

Comment by the President and CEO, Håkan Buskhe:

Q1

Order backlog

% outside Sweden

63

Sales

MSEK

7,766

Operating margin

Per cent

5.8

Continued strong order bookings

During the quarter, Saab made a successful first flight with the new generation of the GlobalEye, Airborne Early Warning & Control, aircraft. The flight marked an important milestone for the development of the system.

Adjusted for two large orders received in 2017, order bookings in the first quarter 2018 were strong and amounted to MSEK 6,135. In the first quarter of 2017, Saab received two major orders totalling SEK 5.2 billion. In the first quarter of 2018 a major order was received from the Swedish Defence Materiel Administration, FMV, to provide operational and development support for Gripen valued at BSEK 1.35. Bookings of medium-sized orders were strong in the quarter, Finland for example selected Saab as one of the major suppliers for the Finnish Navy's Squadron 2000 Mid-Life Upgrade programme. As part of the same programme, Saab received a contract for production and delivery of Saab's New Lightweight Torpedo. This is the first order for this system from a customer outside Sweden.

The interest in Saab's products is great, and Gripen has a strong market position. Due to the strong interest in Gripen E/F, Saab has now accelerated the pace of investment to develop the system for future exports.

Sales and operating income

Sales amounted to MSEK 7,766 with organic growth of 2 per cent. The business areas Aeronautics and Surveillance saw strong growth driven by increased activity in the Gripen business as well as in Airborne Early Warning & Control systems.

Operating income amounted to MSEK 447 (539) and the operating margin was 5.8 per cent (7.1) in the period. The operating margin was lower than in 2017 due to fewer deliveries during the period, a change in the project mix and a change of the project margin in a few smaller projects.

Operational cash flow amounted to MSEK -2,211 (986), which was according to plan. The main reason for the negative cash flow was the high level of capital employed in major projects and utilisation of advances and milestone payments.

Focus 2018

Saab's focus in 2018 is on strengthening its market position and delivering on the major development projects in the order backlog.

OUTLOOK STATEMENT FOR 2018:

We estimate that sales growth in 2018 will 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 step closer to its financial goal: an operating margin of 10 per cent over a business cycle.

Financial highlights

MSEK	Jan-Mar 2018	Jan-Mar 2017 ¹⁾	Change, %	Full Year 2017 ¹⁾
Order bookings	6,135	9,701	-37	30,841
Order backlog	105,712	109,884	-4	107,233
Sales	7,766	7,586	2	31,666
Gross income	1,738	1,783	-3	7,543
Gross margin, %	22.4	23.5		23.8
EBITDA	654	746	-12	3,089
EBITDA margin, %	8.4	9.8		9.8
Operating income (EBIT)	447	539	-17	2,250
Operating margin, %	5.8	7.1		7.1
Net income	251	396	-37	1,508
Earnings per share after dilution, SEK ²⁾	2.25	3.63		13.75
Return on equity, % ³⁾	9.6	10.2		10.9
Operational cash flow	-2,211	986		1,388
Free cash flow	-2,411	897		852
Free cash flow per share after dilution, SEK	-22.40	8.36		7.93

¹⁾ 2017 has been restated according to the new accounting principles regarding revenue recognition (IFRS 15).

²⁾ Average number of shares after dilution

³⁾ Return on equity is measured over a rolling 12-month period.

107,651,182

107,320,873

107,400,920

The comparative year 2017 is restated to reflect the new accounting principle that applies as of 2018 for revenue recognition, IFRS 15 Revenue from Contracts with Customers.

Orders

January-March 2018

Order bookings amounted to MSEK 6,135 in the first quarter of 2018. Compared to the same period in 2017 order bookings decreased 37 per cent. The change is due to the fact that Saab received two major orders in the first quarter of 2017 totalling SEK 5.2 billion. One of the orders was related to the area of Airborne, Early Warning and Control (AEW&C) and one order was received from FMV for the development and production of the next generation anti-ship missile system.

Orders of less than MSEK 100 amounted to SEK 2.5 billion (2.6).

In the first quarter of 2018, index and price changes had a positive effect on order bookings of MSEK 45, compared to MSEK 88 in the same period in 2017.

The order backlog at the end of the period amounted to MSEK 105,712, compared to MSEK 107,233 at the beginning of the year. In total, 63 per cent of the order backlog is attributable to markets outside Sweden.

For more information about orders received, see Business Area comments on pages 7, 8 and 9.

Sales

January-March 2018

Sales in the first three months of the year increased in several business areas and amounted to MSEK 7,766 (7,586). The large part of the increase is related to the high level of activity in the Gripen business, which at present is mainly working on the development and production of Gripen E for Sweden and Gripen NG to Brazil. The Airborne Early Warning & Control business, which is working on, among other things, the development and production of GlobalEye for the United Arab Emirates, also had a high level of activity during the period.

Sales from markets outside Sweden amounted to MSEK 4,457 (4,505), corresponding to 57 per cent (59), of total sales. 86 per cent (84) of sales was related to the defence market.

Sales growth

Per cent	Jan-Mar 2018	Jan-Mar 2017	Full Year 2017
Organic sales growth	2	11	11
Acquisitions	1	-	-
Currency effects regarding revaluation of foreign subsidiaries	-1	1	-
Total sales growth	2	12	11

Sales per region

MSEK	Jan-Mar 2018	Jan-Mar 2017	Change, %
Sweden	3,309	3,081	7
Rest of Europe	932	1,050	-11
North America	640	654	-2
Latin America	884	498	78
Asia	1,680	1,979	-15
Africa	108	123	-12
Australia, etc.	213	201	6
Total	7,766	7,586	2

Sales per market segment

MSEK	Jan-Mar 2018	Jan-Mar 2017	Change, %
Air	3,910	3,763	4
Land	1,434	1,513	-5
Naval	1,359	1,221	11
Civil Security	467	450	4
Commercial Aeronautics	403	422	-5
Other	193	217	-11
Total	7,766	7,586	2

Significant orders, Jan-Mar 2018 MSEK

Operational and development support Gripen 1,350

Large orders

Orders exceeding MSEK 100 accounted for 60% (74) of total orders during the period.



Order backlog duration:

2018: SEK **20.7** billion

2019: SEK **21.8** billion

2020: SEK **17.7** billion

2021: SEK **17.1** billion

After 2021: SEK **28.4** billion

Defence/Civil

A total of 86% (87) of order bookings was attributable to defence-related operations during the period.

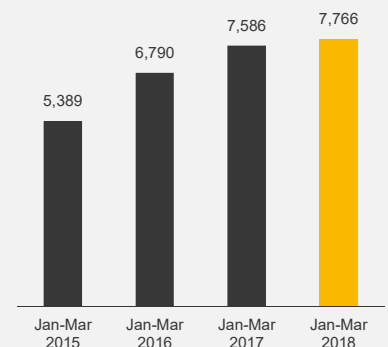


Market

A total of 57% (48) of order bookings was related to markets outside Sweden during the period.



Sales, MSEK



Income

January-March 2018

The gross margin in the first three months of the year was 22.4 per cent (23.5). The business area Dynamics had fewer customer deliveries in the quarter compared to the same quarter in 2017, which negatively affected the product mix. In the business area Surveillance, the project margin in a few smaller projects changed, which had a negative impact on the gross margin.

Total depreciation and amortisation amounted to MSEK 207 (207). Depreciation of tangible fixed assets amounted to MSEK 143 (132).

Total expenditures in research and development (R&D) amounted to MSEK 499 (476), of which MSEK 218 (192) was capitalised. Internally funded R&D is mainly related to radar and sensor technology as well as the T-X program. Expenditures in the T-X program were lower than the same period in 2017. Capitalised expenditures are mainly attributable to the development of Gripen E/F for future exports and the GlobalEye Airborne Early Warning & Control system.

Amortisation of intangible fixed assets amounted to MSEK 64 (75), of which amortisation of capitalised development expenditures amounted to MSEK 35 (43). The share of income in associated companies and joint ventures amounted to MSEK -7 (1).

Operating income amounted to MSEK 447 (539) with an operating margin of 5.8 per cent (7.1). The lower gross margin in Dynamics and Surveillance negatively affected the operating margin. In the business area Industrial Products and Services operating income was negatively affected by a change in the product mix.

Financial net

MSEK	Jan-Mar 2018	Jan-Mar 2017
Financial net related to pensions	-17	-17
Net interest items	-17	-13
Currency gains/losses	-72	20
Other financial items	-10	-7
Total	-116	-17

The financial net related to pensions is the financial cost for net pension obligations recognised in the balance sheet. See note 12 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 measured at fair value through profit and loss. During the first quarter, income was negatively affected by changes in the market value of derivatives related to hedged tenders mainly in USD and EUR.

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 -80 (-126), equivalent to an effective tax rate of 24 per cent (24).

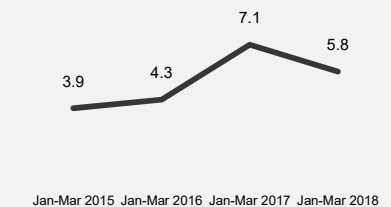
Return on capital employed and equity

The pre-tax return on capital employed was 9.4 per cent (9.8) and the after-tax return on equity was 9.6 per cent (10.2), both measured over a rolling 12-month period.

