECUTIVE OFFICER

The President and CEO of Saab, Håkan Buskhe, is also a member of the Board. His significant professional commitments outside the company, earlier positions and shareholding in the company are set forth in the presentation of the Board of Directors and the Group Management; see page 76. Håkan Buskhe does not own shares nor is he a partner in any company with which Saab has material business ties.

GUIDELINES FOR REMUNERATION AND OTHER BENEFITS FOR SENIOR EXECUTIVES

The guidelines for remuneration and other benefits for senior executives are explained on pages 80–81.

ATTENDANCE AND BOARD REMUNERATION IN 2016

Name	Audit Committee	Remuneration Committee	Board meetings attended ¹⁾	Committee meetings attended ²⁾	Board remuneration KSEK ³⁾	Audit Committee remuneration KSEK	Remuneration Committee remuneration KSEK	Total remuneration KSEK
Marcus Wallenberg		x	8	3	1,430		80	1,510
Håkan Buskhe			8					
Johan Forssell	x		8	6	560	135		695
Sten Jakobsson		x	8	3	610		80	690
Sara Mazur			8		560			560
Bert Nordberg ⁴⁾			6		560			560
Per-Arne Sandström	x		8	6	560	200		760
Cecilia Stegö Chilò			8		560			560
Lena Treschow Torell		x	8	3	560		135	695
Joakim Westh	x		8	6	560	135		695

¹⁾ Of a total of 8 meetings in 2016.

²⁾ Of a total of 6 meetings of the Audit Committee in 2016 and 3 meetings of the Remuneration Committee in 2016.

³⁾ Refers to the fee resolved by the Annual General Meeting 2016 for the period until the Annual General Meeting 2017. The President Håkan Buskhe does not receive a fee.

⁴⁾ Elected at the Annual General Meeting in April 2016, thereafter a total of 6 board meetings.

7 AUDITOR

On behalf of the shareholders and in accordance with current laws and regulations, the external auditor examines the financial statements, consolidated accounts, annual report, and administration and management of the company by the Board of Directors and the President, and also carries out the statutory audit of the Corporate Governance Report. In addition, the Q1, Q2 and Q3 interim reports have been reviewed by the auditor. The auditor also presents an Auditors' Report to the Annual General Meeting.

The Shareholders' Meeting elects the auditors. PricewaterhouseCoopers AB was re-elected as the auditor by the Annual General Meeting 2015, for the period 2015–2019.

PricewaterhouseCoopers (PwC)

- Elected by the Annual General Meeting 2015 for the period 2015 through the Annual General Meeting 2019.
- Bo Hjalmarsson, Authorised Public Accountant, auditor in charge as of the end of March 2016. Other audit assignments: Telefonaktiebolaget LM Ericsson and SAS AB.
- Anna-Clara af Ekenstam, Authorised Public Accountant, auditor in charge during the period January–March 2016.

PricewaterhouseCoopers AB is a member of PwC's global network in around 150 countries. PwC has competence and experience in areas important to Saab: auditing of large and listed companies, accounting issues, industry experience and practice with international business.

The Audit Committee is responsible for ensuring that the independence of the auditor is maintained, including by staying updated on ongoing consulting assignments. The Audit Committee has also established guidelines on which services other than auditing that the company may procure from its auditors. Where applicable, the Committee will also approve such services in accordance with these guidelines.

AUDIT FEES 2015-2016

Saab's auditor receives a fee according to approved invoices as resolved by the Annual General Meeting.

PwC has performed services on behalf of the company in 2016 in addition to its audit assignments by consulting on accounting and tax issues.

AUDITORS' FEES FOR THE GROUP 2015–2016

MSEK	2016	2015
Audit assignments:		
PwC	18	18
Others	3	2
Other assignments:		
PwC	5	4

THE BOARD'S REPORT ON INTERNAL CONTROL OF THE FINANCIAL REPORTING

The Board of Directors is responsible for internal control of financial reporting pursuant to the Swedish Companies Act and the Swedish Code of Corporate Governance. This report on internal control of financial reporting has been prepared pursuant to the provisions of the Swedish Annual Accounts Act.

