

STRONG ORDER INTAKE, CONTINUED GROWTH

YEAR-END REPORT
JANUARY-DECEMBER 2017

In 2017 geopolitical tensions were evident, and defence and security spending increased in much of the world. At the same time, it has become even more important to deliver effective systems in a short time.

Demand for and interest in Saab's world-leading products and solutions are strong. In 2017, Saab strengthened its market position, at the same time that operating efficiency was improved.

Several important international collaborations were established that strengthen the local position in several countries. In Poland, for example, Saab selected the Nauta Shiprepair Yard to build the special purpose Signal Intelligence vessel for the Swedish Navy. In Australia, targeted market efforts led to the announcement that Saab has been identified by the government to provide the tactical interface to the Royal Australian Navy's fleet of nine Future Frigates.

Order bookings

2017 was a strong year for Saab. Major orders were received in several areas and order bookings rose by 41 per cent to SEK 30.8 billion (21.8). Orders were received from among other areas Airborne Early Warning and Control and support and maintenance for Gripen C/D. We also received important orders for the development of next-generation products, including Sweden's order for the development and production of the next generation of anti-ship missiles and a new signals intelligence vessel. Medium-sized orders increased as well, which is gratifying, since we have maintained a local focus for some time in our various markets to grow the base where we are active.

The order backlog amounted to SEK 106.8 billion (107.6) at the end of the year.

Sales growth and operating income

All business areas saw sales growth during the year and organic sales growth was 10 per cent.

Operating income amounted to MSEK 2,155 (1,797) with an operating margin of 6.9 per cent (6.3). In 2017 a number of efficiency improvement projects has been implemented within the company, where we for example focus on streamlining functional processes. Mainly the business area Dynamics and operations related to Airborne Early Warning and Control systems and support operations improved profitability in 2017.

In 2018, the focus on efficiency improvements will continue. This is an important factor for Saab to reach its long-term goal of a 10 per cent operating margin.

Operational cash flow amounted MSEK 1,388 (2,603) and during the year Saab received larger milestone payments related to large projects.

Earnings per share after dilution amounted to SEK 13.10 (10.60).

Outlook statement for 2018

Sales growth in 2018 is expected to be in line with Saab's long-term goal: annual organic growth of 5 per cent.

The operating margin in 2018, excluding material non-recurring items, is expected to improve compared to 2017, bringing Saab a further step closer to its financial goal: an operating margin of 10 per cent over a business cycle.



Håkan Buskhe, President and CEO

OUTLOOK STATEMENT FOR 2018:

- Sales growth in 2018 is expected to be in line with Saab's long-term financial goal: annual organic sales growth of 5 per cent.
- The operating margin in 2018, excluding material non-recurring items, is expected to improve compared to 2017, bringing Saab a further step closer to its financial goal: an operating margin of 10 per cent over a business cycle.

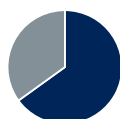
Financial highlights

MSEK	Full Year 2017	Full Year 2016	Change, %	Q4 2017	Q4 2016
Order bookings	30,841	21,828	41	6,586	6,868
Order backlog	106,849	107,606	-1		
Sales	31,394	28,631	10	9,819	9,016
Gross income	7,448	6,883	8	2,405	2,451
Gross margin, %	23.7	24.0		24.5	27.2
EBITDA	2,994	2,743	9	1,084	1,206
EBITDA margin, %	9.5	9.6		11.0	13.4
Operating income (EBIT)	2,155	1,797	20	882	960
Operating margin, %	6.9	6.3		9.0	10.6
Net income	1,438	1,175	22	519	639
of which Parent Company's shareholders' interest	1,407	1,133	24	517	624
Earnings per share after dilution, SEK ¹⁾	13.10	10.60		4.81	5.82
Return on equity, % ²⁾	10.4	9.0			
Operational cash flow	1,388	2,603		2,146	681
Free cash flow	852	2,359		1,772	619
Free cash flow per share after dilution, SEK ¹⁾	7.93	22.07		16.47	5.78
	107,400,920	106,906,726		107,590,836	107,167,229

1) Average number of shares after dilution

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

Significant orders, 2017	MSEK
Next Generation Anti-Ship Missile	3,200
Airborne Early Warning and Control (AEW&C)	2,000
Continued Gripen support and maintenance	1,900
Airborne Early Warning and Control (AEW&C)	1,350
Modification and upgrading of the Swedish Marine's Gävle-class corvettes	1,249
Next generation Light Anti-Tank Weapon system (NLAW)	1,035



Large orders
Orders exceeding MSEK 100 accounted for 65% (45) of total orders during 2017.

Order backlog duration:

2018: SEK 25.0 billion
2019: SEK 20.0 billion
2020: SEK 17.0 billion
2021: SEK 17.0 billion
Efter 2021: SEK 27.8 billion

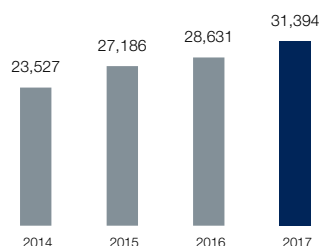


Defence/Civil
A total of 86% (84) of order bookings was attributable to defence-related operations during 2017.



Market
A total of 55% (59) of order bookings was related to markets outside Sweden during 2017.

Sales, MSEK



Orders

Fourth quarter 2017

In the fourth quarter, Saab received a number of small and medium-sized orders.

A contract was signed with the Korean Agency for Defence Development (ADD) for support of algorithm development and evaluation for airborne AESA fighter radar. AESA stands for active electronically scanned array. Armscor in South Africa ordered support services for the Gripen system in South Africa, and the NATO Support and Procurement Agency (NSPA) in Luxembourg ordered an upgrade of three radar systems in Norway, which are used for air surveillance.

Saab also received an order from the Brazilian Army for the RBS 70 VSHORAD (Very Short Range Air Defence System), while the Finnish Defence Forces ordered the Next Generation Light Antitank Weapon (NLAW).

January-December 2017

During the year, Saab received a major order in the Airborne Early Warning and Control (AEW&C) segment. The order value amounted to approximately MUS\$ 236 (approximately SEK 2 billion) and deliveries will be from 2019 to 2021. Saab received another order in the Airborne Early Warning and Control (AEW&C) segment amounting to SEK 1.35 billion, with deliveries scheduled during the period 2017-2020.

A contract was signed with FMV for the development and production of the next generation anti-ship missile system. The total order value amounted to SEK 3.2 billion and deliveries will take place during the period 2017-2026. Saab also received an order for continued support and maintenance of Gripen. The contract is valued at approximately SEK 1.9 billion and applies from June 2017 to December 2019.

Saab received an order from Armasisuisse for deliveries of the Next generation Light Anti-Tank Weapon system (NLAW) to the Swiss Army. The order value amounted to approximately SEK 1 billion with deliveries during the period 2018 to 2021.

FMV ordered the modification and upgrading of the Swedish Navy's Gävle-class corvettes. The order is valued at approximately SEK 1.2 billion and the work will be carried out during the period 2017 to 2020.

During the year, Saab also received a number of small and medium-sized orders, including a contract with the Norwegian Defence Materiel Agency (FMA) to deliver ammunition for the Carl-Gustaf man-portable weapon system.

The Estonian Armed Forces ordered training systems for the Estonian Army. The UK Ministry of Defence signed a three year contract extension for the provision of Tactical Engagement Simulation (TES) as a fully managed service, and the US Army ordered the shoulder-launched AT4CS RS (Reduced Sensitivity) anti-armour weapon system.

In total, Saab received orders of SEK 30.8 billion in 2017, of which SEK 10.9 billion (SEK 12.0 billion) was from orders of less than MSEK 100.

During 2017, index and price changes had a positive effect on order bookings of MSEK 812, compared to MSEK 727 in 2016.

The order backlog at the end of the year amounted to MSEK 106,849, compared to MSEK 107,606 at the beginning of the year.

Sales

Fourth quarter 2017

Sales amounted to MSEK 9,819 (9,016) in the fourth quarter. Sales improved in the quarter in every business area compared to 2016.

January-December 2017

Sales increased during the year in every business area and amounted to MSEK 31,394 (28,631). The large part of the increase is related to major orders within airborne surveillance systems and support operations and increased sales in the business area Dynamics.

Sales in markets outside Sweden amounted to MSEK 18,176 (16,242), or 58 per cent (57) of total sales. Sales to Asia increased by 31 per cent and Latin America increased by 32 per cent compared to 2016. 84 per cent (83) of sales was related to the defence market.

