

CONTINUED GROWTH

During 2016 we saw growing turmoil around the world as a consequence of the geopolitical landscape. This resulted in increased demand for cost-efficient defence and security systems. The need for shorter lead times increased as well. Saab continues against this backdrop to focus on developing its business, improving efficiencies and delivering on our order backlog. We achieved organic sales growth of 5 per cent in 2016, in line with our long-term goal.

Already in 2015 sales increased after several years of significant investment in the development of new products and the creation of a new marketing organisation.

Order bookings

Order bookings were lower in 2016 than in 2015, when the company received orders for the new version of Gripen to Brazil, a new generation of its airborne surveillance system, GlobalEye, and development of the A26 submarine. The order intake of smaller orders below MSEK 100 in 2016 was good with an increase of 3 per cent compared to 2015. The business area Dynamics strengthened its order backlog in 2016 in part through orders for the latest version of the Carl-Gustaf man-portable weapon system and the RBS 70 air defence system.

In the fourth quarter, order bookings were somewhat lower than anticipated, as a major order in airborne surveillance systems was delayed until January 2017.

Progress in development projects

Important steps were taken in 2016 in several of the company's major projects. In February, Saab presented GlobalEye.

In May, Saab revealed the new version of Gripen and in September, Boeing and Saab presented the first two aircraft for the U.S. Air Force's T-X competition. The new trainer's first flight was in December.

Together with LfV, the Swedish air navigation service provider, Saab established a joint company during the year to develop market and operate remote air traffic control systems. There is great interest in these solutions around the world.

Strong cash flow

Operating income amounted to MSEK 1,797 (1,900) with an operating margin of 6.3 per cent (7.0). Adjusted for non-recurring items, operating income amounted to MSEK 1,782 in 2015 and the operating margin was 6.6 per cent. Today several major projects are in an early stage where they in most cases generate lower profits.

Development of a new jet trainer together with Boeing has also affected operating income. The business areas Dynamics and Surveillance saw improvements in operating income thanks to increased deliveries and a change in product mix.

A high priority in 2016 was the completion of the big development projects in the order backlog, which will continue in 2017.

Operational cash flow was strong and amounted to MSEK 2,603 (-500), despite the fact that no receivables had been sold at the year-end 2016. Cash flow was bolstered by payments related to major projects during the year, as well as by a high level of activity in the business area Dynamics.

Earnings per share after dilution amounted to SEK 10.60 (12.79).

The Board of Directors proposes a dividend for 2016 of SEK 5.25 per share (5.00).

Further growth

The order backlog strengthened in the business area Dynamics in 2016. At year-end, all business areas had a strong order backlog, which puts us in a good position for a continued journey of growth in 2017.

YEAR-END REPORT JANUARY-DECEMBER 2016



Håkan Buskhe, President and CEO

OUTLOOK STATEMENT FOR 2017:

- We estimate that sales growth in 2017 will be higher than Saab's long-term financial goal: annual organic sales growth of 5 per cent.
- We expect the operating margin, excluding material non-recurring items, to improve compared to 2016 and thus the company will take a step towards its financial goal: an operating margin of 10 per cent.

Financial highlights

MSEK	Full Year 2016	Full Year 2015	Change, %	Q4 2016	Q4 2015
Order bookings	21,828	81,175	-73	6,868	18,576
Order backlog	107,606	113,834	-5		
Sales	28,631	27,186	5	9,016	10,070
Gross income	6,883	6,486	6	2,451	2,530
Gross margin, %	24.0	23.9		27.2	25.1
EBITDA	2,743	2,859	-4	1,206	1,600
EBITDA margin, %	9.6	10.5		13.4	15.9
Operating income (EBIT)	1,797	1,900	-5	960	1,347
Operating margin, %	6.3	7.0		10.6	13.4
Net income	1,175	1,402	-16	639	1,109
Earnings per share after dilution, SEK	10.60	12.79		5.82	10.32
Return on equity, % ¹⁾	9.0	11.5			
Operational cash flow	2,603	-500		681	653
Free cash flow	2,359	-726		619	869
Free cash flow per share after dilution, SEK	22.07	-6.82		5.78	8.15

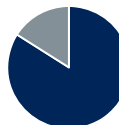
1) Return on equity is measured over a rolling 12-month period.



Large orders
Orders exceeding MSEK 100 accounted for 45% (86) of total orders in 2016.

Order backlog duration:

2017: SEK 24.5 billion
2018: SEK 17.0 billion
2019: SEK 13.5 billion
2020: SEK 15.8 billion
After 2020: SEK 36.8 billion

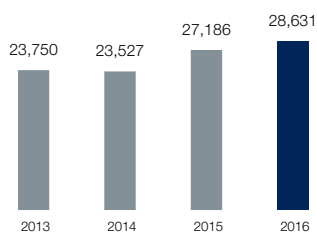


Defence/Civil
A total of 84 per cent (95) of order bookings was attributable to defence-related operations in 2016.



Market
A total of 59% (80) of order bookings was related to markets outside Sweden during 2016.

Sales, MSEK



Orders

Fourth quarter 2016

Saab received a number of major orders, including several from Swedish Defence Material Administration (FMV) related to the Gripen programme totalling MSEK 964 during the quarter.

January-December 2016

In January, a contract was signed for the production and delivery of ammunition for the Carl-Gustaf man-portable weapon system. The total order value was approximately SEK 1.4 billion. Deliveries will take place during the period 2016-2019.

Saab received an order during the year in airborne surveillance systems (AEW&C) for about SEK 1.1 billion. Deliveries will take place during the period 2016-2018.

FMV placed an order for the development and production of the New Lightweight Torpedo system with a total value of approximately SEK 1.5 billion. The order comes under the terms of the Letter of Intent between Saab and FMV announced on 9 June 2014 to support the Swedish Armed Forces' underwater capabilities during the period 2015-2024. Saab also received an order for the RBS 70 NG VSHORAD (Very Short Range Air Defence System), the latest version of the RBS 70, for MSEK 378.

In total, Saab received orders of SEK 21.8 billion during 2016 of which SEK 12.0 billion (11.7 billion) was from orders of less than MSEK 100, an increase of 3 per cent compared to 2015.

For a list of significant orders received during 2016, see note 3.

During 2016, index and price changes had a positive effect on order bookings of MSEK 545 compared to MSEK 183 during 2015.

The order backlog at the end of the year amounted to MSEK 107,606 compared to MSEK 113,834 at the beginning of the year.

Sales

Fourth quarter 2016

Sales during the fourth quarter amounted to MSEK 9,016 (10,070). The sales increase in the fourth quarter 2015 was partly attributable to an order for an airborne surveillance system where preparation work was recognised as sales upon signing of the contract.

January-December 2016

Sales during the year amounted to MSEK 28,631 (27,186). The increase is mainly related to large projects and to stronger orders in the business area Dynamics.

Sales in markets outside Sweden amounted to MSEK 16,242 (15,787), or 57 per cent (58) of total sales; 83 per cent (82) of sales was related to the defence market.

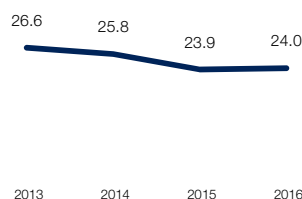
Sales growth

Per cent	Full Year 2016	Full Year 2015	Q4 2016	Q4 2015
Organic sales growth	5	11	-11	35
Acquisitions	-	3	-	-
Currency effects regarding revaluation of foreign subsidiaries	-	2	1	1
Total sales growth	5	16	-10	36

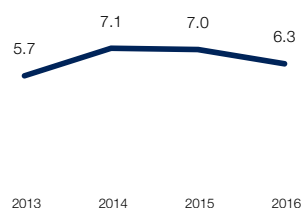
Sales per market segment

MSEK	Full Year 2016	Full Year 2015	Change, %
Air	12,787	12,642	1
Land	6,453	5,581	16
Naval	4,897	4,286	14
Civil Security	1,987	2,127	-7
Commercial Aeronautics	1,987	2,096	-5
Other	520	454	15
Total	28,631	27,186	5

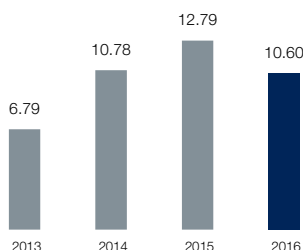
Gross margin, %



Operating margin, %



Earnings per share after dilution, SEK



Income

Fourth quarter 2016

The gross margin during the fourth quarter of 27.2 per cent (25.1) improved due to a change in product mix and improved margins in most business areas.

Operating income amounted to MSEK 960 (1,347) with an operating margin of 10.6 per cent (13.4). In the fourth quarter 2015, an order for an airborne surveillance system was received where preparation work was recognised as operating income upon signing of the contract. This contributed to a strong operating margin in the period for the business areas Surveillance and Support and Services. Adjusted for non-recurring items, operating income amounted to MSEK 1,229 in the fourth quarter 2015 and the operating margin was 12.2 per cent.

January-December 2016

The gross margin of 24.0 per cent (23.9) was in line with 2015.

Total depreciation and amortisation amounted to MSEK 946 (959). Depreciation of tangible fixed assets amounted to MSEK 493 (451).

Total expenditures in research and development (R&D) amounted to MSEK 7,421 (6,841). Internally funded R&D expenditures amounted to MSEK 2,065 (1,765), of which MSEK 784 (524) was capitalised. The increased capitalisation of development costs is related to GlobalEye. Internally funded R&D expenditures are mainly related to radar and sensor technology as well as to the T-X program.

Amortisation of intangible fixed assets amounted to MSEK 453 (508), of which amortisation of capitalised development expenditures amounted to MSEK 311 (323). The share of income in associated companies and joint ventures amounted to MSEK -38 (40), mainly related to a lower result within the minority portfolio, where Saab owns shares in companies in various stages of development. The portfolio is managed within the business area Industrial Products and Services.

Operating income amounted to MSEK 1,797 (1,900) with an operating margin of 6.3 per cent (7.0). The business areas Dynamics and Surveillance saw improvements in operating income due to increased deliveries and a change in product mix. In 2015, an order for an airborne surveillance system was received where preparation work was recognised as operating income upon signing of the contract. This contributed to a strong operating margin for the business areas Surveillance and Support and Services.

Adjusted for non-recurring items, operating income amounted to MSEK 1,782 in 2015 and the operating margin was 6.6 per cent.