Financial reporting

The Board of Directors documents how it assures the quality of the financial reports and communicates with the company's auditor. The Board assures the quality of the financial accounting through the Audit Committee. The entire Board reviews the interim reports before they are published. The Audit Committee follows up the internal control of the financial reporting on a regular basis. After each meeting of the Audit Committee, a report is submitted to the Board. For more information on the Audit Committee, see above.

The Audit Committee considers not only critical accounting questions and the financial reports presented by the company, but also matters of strategic importance, e.g. asset acquisitions and sales and how the company will obtain financing. It also covers issues such as internal control, regulatory compliance, any significant uncertainty in reported values, post-statement events, changes in assessments and evaluations, and other circumstances that may affect the quality of the financial statements. The auditor participated in all meetings of the Audit Committee in 2016.

The Board of Directors has met with the auditor to discuss their review of the company for the financial year 2016. The Board has also on the same occasion met with the auditor while not in the presence of the CEO or other members of the Group Management.

Internal control of financial reporting

Saab's system of internal control is designed to assist the business in achieving its strategic and financial goals by monitoring risk exposure in a structured way. Internal control of financial reporting is part of all internal control processes within Saab and is designed in accordance with the Committee of Sponsoring Organizations' (COSO) framework. Internal control of financial reporting aims to provide reasonable assurance of the reliability of the internal and external financial reporting and to ensure that it is prepared in accordance with laws, applicable accounting standards and other requirements for listed companies.

Control environment

Internal control is based on Saab's organisation, where operating responsibilities and powers are delegated to the business areas and support units, which are also supported and monitored by Group functions with specific competencies. These Group functions issue guidelines that clarify responsibilities and powers and constitute part of the internal control in specific areas such as finance, accounting, investments and tenders.

Risk assessment

Saab's operations are characterised in large part by the development, production and supply of technologically advanced hardware and software for customers around the world. Slightly more than half of sales are outside Sweden. As a rule, projects entail considerable sums of money, stretch over long periods of time and involve technological development or refinement of products.

For Saab, the material risk areas in financial reporting are project accounting, business combinations and goodwill, development costs, hedging and other financial transactions, taxes, and accounting for pensions. In addition to the risk of inaccurate financial reporting, the processes are also assessed on the basis of the risk of exposure to any improprieties.

Group Finance continuously coordinates an overall risk assessment of the financial reporting. This process involves self-assessments by

Group functions and business areas. The current risk assessment is reviewed by Saab's Internal Audit, which adjusts its annual audit plan accordingly. Information on developments in essential risk areas as well as a report on planned and executed activities in these areas are provided to Saab's Audit Committee on a regular basis. Saab's risk assessment is also communicated to Saab's external auditors on a regular basis.

Each business area designs its risk management routines and structure for internal control based on overall routines and Group guidelines. The most significant risks identified in financial reporting are managed through control structures within the business areas and Group staffs and are based on Saab's minimum requirements for good internal control in the financial reporting processes.

Information, communication and control activities

Internal control within Saab is based on clearly defined areas of responsibility and authority, Group guidelines, processes and controls. Uniform handling of financial reporting is assured by adopting and issuing Group guidelines approved by the CEO or by function managers appointed by the CEO. All Group directives are updated on an ongoing basis, are clearly communicated and are available through Saab's internal enterprise management system, which is available on the internal website.

The control activities are both manual and automated and include authorisation routines, account reconciliations, process compliance, performance analyses and qualifications.

