



SAAB

Invitation to subscribe for shares in **Saab AB**



Please note that the subscription rights may have an economic value.

In order to not lose the value of the subscription rights, holders must either:

- Exercise the subscription rights received and subscribe for new shares no later than 14 December 2018; or
- Sell the subscription rights received, but not exercised, no later than 12 December 2018.

Please note that shareholders with nominee-registered shareholdings subscribe for new shares through their custodian/nominee.

The distribution of this prospectus and the subscription for new shares are subject to restrictions in certain jurisdictions (see "Selling and transfer restrictions").

SEB

IMPORTANT INFORMATION

For certain definitions used in this prospectus, see "*Certain definitions*" on the next page.

A Swedish version of this prospectus has been approved and registered by the Swedish Financial Supervisory Authority (the "SFSA") in accordance with Chapter 2, sections 25 and 26 of the Swedish Financial Instruments Trading Act (*lagen (1991:980) om handel med finansiella instrument*). Approval and registration does not imply that the SFSA guarantees that the information in the prospectus is accurate or complete.

The prospectus and the offering hereunder are governed by Swedish law. Disputes arising in connection with this prospectus, the offering and related legal matters shall be settled exclusively by Swedish courts. The prospectus has been prepared in both Swedish and English language versions. In the event of any conflict between the versions, the Swedish version shall prevail.

Saab has not taken, and will not take any actions to allow a public offering in any jurisdiction other than Sweden, Denmark, Finland, Norway and the United Kingdom. Saab has requested that the SFSA provides a certificate of approval and a copy of this prospectus (and a translated summary, where applicable) to the relevant competent authorities in Denmark, Finland, Norway and the United Kingdom pursuant to Article 18 of the Directive 2003/71/EC (as amended or superseded). The offering is not being made to persons resident in Australia, Canada, Hong Kong, India, Japan, South Africa, Singapore or any other jurisdiction where participation would require additional prospectuses, registration or measures besides those required by Swedish, Danish, Finnish, Norwegian law, or the laws of the United Kingdom. Consequently, the prospectus may not be distributed in or into the mentioned countries or any other country or jurisdiction in which distribution or the offering in accordance with this prospectus require such measures or otherwise would be in conflict with applicable regulations. Subscription of shares and other acquisitions of securities in violation of the restrictions described above may be void. Recipients of this prospectus are required to inform themselves about, and comply with, such restrictions. Any failure to comply with the restrictions described may result in a violation of applicable securities regulations. For further information, see "*Selling and transfer restrictions*".

Investing in shares is associated with risk (see "*Risk factors*"). When an investor makes an investment decision, he or she must rely on his or her own analysis of Saab and the offering in accordance with this prospectus, including applicable facts and risks. Potential investors should, before making an investment decision, engage their own professional advisers and carefully evaluate and consider their investment decision. Investors may only rely on the information in this prospectus and any possible supplements to this prospectus. No person is authorised to provide any information or make any statements other than those made in this prospectus. Should such information or statement nevertheless be provided or be made it should not be considered to have been approved by Saab, and Saab is not responsible for such information or statements. Neither the publication of this prospectus nor any transaction made in respect of it shall be deemed to imply that the information in this prospectus is accurate or applicable at any time other than on the date of the publication of this prospectus or that there have been no changes in Saab's business since this date. If significant changes relating to the information contained in this prospectus occur, such changes will be announced in accordance with the provisions on prospectus supplements under the Swedish Financial Instruments Trading Act.

As a condition for subscription of shares under the offering in this prospectus, each person applying for subscription of shares shall be deemed to have made or, in some cases, be required to make, certain representations and warranties that will be relied upon by Saab and its advisors (see "*Selling and transfer restrictions*"). Saab reserves the right to declare null and void any subscription of shares that Saab and its advisors believe may give rise to a breach or violation of any law, rule or regulation in any jurisdiction.

Important information to investors in the United States

None of the subscription rights, paid subscribed shares/interim shares (*Sw. betalda tecknade aktier (BTA)*/interimsaktier) or new shares being granted or offered, respectively, in the rights issue (the "**Securities**") have been or will be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or under the securities legislation of any state or other jurisdiction of the United States and may not be offered, sold, subscribed for, exercised, pledged, resold, allotted, delivered or otherwise transferred, directly or indirectly, within the United States except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities legislation in any state or other jurisdiction of the United States. Subject to limited exceptions, the Securities are being offered only outside the United States in reliance on Regulation S under the Securities Act.

Accordingly, subject to certain limited exceptions, this prospectus will not be sent to, and no subscription rights will be credited to, any shareholder with a registered address in the United States. In addition, Saab reserves the right to reject any instruction in respect of the Securities sent by or on behalf of any securities account holder with a registered address in the United States. For a description of these and certain further restrictions regarding the Securities and the distribution of this prospectus, see "*Selling and transfer restrictions*".