During 2015, the reversal of risk provisions for the remaining risks related to the termination of Saab's leasing fleet of turbo prop aircraft (SAL) positively contributed to operating income.

Financial net

MSEK	Full Year 2016	Full Year 2015
Financial net related to pensions	-60	-64
Net interest items	-76	-79
Currency gains/losses	-11	-118
Other financial items	-39	92
Total	-186	-169

The financial net related to pensions is the financial cost for net pension obligations recognised in the balance sheet. See note 11 for more information regarding defined-benefit pension plans.

Net interest items refer to the return on liquid assets and short-term investments and to interest expenses on short- and long-term interest-bearing liabilities as well as realised derivative results.

Currency gains/losses recognised in the financial net are mainly related to hedges of the tender portfolio, which are valued at fair value through profit and loss.

Other net financial items consist of costs attributable to the programme to sell trade receivables, unrealised results from the market valuation of short-term investments and derivatives, and other currency effects, e.g., changes in liquid assets in currencies other than SEK. Derivatives are used to reduce interest rate risk in the investment portfolio, consisting of long-term interest-bearing securities.

In December 2015, Saab divested its holding in the Indian company Pipavav Defence and Offshore Engineering Company Limited. The divestment resulted in a capital gain of MSEK 117, which was recognised in other financial items.

Tax

Current and deferred taxes amounted to MSEK -436 (-329), equivalent to an effective tax rate of 27 per cent (19). A revaluation of deferred tax assets during the year led to a higher tax rate in 2016. The lower rate in 2015 is mainly due to tax-exempt income, such as capital gains.

Return on capital employed and equity

The pre-tax return on capital employed was 8.9 per cent (11.2) and the after-tax return on equity was 9.0 per cent (11.5), both measured over a rolling 12-month period.

Change in net debt 2016

	MSEK
Net liquidity (+) / net debt (-), 31 Dec 2015	-3,217
Cash flow from operating activities	4,154
Change in net pension obligation	-531
Net investments	-1,745
Sale of subsidiaries and acquisitions of operations	28
Dividend	-530
Currency impact and unrealised results from financial investments	5
Net liquidity (+) / net debt (-), 31 Dec 2016	-1,836

Financial position and liquidity

As of 31 December 2016, net debt amounted to MSEK 1,836, a decrease of MSEK 1,381 compared to year-end 2015, when net debt amounted to MSEK 3,217.

Cash flow from operating activities amounted to MSEK 4,154.

Net provisions for pensions, excluding the special employers' contribution, amounted to MSEK 2,424 as of 31 December 2016 compared to MSEK 1,893 at year-end 2015. This had a negative impact on net debt of MSEK 531. The increase in provisions is mainly due to the reduction in the discount rate used in the valuation of pension obligations to 2.75 per cent from 3.25 per cent during the year. The inflation assumption for calculating the pension obligation was 1.75 per cent, in line with the assumption at year-end 2015. For more information on Saab's defined-benefit plans, see note 11.

During the year, net investments amounted to approximately MSEK 1,745, with capitalised internally funded R&D expenditures amounting to MSEK 784.

Sale of subsidiaries and acquisitions of operations reduced net debt by MSEK 28. In addition, a dividend of MSEK 530 was paid to the Parent Company's shareholders.

Currency exchange rate differences in liquid assets and unrealised results from financial investments had a positive impact on net debt of MSEK 5.

As of 31 December 2016, short-term investments and liquid assets amounted to MSEK 5,944 compared to MSEK 3,845 at year-end 2015. The increase is mainly attributable to advances from customers during the year.

Capitalised development costs on the balance sheet amounted to MSEK 1,652 as of 31 December 2016 compared to MSEK 1,157 as of 31 December 2015. The increase is mainly related to GlobalEye.

Inventories increased by MSEK 1 417 during 2016, mainly due to preparations for deliveries on major projects during 2017.

Tangible fixed assets amounted to MSEK 4,811, an increase of approximately MSEK 400 compared to year-end 2015. The increase is mainly attributable to investments in real estate.

Accounts receivable amounted to MSEK 5,402 as of 31 December 2016 and to MSEK 2,913 as of 31 December 2015. Receivables from customers amounted to MSEK 6,222 as of 31 December 2016 and to MSEK 7,549 as of 31 December 2015. The decrease is mainly attributable to payments received on orders for GlobalEye and Gripen.

Capital expenditures

The cash flow effect of capital expenditures in tangible fixed assets amounted to MSEK 807 (799).

Investments in intangible fixed assets amounted to MSEK 882 (594), of which MSEK 784 (524) was related to capitalised development costs and MSEK 98 (70) to other intangible fixed assets.

Key indicators of financial position and liquidity

MSEK	31 Dec 2016	31 Dec 2015	Change
Net liquidity / debt ¹⁾	-1,836	-3,217	1,381
Intangible fixed assets	7,094	6,476	618
Goodwill	5,196	5,045	151
Capitalised development costs	1,652	1,157	495
Other intangible fixed assets	246	274	-28
Tangible fixed assets, etc ²⁾	5,135	4,796	339
Inventories	6,660	5,243	1,417
Accounts receivable	5,402	2,913	2,489
Other receivables	6,821	8,102	-1,281
Amounts due from customers ³⁾	6,222	7,549	-1,327
Advance payments from customers	5,161	1,098	4,063
Equity/assets ratio, %	32.3	36.8	
Return on equity, %	9.0	11.5	
Equity per share, SEK ⁴⁾	123.64	121.28	2.36

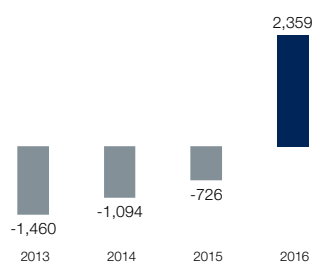
1) The Group's net liquidity/debt refers to liquid assets, short-term investments and interest-bearing receivables less interest-bearing liabilities and provisions for pensions excluding provisions for pensions attributable to special employers' contribution. For a detailed break-down of interest-bearing receivables and interest-bearing liabilities, see note 6.

2) Including tangible fixed assets, biological assets and investment properties.

3) Amounts due from customers relate to long-term customer contracts according to the percentage of completion method.

4) Number of shares excluding treasury shares; 2016 Dec: 106,405,523; 2015 Dec: 105,957,065.

Free cash flow, MSEK



Cash flow

Cash flow from operating activities excluding taxes and other financial items amounted to MSEK 4,348 (886), see note 9.

Saab has an established programme to sell trade receivables to strengthen its financial position and increase financial flexibility. As of 31 December 2016, no receivables had been sold, compared to MSEK 1,299 as of 31 December 2015. This had a negative impact on cash flow from operating activities of MSEK 1,299 during 2016. Saab's aim is to utilise this programme in situations where greater financial flexibility is needed.

Operational cash flow amounted to MSEK 2,603 (-500). It is defined as cash flow from operating activities excluding taxes and other financial items, as well as acquisitions and divestments of intangible and tangible fixed assets. The strong operational cash flow in 2016 compared to 2015 is mainly due to advances from customers related to the Gripen programmes and the order for GlobalEye. Free cash flow amounted to MSEK 2,359 (-726). For more detailed information on cash flow, see note 9.

	Total Group Full year 2016	Total Group Full year 2015
Cash flow from operating activities before changes in working capital, excluding taxes and other financial items	2,927	2,706
Change in working capital	1,421	-1,820
Cash flow from operating activities excluding taxes and other financial items	4,348	886
Cash flow from investing activities ¹⁾	-1,745	-1,386
Operational cash flow	2,603	-500
Taxes and other financial items	-194	-528
Sales and acquisitions	-50	302
Free cash flow	2,359	-726

1) Cash flow from investing activities excluding change in short-term investments and other interest-bearing financial assets and excluding sale of and investment in financial assets, investments in operations and sale of subsidiaries. If investments in and sale of financial fixed assets are considered to be of operating nature, the item is included in investing activities.

Operating segments

Comparative numbers for 2015 have been restated due to structural changes. Comparative numbers for 2014 and 2015 are available at saabgroup.com/Investor-relations. Business area Electronic Defence Systems' name was changed to Surveillance in April 2016. As of 1 January 2017 the business unit Saab Kockums is a business area and has changed name to Kockums. For more information, see note 3.

BUSINESS AREA AERONAUTICS

Aeronautics is a world-leading manufacturer of innovative aerial systems and is engaged in development of military aviation technology.

MSEK	Full Year 2016	Full Year 2015	Change, %	Q4 2016	Q4 2015
Order bookings	1,789	39,349	-95	1,079	2,999
Order backlog	54,127	59,476	-9		
Sales	7,138	6,262	14	2,215	2,114
EBITDA	576	548	5	226	315
EBITDA margin, %	8.1	8.8		10.2	14.9
Operating income (EBIT)	535	509	5	215	305
Operating margin, %	7.5	8.1		9.7	14.4
Operational cash flow	435	-632		347	-280
Defence/Civil (% of sales)	99/1	99/1		99/1	99/1
No. of FTE's	2,932	2,723	8		

Sales, income and margin

- Sales increased in 2016 compared to 2015. The increase mainly relates to activities as part of the Gripen NG project for Brazil, which was ordered in the third quarter of 2015.
- During 2016 and 2015, major investments were made in the T-X program, which had a negative impact on the operating margin. Smaller investments will continue in 2017.
- In December 2015, Saab and UMS Aero Group AG formed a joint venture, UMS Skeldar AG, which resulted in a capital gain of MSEK 117.

Cash flow

- Aeronautics received larger advances and milestone payments in 2016, which led to a positive cash flow for the year.



Large orders

Order exceeding MSEK 100 accounted for 41% (98%) of total orders in 2016.



Market

Sales in markets outside Sweden amounted to 31% (26%) during 2016.

Business units

Gripen E/F, Gripen C/D, Gripen Brazil, Advanced Pilot Training Systems and Operations Contracts.

BUSINESS AREA DYNAMICS

Dynamics offers a market-leading product portfolio comprising ground combat weapons, missile systems, torpedoes, unmanned underwater vehicles, training systems and signature management systems for armed forces around the world.