Monitoring and evaluation

All operating units report monthly and quarterly according to a standardised routine. Quarterly reports are the basis of Saab's external financial reporting. In the operating reporting, each business area is measured in terms of profitability and financial position and consolidated to measure the Group's overall profitability and financial position. Accounting managers and controllers are in regular contact with Group Finance concerning any questions related to finance and accounting. To assist in evaluating internal control in each business area, Saab uses the previously mentioned self-assessments to identify and test key control functions in each business process.

- ⑧ The Internal Audit department, part of the internal control structure, is a dedicated resource for independent review of the effectiveness of the internal control processes. At the same time, Internal Audit supports the locally applied internal control process and the central controller staff. Together they serve as a resource for monitoring financial reporting routines.

Internal Audit's tasks are initiated by the Audit Committee or on its own initiative and then reported to the Committee. From time to time, Group Management and its members can also submit assignments to Internal Audit. The Audit Committee reports on the status of the financial controls and the self-assessment to the Board of Directors.

Activities in 2016

During 2016, controls and self-assessments were performed in accordance with Saab's framework for internal control of financial reporting. Controls were conducted repeatedly during the year and two self-assessment processes were implemented. Status reports on completed controls and the results of controls and self-assessments are an integral part of Saab's financial closing process and are reported to Group Management and the Audit Committee. The Group's Internal Audit unit and our auditors reviewed the Group's internal control work during the year.

The framework was improved in 2016, e.g. with a classification of specific controls from a risk perspective and new guidelines for reporting the results of the self-assessment process.

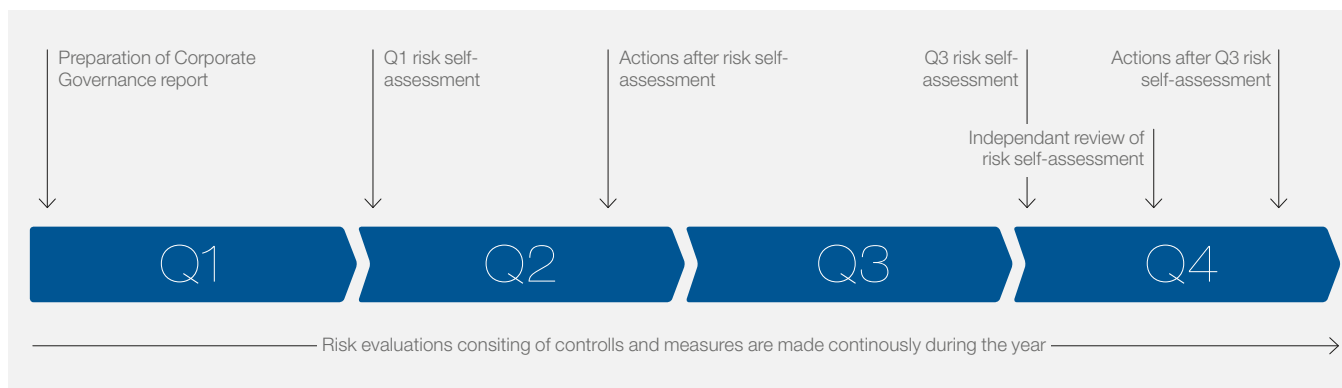
During the year, our operations in South Africa were integrated into the framework for internal control. The focus was also on increasing the number of IT controls.

Focus in 2017

In 2017, the processes within the framework for internal control of financial reporting within Human Resources will be updated. We will also work on continuous improvements to our framework for internal control and implement a web-based tool to administer and document controls and self-assessments.

In 2017, more foreign units will be integrated into the internal control process and IT controls will be improved.