Until 40 days after the commencement of the rights issue, an offer, sale or transfer of the Securities within the United States by a dealer (whether or not participating in the Rights Issue) may violate the registration requirements of the Securities Act. The Securities have not been approved or disapproved by the U.S. Securities and Exchange Commission (SEC), any state securities commission or any other U.S. regulatory authority nor have any of the foregoing authorities passed upon or endorsed the merits of the rights issue or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offense in the United States.

Important information to investors in the EEA

In relation to each Member State of the European Economic Area (the "**EEA**") which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**"), the Securities may not be offered or sold to the public in that Relevant Member State, other than the offers contemplated in the prospectus in Sweden, Denmark, Finland, Norway and the United Kingdom, from the time the prospectus has been approved by the competent authority in Sweden and published, and notified to the relevant competent authorities, in accordance with the Prospectus Directive, except that, with effect from and including the Relevant Implementation Date, an offer of Securities may be made to the public in that Relevant Member State:

- a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive); or
- c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Securities shall require Saab to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Securities to the public" in relation to any Securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Securities to be offered so as to enable an investor to decide to purchase or subscribe the Securities, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC (as amended or superseded) and includes any relevant implementing measure in the Relevant Member State. For additional information, see "*Selling and transfer Restrictions*".

Forward-looking statements

The prospectus contains certain forward-looking statements that reflect Saab's present view of future events as well as financial and operational development. Words such as "intend", "assess", "expect", "may", "plan", "believe", "estimate" and other expressions entailing indications or predictions of future development or trends, not based on historical facts, constitute forward-looking statements. Forward-looking statements are inherently associated with both known and unknown risks and uncertainties as it depends on future events and circumstances. A forward-looking statement is not a guarantee of future results or development, and actual outcomes may differ materially from those set out in the forward-looking statements.

Factors that may cause Saab's future results and development to differ from the forward-looking statements include, but are not limited to, those described in "*Risk factors*". The forward looking statements contained in this prospectus apply only as at the date of this prospectus. Saab does not undertake any obligation to publicly announce any update or change in forward-looking statements as a result of new information, future events or similar circumstances other than as required by applicable laws and regulations.

Presentation of financial information

Certain figures in this prospectus, including financial data, have been rounded. Accordingly, figures shown in totals in certain tables may not be an exact arithmetic aggregation of the figures which precede them.

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The rights issue in brief

Preferential rights

Each existing share of series A in Saab entitles to one (1) subscription right of series A and each existing share of series B entitles to one (1) subscription right of series B. Four (4) subscription rights of series A and B, respectively, entitle to subscription for one (1) new share of the corresponding series (primary preferential right). Shares not subscribed for with primary preferential rights shall first of all be offered to all shareholders (subsidiary preferential right) and thereafter to other investors for subscription.

Subscription price

SEK 225 per share.

Record date for participation in the rights issue

26 November 2018

Subscription period

29 November–14 December 2018

Trading in subscription rights of series B

29 November–12 December 2018

Trading in BTA of series B

29 November 2018–3 January 2019

Subscription by exercise of subscription rights

Subscription by exercise of subscription rights is made during the subscription period through simultaneous cash payment.

Subscription without subscription rights

Application for subscription without subscription rights shall be made to SEB no later than 14 December 2018 on a separate application form that can be obtained from Saab's website, www.saabgroup.com, from any SEB office in Sweden or from SEB's website for prospectuses, www.sebgroup.com/prospectuses. Payment for allotted shares shall be made in accordance with instructions on the notice of allotment. Custody account holders shall instead apply with, and in accordance with instructions from, the custodian.

Other information

Ticker:	SAAB B
ISIN Code share series B:	SE0000112385
ISIN Code subscription right series B:	SE0011984764
ISIN Code BTA series B:	SE0011984772
LEI Code	549300ZHO4JCQQI13M69

Financial information

Year-end report 2018:	15 February 2019
Interim report January–March 2019:	26 April 2019

Certain definitions

In this prospectus, the following definitions are used:

"**Saab**" or the "Company" refers to, depending on the context, SAAB AKTIEBOLAG (publ) (corporate ID No. 556036-0793) or the group in which Saab AB (publ) is the parent company.

The "**Group**" refers to Saab AB (publ) and its subsidiaries.

"**SEB**" refers to Skandinaviska Enskilda Banken AB (publ).

"**Euroclear Sweden**" refers to Euroclear Sweden AB.

"**Nasdaq Stockholm**" refers to the Swedish regulated market Nasdaq Stockholm or its operator Nasdaq Stockholm AB, as the context may require.

"**AUD**", "**DKK**", "**EUR**", "**GBP**", "**NOK**", "**SEK**", "**USD**" and "**ZAR**" refers to Australian dollars, Danish kronor, Euro, British pounds, Norwegian kroner, Swedish kronor, U.S. dollars and South African rand, respectively. **M** indicates millions and **T** indicates thousands.

For additional definitions and a glossary, please refer to "Glossary".

Summary

Prospectus summaries consist of information requirements presented in “items”. The items are numbered in sections A–E (A.1–E.7).

The summary in this prospectus includes all of the items required in a summary for the relevant type of security and issuer. However, since certain items are not applicable to all types of prospectuses, there may be gaps in the numbering of the items.