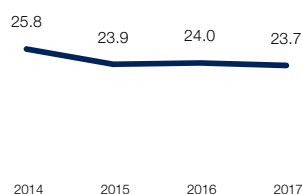
Sales growth

Per cent	Full Year 2017	Full Year 2016	Q4 2017	Q4 2016
Organic sales growth	10	5	10	-11
Acquisitions	-	-	-	-
Currency effects regarding revaluation of foreign subsidiaries	-	-	-1	1
Total sales growth	10	5	9	-10

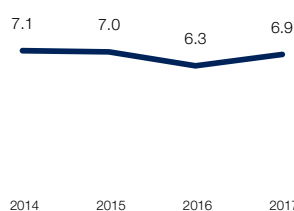
Sales per market segment

MSEK	Full Year 2017	Full Year 2016	Change, %
Air	14,797	12,787	16
Land	6,386	6,453	-1
Naval	5,466	4,897	12
Civil Security	2,166	1,987	9
Commercial Aeronautics	1,765	1,987	-11
Other	814	520	57
Total	31,394	28,631	10

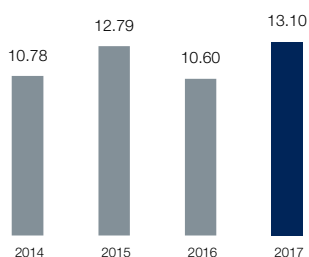
Gross margin, %



Operating margin, %



Earnings per share after dilution, SEK



Income

Fourth quarter 2017

The gross margin in the fourth quarter was 24.5 per cent (27.2). The gross margin was adversely affected mainly by a change in product mix within Dynamics.

Operating income amounted to MSEK 882 (960) with an operating margin of 9.0 per cent (10.6).

January-December 2017

The gross margin in 2017 was 23.7 per cent (24.0).

Total depreciation and amortisation amounted to MSEK 839 (946). Depreciation of tangible fixed assets amounted to MSEK 555 (493).

Total expenditures in research and development (R&D) amounted to MSEK 7,348 (7,421), or about 23 per cent (26) of sales. Internally funded R&D expenditures amounted to MSEK 2,059 (2,065), of which MSEK 871 (784) was capitalised. The capitalisation of development costs is mainly related to GlobalEye. Internally funded R&D expenditures are mainly related to radar and sensor technology and to the T-X program. Development expenditures in the T-X program, although considerable, decreased in 2017 compared to 2016.

Amortisation of intangible fixed assets amounted to MSEK 284 (453), of which amortisation of capitalised development expenditures amounted to MSEK 160 (311). The share of income in associated companies and joint ventures amounted to MSEK -39 (-38).

Operating income amounted to MSEK 2,155 (1,797) with an operating margin of 6.9 per cent (6.3). Profitability strengthened in areas related to airborne surveillance systems due to the high level of activity. The business area Dynamics saw an improvement in operating income owing to high capacity utilisation throughout its operations, despite a slightly lower operating margin in the fourth quarter. Within Dynamics, the Training and Simulation segment delivered a strong profit improvement during the year.

Financial net

MSEK	Full Year 2017	Full Year 2016
Financial net related to pensions	-69	-60
Net interest items	-100	-76
Currency gains/losses	54	-11
Other financial items	-36	-39
Total	-151	-186

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 as well as interest expenses on short- and long-term interest-bearing liabilities and 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 unrealised results from the market valuation of short-term investments and derivatives as well as other currency effects, e.g. changes in exchange rates for liquid assets in currencies other than SEK. Derivatives are used to reduce interest rate risk in the investment portfolio, which consists of long-term interest-bearing securities.

Tax

Current and deferred taxes amounted to MSEK -566 (-436), equivalent to an effective tax rate of 28 per cent (27). The reduction in the US corporate tax rate led to a higher tax rate in 2017 as a result of the remeasurement of deferred tax assets.

Return on capital employed and equity

The pre-tax return on capital employed was 10.1 per cent (8.9) and the after-tax return on equity was 10.4 per cent (9.0), both measured over a rolling 12-month period.

Change in net debt Jan-Dec 2017

MSEK	
Net liquidity (+) / net debt (-), 31 Dec 2016	-1,836
Cash flow from operating activities	3,164
Change in net pension obligation	-222
Net investments	-2,132
Acquisitions of operations	-170
Dividend	-559
Other	-79
Net liquidity (+) / net debt (-), 31 Dec 2017	-1,834

Financial position and liquidity

At the end of December 2017, net debt was MSEK 1,834, a decrease of MSEK 2 compared to year-end 2016, when net debt amounted to MSEK 1,836.

Cash flow from operating activities amounted to MSEK 3,164.

Accounts receivable amounted to MSEK 4,342 as of 31 December 2017 and to MSEK 5,402 as of 31 December 2016. Amounts due from customers amounted to MSEK 7,917 as of 31 December 2017 and to MSEK 6,222 as of 31 December 2016.

Amounts due to customers amounted to MSEK 9,094 as of 31 December 2017 and to MSEK 7,884 as of 31 December 2016.

Net provisions for pensions, excluding the special employers' contribution, amounted to MSEK 2,646 as of 31 December 2017, compared to MSEK 2,424 at year-end 2016. This had a negative impact on net debt of MSEK 222. The increase in provisions was mainly due to a reduction in the discount rate for calculating the pension obligation to 2.50 per cent from 2.75 per cent. The inflation assumption for calculating the pension liability was 1.75 per cent, in line with the assumption at year-end 2016. For more information on Saab's defined-benefit plans, see note 11.

During the year, net investments amounted to approximately MSEK 2,132, with capitalised internally funded R&D expenditures amounting to MSEK 871. Acquisitions of operations amounted to MSEK 170. In addition, a dividend of MSEK 559 was paid to the Parent Company's shareholders.

Currency exchange rate differences in liquid assets and unrealised results from financial investments had a negative impact on net debt of MSEK 79.

As of 31 December 2017, short-term investments and liquid assets amounted to MSEK 6,671, compared to MSEK 5,944 at year-end 2016. During the year, debt increased by approximately MSEK 700 after MSEK 1 038 was repaid of loans of MSEK 1 350 maturing in 2018. At the same time, new loans were issued with a value of MSEK 1 700 and maturing in 2022.

Capitalised development costs on the balance sheet amounted to MSEK 2,360 as of 31 December 2017, compared to MSEK 1,652 as of 31 December 2016. The increase is mainly related to the development of GlobalEye.

Inventories increased by MSEK 1,083 during the year, mainly due to the business areas Dynamics and Surveillance and upcoming deliveries.

Tangible fixed assets amounted to MSEK 5,271 at the end of the year, in line with year-end 2016.

Capital expenditures

The cash flow effect of capital expenditures in tangible fixed assets amounted to MSEK 1,093 (807).

Investments in intangible fixed assets amounted to MSEK 1,064 (882), of which MSEK 871 (784) was related to capitalised development costs and MSEK 193 (98) to other intangible fixed assets.

Changes in the consolidated statement of financial position

As of 1 January 2017, Saab has changed the structure of the consolidated statement of financial position. The following changes have been made:

Assets:

The previously reported "Other receivables" are now reported as "Amounts due from customers" and "Other receivables".

Liabilities:

The previously reported "Advance payments from customers" are now reported together with deferred income regarding long-term customer contracts according to the percentage of completion method and are denominated "Amounts due to customers".

The purpose of the structural change in the consolidated statement of financial position is to increase transparency on activities and settlements in long-term customer projects.

Key indicators of financial position and liquidity

MSEK	31 Dec 2017	31 Dec 2016	Change
Net liquidity / debt ¹⁾	-1,834	-1,836	2
Intangible fixed assets	7,862	7,094	768
Goodwill	5,177	5,196	-19
Capitalised development costs	2,360	1,652	708
Other intangible fixed assets	325	246	79
Tangible fixed assets, etc ²⁾	5,663	5,135	528
Inventories	7,743	6,660	1,083
Accounts receivable	4,342	5,402	-1,060
Amounts due from customers ³⁾	7,917	6,222	1,695
Amounts due to customers ³⁾	9,094	7,884	1,210
Equity/assets ratio, %	32.2	32.3	
Return on equity, %	10.4	9.0	
Equity per share, SEK ⁴⁾	132.83	123.64	9.19

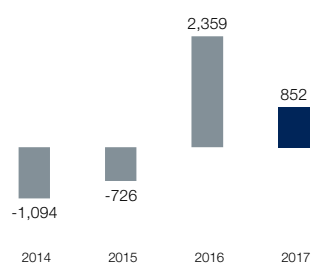
1) The Group's net liquidity/debt refers to liquid assets, short-term investments and interest-bearing receivables less interest-bearing liabilities and provisions for pensions excluding provisions for pensions attributable to special employers' contribution. For a detailed break-down of interest-bearing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

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

3) Relate to long-term customer contracts according to the percentage of completion method.

4) Number of shares excluding treasury shares; 2017 Dec: 106,823,782; 2016 Dec: 106,405,523.

Free cash flow, MSEK



Cash flow

Cash flow from operating activities excluding taxes and other financial items amounted to MSEK 3,520 (4,348), see note 9.

Saab has an established programme to sell trade receivables to strengthen its financial position and increase financial flexibility. The programme has not been utilised since 31 December 2016. Saab's aim is to utilise this programme in situations where greater financial flexibility is needed.

Operational cash flow amounted to MSEK 1,388 (2,603). 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.

Free cash flow amounted to MSEK 852 (2,359). For more detailed information on cash flow, see note 9.

	Full Year 2017	Full Year 2016
Cash flow from operating activities before changes in working capital, excluding taxes and other financial items	3,593	2,927
Change in working capital	-73	1,421
Cash flow from operating activities excluding taxes and other financial items	3,520	4,348
Cash flow from investing activities ¹⁾	-2,132	-1,745
Operational cash flow	1,388	2,603
Taxes and other financial items	-356	-194
Sales and acquisitions	-180	-50
Free cash flow	852	2,359

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

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 air systems and is engaged in development of military aviation technology.