THE ANNUAL ASSESSMENT PROCESS OF INTERNAL FINANCIAL CONTROLS





BOARD OF DIRECTORS

Seated from left:

GÖRAN GUSTAVSSON

Deputy Board member since 2008
President of the local trade union IF Metall at Saab AB, Linköping
Born 1953
Shares in Saab: 2,066

NILS LINDSKOG

Member of the Board since 2016 and Deputy Board member 2007-2016
Member of the Local Swedish Association of Graduate Engineers at Saab AB, Gothenburg
Born 1955
M.S.E.E. from Chalmers University of Technology
Shares in Saab: 884

CECILIA STEGÖ CHILÓ

Member of the Board since 2010
Adviser to corporate and organisational managements
Born 1959
Studies in political science and economics
Shares in Saab: 1,500

Other board commitments:

Chairman of Gotlands Bryggeri AB; Board member of Spendrups Bryggeri AB, Linköpings Universitets Holding AB, Investment AB Spiltan, Stiftelsen Yump and Centrum för Näringslivshistoria

Former employment and positions:

Vice Chairman of Fortum Värme AB; Board member of the Expo Foundation, AMF Fonder, Länsförsäkringar Liv, Linköping Universitets Holding AB and Marginalen Kredit och Finans; CEO of the Free Enterprise Foundation of Sweden and the think-tank Timbro;

Cabinet member and Head of the Ministry of Culture; Editorial writer and foreign policy commentator at Svenska Dagbladet, Commentator at Sveriges Radio, Swedish Employers' Confederation, Swedish Conservative Party

HÅKAN BUSKHE

Member of the Board since 2011
President and CEO of Saab AB
Born 1963
M.Sc., Licentiate of Engineering
Employed 2010
Shares in Saab: 47,152

Other board commitments:

Board member of Nefab AB

Former employment and positions:

Board member of Vattenfall AB and Teknikföretagen; Chairman of Green Cargo; President and CEO of E.ON Nordic AB and E.ON Sweden AB; Executive Vice President of E.ON Sweden AB; Senior Vice President of E.ON Sweden AB; CEO of Land Operations, Schenker AG, CEO Schenker North, CEO Schenker-BTL AB, CEO Storel, CEO Carlsberg och Coca-Cola Distribution AB; Production Director, Carlsberg Sweden

MARCUS WALLENBERG

Chairman of the Board since 2006
Deputy Chairman of the Board 1993-2006
Member of the Board since 1992
Member of Saab's Remuneration Committee
Born 1956
B.Sc. of Foreign Service
Lieutenant in Royal Swedish Naval Academy
Shares in Saab: 100,000

Other board commitments:

Chairman of SEB and Foundation Asset Management AB; Board member of AstraZeneca PLC, Investor AB, Temasek Holding Ltd and the Knut and Alice Wallenberg Foundation

Former employment and positions:

Chairman of Electrolux AB and LKAB; Board member of Stora Enso Oyj and EQT Holdings AB; President and CEO of Investor AB; Director, Stora Feldmühle AG, Düsseldorf; Skandinaviska Enskilda Banken, Stockholm and London; Citicorp (Hong Kong), Citibank N.A. (New York)

SARA MAZUR

Member of the Board since 2013
Vice President and Head of Ericsson Research, Ericsson AB
Born 1966
Associate Professor Electrical Engineering, Royal Institute of Technology (KTH); Ph.D., Electrical Engineering, KTH; M.Sc., Electrical Engineering, KTH; Honorary Doctorate, Luleå University of Technology
Shares in Saab: 1,300

Other board commitments:

Vice Chair of Wallenberg Autonomous System and Software Program (WASP); Member of the Board of Combiant AB, Nobel AB and SICS North Swedish ICT AB and the Royal Swedish Academy of Engineering Sciences (IVA), Division XI - Education and Research

Former employment and positions:

Vice President of System Management, Business Unit Networks, Ericsson AB; Director of Wireless Access Networks Research, Ericsson Research, Ericsson AB; Board member of the School and the Strategic Advisory Board of Electrical Engineering, KTH; Integrated Transport Research Lab and Wireless@KTH

BERT NORDBERG

Member of the Board since 2016
Chairman of Vestas Wind Systems A/S
Born 1956
Engineer
Shares in Saab: 8,500