Even if an item is required to be included in the summary for the relevant type of security and issuer, it is possible that no relevant information can be provided regarding the item. In such case, the information is replaced by a brief description of the item together with the indication “not applicable”.

SECTION A – INTRODUCTIONS AND WARNINGS		
A.1	<i>Introduction and warnings</i>	<p>This summary should be read as an introduction to the prospectus.</p> <p>Any decision to invest in the securities should be based on consideration of the prospectus as a whole by the investor.</p> <p>Where a claim relating to the information in this prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the prospectus before the legal proceedings are initiated.</p> <p>Civil liability may attach to those persons who produced the summary, including any translation thereof, only if the summary is misleading, inaccurate or inconsistent with other parts of the prospectus or if, together with other parts of the prospectus, it fails to provide key information to help investors when considering investing in such securities.</p>
A.2	<i>Consent to use the prospectus</i>	Not applicable. Financial intermediaries are not entitled to use the prospectus for subsequent resale or final placement of securities.

SECTION B – ISSUER		
B.1	<i>Legal and commercial name</i>	The legal (and commercial) name of the Company is SAAB AKTIEBOLAG.
B.2	<i>Domicile and legal form</i>	The registered office of the Board of Directors is situated in Linköping, Sweden. The Company was incorporated in Sweden and is a Swedish public limited liability company governed by the Swedish Companies Act (<i>aktiebolagslagen (2005:551)</i>).
B.3	<i>Nature of operations and principal activities</i>	<p>Saab develops and manufactures high-technology products and provides services in defence, aviation and civil security. Saab’s products are sold to over 100 countries and today the Group has operations in more than 35 countries. Saab’s head office is located in Stockholm with facilities around the world. Saab’s largest Swedish facilities are in Linköping, Järfälla, Gothenburg, Karlskoga, Arboga, Malmö, Karlskrona and Huskvarna. Saab also has development and production facilities globally, including in the United States, Australia, South Africa, Brazil, the United Kingdom, India, Germany, Finland, Denmark, Switzerland and the Netherlands. Saab generated sales of SEK 31.4 billion in 2017 and had around 16,000 employees at 31 December 2017, approximately 80 per cent of whom were in Sweden.</p> <p>Saab’s operations are primarily focused on well-defined areas mainly in defence electronics, missile systems, ground combat weapons, naval systems, and military and commercial aviation. The Group is also active in technical services and maintenance. An important part of Saab’s strategy is to stay on the forefront and develop advanced technological solutions that meet the demand for high-technology products with low lifecycle costs, both in terms of procurement and operation. Saab considers many of its products to be technologically leading, and historically Saab has achieved great success through product development. Successful products include the Carl-Gustaf shoulder fired support weapon, the Giraffe radar system and the Gripen fighter aircraft. Gripen is one of the largest industrial projects ever in Sweden.</p> <p>Through its historical heritage, Saab has a strong position in its home market, Sweden, and the majority of sales is generated in Europe. In addition, Saab has a local presence in South Africa, Australia, the United States and certain other countries. Products are sold primarily directly to defence authorities, but also to some extent to companies and other authorities. The products range from less complex, serial-produced products to larger customised systems that stretch from research and development to finished product. Defence projects tend to be comprehensive and lead times are long, which can mean that large projects are tendered and continue over extended periods, while recurring product purchases can occur more often and more continuously.</p>