MSEK	Full Year 2017	Full Year 2016	Change, %	Q4 2017	Q4 2016
Order bookings	3,295	1,789	84	1,419	1,079
Order backlog	50,154	54,127	-7		
Sales	7,267	7,138	2	2,373	2,215
EBITDA	528	576	-8	197	226
EBITDA margin, %	7.3	8.1		8.3	10.2
Operating income (EBIT)	478	535	-11	184	215
Operating margin, %	6.6	7.5		7.8	9.7
Operational cash flow	1,264	435		1,567	347
Defence/Civil (% of sales)	99/1	99/1		99/1	99/1
No. of FTE's	3,073	2,932	5		

Orders

- Saab received an order from FMV to provide operational and development support for Gripen during 2017. A contract was also signed with FMV on the continued support and maintenance of Gripen C/D valued in total at SEK 1.9 billion. The order value for Aeronautics amounted to MSEK 536 and deliveries will be made from June 2017 to December 2019.



Large orders
Orders exceeding MSEK 100 accounted for 64% (41%) of total orders during 2017.

Sales, income and margin

- The activity level within the Gripen programme to Sweden and to Brazil remained high.
- Operating income was lower within Gripen C/D operations in 2017 due to a change in project mix.
- In 2017, significant development expenditures were again made in the T-X program, but at a lower level than in 2016. In 2018, the US Air Force is expected to announce its choice for the T-X program.
- Due to the great interest in Gripen, marketing expenditures were higher in 2017 compared to 2016.



Market
Sales in markets outside Sweden amounted to 35% (31%) during 2017.

Cash flow

- Aeronautics received large milestone payments in the first and fourth quarters of 2017. The level of project activity and completion was high throughout the year.

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 2017	Full Year 2016	Change, %	Q4 2017	Q4 2016
Order bookings	8,615	6,680	29	1,024	1,507
Order backlog	11,399	8,031	42		
Sales	5,267	4,927	7	2,093	2,036
EBITDA	660	522	26	296	398
EBITDA margin, %	12.5	10.6		14.1	19.5
Operating income (EBIT)	575	447	29	275	374
Operating margin, %	10.9	9.1		13.1	18.4
Operational cash flow	1,105	282		796	181
Defence/Civil (% of sales)	94/6	94/6		96/4	95/5
No. of FTE's	2,143	2,094	2		

Orders

- Dynamics signed a major contract with FMV for the development and production of next generation anti-ship missiles. The total order value amounted to SEK 3.2 billion. FMV subsequently ordered additional production of next generation anti-ship missiles for MSEK 500.
- Saab received an order from the Swiss Federal Office for Defence Procurement, Armasuisse, to deliver the Next generation Light Anti-Tank Weapon system (NLAW) to the Swiss Army. The order value amounted to about SEK 1.035 billion with deliveries during the period 2018-2021.



Large orders
Orders exceeding MSEK 100 accounted for 73% (61%) of total orders during 2017.

Sales, income and margin

- Sales increased due to strong order bookings in large parts of the business area in recent years.
- The operating margin improved due to high capacity utilisation throughout the business area, with Training and Simulation delivering a strong profit improvement during the year.



Market
Sales in markets outside Sweden amounted to 71% (80%) during 2017.

Cash flow

- Operational cash flow was positive mainly due to payments received for deliveries in the fourth quarter.

Business units

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

BUSINESS AREA SURVEILLANCE

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

MSEK	Full Year 2017	Full Year 2016	Change, %	Q4 2017	Q4 2016
Order bookings	8,528	5,993	42	2,503	2,167
Order backlog	16,169	16,415	-1		
Sales	8,015	7,659	5	2,358	2,224
EBITDA	945	940	1	378	350
EBITDA margin, %	11.8	12.3		16.0	15.7
Operating income (EBIT)	591	449	32	283	231
Operating margin, %	7.4	5.9		12.0	10.4
Operational cash flow	-73	1,865		223	105
Defence/Civil (% of sales)	82/18	82/18		82/18	82/18
No. of FTE's	4,198	3,963	6		

Orders

- Surveillance and Support and Services received a major order in the AEW&C segment valued at MUSD 236, approximately SEK 2 billion, of which approximately MSEK 550 was related to Surveillance. Another AEW&C contract was signed as well, with an order value of SEK 1.35 billion, of which MSEK 789 was related to Surveillance.
- Surveillance and Kockums also signed a major contract for the modification and upgrade of the Swedish Navy's Gävle-class corvettes. The order value amounted to SEK 1.249 billion, of which MSEK 501 was related to Surveillance.

Sales, income and margin

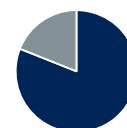
- Sales and the operating margin strengthened mainly due to a high level of activity in the AEW&C segment and decreased amortisation of development expenditures.

Cash flow

- Surveillance received large advances in 2016 which was not repeated in 2017. The level of project activity and completion was high which led to a negative cash flow.



Large orders
Orders exceeding MSEK 100 accounted for 54% (39%) of total orders during 2017.



Market
Sales in markets outside Sweden amounted to 81% (81%) during 2017.

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 2017	Full Year 2016	Change, %	Q4 2017	Q4 2016
Order bookings	7,324	4,473	64	1,223	1,494
Order backlog	14,039	12,938	9		
Sales	6,201	5,081	22	1,766	1,504
EBITDA	692	470	47	255	202
EBITDA margin, %	11.2	9.3		14.4	13.4
Operating income (EBIT)	673	454	48	252	198
Operating margin, %	10.9	8.9		14.3	13.2
Operational cash flow	104	1,243		-70	31
Defence/Civil (% of sales)	79/21	73/27		78/22	74/26
No. of FTE's	2,043	2,119	-4		

Orders

- Support and Services and Surveillance received a major order in the AEW&C segment valued at MUSD 236, approximately SEK 2 billion, of which approximately MSEK 1,450 was related to Support and Services. Another AEW&C contract was signed as well, with an order value of SEK 1.35 billion, of which MSEK 561 was related to Support and Services.
- A major contract was signed with FMV on the continued support and maintenance of Gripen C/D valued in total at SEK 1.9 billion. The order value for Support and Services amounted to MSEK 1,164.

Sales, income and margin

- Sales and the operating margin increased mainly due to a high activity level within the AEW&C segment.

Cash flow

- Operational cash flow was affected by a high level of activity mainly in the AEW&C segment, where several large milestone payments received in 2016 were not repeated in 2017.



Large orders
Orders exceeding MSEK 100 accounted for 66% (29%) of total orders during 2017.



Market
Sales in markets outside Sweden amounted to 57% (45%) during 2017.

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 2017	Full Year 2016	Change, %	Q4 2017	Q4 2016
Order bookings	3,311	3,358	-1	850	702
Order backlog	8,665	9,361	-7		
Sales	4,022	3,605	12	1,146	1,066
EBITDA	172	170	1	68	87
EBITDA margin, %	4.3	4.7		5.9	8.2
Operating income (EBIT)	136	134	1	59	78
Operating margin, %	3.4	3.7		5.1	7.3
Operational cash flow	-264	-54		-111	-24
Defence/Civil (% of sales)	37/63	40/60		40/60	40/60
No. of FTE's	2,713	2,679	1		

Orders

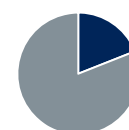
- Order bookings increased within the technical consulting company Combitech, but were slightly lower in the business units Avionics och Aerostructures. Aerostructures received a major order in 2016 that was not repeated in 2017.

Sales, income and margin

- Sales increased due to higher sales within Combitech, which strengthened as a result of higher demand, the effects of the transfer of Ericsson's development organisation in October 2016 and the acquisition of Watchcom AS in 2016.
- Operating income within Combitech increased as a result of a high utilisation rate and additional project work, while the business unit Aerostructures was affected by delayed deliveries.
- Significant investments were made in 2017 in the minority portfolio containing Saab's ownership interests in companies in various stages of development.

Cash flow

- Operational cash flow was negative, mainly due to delayed deliveries and currency transactions related to projects in the business unit Aerostructures during the period.



Large orders

Orders exceeding MSEK 100 accounted for 19% (28%) of total orders during 2017.



Market

Sales in markets outside Sweden amounted to 38% (41%) during 2017.

Business units

Aerostructures, Avionics Systems, Combitech and Ventures Portfolio.

BUSINESS AREA KOCKUMS

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

MSEK	Full Year 2017	Full Year 2016	Change, %	Q4 2017	Q4 2016
Order bookings	2,129	1,293	65	215	380
Order backlog	8,815	8,910	-1		
Sales	2,712	2,311	17	763	646
EBITDA	180	165	9	52	55
EBITDA margin, %	6.6	7.1		6.8	8.5
Operating income (EBIT)	157	134	17	47	49
Operating margin, %	5.8	5.8		6.2	7.6
Operational cash flow	206	639		186	386
Defence/Civil (% of sales)	100/0	100/0		100/0	100/0
No. of FTE's	1,115	853	31		

Orders

- A contract was signed with FMV for delivery of a Special Purpose Ship for Signal Intelligence (SIGINT). The order covers the period 2017-2020, with a total value of MSEK 730.
- Kockums and Surveillance also signed a contract for the modification and upgrade of the Swedish Navy's Gävle-class corvettes. The order value amounted to SEK 1.249 billion, of which MSEK 748 was related to Kockums.