Other board commitments:

Board member of AB Electrolux, Svenska Cellulosa Aktiebolaget (SCA), Skistar and Axis AB

Former employment and positions:

Chairman of Imagination Technologies Group Plc, Sony Mobile Communications AB; Chairman and CEO of Sony Ericsson Communicator AB; various senior positions within the Ericsson group, Data General Corporation and Digital Equipment Corporation

MAGNUS GUSTAFSSON

Deputy Board member since 2016
President of the Local Swedish Association of Graduate Engineers at Saab AB in Linköping/Tannefors
Born 1965
M.Sc. in Applied Physics and Electrical Engineering, Linköping Institute of Technology
Shares in Saab: 464

STEFAN ANDERSSON

Employee representative since 2008
President of the Local Salaried Employees' union, Unionen, at Saab Dynamics AB, Linköping
Born 1974
B.Sc.
Shares in Saab: 2,897



Seated from left:

TINA MIKKELSEN

Deputy Board member since 2016
 President of the Local Salaried Employees' union, Unionen, at Saab AB, Järfälla
 Born 1973
 Electrical Engineer, Stockholms Tekniska Institut (STI)
 Shares in Saab: 1,915

JOAKIM WESTH

Member of the Board since 2010
 Board member of Saab's Audit Committee
 Born 1961
 M.Sc. in Aeronautics, Royal Institute of Technology (KTH); M.Sc. in Aerospace Engineering, Massachusetts Institute of Technology (MIT)
 Shares in Saab: 8,000

Other board commitments:

Board member of CGI Group Inc., Absolut Group AB, Swedish Match AB and Arcam AB

Former employment and positions:

Chairman of EMA Technology AB and Absolut AB; Board member of Intrum Justitia AB, Rönvik Timber AB, Telelogic AB and VKR Holding A/S; Deputy Board member of Sony Ericsson Mobile Communications AB; Senior Vice President, Group Function Strategy & Operational Excellence, LM Ericsson AB and member of the Group Management Team, LM Ericsson AB; Group Vice President and member of the Executive Management Group, Assa Abloy AB; Partner; McKinsey & Co. Inc.

JOHAN FORSSELL

Member of the Board since 2010
 Member of Saab's Audit Committee
 President and CEO of Investor AB
 Born 1971
 M. Sc. in Economics and Business Administration, Stockholm School of Economics
 Shares in Saab: 7,000

Other board commitments:

Board member of Atlas Copco, Investor AB, Patricia Industries and EQT Holdings AB

Former employment and positions:

Director, Investor AB, Head of Core Investments, Project Manager at Aleris AB; Head of Research, Head of Capital Goods and Healthcare Sector, Head of Capital Goods Sector and Analyst Core Holdings, Investor AB

LENA TRESCHOW TORELL

Member of the Board since 2005
 Chairman of Saab's Remuneration Committee
 Born 1946
 Professor in Physics, Ph.D.
 Shares in Saab: 5,400

Other board commitments:

Board member of Investor AB and SKF AB, Chairman of Chalmers University of Technology

Former employment and positions:

Deputy Chairman of ÅF AB; President and Chairman of the Royal Swedish Academy of Engineering Sciences (IVA); Board member of Getinge AB, Telefonaktiebolaget L M Ericsson, Gambro AB and Micronic Mydata AB; Chairman of the European Council of Applied Sciences, Technologies and Engineering (Euro-

CASE) and the Foundation for Strategic Environmental Research (MISTRA); Director, Joint Research Centre, European Commission (Brussels); Vice President, Chalmers, Gothenburg; Professor of Material Physics at Chalmers, Gothenburg; Professor of Solid State Physics, University at Uppsala

STEN JAKOBSSON

Member of the Board since 2008 and Deputy Chairman since 2010
 Member of Saab's Remuneration Committee
 Born 1949
 M.Sc. in Engineering
 Shares in Saab: 5,500

Other board commitments:

Chairman of Power Wind Partners AB and LKAB; Board member of Stena Metall AB, FLSmidth A/S and Xylem Inc.