B.4a	<i>Recent trends</i>	<p>Saab continued its growth journey in the first nine months of 2018 with strong medium-sized order bookings and increased sales. In the third quarter 2018, the U.S. Air Force announced its selection of the T-X trainer aircraft from Saab and Boeing as its new pilot training system. By participating in the delivery of the T-X to the U.S. Air Force, Saab expects to strengthen its position in the U.S.</p> <p>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 but also a plan to adapt the product portfolio, improve marketing efficiency and increase the digitisation of internal processes. During the third quarter 2018, non-recurring costs of MSEK 298 mainly related to workforce reductions was reported.</p> <p>Order bookings in the first nine months 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. Sales amounted to SEK 22.1 billion with organic growth of 2 per cent.</p> <p>Operational cash flow amounted to MSEK -5,197 in the period January–September 2018, 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 operations 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.</p>																														
B.5	<i>Group</i>	<p>Saab is the ultimate parent company of the Group, which, as of 30 September 2018, comprised 91 subsidiaries and 24 affiliates in over 35 countries.</p>																														
B.6	<i>Major shareholders, etc.</i>	<p>In Sweden, the lowest limit for disclosure of holdings (Sw. <i>flaggnings</i>) is five per cent of all shares or the voting rights of all shares. The table below shows shareholders with holdings corresponding to at least 5 per cent of the shares and voting rights in the Company as of 31 October 2018.</p> <table border="1" data-bbox="440 943 1474 1144"> <thead> <tr> <th>Holder/nominee/custodian</th> <th>Shares of series A</th> <th>Shares of series B</th> <th>Total number of shares</th> <th>Share capital, %</th> <th>Votes, %¹⁾</th> </tr> </thead> <tbody> <tr> <td>Investor</td> <td>1,907,123</td> <td>30,870,975</td> <td>32,778,098</td> <td>30.0</td> <td>39.5 (40.3)</td> </tr> <tr> <td>The Knut and Alice Wallenberg Foundation</td> <td>–</td> <td>9,590,087</td> <td>9,590,087</td> <td>8.8</td> <td>7.6 (7.7)</td> </tr> <tr> <td>Other shareholders</td> <td>–</td> <td>66,782,159</td> <td>66,782,159</td> <td>61.2</td> <td>52.9 (52.0)</td> </tr> <tr> <td>Total</td> <td>1,907,123</td> <td>107,243,221</td> <td>109,150,344</td> <td>100.0</td> <td>100.0</td> </tr> </tbody> </table> <p>Source: Modular Finance. 1) Figures within parenthesis refer to votes calculated excluding treasury shares held by Saab.</p> <p>Investor AB ("Investor") can exercise significant influence over the Company in matters where the shareholders have a voting right. Due to its shareholding, Investor may put through several proposals at a general meeting, even if other shareholders do not agree with the proposal. Investor is therefore able to exercise significant influence over Saab. The control is, however, limited in accordance with the rules set out in the Swedish Companies Act (2005:551) on minority protection.</p>	Holder/nominee/custodian	Shares of series A	Shares of series B	Total number of shares	Share capital, %	Votes, % ¹⁾	Investor	1,907,123	30,870,975	32,778,098	30.0	39.5 (40.3)	The Knut and Alice Wallenberg Foundation	–	9,590,087	9,590,087	8.8	7.6 (7.7)	Other shareholders	–	66,782,159	66,782,159	61.2	52.9 (52.0)	Total	1,907,123	107,243,221	109,150,344	100.0	100.0
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Total	1,907,123	107,243,221	109,150,344	100.0	100.0																											
B.7	<i>Selected historical key financial information</i>	<p>The below condensed financial statements (as well as measures defined under International Financial Reporting Standards ("IFRS")) pertaining to full years have been derived from Saab's annual reports for the financial years 2015–2017, which have been prepared in accordance with IFRS as adopted by EU and audited by the Company's auditor. The condensed financial statements (as well as measures defined under IFRS) pertaining to the nine months ended 30 September 2018 and 2017, respectively, have been derived from Saab's interim report for the period January–September 2018, which has been prepared in accordance with IAS 34 <i>Interim Financial Reporting</i> and the Swedish Annual Accounts Act (<i>årsredovisningslagen (1995:1554)</i>). The interim report has, as regards January–September 2018, been reviewed by the Company's auditor. The comparative period 2017 is restated to reflect the new accounting principles that apply as of 2018 for revenue recognition, IFRS 15.</p> <p>The summary also includes certain measures that are not defined under IFRS (alternative performance measure). These non-IFRS measures have not been reviewed or audited by the Company's auditor. Saab believes these measures are commonly used by certain investors, securities analysts and other interested parties as supplementary measures of performance trends and financial position. Saab's non-IFRS measures may not be comparable to other similarly titled measures presented by other companies and have certain limitations as analysis tools. Consequently, they should not be considered separately, or as an alternative to Saab's financial information prepared in accordance with IFRS.</p>																														

B.7	<i>Selected historical key financial information (cont'd)</i>	CONDENSED CONSOLIDATED INCOME STATEMENT						
		MSEK	Jan-Sep 2018	Jan-Sep 2017	2017	2016	2015	
	Sales		22,138	21,516	31,394	28,631	27,186	
	Cost of goods sold		-17,162	-16,491	-23,946	-21,748	-20,700	
	Gross income		4,976	5,025	7,448	6,883	6,486	
	Other operating income		99	83	104	201	371	
	Marketing expenses		-1,909	-1,750	-2,430	-2,223	-2,061	
	Administrative expenses		-1,088	-1,064	-1,493	-1,364	-1,323	
	Research and development costs		-990	-970	-1,348	-1,592	-1,565	
	Other operating expenses		-241	-54	-87	-70	-48	
	Share in income of associated companies and joint ventures		-3	-15	-39	-38	40	
	Operating income		844	1,255	2,155	1,797	1,900	
	Financial income		80	150	121	90	169	
	Financial expenses		-452	-195	-272	-276	-338	
	Net financial items		-372	-45	-151	-186	-169	
	Income before taxes		472	1,210	2,004	1,611	1,731	
	Taxes		-114	-305	-566	-436	-329	
	Net income of the period		358	905	1,438	1,175	1,402	
			CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION					
			MSEK	30 Sep 2018	30 Sep 2017	31 Dec 2017	31 Dec 2016	31 Dec 2015
	ASSETS							
	Fixed assets:							
	Intangible fixed assets		8,650	7,359	7,862	7,094	6,476	
	Tangible fixed assets ¹⁾		5,938	5,098	5,271	4,811	4,472	
	Biological assets		353	355	352	291	290	
	Investment properties ¹⁾		-	-	40	33	34	
	Shares in associated companies and joint ventures		652	703	700	788	602	
	Financial investments		28	159	26	165	190	
	Long-term receivables		701	602	662	505	444	
	Deferred tax assets		268	358	211	252	351	
	Total fixed assets		16,590	14,634	15,124	13,939	12,859	
	Current assets:							
	Inventories		9,530	8,580	7,743	6,660	5,243	
	Derivatives		1,147	1,171	1,139	1,290	1,058	
	Tax assets		470	165	26	120	106	
	Accounts receivable		3,790	3,559	4,342	5,402	2,913	
	Contract assets		10,141	7,441	-	-	-	
	Amounts due from customers ²⁾		-	-	7,917	-	-	
	Other receivables ²⁾		463	466	522	6,821	8,102	
	Prepaid expenses and accrued income		743	872	1,193	1,035	962	
	Short-term investments		1,747	2,677	4,469	4,542	2,995	
	Liquid assets		1,450	2,117	2,202	1,402	850	
	Total current assets		29,481	27,048	29,553	27,272	22,229	
	TOTAL ASSETS		46,071	41,682	44,677	41,211	35,088	

