

Q3

INTERIM REPORT
JANUARY-SEPTEMBER 2018

Order backlog

% outside Sweden

65

Sales

MSEK

22,138

Adjusted operating margin

Per cent

5.2

Comment by the President and CEO, Håkan Buskhe:

T-X trainer aircraft starts a new chapter for Saab

Saab continued to grow in the first nine months of 2018 with strong medium-sized order bookings and increased sales. In the third quarter, the U.S. Air Force announced its selection of the T-X trainer aircraft from Saab and Boeing. By participating in the delivery of the T-X to the U.S. Air Force, Saab will strengthen its position in the US. The cooperation with Boeing is an example of how Saab is working internationally to broaden and expand its operations.

Earlier today, Saab announced it is planning a rights issue for eligible shareholders of approximately SEK 6 billion to support the company's continued growth journey and give increased opportunity to successfully compete for new large orders.

To bolster the company in the long-term further, a number of measures have been identified to raise productivity. The measures better enable Saab to achieve its long-term financial goals and continue to invest in research and development. They include operating efficiencies and a plan to adapt the product portfolio, improve marketing efficiency and increase the digitisation of internal processes. During the third quarter, non-recurring costs of MSEK 298 related to the efficiency measures have been recognised.

Order bookings and sales

Order bookings in the first nine months of 2018 amounted to SEK 17.2 billion with continued strong medium-sized order bookings. Saab received a major order for Gripen development and operational support in Sweden worth SEK 1.4 billion in the period. During the same period in 2017, Saab received large orders totalling SEK 10.7 billion.

Sales amounted to SEK 22.1 billion with organic growth of 2 per cent.

Operating income and non-recurring items

Operating income for the first nine months amounted to SEK 844 million (1,255) and the operating margin was 3.8 per cent (5.8). Adjusted for non-recurring items, operating income amounted to SEK 1,142 million with an operating margin of 5.2 per cent.

Operational cash flow

Operational cash flow amounted to SEK -5,197 million in the period (-758), due to timing differences of milestone payments in large projects. The main reason for the negative cash flow was the high level of capital employed within the Gripen business and utilisation of previously received advances and milestone payments. Saab expects operational cash flow to be positive to strongly positive in the fourth quarter 2018 depending on timing of milestone payments. Net debt increased to SEK 9.3 billion mainly as a result of negative operating cash flow.

OUTLOOK STATEMENT FOR 2018: (unchanged) 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 per year over a business cycle.

Financial highlights

MSEK	Jan-Sep 2018	Jan-Sep 2017 ¹⁾	Change, %	Q3 2018	Q3 2017	Full Year 2017 ¹⁾
Order bookings	17,183	24,255	-29	4,519	3,701	30,841
Order backlog	102,400	110,120	-7			107,233
Sales	22,138	21,516	3	6,419	6,158	31,666
Gross income	4,976	5,025	-1	1,439	1,556	7,543
Gross margin, %	22.5	23.4		22.4	25.3	23.8
EBITDA	1,528	1,892	-19	205	578	3,089
EBITDA margin, %	6.9	8.8		3.2	9.4	9.8
Operating income (EBIT)	844	1,255	-33	-61	369	2,250
Operating margin, %	3.8	5.8		-1.0	6.0	7.1
Adjusted operating income	1,142	1,255	-9	237	369	2,250
Adjusted operating margin, %	5.2	5.8		3.7	6.0	7.1
Net income	358	905	-60	-92	245	1,508
of which Parent Company's shareholders' interest	331	876	-62	-94	233	1,477
Earnings per share after dilution, SEK ²⁾	3.08	8.16		-0.87	2.17	13.75
Return on equity, % ³⁾	7.1	11.9				10.9
Operational cash flow	-5,197	-758		-2,447	-315	1,388
Free cash flow	-5,699	-920		-2,507	-388	852
Free cash flow per share after dilution, SEK	-52.97	-8.57		-23.30	-3.61	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.

107,589,947	107,357,386	107,575,025	107,470,451	107,400,920
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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. For more information, see note 2.

Orders

Third quarter 2018

Order bookings amounted to MSEK 4,519 (3,701) in the third quarter 2018. Compared to the same period in 2017 order bookings rose 22 per cent. Medium-sized orders grew the most during the period in the business areas Aeronautics and Surveillance.

January-September 2018

Order bookings amounted to MSEK 17,183 (24,255) in the first nine months of 2018. During the period, Saab received a large order for Gripen development and operational support in Sweden worth MSEK 1,350 billion. Bookings of medium-sized orders grew strongly, up 32 per cent compared to the same period in 2017 to MSEK 7,925 (5,996).

Orders of less than MSEK 100 amounted to MSEK 7,908 (7,525).

During the first nine months of 2018, index and price changes had a positive effect on order bookings of MSEK 269, compared to MSEK 200 in the same period in 2017.

The order backlog at the end of the period amounted to MSEK 102,400, compared to MSEK 107,233 at the beginning of the year. In total, 65 per cent of the order backlog is attributable to markets outside Sweden.

For more information about orders received, see the business area comments on pages 7, 8 and 9.

Sales

Third quarter 2018

Sales amounted to MSEK 6,419 (6,158) in the third quarter. Sales mainly rose in the business area Aeronautics as a result of increased activity within the Gripen programmes for Sweden and Brazil.

January-September 2018

Sales in the first nine months increased in several business areas and amounted to MSEK 22,138 (21,516). The large part of the increase is related to a high activity level within the major development projects in Saab's order book: Gripen NG to Brazil, Gripen E to Sweden, submarine A26 to Sweden and GlobalEye to the United Arab Emirates.

Sales from markets outside Sweden amounted to MSEK 12,840 (12,450), corresponding to 58 per cent (58), of total sales. 84 per cent (83) of sales related to the defence market.

Sales growth

Per cent	Jan-Sep 2018	Jan-Sep 2017	Q3 2018	Q3 2017	Full Year 2017
Organic sales growth	2	9	2	7	11
Acquisitions	1	-	1	-	-
Currency effects regarding revaluation of foreign subsidiaries	-	1	1	-	-
Total sales growth	3	10	4	7	11

Sales per region

MSEK	Jan-Sep 2018	Jan-Sep 2017	Change, %
Sweden	9,298	9,066	3
Rest of Europe	3,107	3,070	1
North America	2,007	2,040	-2
Latin America	2,537	1,658	53
Asia	3,925	4,599	-15
Africa	270	361	-25
Australia, etc.	994	722	38
Total	22,138	21,516	3

Large orders, Jan-Sep 2018	MSEK
Operational and development support Gripen	1,350

Classification of orders	MSEK
Small order	<100
Medium-sized order	100-1000
Large order	>1000

Order distribution

Orders exceeding MSEK 100 accounted for 54% (69) of total orders during the period.



Order backlog duration:

2018: SEK **9.2** billion
 2019: SEK **24.6** billion
 2020: SEK **18.1** billion
 2021: SEK **17.6** billion
 After 2021: SEK **32.9** billion

Defence/Civil

A total of 83% (86) of order bookings was attributable to defence-related operations during the period.

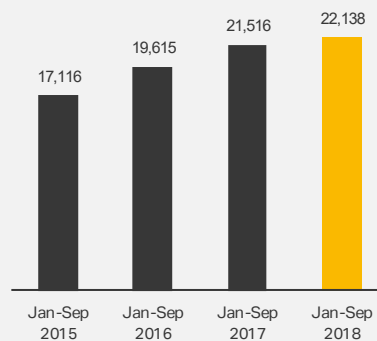


Market

A total of 67% (52) of order bookings was related to markets outside Sweden during the period.



Sales MSEK



Income

Third quarter 2018

The gross margin in the third quarter was 22.4 per cent (25.3). The gross margin was at a lower level than in 2017 due to changes in the project mix.

Operating income amounted to MSEK -61 (369) with an operating margin of -1.0 per cent (6.0). Adjusted for non-recurring items of MSEK 298, operating income amounted to MSEK 237 with an operating margin of 3.7 per cent. The non-recurring items are related to identified efficiency improvements to increase productivity and is mainly related to work force reductions. Measures have been initiated during the third quarter, including in Saab's business unit Barracuda within the business area Dynamics where efficiency measures have been carried out and within the business areas Surveillance and Support and Services, where the product portfolio has been modified. For more information see note 5.

January-September 2018

The gross margin in the first nine months was 22.5 per cent (23.4). The gross income was at a lower level than in 2017 due to changes in the project mix and to lower sales within the business area Dynamics. Total depreciation, amortisation and write-downs amounted to MSEK 684 (637). Depreciation of tangible fixed assets amounted to MSEK 445 (416).