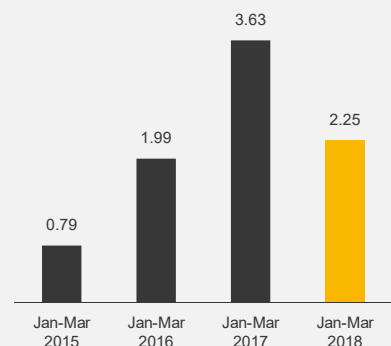
Gross margin, %



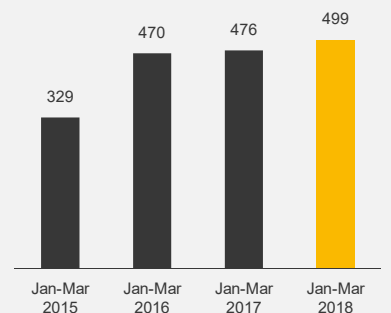
Operating margin, %



Earnings per share after dilution, SEK



Internally funded R&D expenditures, MSEK



Financial position and liquidity

At the end of March 2018, net debt was MSEK 4,339, an increase of MSEK 2,505 compared to year-end 2017, when net debt amounted to MSEK 1,834.

Cash flow from operating activities amounted to MSEK -1,810.

Accounts receivable decreased by MSEK 563 in the first quarter due to completed deliveries.

Due to the level of completion of major projects, contractual assets increased by MSEK 1,575 during the period at the same time that contractual liabilities decreased by MSEK 1,064.

Inventories increased by MSEK 512 during the period. The increase is mainly related to future deliveries within Support and Services.

Tangible fixed assets amounted to MSEK 5,513 at the end of the period, which was in line with year-end 2017. Previously recognised investment properties are now included in the item tangible fixed assets.

Net provisions for pensions, excluding the special employer's contribution, amounted to MSEK 2,696 as of 31 March 2018, compared to MSEK 2,646 at year-end 2017. This had a negative effect on net debt of MSEK 50. The discount rate and inflation assumption used to calculate the pension obligation were the same as at year-end 2017, i.e. the discount rate was 2.50 per cent and the inflation assumption to calculate the pension obligation was 1.75 per cent. For further information on Saab's defined-benefit pension plans, see note 12.

During the period, net investments amounted to approximately MSEK 595 (471). Investments in tangible fixed assets amounted to MSEK 326 (247). The increased investments are mainly related to the business area Aeronautics. Investments in intangible fixed assets amounted to MSEK 271 (228), of which MSEK 218 (192) related to capitalised R&D expenditures and MSEK 53 (36) to other intangible fixed assets.

Capitalised development expenditures on the balance sheet increased by MSEK 142. The increase is mainly related to investments to develop Gripen E/F for future exports and the GlobalEye Airborne Early Warning & Control aircraft. The recognition of development expenditures as an asset on the statement of financial position requires assumptions to be made concerning the future for the product, technically as well as commercially. Also, assumptions are made about future value generation. Capitalised development costs are amortised linearly over the period of use.

As of 31 March 2018 short-term investments and liquid assets amounted to MSEK 6,479, an increase of MSEK 192 compared to year-end 2017. MSEK 2,250 in funding was raised during the period. For further information on Saab's liabilities to credit institutions, see note 7.

In total, capital employed increased by MSEK 2,864 during the period to MSEK 26,163.

Currency exchange rate differences in liquid assets and unrealised results from financial investments had a negative impact on net debt of MSEK 50.

Key indicators of financial position and liquidity

MSEK	31 Mar 2018	31 Dec 2017	Change	31 Mar 2017
Net liquidity / debt ²⁾	-4,339	-1,834	-2,505	-873
Intangible fixed assets	8,082	7,862	220	7,222
Goodwill	5,227	5,177	50	5,175
Capitalised development costs	2,502	2,360	142	1,799
Other intangible fixed assets	353	325	28	248
Tangible fixed assets, etc ³⁾	5,864	5,663	201	5,234
Inventories	8,759	8,247	512	7,639
Accounts receivable	3,779	4,342	-563	3,874
Contract assets ⁴⁾	9,575	8,000	1,575	6,506
Contract liabilities ⁴⁾	8,448	9,512	-1,064	8,450
Equity/assets ratio, %	31.5	31.7		32.8
Return on equity, %	9.6	10.9		10.2
Equity per share, SEK ¹⁾	136.64	131.96	4.68	127.38
1) Number of shares excluding treasury shares	106,898,750	106,823,782		106,471,116

2) 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 7.

3) Including tangible fixed assets and biological assets.

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

Change in net debt Jan-Mar 2018

	MSEK
Net liquidity (+) / net debt (-), 31 Dec 2017	-1,834
Cash flow from operating activities	-1,810
Change in net pension obligation	-50
Net investments	-595
Currency impact and unrealised results from financial investments	-50
Net liquidity (+) / net debt (-), 31 Mar 2018	-4,339

Cash flow

Cash flow from operating activities excluding taxes and other financial items amounted to MSEK -1,616 (1,457); see note 10.

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.

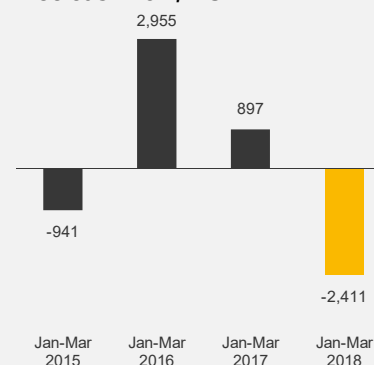
Operational cash flow amounted to MSEK -2,211 (986). It is defined as cash flow from operating activities excluding taxes and other financial items, as well as acquisitions and divestments of intangible and tangible fixed assets. Cash flow is negative mainly as a result of the combination of increased capital employed in major projects and utilisation of advances and previously received milestone payments.

Free cash flow amounted to MSEK -2,411 (897). For more detailed information on cash flow, see note 10.

	Total Group Jan-Mar 2018	Total Group Jan-Mar 2017
Cash flow from operating activities before changes in working capital, excluding taxes and other financial items	948	833
Change in working capital	-2,564	624
Cash flow from operating activities excluding taxes and other financial items	-1,616	1,457
Cash flow from investing activities ¹⁾	-595	-471
Operational cash flow	-2,211	986
Taxes and other financial items	-194	-84
Sales and acquisitions	-6	-5
Free cash flow	-2,411	897

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, MSEK



Operating segments

For more information about the operating segments, see note 3.

Page

Business Area Aeronautics

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

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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.

8

Business Area Surveillance

Surveillance's product portfolio includes airborne, ground-based and naval radar systems, electronic warfare systems, 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.

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Business Area Industrial Products and Services

The business units within Industrial Products and Services are focused on business-to-business (B2B) customers. The business units Aerostructures, Avionics, Traffic Management, and the wholly owned, independent subsidiary Combitech are included in the business area.

Business Area Kockums

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

Business Area Aeronautics

Business units

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

MSEK	Jan-Mar 2018	Jan-Mar 2017	Change, %	Full Year 2017
Order bookings	1,389	614	126	3,295
Order backlog	49,501	53,063	-7	50,154
Sales	2,042	1,678	22	7,267
EBITDA	177	91	95	528
EBITDA margin, %	8.7	5.4		7.3
Operating income (EBIT)	163	80	104	478
Operating margin, %	8.0	4.8		6.6
Operational cash flow	-1,549	978		1,264
Defence/Civil (% of sales)	100/0	99/1		99/1
No. of FTE's	3,087	2,967	4	3,073

Orders

During the first quarter, Saab received an order from FMV to provide operational and development support for Gripen during a period of three years from 2018 to 2020. The total order value amounted to MSEK 1,350.

Sales, income and margin

Sales increased in the first quarter mainly due to higher activity level in the development and production of Gripen to Brazil.

Due to the great interest in Gripen E/F in the global market, investments were made during the quarter to develop Gripen E/F for future exports.

The operating margin improved due to the higher activity level and also because R&D expenditures for the T-X program were lower compared to the first quarter of 2017.

Cash flow

Cash flow was negative as a result of increased capital employed and utilisation of received advances.

Large orders

Orders exceeding MSEK 100 accounted for 84% (55) of total orders during the period.



Market

Sales in markets outside Sweden amounted to 42% (32) during the period.



Business Area Dynamics

Business units

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

MSEK	Jan-Mar 2018	Jan-Mar 2017	Change, %	Full Year 2017
Order bookings	1,355	4,287	-68	8,615
Order backlog	11,914	11,717	2	11,597
Sales	1,056	1,146	-8	5,617
EBITDA	64	155	-59	765
EBITDA margin, %	6.1	13.5		13.6
Operating income (EBIT)	46	134	-66	680
Operating margin, %	4.4	11.7		12.1
Operational cash flow	29	137		1,105
Defence/Civil (% of sales)	93/7	94/6		94/6
No. of FTE's	2,166	2,111	3	2,143

Large orders

Orders exceeding MSEK 100 accounted for 68% (87) of total orders during the period.