B.7	Selected historical key financial information (cont'd)	EQUITY AND LIABILITIES				
	Equity:					
	Equity attributable to Parent company's shareholders	13,175	13,588	14,189	13,156	12,851
	Non-controlling interest	184	172	188	145	61
	Total equity	13,359	13,760	14,377	13,301	12,912
	LIABILITIES					
	Long-term liabilities:					
	Long-term interest-bearing liabilities	8,975	6,205	6,235	5,624	4,872
	Other liabilities	200	184	210	202	136
	Provisions for pensions	4,441	3,009	3,424	3,069	2,373
	Other provisions	1,052	829	1,024	811	1,097
	Deferred tax liabilities	160	343	274	30	34
	Total long-term liabilities	14,828	10,570	11,167	9,736	8,512
	Short-term liabilities:					
	Short-term interest-bearing liabilities	502	83	92	292	853
	Contract liabilities	7,461	8,190	–	–	–
	Amounts due to customers ³⁾	–	–	9,094	–	–
	Advance payments from customers ³⁾	–	–	–	5,161	1,098
	Accounts payable	2,527	2,270	2,958	2,880	2,340
	Derivatives	1,091	1,128	1,093	1,955	1,614
	Tax liabilities	176	230	120	81	37
	Other liabilities	602	736	805	695	725
	Accrued expenses and prepaid income ³⁾	4,889	4,252	4,483	6,711	6,549
	Provisions	636	463	488	399	448
	Total short-term liabilities	17,884	17,352	19,133	18,174	13,664
	Total liabilities	32,712	27,992	30,300	27,910	22,176
	TOTAL EQUITY AND LIABILITIES	46,071	41,682	44,677	41,211	35,088
	1) As from 1 January 2018, "Investment properties" is no longer recognised as a separate line item in the consolidated statement of financial position but are included in "Tangible fixed assets".					
	2) As from the financial year 2017, "Other receivables" was divided into "Amounts due from customers" and "Other receivables". As from the financial year 2018, "Amounts due from customers" was replaced by "Contract assets" due to the enforcement of IFRS 15.					
	3) As from the financial year 2017, "Advance payments from customers" was reported together with deferred income relating to long-term customer contracts according to the percentage of completion method, and was entitled "Amounts due to customers". As from the financial year 2018, "Amounts due to customers" was replaced by "Contract liabilities" due to the enforcement of IFRS 15.					
	CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS					
		Jan–Sep	Jan–Sep			
	MSEK	2018	2017	2017	2016	2015
	Cash flow from operating activities before changes in working capital	1,606	2,027	3,237	2,733	2,178
	Cash flow from operating activities	–3,764	498	3,164	4,154	358
	Cash flow from investing activities	742	396	–2,165	–3,303	–3,159
	Cash flow from financing activities	2,241	–127	–164	–370	2,382
	CASH FLOW FOR THE PERIOD	–781	767	835	481	–419
	Liquid assets at period-end	1,450	2,117	2,202	1,402	850