Internally funded R&D expenditures amounted to MSEK 1,629 (1,374), of which MSEK 789 (532) was capitalised. Internally funded R&D is mainly related to radar and sensor technology as well as to the T-X program. Investments related to 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 and write-downs of intangible fixed assets amounted to MSEK 239 (221), of which amortisation and write-downs of capitalised development expenditures amounted to MSEK 150 (128). The share of income in associated companies and joint ventures amounted to MSEK -3 (-15).

Operating income amounted to MSEK 844 (1,255) with an operating margin of 3.8 per cent (5.8). Adjusted for non-recurring items, operating income amounted to MSEK 1,142 with an operating margin of 5.2. The lower operating margin during the period compared to 2017 is mainly related to the business area Dynamics, which had fewer deliveries and a modified product mix.

Financial net

MSEK	Jan-Sep 2018	Jan-Sep 2017
Financial net related to pensions	-50	-51
Net interest items	-65	-54
Currency gains/losses	-205	86
Other financial items	-52	-26
Total	-372	-45

The financial net related to pensions is the financial cost for net pension obligations recognised in the balance sheet. See note 13 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 nine months, net income was negatively affected by changes in the market value of derivatives related to hedged tenders mainly in USD.

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 -114 (-305), equivalent to an effective tax rate of 24 per cent (25). The announced corporate tax cut in Sweden led to a lower tax rate due to the restatement of deferred taxes.

Return on capital employed and equity

The pre-tax return on capital employed was 7.7 per cent (11.0) and the after-tax return on equity was 7.1 per cent (11.9), both measured over a rolling 12-month period.

Gross margin, %

23.1 22.6 23.4 22.5

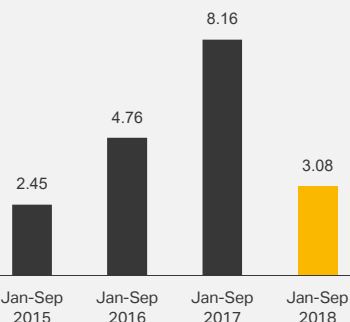
Jan-Sep 2015 Jan-Sep 2016 Jan-Sep 2017 Jan-Sep 2018

Operating margin, %

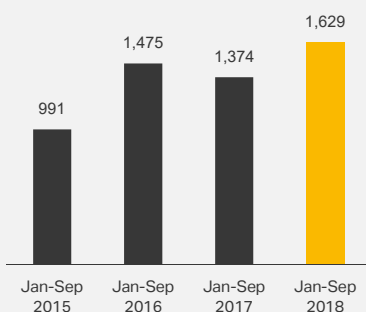
3.2 4.3 5.8 3.8

Jan-Sep 2015 Jan-Sep 2016 Jan-Sep 2017 Jan-Sep 2018

Earnings per share after dilution, SEK



Internally funded R&D expenditures, MSEK



Financial position and liquidity

At the end of September 2018, net debt was MSEK 9,250, an increase of MSEK 7,416 compared to year-end 2017, when net debt amounted to MSEK 1,834.

Cash flow from operating activities amounted to MSEK -3,764.

Accounts receivable decreased by MSEK 552 during the period mainly due to received payments for larger deliveries made within the business area Dynamics.

Due to the level of completion of large projects, contractual assets increased by MSEK 2,141 during the period at the same time that contractual liabilities decreased by MSEK 2,051.

Inventories increased by MSEK 1,283 during the period. The increase mainly relates to future deliveries within Dynamics.

Net provisions for pensions, excluding the special employer's contribution, amounted to MSEK 3,464 as of 30 September 2018, compared to MSEK 2,646 at year-end 2017. The change had a negative effect on net debt of MSEK 818. The increase in provisions is mainly due to a reduction in the discount rate used to calculate the pension obligation to 2.25 per cent from 2.50 per cent during the period and an increase in the inflation assumption to 2.00 per cent from 1.75 per cent. For further information on Saab's defined-benefit pension plans, see note 13.

Tangible fixed assets amounted to MSEK 5,938 at the end of the period. As of 1 January 2018, investment properties are no longer recognised as a separate item and are included in tangible fixed assets.

Net investments during the period amounted to approximately MSEK 1,993 (1,427).

Investments in tangible fixed assets amounted to MSEK 1,079 (823). The increase is mainly related to real estate investments and IT solutions.

Investments in intangible fixed assets amounted to MSEK 920 (627), of which MSEK 789 (532) related to capitalised R&D expenditures and MSEK 131 (95) to other intangible fixed assets.

Capitalised development expenditures on the balance sheet increased by MSEK 651. The increase is mainly related to investments to develop Gripen E/F for future exports.

To secure the delivery of shares to participants in Saab's various share matching plans, the authorisation from the Annual General Meeting to repurchase shares was utilised. During the period, series B shares were repurchased for MSEK 203. In addition, a dividend of MSEK 588 was paid to the parent company's shareholders.

As of 30 September 2018, short-term investments and liquid assets amounted to MSEK 3,197, a decrease of MSEK 3,474 compared to year-end 2017. MSEK 3,820 in funding was raised in the first nine months of 2018. For further information on Saab's liabilities to credit institutions, see note 8.

In total, capital employed increased by MSEK 3,040 during the period to MSEK 26,339. The increase is mainly related to the level of completion of Gripen programmes.

Key indicators of financial position and liquidity

MSEK	30 Sep 2018	31 Dec 2017	Change	30 Sep 2017
Net liquidity / debt ²⁾	-9,250	-1,834	-7,416	-3,224
Intangible fixed assets	8,650	7,862	788	7,359
Goodwill	5,271	5,177	94	5,067
Capitalised development costs	3,011	2,360	651	2,051
Other intangible fixed assets	368	325	43	241
Tangible fixed assets, etc ³⁾	6,291	5,663	628	5,453
Inventories	9,530	8,247	1,283	8,580
Accounts receivable	3,790	4,342	-552	3,559
Contract assets ⁴⁾	10,141	8,000	2,141	7,441
Contract liabilities ⁴⁾	7,461	9,512	-2,051	8,190
Equity/assets ratio, %	29.0	31.7		33.0
Return on equity, %	7.1	10.9		11.9
Equity per share, SEK ¹⁾	123.51	131.96	-8.45	127.33
1) Number of shares excluding treasury shares	106,675,226	106,823,782		106,715,627

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 8.

3) Including tangible fixed assets and biological assets.

4) Relate to long-term customer contracts and services according to IFRS 15 revenue recognition over time.

Change in net debt Jan-Sep 2018

	MSEK
Net liquidity (+) / net debt (-), 31 Dec 2017	-1,834
Cash flow from operating activities	-3,764
Change in net pension obligation	-818
Net investments	-1,993
Sale of subsidiaries and acquisitions of operations	8
Repurchase of shares	-203
Dividend	-588
Dividend to and transactions with non-controlling interest	-38
Currency impact and unrealised results from financial investments	-20
Net liquidity (+) / net debt (-), 30 Sep 2018	-9,250

Cash flow

Cash flow from operating activities, excluding taxes and other financial items, amounted to MSEK -3,204 (669), see note 11.

Operational cash flow amounted to MSEK -5,197 (-758). 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 increased capital employed in major projects and utilisation of previously received advances and milestone payments.

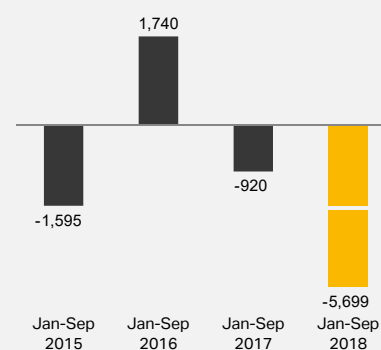
Free cash flow amounted to MSEK -5,699 (-920). For more detailed information on cash flow, see note 11.

Saab has an established programme to sell trade receivables in order 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.

	Total Group Jan-Sep 2018	Total Group Jan-Sep 2017
Cash flow from operating activities before changes in working capital, excluding taxes and other financial items	2,166	2,198
Change in working capital	-5,370	-1,529
Cash flow from operating activities excluding taxes and other financial items	-3,204	669
Cash flow from investing activities ¹⁾	-1,993	-1,427
Operational cash flow	-5,197	-758
Taxes and other financial items	-560	-171
Sales and acquisitions	58	9
Free cash flow	-5,699	-920

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.

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Business Area Aeronautics

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

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.