MSEK	Full Year 2016	Full Year 2015	Change, %	Q4 2016	Q4 2015
Order bookings	6,680	5,273	27	1,507	1,110
Order backlog	8,031	6,284	28		
Sales	4,927	4,009	23	2,036	1,555
EBITDA	522	249	110	398	316
EBITDA margin, %	10.6	6.2		19.5	20.3
Operating income (EBIT)	447	175	155	374	294
Operating margin, %	9.1	4.4		18.4	18.9
Operational cash flow	282	-101		181	512
Defence/Civil (% of sales)	94/6	89/11		95/5	94/6
No. of FTE's	2,094	2,041	3		

Orders

- During 2016, Dynamics received an order for production and delivery of ammunition for the man-portable weapon system Carl-Gustaf. The total order value was approximately SEK 1.4 billion. An order was also received for the latest version of Saab's air-to-surface missile, RBS 70 NG VSHORAD (Very Short Range Air Defence System).
- FMV ordered the development and production of the New Lightweight Torpedo system for the Swedish Armed Forces with a total value of SEK 1.5 billion.
- During the fourth quarter, Saab signed a contract for delivery of the new Carl-Gustaf M4 multi-role weapon system. This is Saab's fourth customer for the system since its launch in late 2014.

Sales, income and margin

- Sales increased in 2016 compared to 2015 due to strong order bookings in both 2015 and 2016.
- The operating margin improved in 2016 compared to 2015 as a result of increased deliveries and a change in product mix.

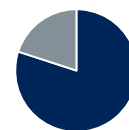
Cash flow

- Operational cash flow was positive in 2016 as a result of advances and milestone payments as well as completed deliveries.



Large orders

Order exceeding MSEK 100 accounted for 61% (48%) of total orders in 2016.



Market

Sales in markets outside Sweden amounted to 80% (82%) during 2016.

Business units

Ground Combat, Missile Systems, Underwater Systems, Barracuda and Training and Simulation.

BUSINESS AREA SURVEILLANCE

Surveillance's product portfolio includes airborne, land-based and naval radar systems, electronic warfare systems, combat systems and C4I solutions as well as traffic management systems.

MSEK	Full Year 2016	Full Year 2015	Change, %	Q4 2016	Q4 2015
Order bookings	5,993	15,456	-61	2,167	7,738
Order backlog	16,415	17,707	-7		
Sales	7,659	7,305	5	2,224	2,613
EBITDA	940	820	15	350	444
EBITDA margin, %	12.3	11.2		15.7	17.0
Operating income (EBIT)	449	320	40	231	318
Operating margin, %	5.9	4.4		10.4	12.2
Operational cash flow	1,865	-49		105	241
Defence/Civil (% of sales)	82/18	81/19		82/18	86/14
No. of FTE's	3,963	3,563	11		

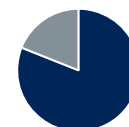
Orders

- During 2016, Surveillance and Support and Services received an order in the Airborne Early Warning and Control (AEW&C) segment amounting to about SEK 1.1 billion, of which MSEK 687 was related to Surveillance.
- The Australian government placed an order for the sustainment of the combat system on the Royal Australian Navy's ANZAC-class frigates.
- During the fourth quarter, the Spanish shipbuilder Navantia ordered an integrated combat system for two new replenishment ships for the Royal Australian Navy.
- In August, Saab acquired Phaeros Group BVBA. Phaeros has 27 employees and offers port management and terminal operating system solutions for the global market. The acquisition is in line with Saab's strategy to grow in the maritime traffic management domain.



Large orders

Order exceeding MSEK 100 accounted for 39% (72%) of total orders in 2016.



Market

Sales in markets outside Sweden amounted to 81% (78%) during 2016.

Sales, income and margin

- Sales and the operating margin were positively affected in 2016 by orders in 2015 and 2016 mainly for radar systems and combat systems.

Cash flow

- Operational cash flow was positive, mainly as a result of advances and milestone payments in 2016 related to the 2015 GlobalEye order.

Business units

Surface Radar Solutions, Airborne Surveillance Systems, Electronic Warfare Systems, Traffic Management and Combat Systems and C4I Solutions.

BUSINESS AREA SUPPORT AND SERVICES

Support and Services offers reliable, cost-efficient service and support for all of Saab's markets. This primarily includes support solutions, technical maintenance and logistics as well as products, solutions and services for military and civil missions.

MSEK	Full Year 2016	Full Year 2015	Change, %	Q4 2016	Q4 2015
Order bookings	4,473	10,557	-58	1,494	6,398
Order backlog	12,938	13,393	-3		
Sales	5,081	6,012	-15	1,504	2,795
EBITDA	470	570	-18	202	422
EBITDA margin, %	9.3	9.5		13.4	15.1
Operating income (EBIT)	454	549	-17	198	417
Operating margin, %	8.9	9.1		13.2	14.9
Operational cash flow	1,243	-637		31	-305
Defence/Civil (% of sales)	73/27	77/23		74/26	87/13
No. of FTE's	2,119	2,185	-3		

Orders

- Orders were received from FMV for support and maintenance of Gripen on behalf of the Swedish Armed Forces for the years 2016 and 2017 as well as for the continued delivery of complete support and maintenance for Helicopter 15 in 2018 and 2019.
- During 2016, Surveillance and Support and Services received an order in the Airborne Early Warning and Control (AEW&C) segment amounting to about SEK 1.1 billion, of which MSEK 418 was related to Support and Services.
- A support contract was signed for the years 2016-2017 for spares and support services for the previously delivered Saab 2000 Airborne Early Warning and Control (AEW&C) system.
- In total, small order bookings increased by 11 per cent in 2016 compared to 2015.



Large orders

Order exceeding MSEK 100 accounted for 29% (73%) of total orders in 2016.



Market

Sales in markets outside Sweden amounted to 45% (58%) during 2016.

Sales, income and margin

- Sales were lower in 2016 than in 2015. During 2015, a large order was received for an airborne surveillance system from the United Arab Emirates, where revenue from preparatory work related to the order was recognised when the contract was signed and contributed to a high level of sales in the fourth quarter of 2015.

Cash flow

- Operational cash flow was positive, mainly as a result of advances and milestone payments in 2016 related to the 2015 GlobalEye order.

Business units

Aviation Services, Airborne ISR, Gripen Support, Networks and Public Safety, Tactical Solutions and Maintenance Production.

BUSINESS AREA INDUSTRIAL PRODUCTS AND SERVICES

The business units within Industrial Products and Services are focused on business-to-business (B2B) customers. There is also a minority portfolio containing Saab's ownership interest in companies in various stages of development.

MSEK	Full Year 2016	Full Year 2015	Change, %	Q4 2016	Q4 2015
Order bookings	3,358	3,632	-8	702	879
Order backlog	9,361	9,587	-2		
Sales	3,605	3,562	1	1,066	1,022
EBITDA	170	260	-35	87	121
EBITDA margin, %	4.7	7.3		8.2	11.8
Operating income (EBIT)	134	213	-37	78	104
Operating margin, %	3.7	6.0		7.3	10.2
Operational cash flow	-54	-15		-24	43
Defence/Civil (% of sales)	40/60	40/60		40/60	45/55
No. of FTE's	2,679	2,381	13		

Orders

- During 2016, order bookings rose in the business unit Aerostructures due to several orders from Airbus.
- The consulting firm Combitech and Ericsson signed an agreement on the transfer of Ericsson's development organisation with focus on radio software development. The agreement further strengthens Combitech's turnkey capabilities and builds on its strong engineering expertise. Around 300 Ericsson engineers began working at Combitech in October, when the agreement took effect.



Large orders

Order exceeding MSEK 100 accounted for 28% (30%) of total orders in 2016.

Sales, income and margin

- Sales for 2016 were in line with 2015, with Combitech raising its sales and compensating for a slightly lower delivery rate in certain aircraft programmes in Aerostructures.
- Investments in the minority portfolio, where Saab owns shares in companies in various stages of development, had a negative effect on operating income.
- In late December, Combitech acquired 51.11 per cent of the shares in Watchcom Security Group AS of Norway. The acquisition strengthens Combitech's Cyber Security position in the Nordic region.



Market

Sales in markets outside Sweden amounted to 41% (45%) during 2016.

Cash flow

- Operational cash flow was negative in 2016, mainly due to investments in Saab's minority portfolio.

Business units

Aerostructures, Avionics Systems, Combitech and Ventures Portfolio.

BUSINESS UNIT SAAB KOCKUMS

Saab Kockums' portfolio includes submarine systems with Stirling system for air-independent propulsion, surface combatants, mine hunting systems and autonomous vessels.

MSEK	Full Year 2016	Full Year 2015	Change, %	Q4 2016	Q4 2015
Order bookings	1,293	10,268	-87	380	293
Order backlog	8,910	9,928	-10		
Sales	2,311	1,847	25	646	599
EBITDA	165	262	-37	55	-10
EBITDA margin, %	7.1	14.2		8.5	-1.7
Operating income (EBIT)	134	228	-41	49	-19
Operating margin, %	5.8	12.3		7.6	-3.2
Operational cash flow	639	808		386	374
Defence/Civil (% of sales)	100/0	100/0		100/0	100/0
No. of FTE's	853	803	6		

Orders

- Saab received several orders from FMV, including for modifications and upgrades to the Swedish Navy's Koster-class mine countermeasures vessels (MCMVs), development and production of Torpedo Integration Systems (TIS) for the Swedish Navy's A26 submarines and an upgrade of existing systems on Visby-class corvettes and Gotland-class submarines.
- The high level of order bookings in 2015 was mainly due to orders from FMV to build two Type A26 submarines and for half-time modifications of two Gotland-class submarines.

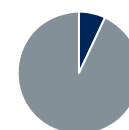


Large orders

Order exceeding MSEK 100 accounted for 31% (92%) of total orders in 2016.

Sales, income and margin

- Sales increased in 2016 compared to 2015, mainly due to activity in the A26 programme for Sweden.
- The operating margin was positively impacted in 2015 by large deliveries to markets outside Sweden.



Market Sales in markets outside Sweden amounted to 7% (7%) during 2016.

Cash flow

- Operational cash flow was positive in 2016 as a result of timing differences between milestone payments and activity.

Owners

According to Modular Finance, Saab's largest shareholders as of 31 December 2016:

	% of capital	% of votes
Investor AB	30.0	40.4
Knut and Alice Wallenberg Foundation	8.7	7.7
Swedbank Robur funds	4.8	4.2
Fidelity	3.0	2.6
AFA Insurance	2.7	2.3
Unionen	2.7	2.3
Handelsbanken funds	1.6	1.4
DFA funds	1.4	1.2
Lannebo funds	1.3	1.1
Norges Bank	1.0	0.9

The percentage of votes is calculated on the number of shares excluding treasury shares at year-end.