Former employment and positions:

President and CEO of ABB, Sweden; Executive Vice President of Asea Brown Boveri AB, Sweden; Business Area Manager, Business Area Cables; President of ABB Cables AB, President of Asea Cylinder, Production Manager for Asea Low Voltage Division, Asea central staff – Production trainee

PER-ARNE SANDSTRÖM

Member of the Board since 2005
 Chairman of Saab's Audit Committee
 Born 1947
 Upper secondary engineering school
 Shares in Saab: 3,000

Former employment and positions:

Deputy CEO and COO of Telefonaktiebolaget L M Ericsson; President and CEO, Ericsson Inc., USA; Vice President and General Manager, Business Unit GSM,

Ericsson Radio Systems AB; Executive Vice President and Managing Director, Cellular Systems, Ericsson Ltd, UK; Vice President and General Manager, GSM Western Europe, Ericsson Radio Systems AB; Vice President and General Manager, Airborne Radar Division, Ericsson Microwave Systems AB; Department Manager, Naval Command and Control Systems, Ericsson Microwave Systems AB; Board member of TeliaSonera

CONNOR HOLM

Employee representative since 2008 and Deputy Board member 1995–2008
 President of the local trade union IF Metall at Avionics Systems, Jönköping
 Born 1947
 Upper secondary engineering education
 Shares in Saab: 1,726

AUDITORS

PricewaterhouseCoopers AB

BO HJALMARSSON

Authorised Public Accountant, auditor in charge.

ANNA-CLARA AF EKENSTAM

Authorised Public Accountant, auditor in charge through end of March 2016

Information on shareholdings includes holdings of closely affiliated natural persons and legal entities, where applicable.



GROUP MANAGEMENT

LENNART SINDAHL

Senior Advisor to the CEO
Born 1956
M.Sc. in Engineering
Employed 1986
Shares in Saab: 22,275

SEBASTIAN CARLSSON

Senior Vice President and Head
of Group Communication
Born 1984
Employed 2012
Shares in Saab: 0

DAN JANGBLAD

Senior Vice President and Head of
Business Area Industrial Products
and Services
Born 1958
M.Sc. in Engineering
Employed 2000
Shares in Saab: 25,293

GÖRGEN JOHANSSON

Senior Vice President and Head
of Business Area Dynamics
Born 1964
MBA
Employed 2004
Shares in Saab: 5,963

ANNIKA BÄREMO

Senior Vice President and Head of Group
Legal Affairs, General Counsel, Secretary
of the Board of Directors
Born 1964
LLB
Employed 2012
Shares in Saab: 5,245

MAGNUS ÖRNBERG

Executive Vice President and
Chief Financial Officer (CFO)
Born 1965
MBA
Employed 2012
Shares in Saab: 8,535



MICAEL JOHANSSON

Deputy CEO, Senior Executive Vice President
 Born 1960
 B.Sc.
 Employed 1985
 Shares in Saab: 7,557

HÅKAN BUSKHE

President and Chief Executive Officer (CEO)
 Member of the Board of Saab AB since 2011
 Born 1963
 M.Sc., Licentiate of Engineering
 Employed 2010
 Shares in Saab: 47,152

ANN-KRISTIN ADOLFSSON

Senior Vice President and Chief Strategy Officer, Head of Group Strategy
 Born 1962
 MBA
 Employed 1986
 Shares in Saab: 1,909

GUNNAR WIESLANDER

Senior Vice President and Head of Business Area Kockums
 Born 1962
 Naval Officer
 Employed 2015
 Shares in Saab: 189

LENA ELIASSON

Senior Vice President and Head of Group Human Resources
 Born 1967
 M.Sc. in Engineering
 Employed 2012
 Shares in Saab: 7,983