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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 mainly civilian 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-Sep 2018	Jan-Sep 2017	Change, %	Q3 2018	Q3 2017	Full Year 2017
Order bookings	2,680	1,876	43	532	158	3,295
Order backlog	47,433	51,109	-7			50,154
Sales	5,402	4,894	10	1,489	1,351	7,267
EBITDA	413	331	25	128	122	528
EBITDA margin, %	7.6	6.8		8.6	9.0	7.3
Operating income (EBIT)	371	294	26	113	108	478
Operating margin, %	6.9	6.0		7.6	8.0	6.6
Operational cash flow	-2,617	-303		-654	-535	1,264
Defence/Civil (% of sales)	100/0	99/1		100/0	99/1	99/1
No. of FTE's	3,164	3,085	3			3,073

Orders

During the first nine months of 2018, Saab received an order from FMV valued at BSEK 1.4 to provide operational and development support for Gripen during a period of three years from 2018 to 2020. FMV also ordered an upgrade of the Gripen C/D system to improve and modify existing capabilities in a previous upgrade, which was introduced across the Swedish fleet in 2016.

Sales, income and margin

Sales increased in the first nine months mainly due to a higher activity level within Gripen development and production for Brazil.

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 same period in 2017.

Cash flow

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

Order distribution

Orders exceeding MSEK 100 accounted for 75% (48) of total orders during the period.



Market

Sales in markets outside Sweden amounted to 44% (34) during the period.



Business Area Dynamics

Business units

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

MSEK	Jan-Sep 2018	Jan-Sep 2017	Change, %	Q3 2018	Q3 2017	Full Year 2017
Order bookings	3,845	7,591	-49	1,272	1,314	8,615
Order backlog	12,445	12,971	-4			11,597
Sales	3,032	3,167	-4	912	786	5,617
EBITDA	168	351	-52	41	83	765
EBITDA margin, %	5.5	11.1		4.5	10.6	13.6
Operating income (EBIT)	113	287	-61	23	61	680
Operating margin, %	3.7	9.1		2.5	7.8	12.1
Operational cash flow	-574	309		-184	126	1,105
Defence/Civil (% of sales)	92/8	93/7		91/9	91/9	94/6
No. of FTE's	2,219	2,110	5			2,143

Order distribution

Orders exceeding MSEK 100 accounted for 57% (79) of total orders during the period.



Market

Sales in markets outside Sweden amounted to 68% (70) during the period.



Orders

During the first nine months, Finland selected Saab as a major supplier for 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, which was the first export order for this new product.

An order was received from the U.S. Army for the shoulder-launched AT4CS RS (Confined Space Reduced Sensitivity) amounting to approximately MUSD 50 (MSEK 426). During the period, FMV and the Australian Army ordered the latest generation of the Carl-Gustaf M4 weapon system.

In the same period 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 nine months of 2018 compared to 2017. A change in the product mix also contributed to a lower operating margin. In addition, a non-recurring expense of MSEK 6 was recognised for productivity enhancements in the third quarter.

Cash flow

Operational cash flow was negatively affected by fewer customer deliveries 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-Sep 2018	Jan-Sep 2017	Change, %	Q3 2018	Q3 2017	Full Year 2017
Order bookings	5,406	5,099	6	1,364	660	7,048
Order backlog	15,081	14,679	3			14,764
Sales	5,095	4,667	9	1,518	1,515	6,633
EBITDA	462	565	-18	108	209	925
EBITDA margin, %	9.1	12.1		7.1	13.8	13.9
Operating income (EBIT)	260	351	-26	41	140	632
Operating margin, %	5.1	7.5		2.7	9.2	9.5
Operational cash flow	-1,452	-165		-975	-339	-60
Defence/Civil (% of sales)	99/1	99/1		99/1	98/2	98/2
No. of FTE's	3,768	3,590	5			3,601

Orders

During the first nine months, Surveillance received several medium-sized orders, including from the United Arab Emirates for additional functionality for the GlobalEye Advanced Airborne Early Warning & Control (AEW&C) solution and from Hindustan Aeronautics Limited (HAL) for the IDAS-2 self-protection suite for the Indian Army's Dhruv helicopter. 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). Saab also received an order from the South Korean Defence Acquisition Program Administration (DAPA) regarding support for the Arthur Weapon Locating System.

Sales, income and margin

Sales increased in the first nine months mainly due to a higher activity level for Airborne Surveillance Systems. In the third quarter a non-recurring expense of MSEK 42 were recognised for productivity improving measures where among other measures part of the Norwegian operation have been adjusted.

Cash flow

During the first nine months, the level of completion was high in large parts of the business, which resulted in a negative cash flow.

Order distribution

Orders exceeding MSEK 100 accounted for 72% (65) of total orders during the period.



Market

Sales in markets outside Sweden amounted to 77% (79) during the period.



Business Area Support and Services

Business units

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

MSEK	Jan-Sep 2018	Jan-Sep 2017	Change, %	Q3 2018	Q3 2017	Full Year 2017
Order bookings	2,386	5,077	-53	511	587	6,199
Order backlog	11,098	13,033	-15			12,513
Sales	3,813	4,162	-8	1,077	1,120	5,818
EBITDA	429	464	-8	87	140	721
EBITDA margin, %	11.3	11.1		8.1	12.5	12.4
Operating income (EBIT)	365	449	-19	32	134	702
Operating margin, %	9.6	10.8		3.0	12.0	12.1
Operational cash flow	142	164		-54	213	126
Defence/Civil (% of sales)	83/17	82/18		82/18	80/20	82/18
No. of FTE's	1,864	1,903	-2			1,865

Order distribution

Orders exceeding MSEK 100 accounted for 21% (71) of total orders during the period.



Market

Sales in markets outside Sweden amounted to 57% (58) during the period.



Orders

Several orders were received in the first nine months, including from FMV for maintenance and technical system support for flight safety equipment. FMV also extended Saab's support and maintenance contract for Helicopter 15 in Sweden.

During the same period 2017, Saab received two orders in airborne ISR with a value for Support and Services of approximately SEK 2 billion. In addition, a contract was signed with FMV for continued support and maintenance of Gripen C/D with a value for Support and Services of SEK 1.2 billion.

Sales, income and margin

The main reason for the lower sales compared to the first nine months 2017 was that Saab received a major order in the same period in 2017, which gave rise to higher revenue recognition at the start of the project.

During the third quarter a non-recurring cost of MSEK 50 were recognised for productivity improvements related to adjustments of the product portfolio within the business area.

Business Area Industrial Products and Services

Business units

Aerostructures, Avionics Systems, Traffic Management, and Combitech.

MSEK	Jan-Sep 2018	Jan-Sep 2017	Change, %	Q3 2018	Q3 2017	Full Year 2017
Order bookings	3,576	4,417	-19	931	1,143	5,842
Order backlog	11,113	11,856	-6			11,697
Sales	4,228	4,012	5	1,278	1,178	5,635
EBITDA	128	113	13	4	8	213
EBITDA margin, %	3.0	2.8		0.3	0.7	3.8
Operating income (EBIT)	63	40	58	-18	-16	116
Operating margin, %	1.5	1.0		-1.4	-1.4	2.1
Operational cash flow	-403	-275		-259	92	-296
Defence/Civil (% of sales)	31/69	28/72		31/69	25/75	29/71
No. of FTE's	3,535	3,576	-1			3,488

Orders

During the first nine months, order bookings were lower than in 2017 mainly because the business unit Traffic Management received several large orders in the same period in 2017.

Sales, income and margin

Sales within several business units increased in the first nine months of 2018 compared to 2017. The operating margin rose in the first nine months due to improved project execution mainly in the business unit Traffic Management.

Cash flow

Operational cash flow was negative due to currency transactions related to projects in the business unit Aerostructures during the period.

Order distribution

Orders exceeding MSEK 100 accounted for 15% (32) of total orders during the period.



Market

Sales in markets outside Sweden amounted to 52% (53) during the period.



Business Area Kockums

Business units

Submarines, and Surface Ships.

MSEK	Jan-Sep 2018	Jan-Sep 2017	Change, %	Q3 2018	Q3 2017	Full Year 2017
Order bookings	748	1,914	-61	218	80	2,129
Order backlog	7,300	8,873	-18			8,815
Sales	2,262	1,949	16	637	565	2,712
EBITDA	150	128	17	51	41	180
EBITDA margin, %	6.6	6.6		8.0	7.3	6.6
Operating income (EBIT)	128	110	16	44	35	157
Operating margin, %	5.7	5.6		6.9	6.2	5.8
Operational cash flow	92	20		-331	160	206
Defence/Civil (% of sales)	100/0	100/0		100/0	100/0	100/0
No. of FTE's	1,196	1,030	16			1,115

Order distribution

Orders exceeding MSEK 100 accounted for 16% (76) of total orders during the period.