Personnel

	31 Dec 2016	31 Dec 2015
Number of employees	15,465	14,685
FTE's	15,474	14,519

Corporate

Corporate reported operating income of MSEK -356 (-94) 2016. During the second quarter, the sale of a property contributed positively to operating income.

The reversal of risk provisions, attributable to the remaining risks related to the termination of Saab's leasing fleet of turboprop aircraft (SAL), positively contributed to operating income in 2015. The leasing portfolio was discontinued in 2015.

Operational cash flow attributable to Corporate amounted to MSEK -1,807 (126) in 2016. Lower sales of trade receivables had a negative effect on cash flow of MSEK 1,299.

For more information on cash flow, see page 4.

Acquisitions and divestments 2016

No significant acquisitions or divestments were made in 2016.

Share repurchase

Saab held 2,744,821 treasury shares as of 31 December 2016, compared to 3,193,279 at year-end 2015. The Annual General Meeting on 14 April 2016 authorised the Board of Directors to repurchase up to 10 per cent of Saab's shares to hedge Saab's Share Matching Plan and Performance Share Plan.

Proposed dividend

The Board of Directors proposes a dividend to shareholders of SEK 5.25 per share (5.00), or a total of MSEK 559 (530). This has been calculated based on the number of outstanding shares as of 31 December 2016: 106 405 523 (105 957 065). The proposed record day for the dividend is 7 April 2017 and it is expected to be paid on 12 April 2017.

Risks and uncertainties

Saab's operations primarily involve the development, production and supply of technologically advanced hardware and software to customers around the world.

Projects generally entail significant investments, long periods of time and technological development or refinement of products. In addition to customer and supplier relations, international operations involve joint ventures and collaborations with other industries as well as the establishment of operations abroad.

Operations can entail various degrees of risk. The key risk areas are political, operating and financial. Various policies and instructions govern the management of material risks. Saab today conducts more projects with major development parts than before, and their inherent complexity raises risk in several dimensions.

The market is characterised by challenging conditions where orders are deferred to the future partly for financial reasons, at the same time that customers are also dealing with shorter timeframes. All in all, market risk increased in 2016, and the increased risk is expected to persist in 2017.

For a general description of the risk areas, see pages 44-47 of the annual report 2015.



T-X competition

On September 13, Boeing and Saab revealed the first two aircraft for the U.S. Air Force's T-X competition.

Other significant events in 2016

- In February, Saab introduced GlobalEye, a new multi-role airborne surveillance system (AEW&C). GlobalEye combines Saab's all-new Erieye ER (Extended Range) radar and mission system with the high-end Global 6000 jet aircraft from Bombardier.
- The Annual General Meeting (AGM) on 14 April 2016 resolved to pay shareholders a dividend of SEK 5.00 per share (total MSEK 530), which was paid out on 21 April 2016.
- The AGM resolved to elect Bert Nordberg and re-elect Håkan Buskhe, Johan Forssell, Sten Jakobsson, Sara Mazur, Per-Arne Sandström, Cecilia Stegö Chilò, Lena Treschow Torell, Marcus Wallenberg and Joakim Westh. Marcus Wallenberg was re-elected as Chairman of the Board.
- The Gripen E was rolled out on May 18. Users of Gripen E can operate longer in the air. Improved sensors and electronic warfare provide better intelligence on the enemy, and Gripen E can carry more and better weapons. At the same time, Gripen E is highly cost-efficient. Deliveries of the next-generation Gripen to Sweden and Brazil will begin in 2019.
- On September 13, Boeing and Saab revealed the first two aircraft for the U.S. Air Force's T-X program. Boeing and Saab will use the two T-X aircraft to show the U.S. Air Force the performance, affordability and maintainability advantages of their approach. Boeing T-X is an all-new aircraft designed specifically for the U.S. Air Force's training mission for future pilots and takes advantage of the latest technologies and the most modern manufacturing techniques. The Boeing T-X completed its first flight on December 20.
- On September 22, Saab announced the appointment of the members of the Nomination Committee based on the ownership structure as of 31 August 2016. The members of the Saab Nomination Committee for the Annual General Meeting 2017 are: Marcus Wallenberg, Chairman of the Board of Saab AB; Petra Hedengran, Investor AB; Peter Wallenberg Jr, Knut and Alice Wallenberg Foundation; Jan Andersson, Swedbank Robur Funds; and Anders Algotsson, AFA Insurance.
- In October, Saab acquired the Danish naval company Nordic Defence Industries (NDI), which designs and manufactures mine disposal charge systems for the naval defence industry. The acquisition strengthens Saab's market-leading position in the unmanned underwater domain when it comes to technology, innovative solutions and the company's regional reach.
- In November, Saab and Embraer Defense & Security inaugurated Gripen Design and Development Network (GDDN) in Gavião Peixoto, in the state of São Paulo. The GDDN will be the hub for Gripen NG technology development in Brazil for Saab and Embraer together with the Brazilian partner industries and institutions AEL Sistemas, Atech, Akaer, and the Brazilian Air Force through its research department DCTA.

For information on significant orders received in 2016, see page 2 and the comments on the business segments on pages 5-7 and in note 3.

Significant events after the conclusion of the period

- Saab received an order in January in the Airborne Early Warning and Control (AEW&C) segment. The order value was approximately USD 236 million and deliveries will be made from 2019 to 2021. The AEW&C system provides access to detailed situational awareness that can be used, e.g., for border surveillance, search and rescue operations, and tackling terrorism and organised crime.



ABOUT SAAB

Saab serves the global market with world-leading products, services and solutions ranging from military defence to civil security. The company has operations and employees on all continents and constantly develops, adapts and improves new technology to meet customers' changing needs.

Short facts

- Saab's series B share is listed on Nasdaq Stockholm Large Cap
Ticker: SAAB B
- Saab has approximately 15,500 employees
- Local presence in 34 countries
- Customers in more than 100 countries

Vision

It is a human right to feel safe.

Mission

To make people safe by pushing intellectual and technological boundaries.

Business concept

Saab constantly develops, adapts and improves new technology to meet changing customer needs. Saab serves the global market of governments, authorities and corporations with products, services and solutions for defence, aviation and civil security.

ORGANISATION

Saab's operations are divided into six operating segments for control and reporting purposes: the business areas Aeronautics, Dynamics, Surveillance, Support and Services, Industrial Products and Services, and the business unit Saab Kockums. In addition, Corporate comprises Group staff, Group departments and secondary operations.

As of 1 January 2016, business area Security and Defence Solutions is dissolved and its business units moved to other operating segments.

To ensure a presence in key local markets, Saab also has five market areas: Nordic & Baltic, Europe, Middle East & Africa, North America, Latin America, and Asia Pacific.

REVENUE MODEL

Saab's earnings are primarily generated by long-term customer contracts, service assignments and the sale of goods. Sales, income and cash flow vary during the year depending on the nature of the project.

Long-term customer contracts are recognised in revenue as the project is completed, while cash flows depend on the timing of deliveries, advances and milestone payments during the contract period.

Service assignments consist of consulting and support services. Examples include education and ongoing maintenance associated with previous deliveries. Revenue from service assignments on current account is recognised when the services are rendered, while service assignments that are part of fixed-price contracts are recognised according to the same principles as long-term customer contracts.

The third part of the revenue model is the sale of products and spare parts that Saab manufactures and stocks or purchases on behalf of customers. This revenue is recognised when ownership has been transferred to the buyer.

SAAB'S STRATEGY

To stay a step ahead in an optimal way and meet our customers' needs, we have based our strategy on three priorities. The aim is to create long-term value by working to achieve them. Sustainability issues affect our entire business, and engaged employees are the key to success.

Saab will also maintain a solid balance sheet, focus on capital efficiency and generate strong cash flow.

Market

We focus on areas where we have a strong market position and on strengthening our position in areas with good growth opportunities. Our global presence and diversity will be strengthened in part through partnerships and local collaborations. We have zero tolerance for corruption and work actively to create a thoroughly transparent defence market.

Efficiency

The focus is on making functional processes more efficient, developing an even more business-oriented culture and developing leaders and employees.

Innovation

We concentrate our product portfolio on innovations in five core areas and feel that diversity and engaged employees drive innovation.

FINANCIAL GOALS

Sales

Average organic sales growth of 5 per cent per year over a business cycle.

Operating margin

Average operating margin (EBIT) of at least 10 per cent per year over a business cycle.

Equity/assets ratio

The equity/assets ratio will exceed 30 per cent.

Dividend

The long-term dividend goal is to distribute 20–40 per cent of net income to the shareholders over a business cycle.

CONSOLIDATED INCOME STATEMENT

MSEK	Note	Full Year 2016	Full Year 2015	Q4 2016	Q4 2015
Sales	3	28,631	27,186	9,016	10,070
Cost of goods sold		-21,748	-20,700	-6,565	-7,540
Gross income		6,883	6,486	2,451	2,530
<i>Gross margin, %</i>		<i>24.0</i>	<i>23.9</i>	<i>27.2</i>	<i>25.1</i>
Other operating income		201	371	25	272
Marketing expenses		-2,223	-2,061	-660	-569
Administrative expenses		-1,364	-1,323	-404	-392
Research and development costs		-1,592	-1,565	-435	-481
Other operating expenses		-70	-48	-21	-30
Share in income of associated companies and joint ventures		-38	40	4	17
Operating income (EBIT) ¹⁾	3	1,797	1,900	960	1,347
<i>Operating margin, %</i>		<i>6.3</i>	<i>7.0</i>	<i>10.6</i>	<i>13.4</i>
Financial income		90	169	30	132
Financial expenses		-276	-338	-88	-143
Net financial items		-186	-169	-58	-11
Income before taxes		1,611	1,731	902	1,336
Taxes		-436	-329	-263	-227
Net income for the period		1,175	1,402	639	1,109
of which Parent Company's shareholders' interest		1,133	1,362	624	1,101
of which non-controlling interest		42	40	15	8
Earnings per share before dilution, SEK ²⁾		10.67	12.88	5.87	10.40
Earnings per share after dilution, SEK ³⁾		10.60	12.79	5.82	10.32
1) Includes depreciation/amortisation and write-downs		-946	-959	-246	-253
2) Average number of shares before dilution		106,164,150	105,714,805	106,346,321	105,900,182
3) Average number of shares after dilution		106,906,726	106,450,263	107,167,229	106,688,771