ANDERS CARP

Senior Vice President and Head of Business Area Surveillance
 Born 1971
 Employed 2001
 Shares in Saab: 2,496

JONAS HJELM

Senior Vice President and Head of Business Area Support and Services
 Born 1971
 Employed 2006
 Shares in Saab: 9,616

Missing from photo:

ULF NILSSON

Senior Vice President and Head of Business Area Aeronautics
 Born 1964
 M.Sc. in Engineering
 Employed 1989
 Shares in Saab: 6,131

The following changes in Group Management took effect on 1 January 2017

Micael Johansson, former Head of Business Area Surveillance, became the new Deputy CEO and Senior Executive Vice President. Anders Carp became the new Head of Business Area Surveillance, Gunnar Wieslander became the Head of Business Area Kockums, Sebastian Carlsson became the Head of Group Communication and Lennart Sindahl, former Deputy CEO, became Senior Advisor to the CEO and stepped down from Group Management.

AUDITOR'S REPORT

To the general meeting of the shareholders of Saab AB (publ), corporate identity number 556036-0793.

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Saab AB (publ) for the year 2016 except for the corporate governance statement on pages 70–79. The annual accounts and consolidated accounts of the company are included on pages 56–139 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2016 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2016 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corpo-

rate governance statement on pages 70–79. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the income statement and statement of financial position for the group.

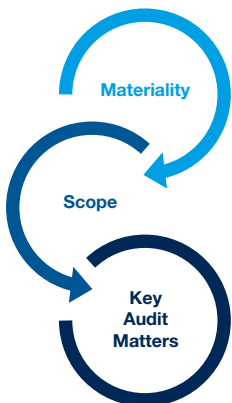
Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

OUR AUDIT APPROACH

Overview



- We have used an overall materiality of MSEK 90 in our audit representing approximately five percent of operating profit.
- In our audit we have focused on the operations in the parent company Saab AB and the subsidiaries Saab Dynamics AB and Saab Kockums AB. In addition units in Australia, South Africa, USA and the Netherlands has been subject to review procedures.
- A significant part of Saab's reported revenue derive from long term contracts where management's estimates and assumptions are critical for recognition of revenue as well as cost of goods sold. In addition to the income items, several balance sheet items are affected by the assumptions and judgments made related to the long term contracts. A significant part of our audit is focused on the review of large projects.

A significant part of Saab's revenue and result is derived from long term customer contracts including substantial development and customization for specific customers, which are associated with technical and commercial risks. Revenue and income is in many projects recognised using percentage of completion, which as such are based on management's estimates and measurement of percentage of com-

pletion, estimated profit margin as well as total costs and risks.

This requires a high level of project control and monitoring to be able to, at any given time confirm the assumptions and estimates for project cost and revenue to give a satisfying base for recognizing revenue and income. In many cases the customer contracts have a significant element of integration with

the customer and sub-contractors why the financial outcome is not only dependent on Saab's own activities but other parties as well.

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls and the specific circumstances in larger customer projects.

A significant part of the Saab Group's operation is carried out in the parent company Saab AB. In addition substantial parts of the operation is carried out in the subsidiaries Saab Dynamics AB and Saab Kockums AB in Sweden. These units are included in the audit of the group. Foreign operations of some importance for the financial reporting is carried out in Australia, South Africa, USA and the Netherlands. In these entities our audit is focused on

project oriented parts of the financial reporting.

Beside the audit of the consolidated accounts and the annual report we perform limited reviews of Saab's interim reports for the first, second and third quarter. These quarterly procedures help us to consciously understand changes in conditions, especially for long term contracts, affecting the financial reporting

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the [consolidated] financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall [group] materiality for the [consolidated] financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Group Materiality	MSEK 90
How we determined it	Approximately five percent of operating profit
Rationale for the materiality benchmark applied	We chose operating profit as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose five percent which in auditing standards is a generally accepted benchmark.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual

accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. A considerable part of the operations in the Saab Group is carried out in the parent company, Saab AB. The key audit matters described below is applicable for both the group and the parent company.