Market

Sales in markets outside Sweden amounted to 9% (14) during the period.



Orders

During the first nine months, Saab signed a contract with ASC to update the Integrated Ship Control Management and Monitoring System (ISCMMMS) for four of the Royal Australian Navy's Collins Class Submarines. The order amounted to approximately MSEK 150.

Sales, income and margin

Sales increased in the first nine months due to high activity in submarines and the acquisitions of N. Sundin Dockstavarvet AB and the repair shipyard Muskövarvet AB on 29 December 2017.

Cash flow

Operational cash flow in the third quarter 2018 was negative due to the utilisation of milestone payments mainly related to the submarine operations.

Personnel

Project activity level within Kockums have increased during the first nine month 2018, leading to continued need for recruitments and an increase of the number of employees within the business area.

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 -456 (-276) during the first nine months of 2018. Excluding non-recurring items of MSEK 200 recognised in the third quarter, operating income amounted to MSEK -256.

Operational cash flow attributable to Corporate amounted to MSEK -385 (-508) in the period.

Acquisitions and divestments 2018

No significant acquisitions or divestments were made during the period.

Share repurchase

Saab held 2,475,118 treasury shares as of 30 September 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. In June, the Board decided to utilise its authorisation to repurchase series B shares in order to secure delivery of shares to participants in Saab's long-term Share Matching Plan, Performance Share Plan and Special Projects Incentive. During the third quarter, series B shares were repurchased for MSEK 203.

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 large share of development than before, and their inherent complexity raises risk in several dimensions.

The market is characterised by challenging conditions where orders can be deferred to the future partly for financial reasons.

For a general description of the risk areas, see the annual report 2017, pages 54-57.

Owners

Saab's largest shareholders as of 30 September 2018:

	% of capital	% of votes
Investor AB	30.0	40.3
Knut and Alice Wallenberg Foundation	8.8	7.7
Swedbank Robur funds	4.9	4.4
AFA Insurance Vanguard	2.8	2.5
	1.8	1.6
Livförsäkringsbolaget Skandia	1.7	1.5
Fidelity	1.6	1.4
Handelsbanken funds	1.6	1.4
Unionen	1.4	1.3
SEB funds	1.2	1.1

Source: Modular Finance

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

Personnel

	30 Sep 2018	31 Dec 2017
Number of employees	16,955	16,427
FTE's	16,643	16,171

Other events January-September 2018

- In January, Saab inaugurated a new development centre, STC (Saab Technology Centre), in Tampere, Finland. For the first stage, Saab established a unit at the STC with a focus on Electronic Warfare (EW).
- Saab announced in March that Ann-Kristin Adolfsson, Chief Strategy Officer, has been appointed Head of Saab Ventures. Due to her new role, Ann-Kristin Adolfsson left Group Management.
- On March 14, Saab successfully completed the first flight of the new GlobalEye Airborne Early Warning & Control aircraft, in Linköping, Sweden. GlobalEye combines air, maritime and ground surveillance in one swing-role solution. The system provides users with extended radar range with the Erieye ER radar and better range with the Global 6000 jet platform, combined with the ability to perform multiple roles using a single solution, including search and rescue, border surveillance and military operations.
- The Annual General Meeting on 10 April 2018 resolved to pay shareholders a dividend of SEK 5.50 per share (total MSEK 588). The record date was 12 April 2018 and the dividend was paid out on 17 April 2018.
- The Annual General Meeting resolved 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.
- In May, Saab unveiled a manufacturing facility for Gripen aerostructures: Saab Aeronáutica Montagens (SAM), in the city of São Bernardo do Campo, in São Paulo state, Brazil.
- In September, Saab announced the members of the Nomination Committee for the Annual General Meeting 2019 based on the ownership structure as of 31 August 2018, in accordance with the resolution of the Annual General Meeting.
- In September, Saab announced the final results of its tender offer to the holders of certain outstanding publicly listed medium term notes, at the same time that the company announced the terms of the new financing. More information on the offer can be found at www.saabgroup.com, investor, debt and funding.
- Saab appointed Christian Hedelin as the new Chief Strategy Officer. Christian Hedelin takes up the position on 1 November 2018 and will then be part of Saab's Group Management.

For more information on significant order received in the first nine months, see page 2 and the comments on the business areas on pages 7-9 and in note 3. All press releases can be found on <http://saabgroup.com/Media/news-press/>.

Events after the conclusion of the period

- On 1 October 2018 FMV submitted the Swedish Gripen proposal to the Bulgarian Ministry of Defence. The Swedish offer consists of eight new and fully NATO-interoperable Gripen C/D fighter aircraft for the Bulgarian Air Force.
- Saab received an order from General Tadeusz Kosciuszko Military University of Land Forces (AWL) in Wrocław, Poland, to expand its fully-instrumented GAMER laser-based training capability (LSS).
- On 18 October 2018 Saab received an order from Boeing for the Engineering and Manufacturing Development (EMD) phase for the Advanced Pilot Training Aircraft, T-X. The value of this order is approximately MUSD 117.6. The order will run until 2022.
- On 23 October Saab announced it is planning a rights issue during the fourth quarter of approximately SEK 6 billion to support Saab's continued growth journey and give Saab increased opportunity to successfully compete for new large orders. A strong demand for Saab's products and systems has the last few years resulted in a record high order backlog, strong sales growth and an increased internationalization. Saab today has a strong market position. Through the U.S. Air Force's choice of the T-X trainer, developed by Saab and Boeing, Saab will strengthen its position in the U.S. This demonstrates Saab's efforts to broaden and expand its international business. Investor AB and the Knut and Alice Wallenberg Foundation, representing 39.7 percent of the share capital and 48.1 percent of the votes (excluding repurchased shares), together with other shareholders, representing 12.6 percent of the share capital and 10.8 percent of the votes (excluding repurchased shares), have expressed their support for the rights issue. An Extraordinary General Meeting is expected to take place the 16 November 2018 to decide on an authorization of the board to decide on the rights issue. The notice to the Extraordinary General Meeting is published in a separate press release. The company intends to complete the issue during the fourth quarter of 2018.

T-X trainer aircraft



The U.S. Air Force announced in September that it had selected Boeing to supply a new advanced Pilot training system for USD 9.2 billion, which will help to train bomber pilots for generations to come. Boeing is the designated prime contractor for this system. Saab is a risk-sharing partner with Boeing.

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 17,000 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-Sep 2018	Jan-Sep 2017	Rolling 12 Months	Full Year 2017
Sales	4	22,138	21,516	32,288	31,666
Cost of goods sold		-17,162	-16,491	-24,794	-24,123
Gross income		4,976	5,025	7,494	7,543
Gross margin, %		22.5	23.4	23.2	23.8
Other operating income		99	83	120	104
Marketing expenses		-1,909	-1,750	-2,589	-2,430
Administrative expenses		-1,088	-1,064	-1,517	-1,493
Research and development costs		-990	-970	-1,368	-1,348
Other operating expenses		-241	-54	-274	-87
Share in income of associated companies and joint ventures		-3	-15	-27	-39
Operating income (EBIT) ¹⁾	3	844	1,255	1,839	2,250
Operating margin, %		3.8	5.8	5.7	7.1
Financial income		80	150	51	121
Financial expenses		-452	-195	-529	-272
Net financial items		-372	-45	-478	-151
Income before taxes		472	1,210	1,361	2,099
Taxes		-114	-305	-400	-591
Net income for the period		358	905	961	1,508
of which Parent Company's shareholders' interest		331	876	932	1,477
of which non-controlling interest		27	29	29	31
Earnings per share before dilution, SEK ²⁾		3.10	8.22	8.72	13.86
Earnings per share after dilution, SEK ³⁾		3.08	8.16	8.66	13.75
1) Includes depreciation/amortisation and write-downs		-684	-637	-886	-839
2) Average number of shares before dilution		106,899,769	106,545,662	106,867,253	106,601,672
3) Average number of shares after dilution		107,589,947	107,357,386	107,623,818	107,400,920