Sales, income and margin

- Sales increased in 2017 due to higher activity in the ongoing half-time modifications of two Gotland-class submarines and high activity related to maintenance of surface vessels.

Cash flow

- Kockums received large advances and milestone payments in 2017, which led to positive cash flow despite a continued high level of project activity and completion.

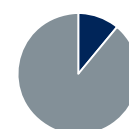
Personnel

- During 2017, the number of employees increased within Kockums due to increased personnel needs in the design and production phases of major projects.



Large orders

Orders exceeding MSEK 100 accounted for 68% (31%) of total orders during 2017.



Market

Sales in markets outside Sweden amounted to 11% (7%) during 2017.

Business units

Submarines and Surface Ships.

Owners

Saab's largest shareholders as of 31 December 2017 were:

	% of capital	% of votes
Investor AB	30.0	40.3
Knut and Alice Wallenberg Foundation	8.8	7.7
Swedbank Robur funds	4.5	4.0
AFA Insurance	2.2	2.0
Livförsäkringsbolaget Skandia	1.8	1.6
Handelsbanken funds	1.8	1.6
Norges Bank	1.7	1.5
Unionen	1.7	1.5
AllianceBernstein	1.4	1.2
Fidelity	1.4	1.2

Source: Modular Finance

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

Personnel

	31 Dec 2017	31 Dec 2016
Number of employees	16,427	15,465
FTE's	16,171	15,474

Corporate

Corporate reported operating income of MSEK -455 (-356) during 2017.

Operational cash flow attributable to Corporate amounted to MSEK -954 (-1,807) in 2017.

For more information on cash flow, see page 5.

Acquisitions and divestments 2017

No significant acquisitions or divestments were made during the year.

Share repurchase

Saab held 2,326,562 treasury shares as of 31 December 2017, compared to 2,744,821 at year-end 2016. The decrease in treasury shares is due to the matching of shares within the various share-based incentive programmes during the year. The Annual General Meeting on 5 April 2017 authorised the Board of Directors to repurchase up to 10 per cent of Saab's shares to hedge Saab's long-term incentive programmes.

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.

For a general description of the risk areas, see pages 66-69 of the annual report 2016.



Combat management system to Australia

Saab was identified by the Australian government to provide the tactical interface to the Royal Australian Navy's (RAN) fleet of nine Future Frigates. The Saab 9LV Combat Management System would form an integral part of the Future Frigate and upgraded Air Warfare Destroyer combat capability as well as being selected for the Offshore Patrol Vessels.

Summary of significant events in 2017

- Saab announced that it had selected Poland's Nauta Shiprepair Yard, based in Gdynia, a part of the Polish Armaments Group (PGZ), to build the ship platform for the special purpose Signal Intelligence (SIGINT) vessel for the Swedish Navy.
- On June 15, Saab completed a successful first flight of the next generation smart fighter, Gripen E. The maiden flight was conducted over the eastern parts of Östergötland for 40 minutes. During the flight, the aircraft's performance capabilities and key embedded functions were tested.
- Saab implemented changes within the Group Management in the second quarter. Ellen Molin was appointed the new Head of the business area Support and Services and Jessica Öberg the new Head of business area Industrial Products and Services. Dan Jangblad, former Head of the business area Industrial Products and Services, left Group Management as of October 1 to take a position as Senior Advisor to the CEO.
- Saab Digital Air Traffic Solutions AB and Storuman municipality signed a letter of intent meaning that Saab Digital Air Traffic Solutions (SDATS) and Storuman municipality will initiate a feasibility study aimed at establishing a "Remote AFIS Centre" for remote tower services and digital air traffic control services for smaller regional airports. Development of the technology and methodology will initially be carried out at Hemavan - Tärnaby Airport, with the objective of expanding the dialogue to several other airports.
- In September, Saab presented Gripen Aggressor as an aircraft variant based on the Gripen C-series. Gripen Aggressor is an ultimate platform for realistic combat training and offers a unique mix of high performance, mission flexibility and availability, combined with a low life cycle cost.
- Also in September, Saab and the Indian infrastructure conglomerate Adani Group announced a collaboration plan within aerospace and defence in India, aligned with the Government of India's Make in India initiative. The intended collaboration would encompass design, development and production of Gripen for India and other high-tech products of national importance for India and also the creation of joint ventures in India in line with the Make In India policy.
- Saab is competing together with Boeing to win the tender to supply the U.S. Air Force with an advanced trainer aircraft. Saab announced during the period that, should it be selected, it will establish manufacturing capabilities for its parts of the T-X advanced trainer aircraft in the US.
- Saab was identified by the Australian government to provide the tactical interface to the Royal Australian Navy's (RAN) fleet of nine Future Frigates. The Saab 9LV Combat Management System would form an integral part of the Future Frigate and upgraded Air Warfare Destroyer combat capability as well as being selected for Australia's upcoming Offshore Patrol Vessel programme.
- Saab acquired the company Applied Composites AB (ACAB), based in Linköping, Sweden, from GKN Aerospace. The acquisition will guarantee key technologies for the development of future ground combat weapon systems and advanced radomes.
- Saab acquired the Swedish combat boat producer N. Sundin Dockstavarvet AB and the repair shipyard Muskövarvet AB to strengthen Saab's product offering in the naval domain. The acquisition of the companies made on 29 December 2017.
- Saab teamed up with the US company Raytheon Company on the development of new weapons systems for infantry forces to meet near-term U.S. and international requirements.
- Saab increased its presence in the United Arab Emirates by establishing development and production in Abu Dhabi of a variety of defence and security products with an initial focus on sensor systems.

For information on significant orders received in 2017, see page 2 and the comments on the business segments on pages 6-8. All press releases can be found on <http://saabgroup.com/Media/news-press/>.

Events after the conclusion of the period

- Saab was contracted by Patria as one of the major suppliers across the Finnish Navy Squadron 2000 Mid-Life Upgrade programme. Patria has the prime role for the total programme, which includes refurbishment and upgrade of four Hamina-class fast attack craft. Saab will supply the 9LV Combat Management System (CMS), the 9LV Fire Control System (FCS) including the Ceros 200 fire control director and the Trackfire Remote Weapon Station (RWS).
- Saab signed a contract for production and deliveries of Saab's New Lightweight Torpedo to the Finnish Navy. The contract is part of the Squadron 2000 Mid-Life Upgrade Programme (SQ2000 MLU) for the Finnish Navy's four Hamina fast attack craft.
- Saab expanded its activities in Finland by establishing a new development centre – the Saab Technology Centre (STC) – in Tampere.
- Saab received an order for the Sabertooth Autonomous Underwater Vehicle/Remotely Operated Vehicle (AUV/ROV). Deliveries will take place during 2018.
- Saab received an order from FMV to provide operational and development support for Gripen during a period of three years, from 2018 to 2020, with a value of SEK 1,350 million.



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 16,200 employees
- Local presence in approximately 35 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 Kockums. In addition, Corporate comprises Group staff, Group departments and secondary operations.

To ensure a presence in key local markets, Saab also has five market areas: 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 relate to the development and manufacture of complex systems that stretch over several reporting periods. 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: market, efficiency and innovation. 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 2017	Full Year 2016	Q4 2017	Q4 2016
Sales	3	31,394	28,631	9,819	9,016
Cost of goods sold		-23,946	-21,748	-7,414	-6,565
Gross income		7,448	6,883	2,405	2,451
<i>Gross margin, %</i>		<i>23.7</i>	<i>24.0</i>	<i>24.5</i>	<i>27.2</i>
Other operating income		104	201	21	25
Marketing expenses		-2,430	-2,223	-680	-660
Administrative expenses		-1,493	-1,364	-429	-404
Research and development costs		-1,348	-1,592	-378	-435
Other operating expenses		-87	-70	-33	-21
Share in income of associated companies and joint ventures		-39	-38	-24	4
Operating income (EBIT) ¹⁾	3	2,155	1,797	882	960
<i>Operating margin, %</i>		<i>6.9</i>	<i>6.3</i>	<i>9.0</i>	<i>10.6</i>
Financial income		121	90	-29	30
Financial expenses		-272	-276	-77	-88
Net financial items		-151	-186	-106	-58
Income before taxes		2,004	1,611	776	902
Taxes		-566	-436	-257	-263
Net income for the period		1,438	1,175	519	639
of which Parent Company's shareholders' interest		1,407	1,133	517	624
of which non-controlling interest		31	42	2	15
Earnings per share before dilution, SEK ²⁾		13.20	10.67	4.84	5.87
Earnings per share after dilution, SEK ³⁾		13.10	10.60	4.81	5.82
1) Includes depreciation/amortisation and write-downs		-839	-946	-202	-246
2) Average number of shares before dilution		106,601,672	106,164,150	106,769,705	106,346,321
3) Average number of shares after dilution		107,400,920	106,906,726	107,590,836	107,167,229

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

MSEK	Full Year 2017	Full Year 2016	Q4 2017	Q4 2016
Net income for the period	1,438	1,175	519	639
Other comprehensive income/loss:				
Items that will not be reversed in the income statement:				
Revaluation of net pension obligations	-190	-623	-326	650
Tax attributable to revaluation of net pension obligations	43	137	73	-143
Total	-147	-486	-253	507
Items that may be reversed in the income statement:				
Translation differences	-257	387	140	169
Cash flow hedges	631	-249	10	-344
Tax attributable to cash flow hedges	-137	39	-6	80
Total	237	177	144	-95
Other comprehensive income/loss for the period	90	-309	-109	412
Net comprehensive income/loss for the period	1,528	866	410	1,051
of which Parent Company's shareholders' interest	1,481	778	393	1,026
of which non-controlling interest	47	88	17	25