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

MSEK	Full Year 2016	Full Year 2015	Q4 2016	Q4 2015
Net income for the period	1,175	1,402	639	1,109
Other comprehensive income/loss:				
Items that will not be reversed in the income statement:				
Revaluation of net pension obligations	-623	839	650	339
Tax attributable to revaluation of net pension obligations	137	-183	-143	-73
Total	-486	656	507	266
Items that may be reversed in the income statement:				
Translation differences	387	-20	169	-66
Available-for-sale financial assets	-	-27	-	-90
Cash flow hedges	-249	-20	-344	190
Tax attributable to cash flow hedges	39	11	80	-39
Total	177	-56	-95	-5
Other comprehensive income/loss for the period	-309	600	412	261
Net comprehensive income/loss for the period	866	2,002	1,051	1,370
of which Parent Company's shareholders' interest	778	2,007	1,026	1,375
of which non-controlling interest	88	-5	25	-5

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MSEK	Note	31 Dec 2016	31 Dec 2015
ASSETS			
Fixed assets:			
Intangible fixed assets	5	7,094	6,476
Tangible fixed assets		4,811	4,472
Biological assets		291	290
Investment properties		33	34
Shares in associated companies and joint ventures		788	602
Financial investments		165	190
Long-term receivables	11	505	444
Deferred tax assets		252	351
Total fixed assets		13,939	12,859
Current assets:			
Inventories		6,660	5,243
Derivatives		1,290	1,058
Tax receivables		120	106
Accounts receivable		5,402	2,913
Other receivables		6,821	8,102
Prepaid expenses and accrued income		1,035	962
Short-term investments		4,542	2,995
Liquid assets	9	1,402	850
Total current assets		27,272	22,229
TOTAL ASSETS		41,211	35,088
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity:			
Parent Company's shareholders' interest		13,156	12,851
Non-controlling interest		145	61
Total shareholders' equity		13,301	12,912
Long-term liabilities:			
Long-term interest-bearing liabilities	6	5,624	4,872
Other liabilities		202	136
Provisions for pensions	11	3,069	2,373
Other provisions		811	1,097
Deferred tax liabilities		30	34
Total long-term liabilities		9,736	8,512
Current liabilities:			
Short-term interest-bearing liabilities	6	292	853
Advance payments from customers		5,161	1,098
Accounts payable		2,880	2,340
Derivatives		1,955	1,614
Tax liabilities		81	37
Other liabilities		695	725
Accrued expenses and deferred income		6,711	6,549
Provisions		399	448
Total current liabilities		18,174	13,664
Total liabilities		27,910	22,176
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		41,211	35,088

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

MSEK	Capital stock	Other capital contributions	Net result of cash flow hedges	Translation reserve	Available-for-sale and revaluation reserve	Retained earnings	Total parent company's shareholders' interest	Non-controlling interest	Total shareholders' equity
Opening balance, 1 January 2015	1,746	543	-562	161	38	9,365	11,291	82	11,373
Net comprehensive income/loss for the year			24	-8	-27	2,018	2,007	-5	2,002
Transactions with shareholders:									
Share matching plan						66	66		66
Dividend						-501	-501	-10	-511
Acquisition and sale of non-controlling interest						-12	-12	-6	-18
Closing balance, 31 December 2015	1,746	543	-538	153	11	10,936	12,851	61	12,912
Opening balance, 1 January 2016	1,746	543	-538	153	11	10,936	12,851	61	12,912
Net comprehensive income/loss for the year			-241	372		647	778	88	866
Transactions with shareholders:									
Share matching plan						84	84		84
Dividend						-530	-530	-18	-548
Acquisition and sale of non-controlling interest						-27	-27	14	-13
Closing balance, 31 December 2016	1,746	543	-779	525	11	11,110	13,156	145	13,301

CONSOLIDATED STATEMENT OF CASH FLOWS

MSEK	Note	Full Year 2016	Full Year 2015
Operating activities:			
Income after financial items		1,611	1,731
Adjustments for items not affecting cash flows		1,226	688
Dividend from associated companies and joint ventures		16	25
Income tax paid		-120	-266
Cash flow from operating activities before changes in working capital		2,733	2,178
Cash flow from changes in working capital:			
Increase(-)/Decrease(+) in inventories		-1,329	349
Increase(-)/Decrease(+) in current receivables		-1,129	-3,573
Increase(+)/Decrease(-) in advance payments from customers		4,025	284
Increase(+)/Decrease(-) in other current liabilities		177	1,426
Increase(+)/Decrease(-) in provisions		-323	-306
Cash flow from operating activities		4,154	358
Investing activities:			
Investments in intangible fixed assets		-98	-70
Capitalised development costs		-784	-524
Investments in tangible fixed assets		-807	-799
Sales and disposals of tangible fixed assets		27	7
Investments in and sale of short-term investments		-1,525	-1,722
Investments in financial assets		-169	-368
Sale of financial assets		25	226
Investments in operations, net effect on liquidity	10	-49	-221
Sale of subsidiaries, net effect on liquidity		77	312
Cash flow from investing activities		-3,303	-3,159
Financing activities:			
Repayments of loans		-582	-1,865
Raising of loans		732	4,758
Dividend paid to Parent Company's shareholders		-530	-501
Dividend paid to non-controlling interest		-5	-10
Transactions with non-controlling interest		15	-
Cash flow from financing activities		-370	2,382
Cash flow for the period		481	-419
Liquid assets at the beginning of the period		850	1,284
Exchange rate difference in liquid assets		71	-15
Liquid assets at end of period	9	1,402	850

QUARTERLY CONSOLIDATED INCOME STATEMENT

MSEK	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Sales	9,016	5,761	7,064	6,790	10,070	5,787	5,940	5,389
Cost of goods sold	-6,565	-4,409	-5,495	-5,279	-7,540	-4,505	-4,582	-4,073
Gross income	2,451	1,352	1,569	1,511	2,530	1,282	1,358	1,316
<i>Gross margin, %</i>	<i>27.2</i>	<i>23.5</i>	<i>22.2</i>	<i>22.3</i>	<i>25.1</i>	<i>22.2</i>	<i>22.9</i>	<i>24.4</i>
Other operating income	25	37	100	39	272	23	54	22
Marketing expenses	-660	-524	-543	-496	-569	-460	-553	-479
Administrative expenses	-404	-294	-337	-329	-392	-305	-329	-297
Research and development costs	-435	-327	-436	-394	-481	-346	-380	-358
Other operating expenses	-21	-10	-14	-25	-30	-8	-6	-4
Share of income in associated companies and joint ventures	4	-8	-22	-12	17	-	13	10
Operating income (EBIT) ¹⁾	960	226	317	294	1,347	186	157	210
<i>Operating margin, %</i>	<i>10.6</i>	<i>3.9</i>	<i>4.5</i>	<i>4.3</i>	<i>13.4</i>	<i>3.2</i>	<i>2.6</i>	<i>3.9</i>
Financial income	30	19	-9	50	132	-36	46	27
Financial expenses	-88	-69	-66	-53	-143	-89	9	-115
Net financial items	-58	-50	-75	-3	-11	-125	55	-88
Income before taxes	902	176	242	291	1,336	61	212	122
Taxes	-263	-54	-51	-68	-227	-25	-45	-32
Net income for the period	639	122	191	223	1,109	36	167	90
of which Parent Company's shareholders' interest	624	113	183	213	1,101	26	151	84
of which non-controlling interest	15	9	8	10	8	10	16	6
Earnings per share before dilution, SEK ²⁾	5.87	1.06	1.72	2.01	10.40	0.25	1.43	0.80
Earnings per share after dilution, SEK ³⁾	5.82	1.06	1.71	1.99	10.32	0.24	1.42	0.79
1) Includes depreciation/amortisation and write-downs	-246	-236	-234	-230	-253	-243	-235	-228
2) Average number of shares before dilution	106,346,321	106,223,750	106,094,093	105,992,435	105,900,182	105,781,884	105,643,700	105,533,455
3) Average number of shares after dilution	107,167,229	107,024,906	106,912,764	106,853,562	106,688,771	106,529,247	106,442,012	106,402,040

QUARTERLY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

MSEK	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Net income for the period	639	122	191	223	1,109	36	167	90
Other comprehensive income/loss:								
Items that will not be reversed in the income statement:								
Revaluation of net pension obligations	650	-327	-433	-513	339	-233	1,257	-524
Tax attributable to revaluation of net pension obligations	-143	72	95	113	-73	51	-276	115
Total	507	-255	-338	-400	266	-182	981	-409
Items that may be reversed in the income statement:								
Translation differences	169	125	134	-41	-66	-63	-156	265
Net gain/loss on available-for-sale financial assets	-	-	-	-	-90	-6	-3	72
Net gain/loss on cash flow hedges	-344	130	-179	144	190	-187	56	-79
Tax attributable to net gain/loss on cash flow hedges	80	-39	34	-36	-39	49	-14	15
Total	-95	216	-11	67	-5	-207	-117	273
Other comprehensive income/loss for the period	412	-39	-349	-333	261	-389	864	-136
Net comprehensive income/loss for the period	1,051	83	-158	-110	1,370	-353	1,031	-46
of which Parent Company's shareholders' interest	1,026	60	-181	-127	1,375	-335	1,024	-57
of which non-controlling interest	25	23	23	17	-5	-18	7	11

KEY RATIOS BY QUARTER

MSEK	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Equity/assets ratio, (%)	32.3	32.5	31.9	33.9	36.8	35.1	37.2	37.0
Return on capital employed, % ³⁾	8.9	11.8	11.3	11.3	11.2	8.1	8.7	10.6
Return on equity, % ³⁾	9.0	13.8	13.0	12.7	11.5	7.8	8.6	9.3
Equity per share, SEK ^{1) 3)}	123.64	113.88	113.25	120.17	121.28	108.36	111.48	106.54
Free cash flow, MSEK ³⁾	619	-2,311	1,096	2,955	869	487	-1,141	-941
Free cash flow per share after dilution, SEK ^{2) 3)}	5.78	-21.59	10.25	27.65	8.15	4.57	-10.72	-8.84
1) Number of shares excluding treasury shares	106,405,523	106,287,119	106,160,381	106,027,804	105,957,065	105,843,298	105,720,470	105,566,929
2) Average number of shares after dilution	107,167,229	107,024,906	106,912,764	106,853,562	106,688,771	106,529,247	106,442,012	106,402,040

3) For more information and explanations regarding the usage of these key ratios, please see saabgroup.com, investor, financial data, key ratios.