Consolidated statement of comprehensive income

MSEK	Jan-Sep 2018	Jan-Sep 2017	Rolling 12 Months	Full Year 2017
Net income for the period	358	905	961	1,508
Other comprehensive income/loss:				
Items that will not be reversed in the income statement:				
Revaluation of net pension obligations	-969	136	-1,295	-190
Tax attributable to revaluation of net pension obligations	155	-30	228	43
Total	-814	106	-1,067	-147
Items that may be reversed in the income statement:				
Translation differences	155	-394	294	-255
Cash flow hedges	110	621	120	631
Tax attributable to cash flow hedges	-22	-131	-28	-137
Total	243	96	386	239
Other comprehensive income/loss for the period	-571	202	-681	92
Net comprehensive income/loss for the period	-213	1,107	280	1,600
of which Parent Company's shareholders' interest	-223	1,077	253	1,553
of which non-controlling interest	10	30	27	47

Consolidated statement of financial position

MSEK	Note	30 Sep 2018	31 Dec 2017	30 Sep 2017
ASSETS				
Fixed assets:				
Intangible fixed assets	7	8,650	7,862	7,359
Tangible fixed assets		5,938	5,311	5,098
Biological assets		353	352	355
Shares in associated companies and joint ventures		652	700	703
Financial investments		28	26	159
Long-term receivables	13	701	662	602
Deferred tax assets		268	238	358
Total fixed assets		16,590	15,151	14,634
Current assets:				
Inventories		9,530	8,247	8,580
Derivatives		1,147	1,139	1,171
Tax receivables		470	26	165
Accounts receivable		3,790	4,342	3,559
Contract assets		10,141	8,000	7,441
Other receivables		463	522	466
Prepaid expenses and accrued income		743	900	872
Short-term investments		1,747	4,469	2,677
Liquid assets	11	1,450	2,202	2,117
Total current assets		29,481	29,847	27,048
TOTAL ASSETS		46,071	44,998	41,682
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity:				
Parent Company's shareholders' interest		13,175	14,097	13,588
Non-controlling interest		184	188	172
Total shareholders' equity		13,359	14,285	13,760
Long-term liabilities:				
Long-term interest-bearing liabilities	8	8,975	6,235	6,205
Other liabilities		200	210	184
Provisions for pensions	13	4,441	3,424	3,009
Other provisions		1,052	1,024	829
Deferred tax liabilities		160	274	343
Total long-term liabilities		14,828	11,167	10,570
Current liabilities:				
Short-term interest-bearing liabilities	8	502	92	83
Contract liabilities		7,461	9,512	8,190
Accounts payable		2,527	2,958	2,270
Derivatives		1,091	1,093	1,128
Tax liabilities		176	120	230
Other liabilities		602	805	736
Accrued expenses and deferred income		4,889	4,483	4,252
Provisions		636	483	463
Total current liabilities		17,884	19,546	17,352
Total liabilities		32,712	30,713	27,922
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		46,071	44,998	41,682

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-September 2017			479	-384		982	1,077	30	1,107
Transactions with shareholders:									
Share matching plan						78	78		78
Dividend						-559	-559	-3	-562
Closing balance, 30 September 2017	1,746	543	-300	141	11	11,447	13,588	172	13,760
Net comprehensive income/loss for the period October-December 2017			-2	129		349	476	17	493
Transactions with shareholders:									
Share matching plan						33	33		33
Dividend								-1	-1
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			14			-18	-4		-4
Adjusted opening balance, 1 January 2018	1,746	543	-288	270	11	11,811	14,093	188	14,281
Net comprehensive income/loss for the period			102	158		-483	-223	10	-213
Transactions with shareholders:									
Repurchase of shares						-203	-203		-203
Share matching plan						104	104		104
Dividend						-588	-588	-13	-601
Acquisition and sale of non-controlling interest						-8	-8	-1	-9
Closing balance, 30 September 2018	1,746	543	-186	428	11	10,633	13,175	184	13,359

Consolidated statement of cash flows

MSEK	Note	Jan-Sep 2018	Jan-Sep 2017	Full Year 2017
Operating activities:				
Income after financial items		472	1,210	2,099
Adjustments for items not affecting cash flows		1,603	923	1,479
Dividend from associated companies and joint ventures		37	24	26
Income tax paid		-506	-130	-272
Cash flow from operating activities before changes in working capital		1,606	2,027	3,332
Cash flow from changes in working capital:				
Contract assets and liabilities		-4,145	-1,494	-718
Inventories		-1,312	-1,454	-972
Other current receivables		543	1,760	925
Other current liabilities		-134	-280	704
Provisions		-322	-61	-107
Cash flow from operating activities		-3,764	498	3,164
Investing activities:				
Investments in intangible fixed assets		-131	-95	-193
Capitalised development costs		-789	-532	-871
Investments in tangible fixed assets		-1,079	-823	-1,093
Sales and disposals of tangible fixed assets		6	23	25
Investments in and sale of short-term investments		2,712	1,857	63
Investments in financial assets		-46	-54	-30
Sale of financial assets		61	20	104
Investments in operations	12	5	-	-170
Sale of subsidiaries		3	-	-
Cash flow from investing activities		742	396	-2,165
Financing activities:				
Repayments of loans		-750	-1,265	-1,301
Raising of loans		3,820	1,700	1,700
Repurchase of shares		-203	-	-
Dividend paid to Parent Company's shareholders		-588	-559	-559
Dividend paid to non-controlling interest		-24	-3	-4
Transactions with non-controlling interest		-14	-	-
Cash flow from financing activities		2,241	-127	-164
Cash flow for the period		-781	767	835
Liquid assets at the beginning of the period		2,202	1,402	1,402
Exchange rate difference in liquid assets		29	-52	-35
Liquid assets at end of period	11	1,450	2,117	2,202

Quarterly consolidated income statement

MSEK	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016
Sales	6,419	7,953	7,766	10,150	6,158	7,772	7,586	9,016
Cost of goods sold	-4,980	-6,154	-6,028	-7,632	-4,602	-6,086	-5,803	-6,565
Gross income	1,439	1,799	1,738	2,518	1,556	1,686	1,783	2,451
Gross margin, %	22.4	22.6	22.4	24.8	25.3	21.7	23.5	27.2
Other operating income	10	66	23	21	17	47	19	25
Marketing expenses	-611	-700	-598	-680	-558	-629	-563	-660
Administrative expenses	-365	-352	-371	-429	-333	-379	-352	-404
Research and development costs	-326	-348	-316	-378	-288	-354	-328	-435
Other operating expenses	-224	5	-22	-33	-17	-16	-21	-21
Share of income in associated companies and joint ventures	16	-12	-7	-24	-8	-8	1	4
Operating income (EBIT) ¹⁾	-61	458	447	995	369	347	539	960
Operating margin, %	-1.0	5.8	5.8	9.8	6.0	4.5	7.1	10.6
Financial income	48	18	14	-29	37	76	37	30
Financial expenses	-90	-232	-130	-77	-73	-68	-54	-88
Net financial items	-42	-214	-116	-106	-36	8	-17	-58
Income before taxes	-103	244	331	889	333	355	522	902
Taxes	11	-45	-80	-286	-88	-91	-126	-263
Net income for the period	-92	199	251	603	245	264	396	639
of which Parent Company's shareholders' interest	-94	183	242	601	233	253	390	624
of which non-controlling interest	2	16	9	2	12	11	6	15
Earnings per share before dilution, SEK ²⁾	-0.88	1.72	2.26	5.63	2.18	2.37	3.66	5.87
Earnings per share after dilution, SEK ³⁾	-0.87	1.70	2.25	5.59	2.17	2.36	3.62	5.82
1) Includes depreciation/amortisation and write-downs	-266	-211	-207	-202	-209	-221	-207	-246
2) Average number of shares before dilution	106,863,140	106,974,902	106,861,266	106,769,705	106,660,461	106,538,205	106,438,320	106,346,321
3) Average number of shares after dilution	107,575,025	107,678,230	107,651,182	107,590,836	107,470,451	107,423,697	107,320,873	107,167,229

Quarterly consolidated statement of comprehensive income

MSEK	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016
Net income for the period	-92	199	251	603	245	264	396	639
Other comprehensive income/loss:								
Items that will not be reversed in the income statement:								
Revaluation of net pension obligations	-28	-901	-40	-326	440	-378	74	650
Tax attributable to revaluation of net pension obligations	6	139	10	73	-97	83	-16	-143
Total	-22	-762	-30	-253	343	-295	58	507
Items that may be reversed in the income statement:								
Translation differences	-110	141	124	139	-176	-208	-10	169
Net gain/loss on cash flow hedges	67	-152	195	10	154	300	167	-344
Tax attributable to net gain/loss on cash flow hedges	-11	25	-36	-6	-27	-62	-42	80
Total	-54	14	283	143	-49	30	115	-95
Other comprehensive income/loss for the period	-76	-748	253	-110	294	-265	173	412
Net comprehensive income/loss for the period	-168	-549	504	493	539	-1	569	1,051
of which Parent Company's shareholders' interest	-159	-547	483	476	535	-6	548	1,026
of which non-controlling interest	-9	-2	21	17	4	5	21	25