Market

Sales in markets outside Sweden amounted to 74% (83) during the period.



Orders

In the first quarter, Saab was selected by the company Patria as one of the major suppliers to the Finnish Navy's Squadron 2000 Mid-Life Upgrade programme. Within the framework of the programme Saab signed a contract to produce and deliver the New Lightweight Torpedo. This was the first export order for this new torpedo.

In the first quarter of 2017, a major contract was signed with FMV for the development and production of the next generation anti-ship missile valued at SEK 3.2 billion.

Sales, income and margin

Sales and the operating margin decreased due to fewer deliveries in the first quarter compared to 2017. A change in the product mix also contributed to a lower operating margin.

Cash flow

Operational cash flow was negatively affected by fewer customer deliveries during the quarter compared to 2017.

Business Area Surveillance

Business units

Surface Radar Solutions, Airborne Surveillance Systems, Electronic Warfare Systems, Combat Systems and C4I Solutions, and Cyber Security.

MSEK	Jan-Mar 2018	Jan-Mar 2017	Change, %	Full Year 2017
Order bookings	1,731	1,661	4	7,048
Order backlog	14,765	14,690	1	14,764
Sales	1,778	1,432	24	6,633
EBITDA	136	174	-22	925
EBITDA margin, %	7.6	12.2		13.9
Operating income (EBIT)	69	104	-34	632
Operating margin, %	3.9	7.3		9.5
Operational cash flow	-476	417		-60
Defence/Civil (% of sales)	99/1	99/1		98/2
No. of FTE's	3,685	3,457	7	3,601

Orders

During the first quarter, Surveillance received several medium-sized orders, including from FMV for Multi Tactical Data Links for the Swedish Navy. Within the framework of the Finnish Navy's Squadron 2000 Mid-Life Upgrade programme, orders were received for 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). In addition, Saab received an order from the Australian government for continued sustainment for the Australian Navy's ANZAC-class frigates.

Sales, income and margin

Sales increased mainly due to a higher activity level in airborne early warning and control systems. In a few smaller projects the project margin changed during the quarter, which had a negative impact on the operating margin.

Cash flow

During the first quarter, the level of completion was high for several projects, which resulted in a negative cash flow.

Large orders

Orders exceeding MSEK 100 accounted for 67% (64) of total orders during the period.



Market

Sales in markets outside Sweden amounted to 78% (76) during the period.



Business Area Support and Services

Business units

Aviation Services, Airborne ISR, Gripen Support, and Communication and Tactical Solutions.

MSEK	Jan-Mar 2018	Jan-Mar 2017	Change, %	Full Year 2017
Order bookings	723	2,005	-64	6,199
Order backlog	11,928	12,494	-5	12,513
Sales	1,336	1,695	-21	5,818
EBITDA	178	168	6	721
EBITDA margin, %	13.3	9.9		12.4
Operating income (EBIT)	174	164	6	702
Operating margin, %	13.0	9.7		12.1
Operational cash flow	-159	-225		126
Defence/Civil (% of sales)	84/16	86/14		82/18
No. of FTE's	1,869	1,891	-1	1,865

Large orders

Orders exceeding MSEK 100 accounted for 24% (83) of total orders during the period.



Market

Sales in markets outside Sweden amounted to 56% (64) during the period.



Orders

A contract was signed in the first quarter with FMV for maintenance and technical system support for flight safety equipment. An order was received within the framework of the Finnish Navy's Squadron 2000 Mid-Life Upgrade programme for Saab's TactiCall integrated communication system.

In the first quarter 2017, Saab received an order in airborne early warning and control valued at MUSD 236, approximately SEK 2 billion, of which approximately MSEK 1,450 was related to Support and Services.

Sales, income and margin

Sales were lower in the quarter because a major order was booked in the same period of 2017, giving rise to temporarily higher invoicing at the start of the project.

The main reason for the higher operating margin in the first quarter of 2018 was a high activity level within several business units.

Cash flow

Capital employed and advance payments utilised in airborne early warning and control projects led to a negative cash flow.

Business Area Industrial Products and Services

Business units

Aerostructures, Avionics Systems,
Traffic Management and Combitech.

MSEK	Jan-Mar 2018	Jan-Mar 2017	Change, %	Full Year 2017
Order bookings	1,102	1,444	-24	5,842
Order backlog	11,448	11,635	-2	11,697
Sales	1,391	1,384	1	5,635
EBITDA	50	80	-38	213
EBITDA margin, %	3.6	5.8		3.8
Operating income (EBIT)	27	56	-52	116
Operating margin, %	1.9	4.0		2.1
Operational cash flow	48	-139		-296
Defence/Civil (% of sales)	32/68	30/70		29/71
No. of FTE's	3,449	3,512	-2	3,488

Orders

Order bookings were lower in the first quarter than in 2017 mainly because the business unit Traffic Management received several large orders in the same period of 2017.

Sales, income and margin

Sales in the quarter were in line with the same period in 2017. Demand for technical consulting services in the Nordic region remains strong and is rising.

Operating income was negatively affected by a changed product and project mix.

Cash flow

Cash flow was higher during the period compared to 2017 because the business unit Aerostructures made more deliveries in the period.

Large orders

Orders exceeding MSEK 100 accounted for 12% (24) of total orders during the period.



Market

Sales in markets outside Sweden amounted to 49% (51) during the period.



Business Area Kockums

Business units

Submarines and Surface Ships.

MSEK	Jan-Mar 2018	Jan-Mar 2017	Change, %	Full Year 2017
Order bookings	381	149	156	2,129
Order backlog	8,451	8,381	1	8,815
Sales	745	678	10	2,712
EBITDA	49	41	20	180
EBITDA margin, %	6.6	6.0		6.6
Operating income (EBIT)	42	35	20	157
Operating margin, %	5.6	5.2		5.8
Operational cash flow	-11	114		206
Defence/Civil (% of sales)	100/0	100/0		100/0
No. of FTE's	1,135	882	29	1,115

Large orders

Orders exceeding MSEK 100 accounted for 29% (0) of total orders during the period.



Market

Sales in markets outside Sweden amounted to 6% (11) during the period.



Orders

During the first quarter, Saab signed a contract with the company ASC to supply an updated Integrated Ship Control Management and Monitoring System (ISCMMS) for four of the Australian Navy's Collins-class submarines. The order value amounted to approximately MSEK 150.

Sales, income and margin

During the first quarter, sales increased mainly due to the acquisitions of N. Sundin Dockstavarvet AB and the repair shipyard Muskövarvet AB on 29 December 2017.

The operating margin rose during the quarter compared to the same period in 2017 mainly due to a high activity level within the business unit Surface Ships.

Cash flow

Operational cash flow was negative due to increased capital employed in major projects.

Corporate

Corporate comprises Group staff, Group departments, and other operations outside the core operations. Since 1 January 2018, Saab's minority portfolio is also reported in Corporate. This portfolio contains the interests in Vricon Inc, UMS Skeldar AG and Ventures.

Corporate reported income of MSEK -74 (-34) during the first three months of 2018.

Operational cash flow attributable to Corporate amounted to MSEK -93 (-296) in the period.

Acquisitions and divestments 2018

No significant acquisitions or divestments were made during the first three months of 2018.

Share repurchase

Saab held 2,251,594 treasury shares as of 31 March 2018, compared to 2,326,562 at year-end 2017. The Annual General Meeting on 10 April 2018 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 military and civilian 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 involving major development 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 the annual report 2017, pages 54-57.

Owners

Saab's largest shareholders as of 31 March 2018:

	% 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	2.6	2.3
Norges Bank	2.4	2.1
Handelsbanken funds	2.0	1.8
Livförsäkringsbolaget Skandia	1.8	1.6
Unionen	1.7	1.5
Fidelity	1.7	1.5
Vanguard	1.0	0.9

Source: Modular Finance

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

Personnel

	31 Mar 2018	31 Dec 2017
Number of employees	16,573	16,427
FTE's	16,292	16,171

Other events January-March 2018

- Saab received an order from the Federal Office of Bundeswehr Equipment, Information Technology and In-Service Support, BAAINBw, for the upgrade of the German Army's vehicle simulators, amounting to MSEK 107.
- Saab announced that it would demonstrate its anti-submarine warfare (ASW) training system, the AUV62-AT, for the U.S. Navy (USN). The AUV62-AT is an artificial acoustic system that mimics a submarine.
- In January, Saab inaugurated a new development centre, STC (Saab Technology Centre), in Tammerfors, Finland. For the first stage, Saab established a unit at the STC with a focus on Electronic Warfare (EW).
- Saab signed a contract for deliveries of the Sabertooth Autonomous Underwater Vehicle/Remotely Operated Vehicle (AUV/ROV) with deliveries during 2018.
- Saab was awarded a contract to implement a new Marine Pilot Dispatch System for DanPilot, the Danish State maritime pilotage provider, based on Saab's PILOTCONTROL solution.
- Saab and Lund University signed a strategic collaboration agreement. Together, they will develop activities within education and research for the benefit of both parties, and make competence, resources and facilities available to both parties. Among the focus areas of the collaboration are electromagnetic field theory, computer sciences, energy sciences and structural mechanics.
- Saab received an order from the Australian Government under the Warship Asset Management Agreement (WAMA) that will see the continuation of sustainment for Navy's ANZAC-class frigates. WAMA is a strategic partnership, which includes Saab Australia, BAE Systems Australia Defence and Naval Ship Management Australia.
- Saab has signed a contract to provide Cumbria Constabulary with their next generation SAFE command, control and communication system. The unified solution will replace several of Cumbria Constabulary's legacy control room systems with a single modern software application.
- In March, Saab announced that Ann-Kristin Adolfsson, today Chief Strategy Officer, has been appointed Head of Saab Ventures. This change means that Ann-Kristin Adolfsson will leave Group Management.
- Saab has received an order from the Defence Material Organisation, DMO, for support and update of simulators to the Netherlands Army's Mobile Combat Training Centre. The order value amounted to MSEK 115.