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MSEK	Note	31 Dec 2017	31 Dec 2016
ASSETS			
Fixed assets:			
Intangible fixed assets	5	7,862	7,094
Tangible fixed assets		5,271	4,811
Biological assets		352	291
Investment properties		40	33
Shares in associated companies and joint ventures		700	788
Financial investments		26	165
Long-term receivables	11	662	505
Deferred tax assets		211	252
Total fixed assets		15,124	13,939
Current assets:			
Inventories		7,743	6,660
Derivatives		1,139	1,290
Tax receivables		26	120
Accounts receivable		4,342	5,402
Amounts due from customers		7,917	6,222
Other receivables		522	599
Prepaid expenses and accrued income		1,193	1,035
Short-term investments		4,469	4,542
Liquid assets	9	2,202	1,402
Total current assets		29,553	27,272
TOTAL ASSETS		44,677	41,211
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity:			
Parent Company's shareholders' interest		14,189	13,156
Non-controlling interest		188	145
Total shareholders' equity		14,377	13,301
Long-term liabilities:			
Long-term interest-bearing liabilities	6	6,235	5,624
Other liabilities		210	202
Provisions for pensions	11	3,424	3,069
Other provisions		1,024	811
Deferred tax liabilities		274	30
Total long-term liabilities		11,167	9,736
Current liabilities:			
Short-term interest-bearing liabilities	6	92	292
Amounts due to customers		9,094	7,884
Accounts payable		2,958	2,880
Derivatives		1,093	1,955
Tax liabilities		120	81
Other liabilities		805	695
Accrued expenses and deferred income		4,483	3,988
Provisions		488	399
Total current liabilities		19,133	18,174
Total liabilities		30,300	27,910
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		44,677	41,211

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

MSEK	Capital stock	Other capital contributions	Net result of cash flow hedges	Translation reserve	Revaluation reserve	Retained earnings	Total parent company's shareholders' interest	Non-controlling interest	Total shareholders' equity
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
Opening balance, 1 January 2017	1,746	543	-779	525	11	11,110	13,156	145	13,301
Net comprehensive income/loss for the year			477	-257		1,261	1,481	47	1,528
Transactions with shareholders:									
Share matching plan						111	111		111
Dividend						-559	-559	-4	-563
Closing balance, 31 December 2017	1,746	543	-302	268	11	11,923	14,189	188	14,377

CONSOLIDATED STATEMENT OF CASH FLOWS

MSEK	Note	Full Year 2017	Full Year 2016
Operating activities:			
Income after financial items		2,004	1,611
Adjustments for items not affecting cash flows		1,479	1,226
Dividend from associated companies and joint ventures		26	16
Income tax paid		-272	-120
Cash flow from operating activities before changes in working capital		3,237	2,733
Cash flow from changes in working capital:			
Amounts due from and to customers		-475	5,092
Inventories		-994	-1,329
Other current receivables		795	-2,540
Other current liabilities		704	521
Provisions		-103	-323
Cash flow from operating activities		3,164	4,154
Investing activities:			
Investments in intangible fixed assets		-193	-98
Capitalised development costs		-871	-784
Investments in tangible fixed assets		-1,093	-807
Sales and disposals of tangible fixed assets		25	27
Investments in and sale of short-term investments		63	-1,525
Investments in financial assets		-30	-169
Sale of financial assets		104	25
Investments in operations, net effect on liquidity	10	-170	-49
Sale of subsidiaries, net effect on liquidity		-	77
Cash flow from investing activities		-2,165	-3,303
Financing activities:			
Repayments of loans		-1,301	-582
Raising of loans		1,700	732
Dividend paid to Parent Company's shareholders		-559	-530
Dividend paid to non-controlling interest		-4	-5
Transactions with non-controlling interest		-	15
Cash flow from financing activities		-164	-370
Cash flow for the period		835	481
Liquid assets at the beginning of the period		1,402	850
Exchange rate difference in liquid assets		-35	71
Liquid assets at end of period	9	2,202	1,402

QUARTERLY CONSOLIDATED INCOME STATEMENT

MSEK	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Sales	9,819	6,222	7,923	7,430	9,016	5,761	7,064	6,790
Cost of goods sold	-7,414	-4,647	-6,191	-5,694	-6,565	-4,409	-5,495	-5,279
Gross income	2,405	1,575	1,732	1,736	2,451	1,352	1,569	1,511
<i>Gross margin, %</i>	<i>24.5</i>	<i>25.3</i>	<i>21.9</i>	<i>23.4</i>	<i>27.2</i>	<i>23.5</i>	<i>22.2</i>	<i>22.3</i>
Other operating income	21	17	47	19	25	37	100	39
Marketing expenses	-680	-558	-629	-563	-660	-524	-543	-496
Administrative expenses	-429	-333	-379	-352	-404	-294	-337	-329
Research and development costs	-378	-288	-354	-328	-435	-327	-436	-394
Other operating expenses	-33	-17	-16	-21	-21	-10	-14	-25
Share of income in associated companies and joint ventures	-24	-8	-8	1	4	-8	-22	-12
Operating income (EBIT) ¹⁾	882	388	393	492	960	226	317	294
<i>Operating margin, %</i>	<i>9.0</i>	<i>6.2</i>	<i>5.0</i>	<i>6.6</i>	<i>10.6</i>	<i>3.9</i>	<i>4.5</i>	<i>4.3</i>
Financial income	-29	37	76	37	30	19	-9	50
Financial expenses	-77	-73	-68	-54	-88	-69	-66	-53
Net financial items	-106	-36	8	-17	-58	-50	-75	-3
Income before taxes	776	352	401	475	902	176	242	291
Taxes	-257	-92	-102	-115	-263	-54	-51	-68
Net income for the period	519	260	299	360	639	122	191	223
of which Parent Company's shareholders' interest	517	248	288	354	624	113	183	213
of which non-controlling interest	2	12	11	6	15	9	8	10
Earnings per share before dilution, SEK ²⁾	4.84	2.33	2.70	3.33	5.87	1.06	1.72	2.01
Earnings per share after dilution, SEK ³⁾	4.81	2.31	2.68	3.30	5.82	1.06	1.71	1.99
1) Includes depreciation/amortisation and write-downs	-202	-209	-221	-207	-246	-236	-234	-230
2) Average number of shares before dilution	106,769,705	106,660,461	106,538,205	106,438,320	106,346,321	106,223,750	106,094,093	105,992,435
3) Average number of shares after dilution	107,590,836	107,470,451	107,423,697	107,320,873	107,167,229	107,024,906	106,912,764	106,853,562

QUARTERLY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

MSEK	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Net income for the period	519	260	299	360	639	122	191	223
Other comprehensive income/loss:								
Items that will not be reversed in the income statement:								
Revaluation of net pension obligations	-326	440	-378	74	650	-327	-433	-513
Tax attributable to revaluation of net pension obligations	73	-97	83	-16	-143	72	95	113
Total	-253	343	-295	58	507	-255	-338	-400
Items that may be reversed in the income statement:								
Translation differences	140	-178	-208	-11	169	125	134	-41
Net gain/loss on cash flow hedges	10	154	300	167	-344	130	-179	144
Tax attributable to net gain/loss on cash flow hedges	-6	-27	-62	-42	80	-39	34	-36
Total	144	-51	30	114	-95	216	-11	67
Other comprehensive income/loss for the period	-109	292	-265	172	412	-39	-349	-333
Net comprehensive income/loss for the period	410	552	34	532	1,051	83	-158	-110
of which Parent Company's shareholders' interest	393	548	29	511	1,026	60	-181	-127
of which non-controlling interest	17	4	5	21	25	23	23	17

KEY RATIOS BY QUARTER

MSEK	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Equity/assets ratio, (%)	32.2	33.7	32.9	33.3	32.3	32.5	31.9	33.9
Return on capital employed, % ³⁾	10.1	11.0	10.5	9.6	8.9	11.8	11.3	11.3
Return on equity, % ³⁾	10.4	11.9	11.2	9.8	9.0	13.8	13.0	12.7
Equity per share, SEK ^{1) 3)}	132.83	128.97	123.67	128.57	123.64	113.88	113.25	120.17
Free cash flow, MSEK ³⁾	1,772	-388	-1,429	897	619	-2,311	1,096	2,955
Free cash flow per share after dilution, SEK ^{2) 3)}	16.47	-3.61	-13.30	8.36	5.78	-21.59	10.25	27.65

1) Number of shares excluding treasury shares

106,823,782 106,715,627 106,605,294 106,471,116 106,405,523 106,287,119 106,160,381 106,027,804

2) Average number of shares after dilution

107,590,836 107,470,451 107,423,697 107,320,873 107,167,229 107,024,906 106,912,764 106,853,562