B.7	Selected historical key financial information (cont'd)	SELECTED KEY OPERATING METRICS					
		Jan-Sep 2018	Jan-Sep 2017	2017	2016	2015	
		Order bookings, MSEK ¹⁾	17,183	24,255	30,841	21,828	81,175
		Order backlog, MSEK ¹⁾	102,400	110,120	106,849	107,606	113,834
		Gross margin, MSEK ¹⁾	22.5	23.4	23.7	24.0	23.9
		EBITDA, MSEK ¹⁾	1,528	1,892	2,994	2,743	2,859
		EBITDA margin, % ²⁾	6.9	8.8	9.5	9.6	10.5
		Operating income excluding non-recurring items, MSEK ¹⁾	1,142	–	–	–	1,782
		Operating margin, % ¹⁾	3.8	5.8	6.9	6.3	7.0
		Operating margin excluding non-recurring items, % ¹⁾	5.2	–	–	–	6.6
		Return on equity, % ¹⁾	7.1	11.9	10.4	9.0	11.5
		Capital employed ¹⁾	26,339	22,444	23,391	21,691	20,579
		Return on capital employed ¹⁾	7.7	11.0	10.1	8.9	11.2
		Operational cash flow, MSEK ¹⁾	–5,197	–758	1,388	2,603	–500
		Free cash flow, MSEK ¹⁾	–5,699	–920	852	2,359	–726
		Free cash flow per share after dilution, SEK ^{1),2)}	–52.97	–8.57	7.93	22.07	–6.82
		Net liquidity/debt, MSEK ¹⁾	–9,250	–3,224	–1,834	–1,836	–3,217
		Equity/assets ratio, % ¹⁾	29.0	33.0	32.2	32.3	36.8
		1) Non-IFRS measure (alternative performance measure), not audited.					
		2) Average number of shares after dilution: January–September 2018: 107,589,947; January–September 2017: 107,357,386; 2017: 107,400,920; 2016: 106,906,726; 2015: 106,450,263.					
		DEFINITIONS					
		Measures	Definition and reason for use				
		Capital employed	Total assets less non-interest-bearing liabilities. Capital employed represents the capital that is lent to Saab by the shareholders or by lenders. As Saab wants to have a strong balance sheet, this key figure is important for the management of Saab's operations.				
		EBITDA	Operating income before depreciation, amortisation and write-downs. EBITDA shows the generated income in the operating activities before depreciation, amortisation and write-downs, and is an important key ratio for the management of Saab's operations.				
		EBITDA margin	Operating income before depreciation, amortisation and write-downs as a percentage of sales. EBITDA margin shows the profitability before depreciation, amortisation and write-downs and is an important key ratio for control of the management of Saab's operations.				
		Equity/assets ratio	Equity and total assets ratio. Equity/assets ratio states the proportion of the assets that are financed with equity and is an indication of the company's long-term solvency.				
		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. It is important for Saab to ensure the creation of a positive cash flow in the operations, and therefore this is an important key ratio for the management of Saab's operations.				
		Free cash flow per share after dilution	Free cash flow divided by the average number of shares after dilution. This key ratio measures the free cash flow in relation to the amount of shares in Saab.				
		Gross margin	Gross income as a percentage of sales. The gross margin shows the profitability of a project and is included as one of the key ratios that are important for the management of Saab's operations.				
		Net liquidity/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. Saab's ambition is to have a strong balance sheet and one goal in this ambition is to steer the business towards a net liquidity, even if the business cannot always be in a net liquidity. This key ratio is important for the management of Saab's operations.				
		Operating income excluding non-recurring items	Operating income less non-recurring items. The non-current items in January–September 2018 are related to identified efficiency measures in order to increase productivity. The non-recurring items in 2015 concerned the transfer of the autonomous helicopter Skeldar to UMS Skeldar AG and sale of a property as well as efficiency measures in connection with change of business area structure. Operating income excluding non-recurring items is a useful key ratio when comparing Saab's operating activities, between periods when Saab reported non-recurring items.				
		Operating margin	Operating income as a percentage of sales. Operating margin shows profitability in the operating activities, and is an important key ratio to control Saab's operations.				

B.7	<i>Selected historical key financial information (cont'd)</i>	Operating margin excluding non-recurring items	Operating income in percentage of sales less non-recurring items (see also "Operating income excluding non-recurring items" above). Operating margin excluding non-recurring items is a useful key ratio when comparing Saab's operating activities, between periods when Saab reported non-recurring items.
		Operational cash flow	Cash flow from operating activities, excluding taxes and other financial items, and acquisitions and divestments of intangible fixed assets and tangible fixed assets. It is important for Saab to ensure the creation of a positive cash flow in the operations and therefore operational cash flow is an important key ratio for the management of Saab's business areas and for Saab as a whole.
		Order backlog	Total value of orders at the end of the period. The order backlog states how much operating activity Saab has already booked which is to be converted to sales in the future. Therefore this is an important key ratio for the management of Saab's operations.
		Order bookings	Total value of orders received during the period. Order bookings is important to secure since this is a sure indicator of future sales and therefore an important key ratio for the management of Saab's operations.
		Return on equity	Net income for the period (rolling 12 months) as a percentage of average equity. Return on equity shows the return on the capital that shareholders have invested in the company and is an important key ratio for the management of Saab's operations.
		Return on capital employed	Operating income plus financial income (rolling 12 months) as a percentage of average capital employed. This key ratio shows the profitability of both equity and lent capital and is an important key ratio for the management of Saab's operations.
		Sales during the period January–September 2018 amounted to MSEK 22,138 (21,516 during the corresponding period 2017). Most of the increase is related to a high activity level in the major development projects in Saab's order book. Operating income amounted to MSEK 844 (1,255) with an operating margin of 3.8 per cent (5.8). Adjusted for non-recurring items of MSEK 298, operating income amounted to MSEK 1,142 and the operating margin was 5.2 per cent. 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. Sales increased in all business areas in 2017 and amounted to MSEK 31,394 (28,631 in 2016). Most of the increase is related to major orders within airborne surveillance systems and support operations and higher sales in the business area Dynamics. Operating income amounted to MSEK 2,155 (1,797), with an operating margin of 6.9 per cent (6.3). Profitability strengthened in the AEW&C segment due to the high level of activity. Sales increased slightly in 2016 to MSEK 28,631 (27,186 in 2015). Gross income amounted to MSEK 6,883 (6,486) in 2016, with a gross margin of 24.0 per cent (23.9). No material changes have occurred in Saab's results of operations or financial position since 30 September 2018.	
B.8	<i>Selected key pro forma financial information</i>	Not applicable. The prospectus contains no pro forma financial information.	
B.9	<i>Profit forecast or estimate</i>	Sales growth in 2018 is estimated to be in line with Saab's long-term financial goal: annual organic sales growth of 5 per cent. The operating margin in 2018, excluding material non-recurring items, is expected to improve compared to 2017, bringing Saab a step closer to its financial goal: an operating margin of 10 per cent per year over a business cycle.	
B.10	<i>Audit report qualifications</i>	Not applicable. There are no qualifications in the audit reports pertaining to the historical financial information.	
B.11	<i>Insufficient working capital</i>	Not applicable. It is Saab's assessment that the working capital is sufficient for the present requirements during the next twelve months.	