For more information on significant order received in the first quarter, see page 2 and the comments on the business areas on pages 7-9. All press releases can be found on <http://saabgroup.com/Media/news-press/>.

Events after the conclusion of the period

- Saab signed a Framework Agreement with the Swedish Defence Materiel Administration (FMV) to enable efficient procurement of ammunition to the Carl-Gustaf weapon system. The agreement allows FMV to purchase every kind of combat and training ammunition available, as determined by the needs of the Swedish Armed Forces.
- Saab received an order from TAURUS Systems GmbH for deliveries of components and hardware for the TAURUS KEPD 350 stand-off missile system. The order value amounts to approximately MSEK 236 and deliveries will take place during the period 2019-2020.
- The Annual General Meeting decided on a dividend of SEK 5.50 per share to the shareholders. The record date was Thursday, 12 April 2018. Payment of the dividend was made by Euroclear Sweden AB on Tuesday, 17 April 2018.
- The Annual General Meeting decided to re-elect Håkan Buskhe, Sten Jakobsson, Danica Kragic Jensfelt, Sara Mazur, Daniel Nodhäll, Bert Nordberg, Cecilia Stegö Chilò, Erika Söderberg Johnson, and Joakim Westh and to re-elect Marcus Wallenberg as Chairman of the Board.
- Saab Digital Air Traffic Solutions AB announced that it had been selected by Scandinavian Mountains Airport to install and operate digital towers at its airport. This is the first time digital tower services will be put into operation at a new airport. It also marks the first time Saab will deliver true digital air navigation service provider capabilities. The contract includes the installation of the Saab R-TWR system at the airport in 2018-19 and initial operations from the digital tower centre in Sundsvall from December 2019 for a period of ten years. The airport will serve destinations within the region, including the Sälen and Trysil ski resorts, mainly during the winter season, thus enabling the airport to make use of the flexibility of digital tower services from a centralised location.

Saab GlobalEye



On 14 March, Saab successfully completed the first flight of the GlobalEye Airborne Early Warning & Control aircraft in Linköping, Sweden. GlobalEye combines air, maritime and ground surveillance in one swing-role solution. GlobalEye brings extended detection range, endurance and the ability to perform multiple roles, including tasks such as search and rescue, border surveillance and military operations.

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 16,500 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 sales are primarily generated from long-term customer contracts, service assignments and the sale of goods. Sales, income and cash flow fluctuate over the course of 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 is normally recognised when the services are rendered.

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.

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.



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. The five core areas are: aeronautics, advanced weapon systems, command and control systems, sensors and underwater systems.

Consolidated income statement

MSEK	Note	Jan-Mar 2018	Jan-Mar 2017	Rolling 12 Months	Full Year 2017
Sales	4	7,766	7,586	31,846	31,666
Cost of goods sold		-6,028	-5,803	-24,348	-24,123
Gross income		1,738	1,783	7,498	7,543
<i>Gross margin, %</i>		22.4	23.5	23.5	23.8
Other operating income		23	19	108	104
Marketing expenses		-598	-563	-2,465	-2,430
Administrative expenses		-371	-352	-1,512	-1,493
Research and development costs		-316	-328	-1,336	-1,348
Other operating expenses		-22	-21	-88	-87
Share in income of associated companies and joint ventures		-7	1	-47	-39
Operating income (EBIT) ¹⁾	3	447	539	2,158	2,250
<i>Operating margin, %</i>		5.8	7.1	6.8	7.1
Financial income		14	37	98	121
Financial expenses		-130	-54	-348	-272
Net financial items		-116	-17	-250	-151
Income before taxes		331	522	1,908	2,099
Taxes		-80	-126	-545	-591
Net income for the period		251	396	1,363	1,508
of which Parent Company's shareholders' interest		242	390	1,329	1,477
of which non-controlling interest		9	6	34	31
Earnings per share before dilution, SEK ²⁾		2.26	3.66	12.45	13.86
Earnings per share after dilution, SEK ³⁾		2.25	3.63	12.36	13.75
1) Includes depreciation/amortisation and write-downs		-207	-207	-839	-839
2) Average number of shares before dilution		106,861,266	106,438,320	106,707,409	106,601,672
3) Average number of shares after dilution		107,651,182	107,320,873	107,534,042	107,400,920

Consolidated statement of comprehensive income

MSEK	Jan-Mar 2018	Jan-Mar 2017	Rolling 12 Months	Full Year 2017
Net income for the period	251	396	1,363	1,508
Other comprehensive income/loss:				
Items that will not be reversed in the income statement:				
Revaluation of net pension obligations	-40	74	-304	-190
Tax attributable to revaluation of net pension obligations	10	-16	69	43
Total	-30	58	-235	-147
Items that may be reversed in the income statement:				
Translation differences	124	-10	-121	-255
Cash flow hedges	195	167	659	631
Tax attributable to cash flow hedges	-36	-42	-131	-137
Total	283	115	407	239
Other comprehensive income/loss for the period	253	173	172	92
Net comprehensive income/loss for the period	504	569	1,535	1,600
of which Parent Company's shareholders' interest	483	548	1,488	1,553
of which non-controlling interest	21	21	47	47

Consolidated statement of financial position

MSEK	Note	31 Mar 2018	31 Dec 2017	31 Mar 2017
ASSETS				
Fixed assets:				
Intangible fixed assets	6	8,082	7,862	7,222
Tangible fixed assets		5,513	5,311	4,944
Biological assets		351	352	290
Shares in associated companies and joint ventures		718	700	799
Financial investments		27	26	165
Long-term receivables	12	650	662	543
Deferred tax assets		242	238	223
Total fixed assets		15,583	15,151	14,186
Current assets:				
Inventories		8,759	8,247	7,639
Derivatives		1,177	1,139	1,178
Tax receivables		189	26	125
Accounts receivable		3,779	4,342	3,874
Contract assets		9,575	8,000	6,506
Other receivables		520	522	649
Prepaid expenses and accrued income		993	900	898
Short-term investments		4,295	4,469	4,771
Liquid assets	10	2,184	2,202	2,055
Total current assets		31,471	29,847	27,695
TOTAL ASSETS		47,054	44,998	41,881
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity:				
Parent Company's shareholders' interest		14,607	14,097	13,562
Non-controlling interest		209	188	166
Total shareholders' equity		14,816	14,285	13,728
Long-term liabilities:				
Long-term interest-bearing liabilities	7	8,211	6,235	5,610
Other liabilities		215	210	200
Provisions for pensions	12	3,452	3,424	3,029
Other provisions		1,103	1,024	800
Deferred tax liabilities		283	274	42
Total long-term liabilities		13,264	11,167	9,681
Current liabilities:				
Short-term interest-bearing liabilities	7	400	92	294
Contract liabilities		8,448	9,512	8,450
Accounts payable		2,587	2,958	2,600
Derivatives		1,161	1,093	1,448
Tax liabilities		206	120	129
Other liabilities		620	805	634
Accrued expenses and deferred income		5,038	4,483	4,430
Provisions		514	483	487
Total current liabilities		18,974	19,546	18,472
Total liabilities		32,238	30,713	28,153
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		47,054	44,998	41,881

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 2017	1,746	543	-779	525	11	11,110	13,156	145	13,301
Effects of change in accounting principles, IFRS15						-164	-164		-164
Adjusted opening balance, 1 January 2017	1,746	543	-779	525	11	10,946	12,992	145	13,137
Net comprehensive income/loss for the period January-March 2017			110	-10		448	548	21	569
Transactions with shareholders:									
Share matching plan						22	22		22
Closing balance, 31 March 2017	1,746	543	-669	515	11	11,416	13,562	166	13,728
Net comprehensive income/loss for the period April-December 2017			367	-245		883	1,005	26	1,031
Transactions with shareholders:									
Share matching plan						89	89		89
Dividend						-559	-559	-4	-563
Closing balance, 31 December 2017	1,746	543	-302	270	11	11,829	14,097	188	14,285
Opening balance, 1 January 2018	1,746	543	-302	270	11	11,829	14,097	188	14,285
Effects of change in accounting principles, IFRS9						-4	-4		-4
Adjusted opening balance, 1 January 2018	1,746	543	-302	270	11	11,825	14,093	188	14,281
Net comprehensive income/loss for the period			153	124		206	483	21	504
Transactions with shareholders:									
Share matching plan						31	31		31
Closing balance, 31 March 2018	1,746	543	-149	394	11	12,062	14,607	209	14,816