QUARTERLY INFORMATION PER OPERATING SEGMENT

MSEK	Q4 2016	Operating margin	Q3 2016	Operating margin	Q2 2016	Operating margin	Q1 2016	Operating margin
Sales								
Aeronautics	2,215		1,562		1,739		1,622	
Dynamics	2,036		775		1,044		1,072	
Surveillance	2,224		1,583		2,051		1,801	
Support and Services	1,504		967		1,326		1,284	
Industrial Products and Services	1,066		697		969		873	
Saab Kockums	646		544		489		632	
Internal sales	-675		-367		-554		-494	
Total	9,016		5,761		7,064		6,790	
Operating income/loss								
Aeronautics	215	9.7%	151	9.7%	102	5.9%	67	4.1%
Dynamics	374	18.4%	-6	-0.8%	39	3.7%	40	3.7%
Surveillance	231	10.4%	90	5.7%	73	3.6%	55	3.1%
Support and Services	198	13.2%	21	2.2%	137	10.3%	98	7.6%
Industrial Products and Services	78	7.3%	-22	-3.2%	25	2.6%	53	6.1%
Saab Kockums	49	7.6%	26	4.8%	25	5.1%	34	5.4%
Corporate	-185		-34		-84		-53	
Total	960	10.6%	226	3.9%	317	4.5%	294	4.3%

MSEK	Q4 2015	Operating margin	Q3 2015	Operating margin	Q2 2015	Operating margin
Sales						
Aeronautics	2,114		1,686		1,364	
Dynamics	1,555		892		794	
Surveillance	2,613		1,458		1,712	
Support and Services	2,795		934		1,183	
Industrial Products and Services	1,022		762		912	
Saab Kockums	599		433		476	
Internal sales	-628		-378		-501	
Total	10,070		5,787		5,940	
Operating income/loss						
Aeronautics	305	14.4%	120	7.1%	30	2.2%
Dynamics	294	18.9%	28	3.1%	-106	-13.4%
Surveillance	318	12.2%	3	0.2%	-39	-2.3%
Support and Services	417	14.9%	-27	-2.9%	72	6.1%
Industrial Products and Services	104	10.2%	8	1.0%	67	7.3%
Saab Kockums	-19	-3.2%	68	15.7%	124	26.1%
Corporate	-72		-14		9	
Total	1,347	13.4%	186	3.2%	157	2.6%

2015 has been restated according to the structural changes described in the annual report 2015, page 35.

MULTI-YEAR OVERVIEW

MSEK	2016	2015	2014	2013	2012
Order bookings	21,828	81,175	22,602	49,809	20,683
Order backlog at 31 December	107,606	113,834	60,128	59,870	34,151
Sales	28,631	27,186	23,527	23,750	24,010
<i>Sales in Sweden, %</i>	<i>43</i>	<i>42</i>	<i>45</i>	<i>41</i>	<i>36</i>
<i>Sales in Europe excluding Sweden, %</i>	<i>17</i>	<i>18</i>	<i>19</i>	<i>20</i>	<i>21</i>
<i>Sales in North America, %</i>	<i>10</i>	<i>9</i>	<i>10</i>	<i>11</i>	<i>11</i>
<i>Sales in Latin America, %</i>	<i>7</i>	<i>6</i>	<i>2</i>	<i>2</i>	<i>1</i>
<i>Sales in Rest of the world, %</i>	<i>23</i>	<i>25</i>	<i>24</i>	<i>26</i>	<i>31</i>
Operating income (EBIT)	1,797	1,900	1,659	1,345	2,050
<i>Operating margin, %</i>	<i>6.3</i>	<i>7.0</i>	<i>7.1</i>	<i>5.7</i>	<i>8.5</i>
Depreciation/amortisation less depreciation/amortisation of lease aircraft	946	959	864	1,022	1,136
EBITDA	2,743	2,859	2,523	2,367	3,186
<i>EBITDA margin, %</i>	<i>9.6</i>	<i>10.5</i>	<i>10.7</i>	<i>10.0</i>	<i>13.3</i>
Income after financial items	1,611	1,731	1,523	979	2,003
Net income for the year	1,175	1,402	1,168	742	1,560
Total assets	41,211	35,088	29,556	27,789	28,938
Equity	13,301	12,912	11,373	12,227	11,280
Free cash flow ¹⁾	2,359	-726	-1,094	-1,460	-396
<i>Return on capital employed, % ¹⁾</i>	<i>8.9</i>	<i>11.2</i>	<i>11.1</i>	<i>9.1</i>	<i>14.6</i>
<i>Return on equity, % ¹⁾</i>	<i>9.0</i>	<i>11.5</i>	<i>9.9</i>	<i>6.3</i>	<i>12.8</i>
<i>Equity/assets ratio, %</i>	<i>32.3</i>	<i>36.8</i>	<i>38.5</i>	<i>44.0</i>	<i>39.0</i>
Earnings per share before dilution, SEK ¹⁾	10.67	12.88	10.86	6.98	15.00
Earnings per share after dilution, SEK ¹⁾	10.60	12.79	10.78	6.79	14.52
Dividend per share, SEK	5.25 ²⁾	5.00	4.75	4.50	4.50
Equity per share, SEK ¹⁾	123.64	121.28	107.02	114.04	105.43
Number of employees at year-end	15,465	14,685	14,716	14,140	13,968
Number of shares excluding treasury shares as of 31 December	106,405,523	105,957,065	105,499,980	106,414,144	105,930,829
Average number of shares before dilution	106,164,150	105,714,805	106,125,666	106,125,107	105,632,911
Average number of shares after dilution	106,906,726	106,450,263	106,916,255	109,150,344	109,150,344

1) For more information and explanations regarding the usage of these key ratios, please see saabgroup.com, investor, financial data, key ratios.

2) Board of Directors' proposal

2013 has been restated according to the changed accounting principles for joint arrangements (IFRS 11).

2012 has been restated according to the changed accounting principles for pensions (IAS 19).

KEY RATIOS AND GOALS

	Long-term target	Full Year 2016	Full Year 2015
Organic sales growth, %	5	5	11
Operating margin, %	10	6.3	7.0
Equity/assets ratio, %	30	32.3	36.8

PARENT COMPANY INCOME STATEMENT

MSEK	Full Year 2016	Full Year 2015	Q4 2016	Q4 2015
Sales	17,988	18,022	5,490	7,043
Cost of goods sold	-14,125	-14,209	-4,163	-5,433
Gross income	3,863	3,813	1,327	1,610
<i>Gross margin, %</i>	<i>21.5</i>	<i>21.2</i>	<i>24.2</i>	<i>22.9</i>
Operating income and expenses	-3,869	-3,605	-1,145	-1,298
Operating income (EBIT)	-6	208	182	312
<i>Operating margin, %</i>	<i>-0.0</i>	<i>1.2</i>	<i>3.3</i>	<i>4.4</i>
Financial income and expenses	317	68	361	-9
Income after financial items	311	276	543	303
Appropriations	-141	-160	-141	-160
Income before taxes	170	116	402	143
Taxes	-73	-153	-71	-94
Net income for the period	97	-37	331	49

Parent Company

The Parent Company includes units within the business areas Aeronautics, Surveillance, Support and Services, and Industrial Products and Services as well as one unit within Dynamics. Group staff and Group support are also included.

PARENT COMPANY BALANCE SHEET

MSEK	Note	31 Dec 2016	31 Dec 2015
ASSETS			
Fixed assets:			
Intangible fixed assets		545	803
Tangible fixed assets		3,033	2,882
Financial fixed assets		6,725	7,474
Total fixed assets		10,303	11,159
Current assets:			
Inventories		4,980	3,668
Current receivables		12,798	10,133
Short term investments		4,524	2,994
Liquid assets		651	211
Total current assets		22,953	17,006
TOTAL ASSETS		33,256	28,165
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity:			
Restricted equity		2,971	2,977
Unrestricted equity		4,676	5,020
Total shareholders' equity		7,647	7,997
Untaxed reserves, provisions and liabilities:			
Untaxed reserves		2,280	2,139
Provisions		807	755
Liabilities	6	22,522	17,274
Total untaxed reserves, provisions and liabilities		25,609	20,168
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		33,256	28,165

Liquidity, financing, capital expenditures and number of employees

The Parent Company's net debt amounted to MSEK 3,041 as of 31 December 2016 compared to MSEK 5,154 as of 31 December 2015.

Investments in tangible fixed assets amounted to MSEK 471 (602). Investments in intangible assets amounted to MSEK 78 (49). At year-end, the Parent Company had 8,941 employees, compared to 8,632 at the beginning of the year

A major part of the Group's operations is included in the Parent Company. Separate notes to the Parent Company's financial statements and a separate description of risks and uncertainties for the Parent Company have therefore not been included in this year-end report.

NOTES

TO THE FINANCIAL STATEMENTS

NOTE 1 Corporate information

Saab AB (publ.), corporate identity no. 556036-0793, with registered office in Linköping, Sweden. The company's head office is located at Gustavslundsvägen 42, Bromma, with the mailing address P.O. Box 12062, SE-102 22 Stockholm, Sweden, and the telephone number +46-8-463 00 00. Saab's B shares are listed on Nasdaq Stockholm since 1998 and on the large cap list as of October 2006. The company's operations, including subsidiaries, associated companies and joint ventures, are described in the annual report 2015.

NOTE 2 Accounting principles

The year-end report 2016 is prepared according to IAS 34 Interim Financial Reporting and the Annual Accounts Act. The Parent Company's accounts have been prepared according to the Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2, Reporting by Legal Entities. The Group's accounting principles are described on pages 72 to 73 as well as in the notes on material profit/loss and balance sheet items in the annual report 2015.

The Group and the Parent Company apply the same accounting principles and methods of computation as described in the annual report 2015.

The interim report is abbreviated and does not contain all the information and disclosures available in the annual report and as such should be read together with the annual report 2015. All information on pages 1-29 constitute the year-end report.

NOTE 3 Segment reporting

Saab is a leading high-technology company, with its main operations in defence, aviation and civil security. Operations are primarily focused on well-defined areas in defence electronics, missile systems, and naval systems as well as military and commercial aviation. Saab is also active in technical services and maintenance. Saab has a strong position in Sweden and the main part of sales is generated in Europe. In addition, Saab has a local presence in South Africa, Australia, the US, and in other selected countries. Saab's operating and management structure is divided into five business areas and one business unit, which are also operating segments; Aeronautics, Dynamics, Surveillance, Support and Services, Industrial Products and Services, and Saab Kockums. In addition, Corporate comprises Group staff and departments as well as other operations outside the core operations.