SECTION C – SECURITIES		
C.1	<i>Securities offered/ admitted to trading</i>	Shares of series A (ISIN code SE0000112377) and shares of series B (ISIN code SE0000112385) in Saab.
C.2	<i>Currency</i>	The currency of the shares in Saab is SEK.
C.3	<i>Number of shares issued</i>	As of 31 December 2017, the Company's registered share capital was SEK 1,746,405,504, represented by 1,907,123 non-listed shares of series A and 107,243,221 listed shares of series B (no change since 1 January 2017), each with a quota value of SEK 16.

C.4	<i>Rights attached to the securities</i>	<p>Each share of series A carries ten (10) votes and each share of series B carries one (1) vote. Each shareholder is entitled to vote for the total number of shares held without limitation of the voting powers.</p> <p>If the Company resolves to issue new shares of Series A and Series B through a cash issue or an issue by set-off, holders of shares of Series A and Series B shall have preferential right of subscription to new shares of the same share series in proportion to the number of shares already owned by the shareholder (primary preferential right). Shares which have not been acquired on the basis of primary preferential right shall be offered for subscription to all shareholders (subsidiary preferential right). If the shares thus offered are insufficient for subscription on the basis of subsidiary preferential right, the shares shall be allocated among the subscribers in proportion to the number of shares already held by them and, to the extent this cannot be done, through the drawing of lots.</p> <p>If the Company resolves to issue through a cash issue or an issue by set-off shares either of Series A or Series B, but not both, all shareholders, regardless of whether their shares are of Series A or Series B, shall have preferential right of subscription to new shares in proportion to the number of shares already held by them.</p> <p>If the Company resolves to issue, through a cash issue or an issue by set-off, warrants or convertible promissory notes, the shareholders shall, respectively, have preferential right of subscription to the warrants as if the issue concerned the shares that may be subscribed under the warrant, and preferential right of subscription to the convertible promissory notes as if the issue concerned the shares that the convertible promissory notes may be exchanged for.</p> <p>The above shall not entail any limitation to the possibility of reaching a decision on a cash issue or an issue by set-off departing from the shareholders' preferential right.</p>
C.5	<i>Restrictions on the free transferability</i>	Not applicable. The shares are not subject to any restrictions on the free transferability.
C.6	<i>Admission to trading</i>	Saab's shares of series B are traded on Nasdaq Stockholm. Following registration of the new shares at the Swedish Companies Registration Office, the shares of series B issued in the offer will also be traded on Nasdaq Stockholm. Saab's shares of series A are not subject to organised trading.
C.7	<i>Dividend policy</i>	Saab's long-term dividend policy is to distribute 20-40 per cent of net income over a business cycle to the shareholders.