Consolidated statement of cash flows

MSEK	Note	Jan-Mar 2018	Jan-Mar 2017	Full Year 2017
Operating activities:				
Income after financial items		330	522	2,099
Adjustments for items not affecting cash flows		601	271	1,479
Dividend from associated companies and joint ventures		-	-	26
Income tax paid		-177	-44	-272
Cash flow from operating activities before changes in working capital		754	749	3,332
Cash flow from changes in working capital:				
Contract assets and liabilities		-2,588	-304	-718
Inventories		-474	-443	-972
Other current receivables		561	1,230	925
Other current liabilities		-15	162	704
Provisions		-48	-21	-107
Cash flow from operating activities		-1,810	1,373	3,164
Investing activities:				
Investments in intangible fixed assets		-53	-36	-193
Capitalised development costs		-218	-192	-871
Investments in tangible fixed assets		-326	-247	-1,093
Sales and disposals of tangible fixed assets		2	4	25
Investments in and sale of short-term investments		171	-229	63
Investments in financial assets		-33	-18	-30
Sale of financial assets		-	-	104
Investments in operations, net effect on liquidity	11	-	-	-170
Cash flow from investing activities		-457	-718	-2,165
Financing activities:				
Repayments of loans		-20	-6	-1,301
Raising of loans		2,250	-	1,700
Dividend paid to Parent Company's shareholders		-	-	-559
Dividend paid to non-controlling interest		-	-	-4
Cash flow from financing activities		2,230	-6	-164
Cash flow for the period		-37	649	835
Liquid assets at the beginning of the period		2,202	1,402	1,402
Exchange rate difference in liquid assets		19	4	-35
Liquid assets at end of period	10	2,184	2,055	2,202

Quarterly consolidated income statement

MSEK	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
Sales	7,766	10,150	6,158	7,772	7,586	9,016	5,761	7,064
Cost of goods sold	-6,028	-7,632	-4,602	-6,086	-5,803	-6,565	-4,409	-5,495
Gross income	1,738	2,518	1,556	1,686	1,783	2,451	1,352	1,569
Gross margin, %	22.4	24.8	25.3	21.7	23.5	27.2	23.5	22.2
Other operating income	23	21	17	47	19	25	37	100
Marketing expenses	-598	-680	-558	-629	-563	-660	-524	-543
Administrative expenses	-371	-429	-333	-379	-352	-404	-294	-337
Research and development costs	-316	-378	-288	-354	-328	-435	-327	-436
Other operating expenses	-22	-33	-17	-16	-21	-21	-10	-14
Share of income in associated companies and joint ventures	-7	-24	-8	-8	1	4	-8	-22
Operating income (EBIT) ¹⁾	447	995	369	347	539	960	226	317
Operating margin, %	5.8	9.8	6.0	4.5	7.1	10.6	3.9	4.5
Financial income	14	-29	37	76	37	30	19	-9
Financial expenses	-130	-77	-73	-68	-54	-88	-69	-66
Net financial items	-116	-106	-36	8	-17	-58	-50	-75
Income before taxes	331	889	333	355	522	902	176	242
Taxes	-80	-286	-88	-91	-126	-263	-54	-51
Net income for the period	251	603	245	264	396	639	122	191
of which Parent Company's shareholders' interest	242	601	233	253	390	624	113	183
of which non-controlling interest	9	2	12	11	6	15	9	8
Earnings per share before dilution, SEK ²⁾	2.26	5.63	2.18	2.37	3.66	5.87	1.06	1.72
Earnings per share after dilution, SEK ³⁾	2.25	5.59	2.17	2.36	3.63	5.82	1.06	1.71
1) Includes depreciation/amortisation and write-downs	-207	-202	-209	-221	-207	-246	-236	-234
2) Average number of shares before dilution	106,861,266	106,769,705	106,660,461	106,538,205	106,438,320	106,346,321	106,223,750	106,094,093
3) Average number of shares after dilution	107,651,182	107,590,836	107,470,451	107,423,697	107,320,873	107,167,229	107,024,906	106,912,764

Quarterly consolidated statement of comprehensive income

MSEK	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
Net income for the period	251	603	245	264	396	639	122	191
Other comprehensive income/loss:								
Items that will not be reversed in the income statement:								
Revaluation of net pension obligations	-40	-326	440	-378	74	650	-327	-433
Tax attributable to revaluation of net pension obligations	10	73	-97	83	-16	-143	72	95
Total	-30	-253	343	-295	58	507	-255	-338
Items that may be reversed in the income statement:								
Translation differences	124	139	-176	-208	-10	169	125	134
Net gain/loss on cash flow hedges	195	10	154	300	167	-344	130	-179
Tax attributable to net gain/loss on cash flow hedges	-36	-6	-27	-62	-42	80	-39	34
Total	283	143	-49	30	115	-95	216	-11
Other comprehensive income/loss for the period	253	-110	294	-265	173	412	-39	-349
Net comprehensive income/loss for the period	504	493	539	-1	569	1,051	83	-158
of which Parent Company's shareholders' interest	483	476	535	-6	548	1,026	60	-181
of which non-controlling interest	21	17	4	5	21	25	23	23

Key ratios by quarter

MSEK	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
Equity/assets ratio, (%)	31.5	31.7	33.0	32.3	32.8	32.3	32.5	31.9
Return on capital employed, % ³⁾	9.4	10.5	11.0	10.5	9.8	8.9	11.8	11.3
Return on equity, % ³⁾	9.6	10.9	11.9	11.2	10.2	9.0	13.8	13.0
Equity per share, SEK ^{1) 3)}	136.64	131.96	127.33	122.15	127.38	123.64	113.88	113.25
Free cash flow, MSEK ³⁾	-2,411	1,772	-388	-1,429	897	619	-2,311	1,096
Free cash flow per share after dilution, SEK ^{2) 3)}	-22.40	16.47	-3.61	-13.30	8.36	5.78	-21.59	10.25

1) Number of shares excluding treasury shares

106,898,750 106,823,782 106,715,627 106,605,294 106,471,116 106,405,523 106,287,119 106,160,381

2) Average number of shares after dilution

107,651,182 107,590,836 107,470,451 107,423,697 107,320,873 107,167,229 107,024,906 106,912,764

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	Q1 2018	Operating margin	Q4 2017	Operating margin	Q3 2017	Operating margin	Q2 2017	Operating margin
Sales								
Aeronautics	2,042		2,373		1,351		1,865	
Dynamics	1,056		2,450		786		1,235	
Surveillance	1,778		1,966		1,515		1,720	
Support and Services	1,336		1,656		1,120		1,347	
Industrial Products and Services	1,391		1,623		1,178		1,450	
Kockums	745		763		565		706	
Internal sales	-582		-681		-357		-551	
Total	7,766		10,150		6,158		7,772	

Operating income/loss								
Aeronautics	163	8.0%	184	7.8%	108	8.0%	106	5.7%
Dynamics	46	4.4%	393	16.0%	61	7.8%	92	7.4%
Surveillance	69	3.9%	281	14.3%	140	9.2%	107	6.2%
Support and Services	174	13.0%	253	15.3%	134	12.0%	151	11.2%
Industrial Products and Services	27	1.9%	76	4.7%	-16	-1.4%	-	0.0%
Kockums	42	5.6%	47	6.2%	35	6.2%	40	5.7%
Corporate	-74		-239		-93		-149	
Total	447	5.8%	995	9.8%	369	6.0%	347	4.5%

MSEK	Q1 2017	Operating margin
Sales		
Aeronautics	1,678	
Dynamics	1,146	
Surveillance	1,432	
Support and Services	1,695	
Industrial Products and Services	1,384	
Kockums	678	
Internal sales	-427	
Total	7,586	
Operating income/loss		
Aeronautics	80	4.8%
Dynamics	134	11.7%
Surveillance	104	7.3%
Support and Services	164	9.7%
Industrial Products and Services	56	4.0%
Kockums	35	5.2%
Corporate	-34	
Total	539	7.1%

2017 has been restated according to the structural changes described in the annual report 2017, pages 47-52.

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	107,233	107,606	113,834	60,128	59,870
Sales	31,666	28,631	27,186	23,527	23,750
<i>Sales in Sweden, %</i>	42	43	42	45	41
<i>Sales in Europe excluding Sweden, %</i>	14	17	18	19	20
<i>Sales in North America, %</i>	9	10	9	10	11
<i>Sales in Latin America, %</i>	8	7	6	2	2
<i>Sales in Rest of the World, %</i>	27	23	25	24	26
Operating income (EBIT)	2,250	1,797	1,900	1,659	1,345
<i>Operating margin, %</i>	7.1	6.3	7.0	7.1	5.7
Depreciation/amortisation and write-downs less depreciation/amortisation and write-downs of lease aircraft	839	946	959	864	1,022
EBITDA	3,089	2,743	2,859	2,523	2,367
<i>EBITDA margin, %</i>	9.8	9.6	10.5	10.7	10.0
Income after financial items	2,099	1,611	1,731	1,523	979
Net income for the year	1,508	1,175	1,402	1,168	742
Total assets	44,998	41,211	35,088	29,556	27,789
Equity	14,285	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>	10.5	8.9	11.2	11.1	9.1
<i>Return on equity, % ¹⁾</i>	10.9	9.0	11.5	9.9	6.3
<i>Equity/assets ratio, %</i>	31.7	32.3	36.8	38.5	44.0
Earnings per share before dilution, SEK ¹⁾	13.86	10.67	12.88	10.86	6.98
Earnings per share after dilution, SEK ¹⁾	13.75	10.60	12.79	10.78	6.79
Dividend per share, SEK	5.50	5.25	5.00	4.75	4.50
Equity per share, SEK ¹⁾	131.96	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.