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 2017	Operating margin	Q3 2017	Operating margin	Q2 2017	Operating margin	Q1 2017	Operating margin
Sales								
Aeronautics	2,373		1,351		1,865		1,678	
Dynamics	2,093		831		1,361		982	
Surveillance	2,358		1,785		2,089		1,783	
Support and Services	1,766		1,226		1,447		1,762	
Industrial Products and Services	1,146		826		1,034		1,016	
Kockums	763		565		706		678	
Internal sales	-680		-362		-579		-469	
Total	9,819		6,222		7,923		7,430	
Operating income/loss								
Aeronautics	184	7.8%	108	8.0%	106	5.7%	80	4.8%
Dynamics	275	13.1%	76	9.1%	134	9.8%	90	9.2%
Surveillance	283	12.0%	123	6.9%	97	4.6%	88	4.9%
Support and Services	252	14.3%	132	10.8%	133	9.2%	156	8.9%
Industrial Products and Services	59	5.1%	-10	-1.2%	17	1.6%	70	6.9%
Kockums	47	6.2%	35	6.2%	40	5.7%	35	5.2%
Corporate	-218		-76		-134		-27	
Total	882	9.0%	388	6.2%	393	5.0%	492	6.6%

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	
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%
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%

MULTI-YEAR OVERVIEW

MSEK	2017	2016	2015	2014	2013
Order bookings	30,841	21,828	81,175	22,602	49,809
Order backlog at 31 December	106,849	107,606	113,834	60,128	59,870
Sales	31,394	28,631	27,186	23,527	23,750
<i>Sales in Sweden, %</i>	<i>42</i>	<i>43</i>	<i>42</i>	<i>45</i>	<i>41</i>
<i>Sales in Europe excluding Sweden, %</i>	<i>14</i>	<i>17</i>	<i>18</i>	<i>19</i>	<i>20</i>
<i>Sales in North America, %</i>	<i>9</i>	<i>10</i>	<i>9</i>	<i>10</i>	<i>11</i>
<i>Sales in Latin America, %</i>	<i>8</i>	<i>7</i>	<i>6</i>	<i>2</i>	<i>2</i>
<i>Sales in Rest of the World, %</i>	<i>27</i>	<i>23</i>	<i>25</i>	<i>24</i>	<i>26</i>
Operating income (EBIT)	2,155	1,797	1,900	1,659	1,345
<i>Operating margin, %</i>	<i>6.9</i>	<i>6.3</i>	<i>7.0</i>	<i>7.1</i>	<i>5.7</i>
Depreciation/amortisation and write-downs less depreciation/amortisation and write-downs of lease aircraft	839	946	959	864	1,022
EBITDA	2,994	2,743	2,859	2,523	2,367
<i>EBITDA margin, %</i>	<i>9.5</i>	<i>9.6</i>	<i>10.5</i>	<i>10.7</i>	<i>10.0</i>
Income after financial items	2,004	1,611	1,731	1,523	979
Net income for the year	1,438	1,175	1,402	1,168	742
Total assets	44,677	41,211	35,088	29,556	27,789
Equity	14,377	13,301	12,912	11,373	12,227
Free cash flow ¹⁾	852	2,359	-726	-1,094	-1,460
<i>Return on capital employed, % ¹⁾</i>	<i>10.1</i>	<i>8.9</i>	<i>11.2</i>	<i>11.1</i>	<i>9.1</i>
<i>Return on equity, % ¹⁾</i>	<i>10.4</i>	<i>9.0</i>	<i>11.5</i>	<i>9.9</i>	<i>6.3</i>
<i>Equity/assets ratio, %</i>	<i>32.2</i>	<i>32.3</i>	<i>36.8</i>	<i>38.5</i>	<i>44.0</i>
Earnings per share before dilution, SEK ¹⁾	13.20	10.67	12.88	10.86	6.98
Earnings per share after dilution, SEK ¹⁾	13.10	10.60	12.79	10.78	6.79
Dividend per share, SEK ²⁾	5.50	5.25	5.00	4.75	4.50
Equity per share, SEK ¹⁾	132.83	123.64	121.28	107.02	114.04
Number of employees at year-end	16,427	15,465	14,685	14,716	14,140
Number of shares excluding treasury shares as of 31 December	106,823,782	106,405,523	105,957,065	105,499,980	106,414,144
Average number of shares before dilution	106,601,672	106,164,150	105,714,805	106,125,666	106,125,107
Average number of shares after dilution	107,400,920	106,906,726	106,450,263	106,916,255	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).

KEY RATIOS AND GOALS

	Long-term target	Full Year 2017	Full Year 2016
Organic sales growth, %	5	10	5
Operating margin, %	10	6.9	6.3
Equity/assets ratio, %	30	32.2	32.3

PARENT COMPANY INCOME STATEMENT

MSEK	Full Year 2017	Full Year 2016	Q4 2017	Q4 2016
Sales	19,958	17,988	6,048	5,490
Cost of goods sold	-15,546	-14,125	-4,606	-4,163
Gross income	4,412	3,863	1,442	1,327
<i>Gross margin, %</i>	<i>22.1</i>	<i>21.5</i>	<i>23.8</i>	<i>24.2</i>
Operating income and expenses	-4,054	-3,869	-1,289	-1,145
Operating income (EBIT)	358	-6	153	182
<i>Operating margin, %</i>	<i>1.8</i>	<i>-0.0</i>	<i>2.5</i>	<i>3.3</i>
Financial income and expenses	519	317	459	361
Income after financial items	877	311	612	543
Appropriations	-11	-141	-11	-141
Income before taxes	866	170	601	402
Taxes	-217	-73	-121	-71
Net income for the period	649	97	480	331

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 2017	31 Dec 2016
ASSETS			
Fixed assets:			
Intangible fixed assets		542	545
Tangible fixed assets		3,228	3,033
Financial fixed assets		7,030	6,725
Total fixed assets		10,800	10,303
Current assets:			
Inventories		5,442	4,980
Current receivables		12,514	12,798
Short term investments		4,459	4,524
Liquid assets		1,181	651
Total current assets		23,596	22,953
TOTAL ASSETS		34,396	33,256
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity:			
Restricted equity		2,964	2,971
Unrestricted equity		4,879	4,676
Total shareholders' equity		7,843	7,647
Untaxed reserves, provisions and liabilities:			
Untaxed reserves		2,291	2,280
Provisions		1,089	807
Liabilities	6	23,173	22,522
Total untaxed reserves, provisions and liabilities		26,553	25,609
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		34,396	33,256

Liquidity, financing, capital expenditures and number of employees

The Parent Company's net debt amounted to MSEK 3,418 as of 31 December 2017 compared to MSEK 3,041 as of 31 December 2016.

Investments in tangible fixed assets amounted to MSEK 549 (471). Investments in intangible assets amounted to MSEK 170 (78). At the end of the year, the Parent Company had 9,357 employees, compared to 8,941 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 interim 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 2016.

NOTE 2 Accounting principles

The consolidated accounts for 2017 are 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 96-97 as well as in the notes on material profit/loss and balance sheet items in the annual report 2016.

The Group and the Parent Company apply the same accounting principles and methods of computation as described in the annual report 2016. 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 2016. All information on pages 1-32 constitute the year-end report 2017.

Two new standards take effect in financial years beginning as of 1 January 2018. IAS 8 and transition rules in each standard are applied for effects of changes in accounting principles.

IFRS 15 Revenue from Contracts with Customers governs the recognition of revenue. The principles that IFRS 15 are built on give users of financial reports more useful information on the company's revenue. The expanded disclosure obligation requires more information to be provided on the nature, timing and uncertainty of revenue as well as cash flows from contracts with customers. According to IFRS 15, revenue is recognised when customers obtain control over purchased goods or services and are able to use and obtain benefits from the goods or services. IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts. Saab has had a project since 2015 to evaluate the effects and prepare for implementation of IFRS 15. The project has an internal steering group with Saab's CFO as chairman and staff from various parts of the company such as Finance, Legal and Sales.

A large part of the Group's operations involves long-term customer contracts with the development and manufacture of complex systems that stretch over several reporting periods and where the so-called percentage of completion method has been used. An essential point in the analysis that was done is to determine the number of performance obligations and when they are fulfilled, i.e. over time or at a given point in time. The conclusion of the contract analysis that was done is that the number of performance obligations is the same as in current reporting and that revenue from long-term customer contracts will continue to be recognised over time in accordance with IFRS 15 and the percentage of completion method. For a few customer contracts, the method for recognition will be adjusted. The main reason for the change is that few long-term customer contracts cannot report revenue over time, due to non-compliance with the right to payment including earnings for work performed. Saab will apply the full retroactive approach for the transition to IFRS 15 from 2018, with certain exceptions approved by the standard. For example, Saab will not restate contracts that were started and completed within the same annual reporting period. Transition effects that arise for IFRS 15 affect the opening equity balance for the comparative year 2017 by MSEK -164 and the opening balance for 2018 by MSEK -92. In the income statement for 2017, sales increase by MSEK 272 and the cost of goods sold by MSEK 177. As a result, operating income is affected positively by MSEK 95 and net income for the year by MSEK 70. For more information, see note 14.