Key ratios by quarter

MSEK	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016
Equity/assets ratio, (%)	29.0	28.7	31.5	31.7	33.0	32.3	32.8	32.3
Return on capital employed, % ³⁾	7.7	9.6	9.4	10.5	11.0	10.5	9.8	8.9
Return on equity, % ³⁾	7.1	9.7	9.6	10.9	11.9	11.2	10.2	9.0
Equity per share, SEK ^{1) 3)}	123.51	126.17	136.64	131.96	127.33	122.15	127.38	123.64
Free cash flow, MSEK ³⁾	-2,507	-781	-2,411	1,772	-388	-1,429	897	619
Free cash flow per share after dilution, SEK ^{2) 3)}	-23.30	-7.25	-22.40	16.47	-3.61	-13.30	8.36	5.78

1) Number of shares excluding treasury shares

106,675,226 107,051,054 106,898,750 106,823,782 106,715,627 106,605,294 106,471,116 106,405,523

2) Average number of shares after dilution

107,575,025 107,678,230 107,651,182 107,590,836 107,470,451 107,423,697 107,320,873 107,167,229

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	Q3 2018	Operating margin	Q2 2018	Operating margin	Q1 2018	Operating margin	Q4 2017	Operating margin
Sales								
Aeronautics	1,489		1,871		2,042		2,373	
Dynamics	912		1,064		1,056		2,450	
Surveillance	1,518		1,799		1,778		1,966	
Support and Services	1,077		1,400		1,336		1,656	
Industrial Products and Services	1,278		1,559		1,391		1,623	
Kockums	637		880		745		763	
Internal sales	-492		-620		-582		-681	
Total	6,419		7,953		7,766		10,150	

Operating income/loss								
Aeronautics	113	7.6%	95	5.1%	163	8.0%	184	7.8%
Dynamics	23	2.5%	44	4.1%	46	4.4%	393	16.0%
Surveillance	41	2.7%	150	8.3%	69	3.9%	281	14.3%
Support and Services	32	3.0%	159	11.4%	174	13.0%	253	15.3%
Industrial Products and Services	-18	-1.4%	54	3.5%	27	1.9%	76	4.7%
Kockums	44	6.9%	42	4.8%	42	5.6%	47	6.2%
Corporate	-296		-86		-74		-239	
Total	-61	-1.0%	458	5.8%	447	5.8%	995	9.8%

MSEK	Q3 2017	Operating margin	Q2 2017	Operating margin	Q1 2017	Operating margin
Sales						
Aeronautics	1,351		1,865		1,678	
Dynamics	786		1,235		1,146	
Surveillance	1,515		1,720		1,432	
Support and Services	1,120		1,347		1,695	
Industrial Products and Services	1,178		1,450		1,384	
Kockums	565		706		678	
Internal sales	-357		-551		-427	
Total	6,158		7,772		7,586	
Operating income/loss						
Aeronautics	108	8.0%	106	5.7%	80	4.8%
Dynamics	61	7.8%	92	7.4%	134	11.7%
Surveillance	140	9.2%	107	6.2%	104	7.3%
Support and Services	134	12.0%	151	11.2%	164	9.7%
Industrial Products and Services	-16	-1.4%	-	0.0%	56	4.0%
Kockums	35	6.2%	40	5.7%	35	5.2%
Corporate	-93		-149		-34	
Total	369	6.0%	347	4.5%	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-Sep 2018	Jan-Sep 2017	Full Year 2017
Organic sales growth, %	5	2	9	11
Operating margin, %	10	3.8	5.8	7.1
Equity/assets ratio, %	30	29.0	33.0	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-Sep 2018	Jan-Sep 2017	Full Year 2017
Sales	14,224	13,866	19,891
Cost of goods sold	-11,244	-10,897	-15,481
Gross income	2,980	2,969	4,410
Gross margin, %	21.0	21.4	22.2
Operating income and expenses	-3,265	-2,765	-4,055
Operating income (EBIT)	-285	204	355
Operating margin, %	-2.0	1.5	1.8
Financial income and expenses	155	60	519
Income after financial items	-130	264	874
Appropriations	-	-	-11
Income before taxes	-130	264	863
Taxes	41	-95	-216
Net income for the period	-89	169	647

Parent company balance sheet

MSEK	Note	30 Sep 2018	31 Dec 2017	30 Sep 2017
ASSETS				
Fixed assets:				
Intangible fixed assets		581	543	479
Tangible fixed assets		3,615	3,228	3,206
Financial fixed assets		7,095	7,032	6,676
Total fixed assets		11,291	10,803	10,361
Current assets:				
Inventories		6,352	5,581	5,601
Current receivables		15,454	12,460	11,832
Short term investments		1,745	4,459	2,667
Liquid assets		700	1,181	1,451
Total current assets		24,251	23,681	21,551
TOTAL ASSETS		35,542	34,484	31,912
SHAREHOLDERS' EQUITY AND LIABILITIES				
Equity:				
Restricted equity		2,964	2,964	2,971
Unrestricted equity		4,082	4,868	4,352
Total shareholders' equity		7,046	7,832	7,323
Untaxed reserves, provisions and liabilities:				
Untaxed reserves		2,291	2,291	2,280
Provisions		1,325	1,089	991
Liabilities	8	24,880	23,272	21,318
Total untaxed reserves, provisions and liabilities		28,496	26,652	24,589
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		35,542	34,484	31,912

Liquidity, financing, capital expenditures and number of employees

The Parent Company's net debt amounted to MSEK 9,260 as of 30 September 2018 compared to MSEK 3,418 as of 31 December 2017.

Investments in tangible fixed assets amounted to MSEK 738 (432). Investments in intangible assets amounted to MSEK 40 (78). At the end of the period, the Parent Company had 9,608 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 nine 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 1-29 constitutes the interim report for the period 1 January to 30 September 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 nine months 2017 decrease by MSEK 59, operating income is negatively affected by MSEK 18 and net income for the period by MSEK 14. 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 -67 for the full-year 2017 and MSEK -44 for the first nine months 2017. Net income for the period was affected by MSEK -2 for the full-year 2017 and by MSEK -1 for the first nine months 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. During 2018, Saab continues its analysis and evaluation and prepares 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 Australia, the US, South Africa, 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 mainly civilian customers.

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-Sep 2018	Jan-Sep 2017	Change, %	Q3 2018	Q3 2017	Full Year 2017
Aeronautics	2,680	1,876	43	532	158	3,295
Dynamics	3,845	7,591	-49	1,272	1,314	8,615
Surveillance	5,406	5,099	6	1,364	660	7,048
Support and Services	2,386	5,077	-53	511	587	6,199
Industrial Products and Services	3,576	4,417	-19	931	1,143	5,842
Kockums	748	1,914	-61	218	80	2,129
Internal	-1,458	-1,719		-309	-241	-2,287
Total	17,183	24,255	-29	4,519	3,701	30,841

Order bookings per region

MSEK	Jan-Sep 2018	Jan-Sep 2017	Change, %	Full Year 2017
Sweden	5,752	11,682	-51	13,963
Rest of Europe	4,014	3,823	5	5,116
North America	2,686	1,924	40	2,712
Latin America	105	149	-30	898
Asia	2,464	4,665	-47	5,721
Africa	174	212	-18	529
Australia, etc.	1,988	1,800	10	1,902
Total	17,183	24,255	-29	30,841

Order backlog per operating segment

MSEK	30 Sep 2018	31 Dec 2017	30 Sep 2017
Aeronautics	47,433	50,154	51,109
Dynamics	12,445	11,597	12,971
Surveillance	15,081	14,764	14,679
Support and Services	11,098	12,513	13,033
Industrial Products and Services	11,113	11,697	11,856
Kockums	7,300	8,815	8,873
Internal	-2,070	-2,307	-2,401
Total	102,400	107,233	110,120

Order backlog per region

MSEK	30 Sep 2018	31 Dec 2017	30 Sep 2017
Sweden	35,726	39,258	40,630
Rest of Europe	11,043	10,098	10,210
North America	5,588	4,810	4,745
Latin America	34,739	37,174	37,407
Asia	11,406	12,872	14,177
Africa	686	794	547
Australia etc.	3,212	2,227	2,404
Total	102,400	107,233	110,120

Sales per operating segment

MSEK	Jan-Sep 2018	Jan-Sep 2017	Q3 2018	Q3 2017	Rolling Months	Full Year 2017
Aeronautics	5,402	4,894	1,489	1,351	7,775	7,267
Dynamics	3,032	3,167	912	786	5,482	5,617
Surveillance	5,095	4,667	1,518	1,515	7,061	6,633
Support and Services	3,813	4,162	1,077	1,120	5,469	5,818
Industrial Products and Services	4,228	4,012	1,278	1,178	5,851	5,635
Kockums	2,262	1,949	637	565	3,025	2,712
Internal	-1,694	-1,335	-492	-357	-2,375	-2,016
Total	22,138	21,516	6,419	6,158	32,288	31,666

Sales per region

MSEK	Jan-Sep 2018	% of sales	Jan-Sep 2017	% of sales	Full Year 2017	% of sales
Sweden	9,298	42	9,066	42	13,216	42
Rest of Europe	3,107	14	3,070	14	4,496	14
North America	2,007	9	2,040	9	2,778	9
Latin America	2,537	11	1,658	8	2,653	8
Asia	3,925	18	4,599	21	7,041	22
Africa	270	1	361	2	449	1
Australia, etc.	994	4	722	3	1,033	3
Total	22,138	100	21,516	100	31,666	100

Information on large customers

During the first nine 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 7,124 (7,316).