2017 has been restated according to the accounting principles regarding revenue recognition (IFRS 15).

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

Key ratios and goals

	Long-term target	Jan-Mar 2018	Jan-Mar 2017	Full Year 2017
Organic sales growth, %	5	2	11	11
Operating margin, %	10	5.8	7.1	7.1
Equity/assets ratio, %	30	31.5	32.8	31.7

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. 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. The comparative year 2017 has been restated due to the new accounting principle for revenue recognition, IFRS 15, *Revenue from Contracts with Customers*, which took effect in 2018. For further information, see note 2.

Parent company income statement

MSEK	Jan-Mar 2018	Jan-Mar 2017	Full Year 2017
Sales	5,145	5,015	19,891
Cost of goods sold	-3,996	-3,890	-15,481
Gross income	1,149	1,125	4,410
Gross margin, %	22.3	22.4	22.2
Operating income and expenses	-923	-958	-4,055
Operating income (EBIT)	226	167	355
Operating margin, %	4.4	3.3	1.8
Financial income and expenses	-12	35	519
Income after financial items	214	202	874
Appropriations	-	-	-11
Income before taxes	214	202	863
Taxes	-55	-61	-216
Net income for the period	159	141	647

Parent company balance sheet

MSEK	Note	31 Mar 2018	31 Dec 2017	31 Mar 2017
ASSETS				
Fixed assets:				
Intangible fixed assets		563	543	500
Tangible fixed assets		3,353	3,228	3,085
Financial fixed assets		6,985	7,032	6,694
Total fixed assets		10,901	10,803	10,279
Current assets:				
Inventories		6,151	5,581	5,100
Current receivables		13,523	12,460	11,931
Short term investments		4,286	4,459	4,754
Liquid assets		1,393	1,181	1,203
Total current assets		25,353	23,681	22,988
TOTAL ASSETS		36,254	34,484	33,267
SHAREHOLDERS' EQUITY AND LIABILITIES				
Equity:				
Restricted equity		2,964	2,964	2,971
Unrestricted equity		5,058	4,868	4,831
Total shareholders' equity		8,022	7,832	7,802
Untaxed reserves, provisions and liabilities:				
Untaxed reserves		2,291	2,291	2,280
Provisions		1,212	1,089	930
Liabilities	7	24,729	23,272	22,255
Total untaxed reserves, provisions and liabilities		28,232	26,652	25,465
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		36,254	34,484	33,267

Liquidity, financing, capital expenditures and number of employees

The Parent Company's net debt amounted to MSEK 5,928 as of 31 March 2018 compared to MSEK 3,418 as of 31 December 2017.

Investments in tangible fixed assets amounted to MSEK 251 (142). Investments in intangible assets amounted to MSEK 10 (33). At the end of the period, the Parent Company had 9,376 employees compared to 9,357 at the beginning of the year.

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 Olof Palmes gata 17, 5tr, SE-111 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 2017.

NOTE 2 Accounting principles

The consolidated accounts for the first three months of 2018 have been prepared in accordance with IAS 34 Interim Reporting and the Annual Accounts Act. The Parent Company's accounts have been prepared in accordance with the Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2, Accounting for Legal Entities. The Group's accounting principles are described on pages 84-85, and concerning significant income statement and balance sheet items in each note disclosure in the annual report 2017.

The interim report is condensed and does not contain all the information and disclosures in the annual report and should therefore be read together with the annual report 2017. All the information on pages 1-28 constitutes the interim report for the period 1 January to 31 March 2018.

The Group and the Parent Company use the accounting principles and calculation methods as described in the annual report 2017 with the exception that two new standards have entered into force for financial years beginning 1 January 2018: IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments. For effects of changes in accounting principles, IAS 8 and the transition rules in each standard have been applied.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers governs the recognition of revenue and replaces IAS 18 Revenue and IAS 11 Construction Contracts. The principles that IFRS 15 are built on give users of financial reports more useful information on the company's revenue. According to IFRS 15, revenue is recognised when the customer obtains control over the good or service and has the ability to use or obtain the benefits from the good or the service. The main principles of revenue recognition are based on a five-step model:

1. Identify the contract
2. Identify the performance obligations
3. Determine the transaction price
4. Allocate the transaction price to each obligation
5. Recognise revenue when the obligation is satisfied.

A performance obligation is satisfied according to the standard at a given point in time or over time. If a performance obligation is satisfied over time, one of the following criteria must be met:

- a) the customer must obtain immediate benefits when the obligation is satisfied,
- b) the company's performance creates or improves an asset that the customer controls, or
- c) the company's performance creates an asset without an alternative use for the company and the company has the right to payment for costs incurred to date, including profit.

Long-term customer contracts

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. The analysis of these contracts according to the five-step model has mainly meant determining the number of performance obligations and when they are

fulfilled, i.e. over time or at a given point in time. Since Saab's long-term customer contracts involve a considerable amount of customisation and integration of goods and services, it usually means that a performance obligation has been identified, and because the cost to adapt the asset and sell it to a new customer would not be insignificant, the conclusion is that the asset is not deemed to have an alternative use. Since the contracts also normally contain clauses that cover the right to payment plus a reasonable profit for costs incurred, it means that the criteria for recognising long-term customer contracts over time are satisfied. Assignment revenue and costs are recognised as revenue or expenses in the income statement in relation to the contract's stage of completion. The stage of completion is based on a determination of the relationship between expenditures incurred for services rendered as of the closing day and estimated total expenditures to satisfy the contract. Of the total revenue, the portion corresponding to the stage of completion is recognised in each period. The stage of completion can also be determined in certain cases based on milestones or deliveries. An anticipated loss is recognised in profit or loss as soon as it is identified.

Service assignments

For Saab's service assignments, which include the sale of consulting hours and support services, at a fixed price or on current account, the customer normally obtains the benefits when the obligation is satisfied. Revenue is mainly recognised over time as the assignment is performed according to the contract.

Products

A percentage of Saab's revenue is attributable to products where development, customisation and integration are relatively minor and relates for the most part only to the manufacture of products, as well as the resale of spare parts, for example. Revenue from these contracts is recognised at a point in time, i.e. normally when control of the good has transferred to the customer in accordance with the terms of the contract.

Effects of changes in accounting principles with regard to revenue recognition

Saab applies the full retroactive approach for the transition to IFRS 15 from 2018. For a few customer contracts, the method for recognition has been adjusted. The main reason for the change is that a few long-term customer contracts cannot recognise revenue over time, due to non-compliance with the right to payment including earnings for work performed. 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. Sales increase in 2017 by MSEK 272, operating income is positively affected by MSEK 95 and net income for the year by MSEK 70. Sales for the first quarter 2017 increase by MSEK 156, operating income is positively affected by MSEK 47 and net income for the period by MSEK 36. For more information, see Saab's annual report 2017, note 46. For the Parent Company, Saab AB, transition effects on the opening equity balance for 2017 amount to MSEK -8 and the opening balance for 2018 to MSEK -11. Sales are affected by MSEK -68 for the full-year 2017 and MSEK -8 for the first quarter 2017. Net income for the period was affected by MSEK -2 for the full-year 2017 and by MSEK 3 for the first quarter 2017.

IFRS 9 Financial Instruments

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 and replaces most of the guidance in IAS 39. 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.

The Group's financial assets are classified in accordance with IFRS 9 in three categories: amortised cost, fair value through other comprehensive income and fair value through profit or loss, depending on whether they are financial receivables, derivatives or equity instruments and in accordance with what is described below.

Measurement of the Group's financial receivables is based on the company's choice of business model for management of financial assets. Short-term investments are held mainly for trading to invest surplus liquidity, and sales are made frequently to manage liquidity needs and maximise the return. Monitoring and measurement are done continuously at fair value through profit or loss. Assets held to collect contractual cash flows, which consist of principal and interest from operating activities such as liquid assets, accounts receivable, loans receivable, other receivables and contract assets in accordance with IFRS 15 are measured at amortised cost. Impairment of financial receivables such as accounts receivable, contract assets and receivables from associated companies and joint ventures are calculated based on expected credit losses for the entire expected maturity instead of when there is objective information indicating that the Group will not receive full payment as in the previous standards.

Derivatives are measured at fair value through profit or loss, except when hedge accounting for cash flow hedges is applied, in which case the portion determined to be an effective hedge is recognised in other comprehensive income.

Equity instruments such as shares and participations are measured continuously at fair value with changes in value recognised through profit or loss.