Key audit matter

Long term customer contracts

Revenue and income is in many projects recognised using percentage of completion, which as such are based on management's estimates and measurement of percentage of completion, estimated profit margin as well as total costs and risks. If a project is expected to be in a loss position, the loss is recognised as soon as it can be determined.

Percentage of completion and the income recognised can be based on cost incurred, milestones reached or units delivered.

The financial reporting risk in the financial reporting is that revenue and income recognised, not correctly reflect Saab's stage of completion in the long term customer contracts and that the risks in the contracts deviate from actual outcome, which can result in revenue being recognised at wrong margin. This in turn might lead to cut off errors in revenue and cost.

Accounting for long term customer contracts also, besides revenue and cost of goods sold, affect balance sheet items such as receivables from customers, inventory and provision for loss contracts.

In the annual report risk related to long term contracts are described on page 67 to 68 and in the notes to the financial statements (note 2 and 5) the accounting principles are described in more detail.

How our audit addressed the Key audit matter

Saab has implemented processes, methods and controls to account for and monitor the long term customer contracts from tender, through execution and completion. These processes include among other project organisation, documentation, financial reviews and reporting as well as guidance on application of the accounting principles. This is further described in the annual report on page 67 and 68.

In our audit we have evaluated the design of these processes, methods and controls and tested that they work as designed. In this testing we have focused on the following:

- Test of monitoring controls on business area, business unit of where applicable on product level.
- Test of transaction controls for accounting for cost incurred related to long term customer contracts for procurement and time reporting to projects.
- Test that project reviews and documentation has been approved according to methods applied within Saab.

We have further selected a sample of long term customer contracts for substantive testing. Our sample is based on quantitative and qualitative factors where we have selected long term contracts that are material from contract value, revenue recognised or risk in residual cost to complete.

For the selected contracts we have in detail obtained an understanding for the project though, among other procedures, review of contract clauses, project plans, analysis of stage of completion and contract forecasts. Each quarter we review the projects together with the project leader, the project controller or similar. In these reviews we perform the following procedures focusing on whether significant risks are reasonably accounted for:

- We inspect management's assessment of the project execution and how this affect the financial reporting. This includes total contract value, level of completion, method for recognising stage of completion, cost incurred and estimated remaining cost.
- We reconcile management's assessment to underlying documentation and compare this with previous quarters.
- We reconcile financial information between reports and systems and recalculate calculations.

In these reviews we use our knowledge about Saab and how similar long term contracts have been treated to discuss and ask questions and challenge management's estimates and judgements. We also assess consistent application of accounting principles between contracts with similar circumstances. In this we also test items reported as work in progress. We test them from both quantitative and qualitative aspects and assess whether they are accounted for under Saab's accounting policies.

This year Gripen E Sweden, Gripen NG Brazil and Air born surveillance United Arab Emirates have been of specific interest in our audit:

For specific contracts we have from time to time observations related to both amounts and judgement that we report to management and the audit committee. The projects complexity and judgments involved mean that the amounts recognized by nature is affected by uncertainty where future outcome can deviate significantly from management's judgments.

OTHER INFORMATION THAN THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–55 and 146–149. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

AUDITOR'S RESPONSIBILITY

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or condi-

tions may cause a company and a group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Saab AB (publ) for the year 2016 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

BASIS FOR OPINIONS

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

AUDITOR'S RESPONSIBILITY

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

THE AUDITOR'S EXAMINATION OF THE CORPORATE GOVERNANCE STATEMENT

The Board of Directors is responsible for that the corporate governance statement on pages 70–79 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm 3 March 2017
PricewaterhouseCoopers AB

Bo Hjalmarsson
Authorized public accountant