NOTE 2 Continued

IFRS 9 Financial Instruments sets out the requirements for classification, measurement and accounting of financial assets and liabilities and introduces new rules for hedge accounting and impairment of financial assets. According to the standard, hedge accounting will be applied prospectively and a company does not have to restate previous periods, and Saab has not done so. Saab began evaluating the effects of the introduction of the new standard in 2016 and has continued with a more detailed evaluation in 2017. The evaluation has been in the form of a project with participants from various parts of the company. The new standard will not have a significant impact on the company's income statement or financial position. Hedge accounting will not be affected, but Saab will transition to IFRS 9's hedge accounting, which is an option in the standard. The effect on the opening equity balance for 2018 amounts to MSEK -4, which is due to impairment of receivables from associated companies and joint ventures.

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 six business areas, which are also operating segments: Aeronautics, Dynamics, Surveillance, Support and Services, Industrial Products and Services, and 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, location, and protection. The portfolio covers airborne, ground-based and naval radar, electronic warfare, combat systems and C4I solutions, and traffic management systems. As of 1 January 2018 the business unit Traffic Management belongs to business area Industrial Products and Services.

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.

Kockums

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

NOTE 3 Continued

Order bookings per operating segment

MSEK	Full Year	Full Year	Change, %	Q4	Q4
	2017	2016		2017	2016
Aeronautics	3,295	1,789	84	1,419	1,079
Dynamics	8,615	6,680	29	1,024	1,507
Surveillance	8,528	5,993	42	2,503	2,167
Support and Services	7,324	4,473	64	1,223	1,494
Industrial Products and Services	3,311	3,358	-1	850	702
Kockums	2,129	1,293	65	215	380
Internal	-2,361	-1,758		-648	-461
Total	30,841	21,828	41	6,586	6,868

Order bookings per region

MSEK	Full Year	Full Year	Change, %
	2017	2016	
Sweden	13,963	8,957	56
Rest of Europe	5,116	3,702	38
North America	2,712	1,904	42
Latin America	898	199	351
Asia	5,721	5,278	8
Africa	529	467	13
Australia, etc.	1,902	1,321	44
Total	30,841	21,828	41

Order backlog per operating segment

MSEK	31 Dec 2017	31 Dec 2016
	Aeronautics	50,154
Dynamics	11,399	8,031
Surveillance	16,169	16,415
Support and Services	14,039	12,938
Industrial Products and Services	8,665	9,361
Kockums	8,815	8,910
Internal	-2,392	-2,176
Total	106,849	107,606

Order backlog per region

MSEK	31 Dec 2017	31 Dec 2016
	Sweden	39,254
Rest of Europe	9,973	9,386
North America	4,797	5,000
Latin America	37,174	38,940
Asia	12,673	14,178
Africa	794	711
Australia etc.	2,184	1,381
Total	106,849	107,606

Note 3 Continued

Sales per operating segment

MSEK	Full Year 2017	Full Year 2016	Change, %	Q4 2017	Q4 2016	Change, %
Aeronautics	7,267	7,138	2	2,373	2,215	7
of which external sales	6,830	6,728	2	2,244	2,085	8
of which internal sales	437	410	7	129	130	-1
Dynamics	5,267	4,927	7	2,093	2,036	3
of which external sales	5,109	4,786	7	2,036	1,977	3
of which internal sales	158	141	12	57	59	-3
Surveillance	8,015	7,659	5	2,358	2,224	6
of which external sales	7,673	7,383	4	2,272	2,122	7
of which internal sales	342	276	24	86	102	-16
Support and Services	6,201	5,081	22	1,766	1,504	17
of which external sales	6,060	4,901	24	1,729	1,461	18
of which internal sales	141	180	-22	37	43	-14
Industrial Products and Services	4,022	3,605	12	1,146	1,066	8
of which external sales	2,890	2,510	15	755	730	3
of which internal sales	1,132	1,095	3	391	336	16
Kockums	2,712	2,311	17	763	646	18
of which external sales	2,704	2,306	17	756	645	17
of which internal sales	8	5	60	7	1	-
Corporate/eliminations	-2,090	-2,090		-680	-675	
of which external sales	128	17		27	-4	
of which internal sales	-2,218	-2,107		-707	-671	
Total	31,394	28,631	10	9,819	9,016	9

Sales per region

MSEK	Full Year 2017	% of sales	Full Year 2016	% of sales
Sweden	13,218	42	12,389	43
Rest of Europe	4,549	14	4,981	17
North America	2,791	9	2,740	10
Latin America	2,653	8	2,014	7
Asia	6,691	21	5,107	18
Africa	449	1	495	2
Australia, etc.	1,043	4	905	3
Total	31,394	100	28,631	100

Information on large customers

In 2017, 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 10,695 (9,804).

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 to 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	
	2017	% of sales	2016	% of sales	2017	2016
Aeronautics	478	6.6	535	7.5	184	215
Dynamics	575	10.9	447	9.1	275	374
Surveillance	591	7.4	449	5.9	283	231
Support and Services	673	10.9	454	8.9	252	198
Industrial Products and Services	136	3.4	134	3.7	59	78
Kockums	157	5.8	134	5.8	47	49
The operating segments' operating income	2,610	8.3	2,153	7.5	1,100	1,145
Corporate	-455		-356		-218	-185
Total	2,155	6.9	1,797	6.3	882	960

Depreciation/amortisation and write-downs per operating segment

MSEK	Full Year		Change, %	Q4	
	2017	2016		2017	2016
Aeronautics	50	41	22	13	11
Dynamics	85	75	13	21	24
Surveillance	354	491	-28	95	119
Support and Services	19	16	19	3	4
Industrial Products and Services	36	36	-	9	9
Kockums	23	31	-26	5	6
Corporate	272	256	6	56	73
Total	839	946	-11	202	246

Operational cash flow per operating segment

MSEK	Full Year		Q4	
	2017	2016	2017	2016
Aeronautics	1,264	435	1,567	347
Dynamics	1,105	282	796	181
Surveillance	-73	1,865	223	105
Support and Services	104	1,243	-70	31
Industrial Products and Services	-264	-54	-111	-24
Kockums	206	639	186	386
Corporate	-954	-1,807	-445	-345
Total	1,388	2,603	2,146	681

Capital employed per operating segment

MSEK	31 Dec 2017	31 Dec 2016
Aeronautics	2,191	2,303
Dynamics	3,283	3,320
Surveillance	7,580	7,206
Support and Services	3,220	2,614
Industrial Products and Services	2,821	2,326
Kockums	1,016	749
Corporate	3,280	3,173
Total	23,391	21,691

NOTE 3 Continued

Full time equivalents (FTE's) per operating segment

Number at end of the period	31 Dec	
	2017	2016
Aeronautics	3,073	2,932
Dynamics	2,143	2,094
Surveillance	4,198	3,963
Support and Services	2,043	2,119
Industrial Products and Services	2,713	2,679
Kockums	1,115	853
Corporate	886	834
Total	16,171	15,474

NOTE 4 Dividend to Parent Company's shareholders

At its meeting on 15 February 2018, the Board of Directors decided to propose to the Annual General Meeting that the Parent Company's shareholders receive a dividend of SEK 5.50 per share, totalling MSEK 588.

NOTE 5 Intangible fixed assets

MSEK	31 Dec 2017	31 Dec 2016
Goodwill	5,177	5,196
Capitalised development costs	2,360	1,652
Other intangible assets	325	246
Total	7,862	7,094

NOTE 6 Net liquidity/debt

MSEK	31 Dec 2017	31 Dec 2016
Assets:		
Liquid assets	2,202	1,402
Short-term investments	4,469	4,542
Total liquid investments	6,671	5,944
Short-term interest-bearing receivables	14	29
Long-term interest-bearing receivables	454	391
Long-term receivables attributable to pensions	40	51
Long-term interest-bearing financial investments	-	140
Total interest-bearing assets	7,179	6,555
Liabilities:		
Liabilities to credit institutions	5,798	5,107
Liabilities to associated companies and joint ventures	45	239
Other interest-bearing liabilities	484	570
Provisions for pensions ¹⁾	2,686	2,475
Total interest-bearing liabilities and provisions for pensions	9,013	8,391
Net liquidity (+) / net debt (-)	-1,834	-1,836

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 2018)	42	-	42
Total	6,042	-	6,042

Parent Company

MSEK	31 Dec 2017	31 Dec 2016
Long-term liabilities to credit institutions	5,798	5,107
Short-term liabilities to credit institutions	-	-
Total	5,798	5,107

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 MSEK 3,000 to MSEK 6,000. Under the terms of this programme, Saab has issued fixed rate bonds as well as Floating Rate Notes (FRN). MTN loans with maturity December 2018 with total outstanding amount of MSEK 1,350, was in September 2017 partly closed out with an amount of MSEK 1,038. At the same time, new loans of MSEK 1,700, maturing in 2022, were issued. As a result, outstanding loans under the MTN programme totalled MSEK 4,812. In addition, a loan amounting to MEUR 100 was signed in December 2015.

NOTE 7 Capital employed

MSEK	31 Dec 2017	31 Dec 2016
Total assets	44,677	41,211
Less non-interest bearing liabilities	21,286	19,520
Capital employed	23,391	21,691

NOTE 8 Financial instruments

Classification and categorisation of financial assets and liabilities ¹⁾

Carrying amount	31 Dec 2017	31 Dec 2016
Financial assets:		
Financial investments at fair value through profit and loss	26	25
Financial investments held to maturity ²⁾	-	140
Long-term receivables	481	505
Derivatives identified as hedges	1,030	1,225
Derivatives at fair value through profit and loss for trading	109	65
Accounts receivable and other receivables	13,343	12,740
Short-term investments at fair value	4,469	4,542
Liquid assets	2,202	1,402
Total financial assets	21,660	20,644
Financial liabilities:		
Interest-bearing liabilities ³⁾	6,327	5,916
Derivatives identified as hedges	1,007	1,862
Derivatives at fair value through profit and loss for trading	86	93
Other liabilities	6,934	6,284
Total financial liabilities	14,354	14,155

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 853.