Aeronautics

Aeronautics is a world-leading manufacturer of innovative aerial systems and is engaged in development of military aviation technology. It also conducts long-term future studies of manned and unmanned aircraft as preparation for new systems and further development of existing products.

Dynamics

Dynamics offers a market-leading product portfolio comprising ground combat weapons, missile systems, torpedoes, unmanned underwater vehicles, systems for training and simulation, signature management systems for armed forces around the world, and niche products for the civil and defence markets.

Surveillance

Surveillance provides efficient solutions for safety and security, for surveillance and decision support, and for threat detection and protection. The portfolio covers airborne, ground-based and naval radar, electronic warfare, combat systems and C4I solutions, and traffic management systems.

Support and Services

Support and Services offers reliable, cost-efficient service and support for all of Saab's markets. This includes support solutions, technical maintenance and logistics as well as products, solutions and services for military and civil missions.

Industrial Products and Services

The business units within Industrial Products and Services are focused on business-to-business (B2B) customers. There is also a minority portfolio containing Saab's ownership interests in companies in various stages of development.

Saab Kockums

The business unit Saab Kockums develops, delivers, and maintains world-class solutions for naval environments. The business unit's portfolio includes submarines with the Stirling system for air independent propulsion, surface combatants, mine hunting systems and autonomous vessels. Saab Kockums' unique competence is in signature management, impact strength and advanced stealth technology.

Order bookings per operating segment

MSEK	Full Year 2016	Full Year 2015	Change, %	Q4 2016	Q4 2015
Aeronautics	1,789	39,349	-95	1,079	2,999
Dynamics	6,680	5,273	27	1,507	1,110
Surveillance	5,993	15,456	-61	2,167	7,738
Support and Services	4,473	10,557	-58	1,494	6,398
Industrial Products and Services	3,358	3,632	-8	702	879
Saab Kockums	1,293	10,268	-87	380	293
Internal	-1,758	-3,360		-461	-841
Total	21,828	81,175	-73	6,868	18,576

Order bookings per region

MSEK	Full Year 2016	Full Year 2015	Change, %
Sweden	8,957	16,390	-45
Rest of Europe	3,702	5,712	-35
North America	1,904	2,532	-25
Latin America	199	41,508	
Asia	5,278	13,884	-62
Africa	467	495	-6
Australia, etc.	1,321	654	102
Total	21,828	81,175	-73

Order backlog per operating segment

MSEK	31 Dec 2016	31 Dec 2015
Aeronautics	54,127	59,476
Dynamics	8,031	6,284
Surveillance	16,415	17,707
Support and Services	12,938	13,393
Industrial Products and Services	9,361	9,587
Saab Kockums	8,910	9,928
Internal	-2,176	-2,541
Total	107,606	113,834

NOTE 3 Continued

Order backlog per region

MSEK	31 Dec 2016	31 Dec 2015
Sweden	38,010	41,276
Rest of Europe	9,386	10,688
North America	5,000	5,699
Latin America	38,940	40,732
Asia	14,178	13,679
Africa	711	886
Australia etc.	1,381	874
Total	107,606	113,834

Significant orders received (approx. values MSEK)

	Order value
New Lightweight Torpedo system	1,533
Ammunition for the Carl-Gustaf man-portable weapon system	1,443
Airborne Early Warning and Control (AEW&C)	1,105
RBS70 NG VSHORAD	378

Sales per operating segment

MSEK	Full Year 2016	Full Year 2015	Change, %	Q4 2016	Q4 2015	Change, %
Aeronautics	7,138	6,262	14	2,215	2,114	5
of which external sales	6,728	5,934	13	2,085	1,998	4
of which internal sales	410	328	25	130	116	12
Dynamics	4,927	4,009	23	2,036	1,555	31
of which external sales	4,786	3,884	23	1,977	1,528	29
of which internal sales	141	125	13	59	27	119
Surveillance	7,659	7,305	5	2,224	2,613	-15
of which external sales	7,383	7,031	5	2,122	2,501	-15
of which internal sales	276	274	1	102	112	-9
Support and Services	5,081	6,012	-15	1,504	2,795	-46
of which external sales	4,901	5,812	-16	1,461	2,723	-46
of which internal sales	180	200	-10	43	72	-40
Industrial Products and Services	3,605	3,562	1	1,066	1,022	4
of which external sales	2,510	2,613	-4	730	701	4
of which internal sales	1,095	949	15	336	321	5
Saab Kockums	2,311	1,847	25	646	599	8
of which external sales	2,306	1,845	25	645	599	8
of which internal sales	5	2	-	1	-	-
Corporate/eliminations	-2,090	-1,811		-675	-628	
of which external sales	17	66		-4	19	
of which internal sales	-2,107	-1,877		-671	-647	
Total	28,631	27,186	5	9,016	10,070	-10

Sales per region

MSEK	Full Year 2016	% of sales	Full Year 2015	% of sales
Sweden	12,389	43	11,399	42
Rest of Europe	4,981	17	4,933	18
North America	2,740	10	2,477	9
Latin America	2,014	7	1,584	6
Asia	5,107	18	5,370	20
Africa	495	2	541	2
Australia, etc.	905	3	882	3
Total	28,631	100	27,186	100

Information on large customers

In 2016, Saab had one customer that accounted for 10 per cent or more of the Group's sales: the Swedish Defence Materiel Administration (FMV). FMV is a customer of all business areas and total sales amounted to MSEK 9,804 (9,252).

Seasonal variation

A major part of Saab's business is related to large projects where the revenue is recognised by using the percentage of completion method. The costs incurred in these projects are normally lower during the third quarter compared with other quarters. The fourth quarter is also usually affected by a higher number of deliveries, mainly within Dynamics.

NOTE 3 Continued

Operating income per operating segment

MSEK	Full Year		Full Year		Q4	
	2016	% of sales	2015	% of sales	2016	2015
Aeronautics	535	7.5	509	8.1	215	305
Dynamics	447	9.1	175	4.4	374	294
Surveillance	449	5.9	320	4.4	231	318
Support and Services	454	8.9	549	9.1	198	417
Industrial Products and Services	134	3.7	213	6.0	78	104
Saab Kockums	134	5.8	228	12.3	49	-19
The operating segments' operating income	2,153	7.5	1,994	7.3	1,145	1,419
Corporate	-356		-94		-185	-72
Total	1,797	6.3	1,900	7.0	960	1,347

Depreciation/amortisation and write-downs per operating segment

MSEK	Full Year		Change, %	Q4	
	2016	2015		2016	2015
Aeronautics	41	39	5	11	10
Dynamics	75	74	1	24	22
Surveillance	491	500	-2	119	126
Support and Services	16	21	-24	4	5
Industrial Products and Services	36	47	-23	9	17
Saab Kockums	31	34	-9	6	9
Corporate	256	244	5	73	64
Total	946	959	-1	246	253

Operational cash flow per operating segment

MSEK	Full Year		Q4	
	2016	2015	2016	2015
Aeronautics	435	-632	347	-280
Dynamics	282	-101	181	512
Surveillance	1,865	-49	105	241
Support and Services	1,243	-637	31	-305
Industrial Products and Services	-54	-15	-24	43
Saab Kockums	639	808	386	374
Corporate	-1,807	126	-345	68
Total	2,603	-500	681	653

Capital employed per operating segment

MSEK	31 Dec 2016	31 Dec 2015
Aeronautics	2,303	2,186
Dynamics	3,320	3,243
Surveillance	7,206	7,445
Support and Services	2,614	3,389
Industrial Products and Services	2,326	2,028
Saab Kockums	749	647
Corporate	3,173	1,641
Total	21,691	20,579

Full time equivalents (FTE's) per operating segment

Number at end of the period	31 Dec	
	2016	2015
Aeronautics	2,932	2,723
Dynamics	2,094	2,041
Surveillance	3,963	3,563
Support and Services	2,119	2,185
Industrial Products and Services	2,679	2,381
Saab Kockums	853	803
Corporate	834	823
Total	15,474	14,519

NOTE 4 Dividend to Parent Company's shareholders

At its meeting on 12 February 2017, the Board of Directors decided to propose to the Annual General Meeting that the Parent Company's shareholders receive a dividend of SEK 5.25 per share, totalling MSEK 559.

NOTE 5 Intangible fixed assets

MSEK	31 Dec 2016	31 Dec 2015
Goodwill	5,196	5,045
Capitalised development costs	1,652	1,157
Other intangible assets	246	274
Total	7,094	6,476

NOTE 6 Net liquidity/debt

MSEK	31 Dec 2016	31 Dec 2015
Assets:		
Liquid assets	1,402	850
Short-term investments	4,542	2,995
Total liquid investments	5,944	3,845
Short-term interest-bearing receivables	29	48
Long-term interest-bearing receivables	391	367
Long-term receivables attributable to pensions	51	49
Long-term interest-bearing financial investments	140	141
Total interest-bearing assets	6,555	4,450
Liabilities:		
Liabilities to credit institutions	5,107	4,762
Liabilities to associated companies and joint ventures	239	251
Other interest-bearing liabilities	570	712
Provisions for pensions ¹⁾	2,475	1,942
Total interest-bearing liabilities and provisions for pensions	8,391	7,667
Net liquidity (+) / net debt (-)	-1,836	-3,217

1) Excluding provisions for pensions attributable to special employers' contribution.

NOTE 6 Continued

Committed credit lines

MSEK	Facilities	Drawings	Available
Revolving credit facility (Maturity 2021)	6,000	-	6,000
Overdraft facility (Maturity 2017)	50	-	50
Total	6,050	-	6,050

Parent Company

MSEK	31 Dec 2016	31 Dec 2015
Long-term liabilities to credit institutions	5,107	4,360
Short-term liabilities to credit institutions	-	402
Total	5,107	4,762

Since 2009, Saab has a Medium Term Note programme (MTN) to enable the issuance of long-term loans on the capital market. In 2015, the MTN programme was increased from SEK 3 billion to SEK 6 billion. Under the terms of this programme, Saab has issued fixed rate bonds as well as Floating Rate Notes (FRN) totalling SEK 4.2 billion. In December 2015, Saab signed Schuldschein loan agreements amounting to MEUR 100, of which MEUR 23 was settled in the fourth quarter 2015 and remaining MEUR 77 was settled in the first half-year 2016.