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-Sep 2018	% of sales	Jan-Sep 2017	% of sales	Rolling 12 Months	Full Year 2017
Aeronautics	371	6.9	294	6.0	555	478
Dynamics	113	3.7	287	9.1	506	680
Surveillance	260	5.1	351	7.5	541	632
Support and Services	365	9.6	449	10.8	618	702
Industrial Products and Services	63	1.5	40	1.0	139	116
Kockums	128	5.7	110	5.6	175	157
The operating segments' operating income	1,300	5.9	1,531	7.1	2,534	2,765
Corporate	-456		-276		-695	-515
Total	844	3.8	1,255	5.8	1,839	2,250

Depreciation/amortisation and write-downs per operating segment

MSEK	Jan-Sep 2018	Jan-Sep 2017	Change, %	Q3 2018	Q3 2017	Rolling 12 Months	Full Year 2017
Aeronautics	42	37	14	15	14	55	50
Dynamics	55	64	-14	18	22	76	85
Surveillance	202	214	-6	67	69	281	293
Support and Services	64	15	327	55	6	68	19
Industrial Products and Services	65	73	-11	22	24	89	97
Kockums	22	18	22	7	6	27	23
Corporate	234	216	8	82	68	290	272
Total	684	637	7	266	209	886	839

Operational cash flow per operating segment

MSEK	Jan-Sep 2018	Jan-Sep 2017	Q3 2018	Q3 2017	Rolling 12 Months	Full Year 2017
Aeronautics	-2,617	-303	-654	-535	-1,050	1,264
Dynamics	-574	309	-184	126	222	1,105
Surveillance	-1,452	-165	-975	-339	-1,347	-60
Support and Services	142	164	-54	213	104	126
Industrial Products and Services	-403	-275	-259	92	-424	-296
Kockums	92	20	-331	160	278	206
Corporate	-385	-508	10	-32	-834	-957
Total	-5,197	-758	-2,447	-315	-3,051	1,388

Capital employed per operating segment

MSEK	30 Sep 2018	31 Dec 2017	30 Sep 2017
Aeronautics	4,368	2,191	2,882
Dynamics	3,554	3,232	3,248
Surveillance	7,624	6,103	5,768
Support and Services	3,079	3,222	2,795
Industrial Products and Services	4,364	4,178	4,040
Kockums	1,129	1,016	827
Corporate	2,221	3,357	2,884
Total	26,339	23,299	22,444

Full time equivalents (FTE's) per operating segment

Number at end of the period	30 Sep 2018	31 Dec 2017	30 Sep 2017
Aeronautics	3,164	3,073	3,085
Dynamics	2,219	2,143	2,110
Surveillance	3,768	3,601	3,590
Support and Services	1,864	1,865	1,903
Industrial Products and Services	3,535	3,488	3,576
Kockums	1,196	1,115	1,030
Corporate	897	886	877
Total	16,643	16,171	16,171

NOTE 4 Distribution of sales

MSEK	Aeronautics		Dynamics		Surveillance		Support and Services		Industrial Products and Services		Kockums		Corporate/ elimination		Group	
	Jan-Sep 2018	Jan-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	Jan-Sep 2018	Jan-Sep 2017
External sales	5,127	4,586	2,847	3,066	4,866	4,483	3,722	4,065	3,295	3,267	2,253	1,948	28	101	22,138	21,516
Internal sales	275	308	185	101	229	184	91	97	933	745	9	1	-1,722	-1,436	-	-
Total sales	5,402	4,894	3,032	3,167	5,095	4,667	3,813	4,162	4,228	4,012	2,262	1,949	-1,694	-1,335	22,138	21,516
Sales by customer:																
Military customers	5,122	4,580	2,629	2,864	4,810	4,417	3,073	3,339	736	641	2,253	1,948	28	98	18,651	17,887
Civilian customers	5	6	218	202	56	66	649	726	2,559	2,626	-	-	-	3	3,487	3,629
Total external sales	5,127	4,586	2,847	3,066	4,866	4,483	3,722	4,065	3,295	3,267	2,253	1,948	28	101	22,138	21,516
Sales by significant source:																
Long-term customer contracts	4,670	4,167	1,218	1,363	3,475	3,252	1,483	1,783	1,715	1,692	1,761	1,733	28	101	14,350	14,091
Services	452	411	504	445	1,016	963	1,847	1,925	1,435	1,322	492	215	-	-	5,746	5,281
Products	5	8	1,125	1,258	375	268	392	357	145	253	-	-	-	-	2,042	2,144
Total external sales	5,127	4,586	2,847	3,066	4,866	4,483	3,722	4,065	3,295	3,267	2,253	1,948	28	101	22,138	21,516
Sales by domain:																
Air	5,127	4,582	204	260	2,545	2,274	2,537	2,871	243	257	-	-	16	69	10,672	10,313
Land	-	4	1,725	2,084	813	1,041	565	532	453	364	-	-	-	-	3,556	4,025
Naval	-	-	785	612	1,451	1,110	132	91	6	7	2,253	1,948	12	32	4,639	3,800
Civil Security	-	-	125	110	26	18	126	95	1,232	1,218	-	-	-	-	1,509	1,441
Commercial Aeronautics	-	-	-	-	1	-	362	476	854	842	-	-	-	-	1,217	1,318
Other	-	-	8	-	30	40	-	-	507	579	-	-	-	-	545	619
Total external sales	5,127	4,586	2,847	3,066	4,866	4,483	3,722	4,065	3,295	3,267	2,253	1,948	28	101	22,138	21,516
Sales recognition method:																
Over time	5,114	4,540	1,582	1,272	4,068	3,631	2,882	3,243	2,035	1,931	2,133	1,911	28	101	17,842	16,629
Point in time	13	46	1,265	1,794	798	852	840	822	1,260	1,336	120	37	-	-	4,296	4,887
Total external sales	5,127	4,586	2,847	3,066	4,866	4,483	3,722	4,065	3,295	3,267	2,253	1,948	28	101	22,138	21,516

NOTE 5 Non-recurring items

The non-recurring items are related to identified efficiency improvements to increase productivity and are reported in the income statement per function as shown below.

MSEK	Jan-Sep 2018	Jan-Sep 2017	Q3 2018	Q3 2017
Cost of goods sold	-41	-	-41	-
Administrative expenses	-3	-	-3	-
Research and development costs	-54	-	-54	-
Other operating expenses	-200	-	-200	-
Total	-298	-	-298	-

NOTE 6 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 12 April 2018 and payment of dividend at 17 April 2018.