Effects of changes in accounting principles with regard to financial instruments

IFRS 9 does not have a significant impact on the Group's income statement or financial position. Hedge accounting is not affected, but Saab will transition to IFRS 9's hedge accounting, which is an option in the standard. The new rules for classification of financial assets do not entail any changes with the exception that a loan to an associated company is recognised according to IFRS 9 at fair value through profit or loss instead of at amortised cost. The loan amounted to MSEK 26 on 1 January 2018. 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. For more information, see Saab's annual report 2017, note 46. For the Parent Company, Saab AB, the opening equity balance for 2018 is affected by MSEK -9 due to impairment of receivables from subsidiaries, associated companies and joint ventures.

IFRS 16 Leases

IFRS 16 Leases will apply to financial years beginning 1 January 2019. IFRS 16 is a new standard for reporting lease agreements that replaces IAS17 Leasing. Basically, the new standard means that for lessees the current classification of operating and finance leases disappears and is replaced by an approach where assets and liabilities for all leases are recognised in the balance sheet. In 2018, Saab will continue its analysis and evaluation and prepare for the introduction of the standard as of 2019. For more information, see note 1 in the annual report 2017.

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, a minority portfolio containing Saab's ownership interests in companies in various stages of development 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 and combat systems and C4I solutions.

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 and customers of naval and air traffic control systems.

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.

Order bookings per operating segment

MSEK	Jan-Mar	Jan-Mar	Change, %	Rolling	Full Year
	2018	2017		12 Months	2017
Aeronautics	1,389	614	126	4,070	3,295
Dynamics	1,355	4,287	-68	5,683	8,615
Surveillance	1,731	1,661	4	7,118	7,048
Support and Services	723	2,005	-64	4,917	6,199
Industrial Products and Services	1,102	1,444	-24	5,500	5,842
Kockums	381	149	156	2,361	2,129
Internal	-546	-459		-2,374	-2,287
Total	6,135	9,701	-37	27,275	30,841

Order bookings per region

MSEK	Jan-Mar	Jan-Mar	Change, %	Full Year
	2018	2017		2017
Sweden	2,634	5,059	-48	13,963
Rest of Europe	1,895	1,319	44	5,116
North America	411	602	-32	2,712
Latin America	10	121	-92	898
Asia	454	2,360	-81	5,721
Africa	22	31	-29	529
Australia, etc.	709	209	239	1,902
Total	6,135	9,701	-37	30,841

Order backlog per operating segment

MSEK	31 Mar 2018	31 Dec 2017	31 Mar 2017
Aeronautics	49,501	50,154	53,063
Dynamics	11,914	11,597	11,717
Surveillance	14,765	14,764	14,690
Support and Services	11,928	12,513	12,494
Industrial Products and Services	11,448	11,697	11,635
Kockums	8,451	8,815	8,381
Internal	-2,295	-2,307	-2,096
Total	105,712	107,233	109,884

Order backlog per region

MSEK	31 Mar 2018	31 Dec 2017	31 Mar 2017
Sweden	38,589	39,258	39,988
Rest of Europe	11,098	10,098	9,742
North America	4,593	4,810	4,926
Latin America	36,307	37,174	38,551
Asia	11,570	12,872	14,594
Africa	818	794	615
Australia etc.	2,737	2,227	1,468
Total	105,712	107,233	109,884

Sales per operating segment

MSEK	Jan-Mar 2018	Jan-Mar 2017	Change, %	Rolling 12 Months	Full Year 2017
Aeronautics	2,042	1,678	22	7,631	7,267
Dynamics	1,056	1,146	-8	5,527	5,617
Surveillance	1,778	1,432	24	6,979	6,633
Support and Services	1,336	1,695	-21	5,459	5,818
Industrial Products and Services	1,391	1,384	1	5,642	5,635
Kockums	745	678	10	2,779	2,712
Internal	-582	-427		-2,171	-2,016
Total	7,766	7,586	2	31,846	31,666

Sales per region

MSEK	Jan-Mar 2018	% of sales	Jan-Mar 2017	% of sales	Full Year 2017	% of sales
Sweden	3,309	43	3,081	41	13,216	42
Rest of Europe	932	12	1,050	14	4,496	14
North America	640	8	654	9	2,778	9
Latin America	884	11	498	7	2,653	8
Asia	1,680	22	1,979	26	7,041	22
Africa	108	1	123	2	449	1
Australia, etc.	213	3	201	3	1,033	3
Total	7,766	100	7,586	100	31,666	100

Information on large customers

During the first three months 2018, 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 2,538 (2,502).

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.

Operating income per operating segment

MSEK	Jan-Mar 2018	% of sales	Jan-Mar 2017	% of sales	Rolling 12 Months	Full Year 2017
Aeronautics	163	8.0	80	4.8	561	478
Dynamics	46	4.4	134	11.7	592	680
Surveillance	69	3.9	104	7.3	597	632
Support and Services	174	13.0	164	9.7	712	702
Industrial Products and Services	27	1.9	56	4.0	87	116
Kockums	42	5.6	35	5.2	164	157
The operating segments' operating income	521	6.7	573	7.6	2,713	2,765
Corporate	-74		-34		-555	-515
Total	447	5.8	539	7.1	2,158	2,250

Depreciation/amortisation and write-downs per operating segment

MSEK	Jan-Mar 2018	Jan-Mar 2017	Rolling 12 Months	Full Year 2017
Aeronautics	14	11	53	50
Dynamics	18	21	82	85
Surveillance	67	70	290	293
Support and Services	4	4	19	19
Industrial Products and Services	23	24	96	97
Kockums	7	6	24	23
Corporate	74	71	275	272
Total	207	207	839	839

Operational cash flow per operating segment

MSEK	Jan-Mar 2018	Jan-Mar 2017	Rolling 12 Months	Full Year 2017
Aeronautics	-1,549	978	-1,263	1,264
Dynamics	29	137	997	1,105
Surveillance	-476	417	-953	-60
Support and Services	-159	-225	192	126
Industrial Products and Services	48	-139	-109	-296
Kockums	-11	114	81	206
Corporate	-93	-296	-754	-957
Total	-2,211	986	-1,809	1,388

Capital employed per operating segment

MSEK	31 Mar 2018	31 Dec 2017	31 Mar 2017
Aeronautics	3,165	2,191	1,952
Dynamics	2,935	3,232	3,161
Surveillance	6,402	6,103	5,657
Support and Services	3,208	3,222	2,903
Industrial Products and Services	3,914	4,178	3,977
Kockums	1,081	1,016	776
Corporate	5,458	3,357	3,633
Total	26,163	23,299	22,059

Full time equivalents (FTE's) per operating segment

Number at end of the period	31 Mar 2018	31 Dec 2017	31 Mar 2017
Aeronautics	3,087	3,073	2,967
Dynamics	2,166	2,143	2,111
Surveillance	3,685	3,601	3,457
Support and Services	1,869	1,865	1,891
Industrial Products and Services	3,449	3,488	3,512
Kockums	1,135	1,115	882
Corporate	901	886	852
Total	16,292	16,171	15,672

NOTE 4 Distribution of sales

MSEK	Aeronautics		Dynamics		Surveillance		Support and Services		Industrial Products and Services		Kockums		Corporate/ elimination		Group	
	Jan-Mar 2018	Jan-Mar 2017	Jan-Mar 2018	Jan-Mar 2017	Jan-Mar 2018	Jan-Mar 2017	Jan-Mar 2018	Jan-Mar 2017	Jan-Mar 2018	Jan-Mar 2017	Jan-Mar 2018	Jan-Mar 2017	Jan-Mar 2018	Jan-Mar 2017	Jan-Mar 2018	Jan-Mar 2017
	External sales	1,931	1,557	991	1,107	1,718	1,372	1,308	1,665	1,073	1,138	744	678	1	69	7,766
Internal sales	111	121	65	39	60	60	28	30	318	246	1	-	-583	-496	-	-
Total sales	2,042	1,678	1,056	1,146	1,778	1,432	1,336	1,695	1,391	1,384	745	678	-582	-427	7,766	7,586
Sales by customer:																
Military customers	1,931	1,562	930	1,049	1,700	1,359	1,101	1,436	250	253	744	678	1	69	6,656	6,406
Civilian customers	-	-5	61	58	18	13	207	229	823	885	-	-	-	-	1,110	1,180
Total external sales	1,931	1,557	991	1,107	1,718	1,372	1,308	1,665	1,073	1,138	744	678	1	69	7,766	7,586
Sales by significant source:																
Long-term customer contracts	1,756	1,417	261	369	1,186	959	484	897	529	581	575	533	1	69	4,794	4,824
Services	171	139	181	166	384	319	677	628	501	487	169	145	-	-	2,082	1,885
Products	4	1	549	572	148	94	147	140	43	70	-	-	-	-	890	877
Total external sales	1,931	1,557	991	1,107	1,718	1,372	1,308	1,665	1,073	1,138	744	678	1	69	7,766	7,586
Sales by domain:																
Air	1,930	1,557	69	117	952	648	893	1,277	68	103	-	-	-	60	3,910	3,763
Land	1	-	719	835	336	341	215	177	162	160	-	-	-	-	1,434	1,513
Naval	-	-	170	125	412	372	29	34	2	3	744	678	1	9	1,359	1,221
Civil Security	-	-	29	30	5	1	46	29	386	390	-	-	-	-	467	450
Commercial Aeronautics	-	-	-	-	1	-	125	148	277	275	-	-	-	-	403	422
Other	-	-	4	-	12	10	-	-	178	207	-	-	-	-	193	217
Total external sales	1,931	1,557	991	1,107	1,718	1,372	1,308	1,665	1,073	1,138	744	678	1	69	7,766	7,586
Sales recognition method:																
Over time	1,925	1,538	407	455	1,479	1,137	1,060	1,432	693	699	718	644	1	69	6,283	5,975
Point in time	6	19	584	652	239	235	248	233	380	439	26	34	-	-	1,483	1,611
Total external sales	1,931	1,557	991	1,107	1,718	1,372	1,308	1,665	1,073	1,138	744	678	1	69	7,766	7,586

NOTE 5 Dividend to Parent Company's shareholders

At the Annual General Meeting 2018, held 10 April, it was decided that the Parent Company's shareholders should receive a dividend of SEK 5.50 per share, totalling MSEK 588.