NOTE 7 Capital employed

MSEK	31 Dec 2016	31 Dec 2015
Total assets	41,211	35,088
Less non-interest bearing liabilities	19,520	14,509
Return on capital capital employed	21,691	20,579

NOTE 8 Financial instruments

Classification and categorisation of financial assets and liabilities ¹⁾

Carrying amount	31 Dec 2016	31 Dec 2015
Financial assets:		
Financial investments at fair value through profit and loss	25	49
Financial investments held to maturity ²⁾	140	141
Long-term receivables	505	444
Derivatives identified as hedges	1,225	972
Derivatives at fair value through profit and loss for trading	65	86
Accounts receivable and other receivables	12,740	11,540
Short-term investments at fair value	4,542	2,995
Liquid assets	1,402	850
Total financial assets	20,644	17,077
Financial liabilities:		
Interest-bearing liabilities ³⁾	5,916	5,725
Derivatives identified as hedges	1,862	1,561
Derivatives at fair value through profit and loss for trading	93	53
Other liabilities	6,284	5,486
Total financial liabilities	14,155	12,825

¹⁾ Derivatives with positive values are recognised as assets and derivatives with negative values are recognised as liabilities. Derivatives with a legal right of offset amount to MSEK 1,121.

²⁾ Fair value 2016 Dec: MSEK 140; 2015 Dec: MSEK 142.

³⁾ Fair value 2016 Dec: MSEK 6,052; 2015 Dec: MSEK 5,749.

Valuation methods for financial assets and liabilities

The fair value of listed financial assets is determined using market prices. Saab also applies various valuation methods to determine the fair value of financial assets that are traded on an inactive market or are unlisted holdings. These valuation methods are based on the valuation of similar instruments, discounted cash flows or customary valuation methods such as Garman-Kohlhagens.

Level 1

According to listed (unadjusted) prices on an active market on the closing date:

- Bonds and interest-bearing securities
- Electricity derivatives
- Interest rate forwards

Level 2

According to accepted valuation models based on observable market data:

- Forward exchange contracts: Future payment flows in each currency are discounted by current market rates to the valuation day and valued in SEK at period-end exchange rates.
- Options: The Garman-Kohlhagens option-pricing model is used in the market valuation of all options.
- Interest swaps and cross currency basis swaps: Future variable interest rates are calculated with the help of current forward rates. These implicit interest payments are discounted to the valuation date using current market rates. The market value of interest rate swaps is obtained by contrasting the discounted variable interest payments with the discounted present value of fixed interest payments.

Level 3

According to accepted principles, e.g. for venture capital firms:

- Unlisted shares and participations

As of 31 December 2016 the Group had the following financial assets and liabilities at fair value:

Assets at fair value

MSEK	31 Dec 2016	Level 1	Level 2	Level 3
Bonds and interest-bearing securities	4,542	4,542	-	-
Forward exchange contracts	1,230	-	1,230	-
Currency options	13	-	13	-
Cross currency basis swaps	29	-	29	-
Electricity derivatives	18	18	-	-
Shares and participations	25	-	-	25
Total	5,857	4,560	1,272	25

Liabilities at fair value

MSEK	31 Dec 2016	Level 1	Level 2	Level 3
Forward exchange contracts	1,820	-	1,820	-
Currency options	11	-	11	-
Interest rate swaps	113	-	113	-
Electricity derivatives	11	11	-	-
Total	1,955	11	1,944	-

NOTE 9 Supplemental information on Statement of cash flows

Liquid assets

MSEK	31 Dec 2016	31 Dec 2015
The following components are included in liquid assets:		
Cash and bank balances	1,102	850
Bank deposits	300	-
Total according to balance sheet	1,402	850
Total according to statement of cash flows	1,402	850

Free cash flow vs. statement of cash flows

MSEK	Full Year 2016	Full Year 2015	Q4 2016	Q4 2015
Free cash flow	2,359	-726	619	869
Investing activities – interest-bearing:				
Short-term investments	-1,525	-1,722	-994	-1,363
Other financial investments and receivables	17	-353	35	-264
Financing activities:				
Repayments of loans	-582	-1,865	-7	-1,119
Raising of loans	732	4,758	-	1,360
Dividend paid to the Parent Company's shareholders	-530	-501	-	-
Dividend paid to non-controlling interest	-5	-10	-1	-10
Dividend paid to non-controlling interest	15	-	-	-
Cash flow for the period	481	-419	-348	-527

Free cash flow

MSEK	Total Group Full Year 2016	Total Group Full Year 2015	Q4 2016	Q4 2015
Cash flow from operating activities before changes in working capital, excluding taxes and other financial items	2,927	2,706	1,155	1,687
Cash flow from changes in working capital:				
Inventories	-1,329	349	-40	1,511
Current receivables	-1,129	-3,573	-2,381	-2,831
Advance payments from customers	4,025	284	1,627	122
Other current liabilities	177	1,426	1,013	779
Provisions	-323	-306	-136	-11
Change in working capital	1,421	-1,820	83	-430
Cash flow from operating activities excluding taxes and other financial items	4,348	886	1,238	1,257
Investing activities:				
Investments in intangible fixed assets	-882	-594	-255	-389
Investments in tangible fixed assets	-807	-799	-312	-214
Sales and disposals of tangible fixed assets	27	7	10	-1
Investments in financial fixed assets	-83	-	-	-
Cash flow from investing activities ¹⁾	-1,745	-1,386	-557	-604
Operational cash flow	2,603	-500	681	653
Taxes and other financial items	-194	-528	41	-100
Sale of and investments in shares etc.	-78	211	-76	221
Acquisitions of operations	-49	-221	-27	-217
Sale of subsidiaries	77	312	-	312
Free cash flow	2,359	-726	619	869

1) Cash flow from investing activities excluding change in short-term investments and other interest-bearing financial assets and excluding sale of and investment in financial assets, investments in operations and sale of subsidiaries. If investments in and sale of financial fixed assets are considered to be of operating nature, the item is included in investing activities.

NOTE 10 Business combinations

No significant acquisitions were made during 2016.

NOTE 11 Defined-benefit plans

Saab has defined-benefit pension plans where post-employment compensation is based on a percentage of the recipient's salary.

Pension obligation according to IAS 19

MSEK	31 Dec 2016	31 Dec 2015
Defined-benefit obligation	8,608	7,742
Special employers' contribution	594	431
Less plan assets	6,184	5,849
Total provisions for pensions	3,018	2,324
of which reported as long-term receivable	51	49

NOTE 12 Contingent liabilities

No additional significant commitments have arisen during the year. With regard to the Group's so-called performance guarantees for commitments to customers, the likelihood of an outflow of resources is estimated as remote and, as a result, no value is recognised.

NOTE 13 Transactions with related parties

No significant transactions have occurred during the year. Related parties with which the Group has transactions are described in the annual report 2015, note 40.

NOTE 14 Definitions

Below are definitions of financial key ratios that are used in the report. For more information and explanations regarding the usage of these key ratios, please see saabgroup.com, investor, financial data, key ratios.

Capital employed

Total assets less non-interest-bearing liabilities.

Earnings per share

Net income for the period attributable to the Parent Company's shareholders, divided by the average number of shares before and after full dilution.

EBITDA

Operating income before depreciation/amortisation.

EBITDA margin

Operating income before depreciation/amortisation as a percentage of sales.

Effective tax rate

Current and deferred taxes as a percentage of income before tax.

Equity/assets ratio

Equity in relation to total assets.

Equity per share

Equity attributable to the Parent Company's shareholders divided by the number of shares, excluding treasury shares, at the end of the period.

Free cash flow

Cash flow from operating activities and from investing activities, excluding acquisitions and divestments of short-term investments and other interest-bearing financial assets.

Free cash flow per share

Free cash flow divided by the average number of shares after dilution.

Gross margin

Gross income as a percentage of sales.

Net investments

Acquisitions and divestments of intangible and tangible fixed assets, and acquisitions and divestments of non-interest-bearing financial assets.

Net liquidity/net debt

Liquid assets, short-term investments and interest-bearing receivables less interest-bearing liabilities and provisions for pensions excluding provisions for pensions attributable to special employers' contribution.

Operating margin

Operating income (EBIT) as a percentage of sales.

Operational cash flow

Cash flow from operating activities, excluding taxes and other financial items, and acquisitions and divestments of intangible fixed assets and tangible fixed assets.

Order backlog

Total value of orders at the end of the period.

Order bookings

Total value of orders received during the period.

Organic sales growth

Change in sales in percentage adjusted for effects from exchange rate due to the translation of foreign subsidiaries, and structural changes such as acquisitions and divestments of subsidiaries.

Return on capital employed

Operating income plus financial income (rolling 12 months) as a percentage of average capital employed.

Return on equity

Net income for the period (rolling 12 months) as a percentage of average equity.

GLOSSARY

EKN

The Swedish Export Credits Guarantee Board

FMV

Swedish Defence Materiel Administration

FRN

Floating Rate Note

FTE

Full Time Equivalent, corresponds to one employee working full-time for one year

IAS

International Accounting Standards

IFRS

International Financial Reporting Standards

MTN

Medium Term Note, bonds with a duration of 1-15 years

SAL

Saab Aircraft Leasing, relates to Saab's leasing fleet of turboprop aircraft. This was discontinued in 2015.

Linköping 13 February 2017
Saab AB (publ)
The Board of Directors

This year-end report has not been subject to review by the company's auditors.

This information is such that Saab AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out below, on 13 February 2017 at 07.30 (CET).

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Press and financial analyst conference

13 February 2017 at 10.00 (CET)

Grand Hôtel, Venue: New York, Blasieholmshamnen 8, Stockholm

Contact Marie Bergström to register and more information,

ph +46 8 463 02 45

You are welcome to participate on site at Grand Hôtel, watch the live webcast or dial in to the conference call. It is possible to post questions also over the web and conference call.

Live webcast:

<http://saab-interimreport.creo.se/170213>

Conference call:

Please, dial in using one of the numbers below.

UK: +44 2030089806

US: +18558315944

SE: +46856642669

The year-end report, the presentation material and the webcast will be available on saabgroup.com.

CALENDAR

ANNUAL GENERAL MEETING

5 APRIL 2017

INTERIM REPORT JANUARY–MARCH 2017

PUBLISHED 26 APRIL 2017

INTERIM REPORT JANUARY–JUNE 2017

PUBLISHED 20 JULY 2017

INTERIM REPORT JANUARY–SEPTEMBER 2017

PUBLISHED 24 OCTOBER 2017

YEAR-END REPORT 2017

PUBLISHED 16 FEBRUARY 2018