²⁾ Fair value 2017 Dec: MSEK 0; 2016 Dec MSEK 140

³⁾ Fair value 2017 Dec: MSEK 6,412; 2016 Dec MSEK 6,052

NOTE 8 Continued

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 2017 the Group had the following financial assets and liabilities at fair value:

Assets at fair value

MSEK	31 Dec 2017	Level 1	Level 2	Level 3
Bonds and interest-bearing securities	4,469	4,469	-	-
Forward exchange contracts	1,056	-	1,056	-
Currency options	25	-	25	-
Cross currency basis swaps	51	-	51	-
Electricity derivatives	7	7	-	-
Shares and participations	26	-	-	26
Total	5,634	4,476	1,132	26

Liabilities at fair value

MSEK	31 Dec 2017	Level 1	Level 2	Level 3
Forward exchange contracts	1,021	-	1,021	-
Currency options	11	-	11	-
Interest rate swaps	61	-	61	-
Total	1,093	-	1,093	-

NOTE 9 Supplemental information on statement of cash flows

Free cash flow

MSEK	Full Year 2017	Full Year 2016	Q4 2017	Q4 2016
Cash flow from operating activities before changes in working capital, excluding taxes and other financial items	3,593	2,927	1,377	1,155
Cash flow from changes in working capital:				
Amounts due from and to customers	-475	5,092	1,068	894
Inventories	-994	-1,329	297	-40
Other current receivables	795	-2,540	-829	-1,853
Other current liabilities	704	521	983	1,218
Provisions	-103	-323	-45	-136
Change in working capital	-73	1,421	1,474	83
Cash flow from operating activities excluding taxes and other financial items	3,520	4,348	2,851	1,238
Investing activities:				
Investments in intangible fixed assets	-1,064	-882	-437	-255
Investments in tangible fixed assets	-1,093	-807	-270	-312
Sales and disposals of tangible fixed assets	25	27	2	10
Investments in financial fixed assets	-	-83	-	-
Cash flow from investing activities ¹⁾	-2,132	-1,745	-705	-557
Operational cash flow	1,388	2,603	2,146	681
Taxes and other financial items	-356	-194	-185	41
Sale of and investments in financial assets	-10	-78	-19	-76
Investments in operations	-170	-49	-170	-27
Sale of subsidiaries	-	77	-	-
Free cash flow	852	2,359	1,772	619

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.

Free cash flow vs. statement of cash flows

MSEK	Full Year 2017	Full Year 2016	Q4 2017	Q4 2016
Free cash flow	852	2,359	1,772	619
Investing activities – interest-bearing:				
Short-term investments	63	-1,525	-1,794	-994
Other financial investments and receivables	84	17	127	35
Financing activities:				
Repayments of loans	-1,301	-582	-36	-7
Raising of loans	1,700	732	-	-
Dividend paid to the Parent Company's shareholders	-559	-530	-	-
Dividend paid to non-controlling interest	-4	-5	-1	-1
Transactions with non-controlling interest	-	15	-	-
Cash flow for the period	835	481	68	-348

Liquid assets

MSEK	31 Dec 2017	31 Dec 2016
The following components are included in liquid assets:		
Cash and bank balances	1,463	1,102
Bank deposits	739	300
Total according to balance sheet	2,202	1,402
Total according to statement of cash flows	2,202	1,402

NOTE 10 Business combinations

No significant acquisitions through business combinations were made in 2017.

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 2017	31 Dec 2016
Defined-benefit obligation	9,341	8,608
Special employers' contribution	738	594
Less plan assets	6,695	6,184
Total provisions for pensions	3,384	3,018
of which reported as long-term receivable	40	51

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 2016, note 40.

NOTE 14 Transition effects due to new accounting rules that apply as of 2018

Shown below are the effects of the application of IFRS 15 *Revenue from Contracts with Customers*, which replaces existing standards for revenue recognition. Saab will apply the full retroactive approach for the transition to IFRS 15 from 2018.

The opening balance in 2018 is also restated here for IFRS 9 *Financial Instruments*, the new standard that replaces IAS 39. The standard will be applied by Saab as of 1 January 2018.

Opening balance 2017

Statement of financial position MSEK	2017-01-01 Actual	Adjustment IFRS 15	2017-01-01 Restated
ASSETS			
Fixed assets	13,687	-	13,687
Deferred tax assets	252	53	305
Total fixed assets	13,939	53	13,992
Inventories	6,660	526	7,186
Amounts due from customers --> Contract assets	6,222	-227	5,995
Accounts receivable, derivatives and other short-term receivables	7,411	-	7,411
Prepaid expenses and accrued income	1,035	-163	872
Liquid assets and short-term investments	5,944	-	5,944
Total current assets	27,272	136	27,408
TOTAL ASSETS	41,211	189	41,400

NOTE 14 Continued

Opening balance 2017

Statement of financial position MSEK	2017-01-01 Actual	Adjustment IFRS 15	2017-01-01 Restated
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity:			
Parent Company's shareholders' interest	13,156	-164	12,992
Non-controlling interest	145	-	145
Total shareholders' equity	13,301	-164	13,137
Liabilities			
Long-term liabilities	9,736	-	9,736
Amounts due to customers --> Contract liabilities	7,884	355	8,239
Other short-term liabilities and provisions	10,290	-2	10,288
Total liabilities	27,910	353	28,263
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	41,211	189	41,400

Year-end 2017

Income statement MSEK	Jan-Dec 2017	Adjustment IFRS 15	Jan-Dec 2017 Restated
Sales	31,394	272	31,666
Cost of goods sold	-23,946	-177	-24,123
Gross income	7,448	95	7,543
<i>Gross margin, %</i>	<i>23.7</i>		<i>23.8</i>
Operating expenses	-5,293	-	-5,293
Operating income	2,155	95	2,250
<i>Operating margin, %</i>	<i>6.9%</i>		<i>7.1%</i>
Net financial items	-151	-	-151
Income before taxes	2,004	95	2,099
Taxes	-566	-25	-591
Net income for the period	1,438	70	1,508
Attributable to:			
Parent Company's shareholders' interest	1,407	70	1,477
non-controlling interest	31	-	31
Earnings per share before dilution, SEK	13.20	0.66	13.86
Earnings per share after dilution, SEK	13.10	0.65	13.75

NOTE 14 Continued

Year-end 2017 and opening balance 2018

Statement of financial position MSEK	2017-12-31 Actual	Adjustment IFRS 15	2017-12-31 Restated	Adjustment IFRS 9	2018-01-01 Restated
ASSETS					
Fixed assets	14,459	-	14,459	-	14,459
Long-term receivables on associated companies and joint ventures	454	-	454	-5	449
Deferred tax assets	211	27	238	1	239
Total fixed assets	15,124	27	15,151	-4	15,147
Inventories	7,743	504	8,247	-	8,247
Amounts due from customers --> Contract assets	7,917	83	8,000	-	8,000
Accounts receivable, derivatives and other short-term receivables	6,029	-	6,029	-	6,029
Prepaid expenses and accrued income	1,193	-293	900	-	900
Liquid assets and short-term investments	6,671	-	6,671	-	6,671
Total current assets	29,553	294	29,847	-	29,847
TOTAL ASSETS	44,677	321	44,998	-4	44,994
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity:					
Parent Company's shareholders' interest	14,189	-92	14,097	-4	14,093
Non-controlling interest	188	-	188	-	188
Total shareholders' equity	14,377	-92	14,285	-4	14,281
Liabilities					
Long-term liabilities	11,167	-	11,167	-	11,167
Amounts due to customers --> Contract liabilities	9,094	418	9,512	-	9,512
Other short-term liabilities and provisions	10,039	-5	10,034	-	10,034
Total liabilities	30,300	413	30,713	-	30,713
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	44,677	321	44,998	-4	44,994

NOTE 15 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 and write-downs.

EBITDA margin

Operating income before depreciation/amortisation and write-downs 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.

Non-recurring items

Non-recurring items of profit with a significant impact on the results and which are important for understanding the underlying business development.

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

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

Linköping 16 February 2018
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 16 February 2018 at 07.30 (CET).

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Press and financial analyst conference

16 February 2018 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/180216>

Conference call:

Please, dial in using one of the numbers below.

UK: +442030089814

US: +18557532237

SE: +46856642697

The interim report, the presentation material and the webcast will be available on saabgroup.com.

CALENDAR

ANNUAL GENERAL MEETING

10 APRIL 2018

INTERIM REPORT JANUARY–MARCH 2018

PUBLISHED 26 APRIL 2018

INTERIM REPORT JANUARY–JUNE 2018

PUBLISHED 20 JULY 2018

INTERIM REPORT JANUARY–SEPTEMBER 2018

PUBLISHED 23 OCTOBER 2018

YEAR-END REPORT 2018

PUBLISHED 15 FEBRUARY 2019