The record date for the dividend was set at 12 April 2018 and payment of dividend at 17 April 2018.

NOTE 6 Intangible fixed assets

MSEK	31 Mar 2018	31 Dec 2017	31 Mar 2017
Goodwill	5,227	5,177	5,175
Capitalised development costs	2,502	2,360	1,799
Other intangible assets	353	325	248
Total	8,082	7,862	7,222

NOTE 7 Net liquidity/debt

MSEK	31 Mar 2018	31 Dec 2017	31 Mar 2017
Assets:			
Liquid assets	2,184	2,202	2,055
Short-term investments	4,295	4,469	4,771
Total liquid investments	6,479	6,671	6,826
Short-term interest-bearing receivables	14	14	29
Long-term interest-bearing receivables	475	454	411
Long-term receivables attributable to pensions	40	40	51
Long-term interest-bearing financial investments	-	-	140
Total interest-bearing assets	7,008	7,179	7,457
Liabilities:			
Liabilities to credit institutions	8,093	5,798	5,113
Liabilities to associated companies and joint ventures	44	45	240
Other interest-bearing liabilities	474	484	551
Provisions for pensions ¹⁾	2,736	2,686	2,426
Total interest-bearing liabilities and provisions for pensions	11,347	9,013	8,330
Net liquidity (+) / net debt (-)	-4,339	-1,834	-873

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

Committed credit lines

MSEK	Facilities	Drawings	Available
Revolving credit facility (Maturity 2022)	6,000	-	6,000
Overdraft facility (Maturity 2018)	43	-	43
Total	6,043	-	6,043

Parent Company

MSEK	31 Mar 2018	31 Dec 2017	31 Mar 2017
Long-term liabilities to credit institutions	7,781	5,798	5,112
Short-term liabilities to credit institutions	312	-	-
Total	8,093	5,798	5,112

Since 2009, Saab has a Medium Term Note programme (MTN) to enable the issuance of long-term loans on the capital market. During the quarter, the MTN programme was increased from MSEK 6,000 to MSEK 10,000.

Under the terms of this programme, Saab has issued fixed rate bonds as well as Floating Rate Notes (FRN). In January and March 2018, new loans were issued with different maturities, MSEK 850 maturing in 2020, MSEK 400 maturing in 2023 and MSEK 1,000 maturing in 2026. As a result, outstanding loans under the MTN programme totalled MSEK 7,062. In December 2015, Saab signed Schuldschein loan agreements amounting to MEUR 100.

NOTE 8 Capital employed

MSEK	31 Mar 2018	31 Dec 2017	31 Mar 2017
Total assets	47,054	44,998	41,881
Less non-interest bearing liabilities	20,891	21,699	19,822
Capital employed	26,163	23,299	22,059

NOTE 9 Financial instruments

Classification and categorisation of financial assets and liabilities ³⁾

Carrying amount	31 Mar 2018	31 Dec 2017	31 Mar 2017
Financial assets:			
Valued at amortised cost:			
Accounts receivable, contract assets and other receivables	14,192	13,133	11,320
Liquid assets	2,184	2,202	2,055
Long-term receivables	475	481	543
Financial investments ¹⁾	-	-	140
Valued at fair value through profit and loss:			
Short-term investments	4,295	4,469	4,771
Derivatives for trading	133	109	41
Long-term receivables	28	-	-
Financial investments	27	26	25
Valued at fair value through other comprehensive income:			
Derivatives identified as hedges	1,044	1,030	1,137
Total financial liabilities	22,378	21,450	20,032
Financial liabilities:			
Valued at amortised cost:			
Interest-bearing liabilities ²⁾	8,611	6,327	5,904
Other liabilities	7,000	6,934	6,367
Valued at fair value through profit and loss:			
Derivatives for trading	106	86	46
Valued at fair value through other comprehensive income:			
Derivatives identified as hedges	1,055	1,007	1,402
Total financial liabilities	16,772	14,354	13,719

¹⁾ Fair value - - 141

²⁾ Fair value 8,822 6,412 6,023

³⁾ 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 903.

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 day:

- 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 March 2018 the Group had the following financial assets and liabilities at fair value:

Assets at fair value

MSEK	31 Mar			
	2018	Level 1	Level 2	Level 3
Bonds and interest-bearing securities	4,295	4,295	-	-
Forward exchange contracts	1,060	-	1,060	-
Currency options	5	-	5	-
Cross currency basis swaps	98	-	98	-
Electricity derivatives	14	14	-	-
Shares, participations and long-term receivables	55	-	-	55
Total	5,527	4,309	1,163	55

Liabilities at fair value

MSEK	31 Mar			
	2018	Level 1	Level 2	Level 3
Forward exchange contracts	1,071	-	1,071	-
Currency options	12	-	12	-
Interest rate swaps	78	-	78	-
Electricity derivatives	-	-	-	-
Total	1,161	-	1,161	-

NOTE 10 Supplemental information on statement of cash flows

Free cash flow

MSEK	Total Group Jan-Mar 2018	Total Group Jan-Mar 2017	Total Group Full Year 2017
Cash flow from operating activities before changes in working capital, excluding taxes and other financial items	948	833	3,688
Cash flow from changes in working capital:			
Contract assets and liabilities	-2,588	-304	-718
Inventories	-474	-443	-972
Other current receivables	561	1,230	925
Other current liabilities	-15	162	704
Provisions	-48	-21	-107
Change in working capital	-2,564	624	-168
Cash flow from operating activities excluding taxes and other financial items	-1,616	1,457	3,520
Investing activities:			
Investments in intangible fixed assets	-271	-228	-1,064
Investments in tangible fixed assets	-326	-247	-1,093
Sales and disposals of tangible fixed assets	2	4	25
Cash flow from investing activities ¹⁾	-595	-471	-2,132
Operational cash flow	-2,211	986	1,388
Taxes and other financial items	-194	-84	-356
Sale of and investments in financial assets	-6	-5	-10
Investments in operations	-	-	-170
Free cash flow	-2,411	897	852

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	Jan-Mar	Jan-Mar	Full Year
	2018	2017	2017
Free cash flow	-2,411	897	852
Investing activities – interest-bearing:			
Short-term investments	171	-229	63
Other financial investments and receivables	-27	-13	84
Financing activities:			
Repayments of loans	-20	-6	-1,301
Raising of loans	2,250	-	1,700
Dividend paid to the Parent Company's shareholders	-	-	-559
Dividend paid to non-controlling interest	-	-	-4
Cash flow for the period	-37	649	835

Liquid assets

MSEK	31 Mar	31 Dec	31 Mar
	2018	2017	2017
The following components are included in liquid assets:			
Cash and bank balances	1,174	1,463	1,355
Bank deposits	1,010	739	700
Total according to balance sheet	2,184	2,202	2,055
Total according to statement of cash flows	2,184	2,202	2,055

NOTE 11 Business combinations

No significant acquisitions through business combinations were made in the first quarter 2018.

NOTE 12 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 Mar 2018	31 Dec 2017	31 Mar 2017
Defined-benefit obligation	9,402	9,341	8,693
Special employers' contribution	716	738	603
Less plan assets	6,706	6,695	6,318
Total provisions for pensions	3,412	3,384	2,978
of which reported as long-term receivable	40	40	51

NOTE 13 Contingent liabilities

No additional significant commitments have arisen during the period. 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 14 Transactions with related parties

No significant transactions have occurred during the period.

Related parties with which the Group has transactions are described in the annual report 2017, note 40.

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.

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 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 26 April 2018

Håkan Buskhe President and CEO

This interim 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 26 April 2018 at 7.30 CET.

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Press and analyst conference

26 April 2018 at 10:00 (CET),
Saab AB, floor 5
Olof Palmes gata 17, 111 22 Stockholm

Contact Marie Bergström to register and for more information,
ph +46 8 463 02 45

You are welcome to participate on site at Saab AB, 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/180426>

Conference call:

Please, dial in using one of the numbers below:

Sweden: +46 856642696

UK: +44 2030089815

USA: +1 8557532237

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

Calendar

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



2018: Q1