NOTE 7 Intangible fixed assets

MSEK	30 Sep 2018	31 Dec 2017	30 Sep 2017
Goodwill	5,271	5,177	5,067
Capitalised development costs	3,011	2,360	2,051
Other intangible assets	368	325	241
Total	8,650	7,862	7,359

NOTE 8 Net liquidity/debt

MSEK	30 Sep 2018	31 Dec 2017	30 Sep 2017
Assets:			
Liquid assets	1,450	2,202	2,117
Short-term investments	1,747	4,469	2,677
Total liquid investments	3,197	6,671	4,794
Short-term interest-bearing receivables	-	14	24
Long-term interest-bearing receivables	493	454	457
Long-term receivables attributable to pensions	40	40	51
Long-term interest-bearing financial investments	-	-	134
Total interest-bearing assets	3,730	7,179	5,460
Liabilities:			
Liabilities to credit institutions	8,973	5,798	5,769
Liabilities to associated companies and joint ventures	42	45	44
Other interest-bearing liabilities	462	484	475
Provisions for pensions ¹⁾	3,503	2,686	2,396
Total interest-bearing liabilities and provisions for pensions	12,980	9,013	8,684
Net liquidity (+) / net debt (-)	-9,250	-1,834	-3,224

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	30 Sep 2018	31 Dec 2017	30 Sep 2017
Long-term liabilities to credit institutions	8,560	5,798	5,766
Short-term liabilities to credit institutions	411	-	2
Total	8,971	5,798	5,768

Since 2009, Saab has a Medium Term Note programme (MTN) to enable the issuance of long-term loans on the capital market. During the first quarter 2018, 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 September 2018 Saab partly repurchased loans expiring 2018 and 2019, totally amounting MSEK 691 of MSEK 1487. At the same time issuance of two new loans was made of MSEK 950 maturing 2021 and MSEK 120 maturing 2023. As a result, outstanding loans under the MTN programme totalled MSEK 7,941. In December 2015, Saab signed Schuldschein loan agreements amounting to MEUR 100.

NOTE 9 Capital employed

MSEK	30 Sep 2018	31 Dec 2017	30 Sep 2017
Total assets	46,071	44,998	41,682
Less non-interest bearing liabilities	19,732	21,699	19,238
Capital employed	26,339	23,299	22,444

NOTE 10 Financial instruments

Classification and categorisation of financial assets and liabilities ³⁾

Carrying amount	30 Sep 2018	31 Dec 2017	30 Sep 2017
Financial assets:			
Valued at amortised cost:			
Accounts receivable, contract assets and other receivables	14,513	13,133	11,696
Liquid assets	1,450	2,202	2,117
Long-term receivables	482	481	467
Financial investments ¹⁾	-	-	133
Valued at fair value through profit and loss:			
Short-term investments	1,747	4,469	2,677
Derivatives for trading	137	109	92
Long-term receivables	39	-	-
Financial investments	28	26	26
Valued at fair value through other comprehensive income:			
Derivatives identified as hedges	1,010	1,030	1,079
Total financial liabilities	19,406	21,450	18,287
Financial liabilities:			
Valued at amortised cost:			
Interest-bearing liabilities ²⁾	9,476	6,327	6,288
Other liabilities	6,740	6,934	6,047
Valued at fair value through profit and loss:			
Derivatives for trading	73	86	52
Valued at fair value through other comprehensive income:			
Derivatives identified as hedges	1,018	1,007	1,076
Total financial liabilities	17,307	14,354	13,463

¹⁾ Fair value - - 133

²⁾ Fair value 9,658 6,412 6,381

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 890.

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 30 September 2018, the Group had the following financial assets and liabilities at fair value:

Assets at fair value

MSEK	30 Sep 2018			
	Level 1	Level 2	Level 3	
Bonds and interest-bearing securities	1,747	1,747	-	-
Forward exchange contracts	1,026	-	1,026	-
Currency options	4	-	4	-
Cross currency basis swaps	93	-	93	-
Electricity derivatives	24	24	-	-
Shares, participations and long-term receivables	67	-	-	67
Total	2,961	1,771	1,123	67

Liabilities at fair value

MSEK	30 Sep 2018			
	Level 1	Level 2	Level 3	
Forward exchange contracts	1,017	-	1,017	-
Currency options	4	-	4	-
Interest rate swaps	70	-	70	-
Electricity derivatives	-	-	-	-
Total	1,091	-	1,091	-

NOTE 11 Supplemental information on statement of cash flows

Free cash flow

MSEK	Total Group Jan-Sep 2018	Total Group Jan-Sep 2017	Q3 2018	Q3 2017	Total Group Full Year 2017
Cash flow from operating activities before changes in working capital, excluding taxes and other financial items	2,166	2,198	511	681	3,688
Cash flow from changes in working capital:					
Contract assets and liabilities	-4,145	-1,494	-331	628	-718
Inventories	-1,312	-1,454	-488	-516	-972
Other current receivables	543	1,760	-247	412	925
Other current liabilities	-134	-280	-990	-1,018	704
Provisions	-322	-61	-156	-30	-107
Change in working capital	-5,370	-1,529	-2,212	-524	-168
Cash flow from operating activities excluding taxes and other financial items	-3,204	669	-1,701	157	3,520
Investing activities:					
Investments in intangible fixed assets	-920	-627	-334	-206	-1,064
Investments in tangible fixed assets	-1,079	-823	-412	-267	-1,093
Sales and disposals of tangible fixed assets	6	23	-	1	25
Cash flow from investing activities ¹⁾	-1,993	-1,427	-746	-472	-2,132
Operational cash flow	-5,197	-758	-2,447	-315	1,388
Taxes and other financial items	-560	-171	-60	-88	-356
Sale of and investments in financial assets	50	9	-	15	-10
Investments in operations	5	-	-	-	-170
Sale of subsidiaries	3	-	-	-	-
Free cash flow	-5,699	-920	-2,507	-388	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-Sep 2018	Jan-Sep 2017	Q3 2018	Q3 2017	Full Year 2017
Free cash flow	-5,699	-920	-2,507	-388	852
Investing activities – interest-bearing:					
Short-term investments	2,712	1,857	1,596	342	63
Other financial investments and receivables	-35	-43	-30	-4	84
Financing activities:					
Repayments of loans	-750	-1,265	-716	-1,089	-1,301
Raising of loans	3,820	1,700	1,070	1,700	1,700
Repurchase of shares	-203	-	-203	-	-
Dividend paid to the Parent Company's shareholders	-588	-559	-	-	-559
Dividend paid to non-controlling interest	-24	-3	-13	-	-4
Transactions with non-controlling interest	-14	-	-7	-	-
Cash flow for the period	-781	767	-810	561	835

Liquid assets

MSEK	30 Sep 2018	31 Dec 2017	30 Sep 2017
The following components are included in liquid assets:			
Cash and bank balances	1,050	1,463	1,267
Bank deposits	400	739	850
Total according to balance sheet	1,450	2,202	2,117
Total according to statement of cash flows	1,450	2,202	2,117

NOTE 12 Business combinations

No significant acquisitions through business combinations were made in the period.

NOTE 13 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	30 Sep 2018	31 Dec 2017	30 Sep 2017
Defined-benefit obligation	10,375	9,341	8,783
Special employers' contribution	937	738	613
Less plan assets	6,911	6,695	6,438
Total provisions for pensions	4,401	3,384	2,958
of which reported as long-term receivable	40	40	51

NOTE 14 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 15 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 16 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 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 23 October 2018

Håkan Buskhe

President and CEO

Review report

Saab AB (publ.), organisationsnummer 556036-0793.

Introduction

We have reviewed the condensed interim financial information (interim report) of Saab AB as of 30 September 2018 and the nine-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company

Stockholm 23 October 2018
PricewaterhouseCoopers AB

Bo Hjalmarsson
Authorised Public Accountant

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 23 October 2018 at 07.30 (CET)..

Important Information

The information in this interim report does not contain or constitute an offer to acquire, subscribe or otherwise trade in shares, subscription rights or other securities in Saab Aktiebolag ("Saab AB") in any jurisdiction. All offers and sales of securities in connection with any rights offer by Saab AB will be made for certain eligible shareholders, subject to certain limited exceptions, outside of the United States and in reliance on, and in compliance with, Regulation S under the U.S. Securities Act of 1933, as amended.

This interim report may contain forward-looking statements which reflect Saab AB's current view on future events and financial and operational development. Words such as "intend", "expect", "anticipate", "may", "believe", "plan", "estimate" and other expressions which imply indications or predictions of future development or trends, and which are not based on historical facts, are intended to identify forward-looking statements. Forward-looking statements inherently involve both known and unknown risks and uncertainties as they depend on future events and circumstances. Forward-looking statements do not guarantee future results or development and the actual outcome could differ materially from the forward-looking statements.

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Press and financial analyst conference

23 October 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/181023/>

Conference call:

Please, dial in using one of the numbers below:

Sweden: +46 850639549

UK: +44 2030089804

US: +1 8558315946

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

Calendar

Capital Markets day 2018

14-15 November 2018

Year-end report 2018

Published 15 February 2019

Annual general meeting

11 April, 2019 in Linköping

Interim report January–March 2019

Published 26 April 2019

Interim report January–June 2019

Published 19 July 2019

Interim report January–September 2019

Published 22 October 2019



2018: Q3