SECTION D – RISKS

D.1	<i>Key risks specific to the issuer or its industry</i>	<p>An investment in securities is associated with risk. Prior to any investment decision, it is important to carefully analyse the risk factors considered to be of importance in relation to Saab and the future performance of the shares. Set out below is a summary of the key risks specific to the industry and/or the operations:</p> <ul style="list-style-type: none"> • Saab is dependent on winning new contracts and renewing existing contracts. A large part of Saab's revenues is derived from a limited number of customers and relatively few contracts. Loss of one or several larger contracts may thus materially adversely affect Saab's business, cash flow, results of operations and financial position. • Saab is exposed to risks related to the implementation of long-term customer projects. If Saab is not successful in implementing or delivering technologically advanced, cost-efficient solutions in accordance with the contract, this may have a material adverse effect on Saab's business, cash flow, results of operations and financial position. • Increased competition can adversely affect Saab's operations. If Saab fails to compete effectively, this may have a material adverse effect on its business, results of operations and financial position. • Saab is dependent on developing new products and systems that meet the market's expectations and the customers' demands. There is a risk that Saab will fail to successfully identify the market's needs and growth opportunities, technological changes and changed trends as well as additional markets for existing technology, in order to meet the customers' demands, which may have a material adverse effect on Saab's business, results of operations and financial position. • Saab's operations are subject to rules and supervision and require the granting of permits in accordance with various laws and regulations, and if Saab violates any conditions in granted permits, this may lead to criminal and administrative sanctions, or ultimately, Saab being forced to close down parts of its operations. • Saab is exposed to environmental risks and risks related to compliance with environmental legislation, and if Saab violates conditions in any of Saab's permits or fails to comply with environmental legislation, this may have a material adverse effect on its business, results of operations and financial condition.
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D.3	<i>Key risks specific to the securities</i>	<p>Set out below is a summary of the key risks specific to the shares and the rights issue.</p> <ul style="list-style-type: none"> • Risk and risk taking is inevitably linked to shareholding. Since an investment in shares may increase or decrease in value, there is a risk that investors will not recover their invested capital. • Saab's ability to pay future dividends is depending on the Group's future results, financial position, cash flow, working capital requirements and other factors. • Future sales of major shareholdings and share issues could have an adverse effect on the share price. • Saab's largest shareholder, Investor, holds shares equivalent to 30.0 per cent of the share capital and 40.3 per cent of the votes¹⁾ in the Company. Investor can thus, both before and after the rights issue, exert a substantial influence over Saab in matters that are subject to the approval of the shareholders. <p>1) Vote percentage calculated excluding treasury shares held by Saab.</p>
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SECTION E – OFFER

E.1	<i>Net proceeds and expenses</i>	Saab will raise a maximum of MSEK 6,006 before transaction costs through the rights issue. The transaction costs to be deducted from the proceeds are estimated at approximately MSEK 28.5.
E.2a	<i>Reasons for the offer, use of proceeds</i>	<p>During the last few years, Saab has experienced a strong order inflow, resulting in an all time high order backlog, increased internationalisation and a compound annual sales growth rate (CAGR) of 10 per cent per year since 2014.¹⁾ The development projects in the order backlog include, among others, Sweden's and Brazil's orders of a new generation of Gripen, the A26 submarine order from Sweden, as well as the order from the United Arab Emirates of GlobalEye, which is a new generation Airborne Warning and Control system. In October 2018, Saab also received an order from Boeing in respect of the T-X trainer aircraft. Saab and Boeing have jointly developed the aircraft, primarily to the U.S. Air Force. As a result, Saab has a portfolio of current and competitive platforms and systems within fighter aircraft systems, Airborne Warning and Control system, trainer aircrafts and submarines. In many of these projects, customer deliveries will commence in the next few years, and Saab may, with existing funds and facilities, complete the orders that are currently part of the order backlog.</p> <p>During the last few years, Saab has, despite increased competition, strengthened its market position and anticipates a continued strong demand for its products and systems. Meanwhile, defence budgets are increasing in many regions of the world. Saab therefore anticipates good opportunities to further strengthen its order backlog and increase future growth. However, to enable such growth, Saab must be able to successfully compete for new large orders. This requires that Saab has a strong capital base, which creates long-term confidence amongst its customers, and provides possibilities and opportunities for additional growth through new orders and to enter into major collaborations and partnerships as well as creates headroom for increased investments in development, production and working capital. Therefore, the Board of Directors of Saab has resolved, by virtue of the authorisation by the Extraordinary General Meeting on 16 November 2018, to carry out a new share issue with preferential rights for Saab's shareholders.</p> <p>The rights issue will raise not more than MSEK 6,006 (before deduction of transaction costs estimated at approximately MSEK 28.5). The net proceeds from the rights issue of not more than approximately MSEK 5,977.5 is intended to be used to strengthen the Group's capital base, which in turn creates long-term confidence amongst its customers, and provides possibilities and opportunities for additional growth through new orders and to enter into major collaborations and partnerships as well as creates headroom for increased investments in development, production and working capital.</p> <p>1) CAGR based on Saab's sales, that in 2014 totalled MSEK 23,527 and in 2017 totalled MSEK 31,394.</p>
E.3	<i>Terms and conditions of the offer</i>	<p>The Board of Directors of Saab resolved on 19 November 2018, with support from the Extraordinary General Meeting's authorisation on 16 November 2018, to increase the Company' share capital through the issue of shares of series A and B with preferential rights for Saab's shareholders to subscribe for the new shares.</p> <p>The rights issue resolution entails that the Company's share capital will increase by not more than SEK 427,128,048 from the current SEK 1,746,405,504 to SEK 2,173,533,552, through the issuance of not more than 26,695,503 new shares, of which not more than 476,780 shares of series A and not more than 26,218,723 shares of series B. After the rights issue, the number of shares in Saab will amount to not more than 135,845,847 shares, of which not more than 2,383,903 shares of series A and not more than 133,461,944 shares of series B. The Company's shareholders have preferential rights to subscribe for new shares in relation to the number of Saab shares previously held. The record date to receive subscription rights in the rights issue is on 26 November 2018.</p> <p>Individuals registered on the record date as shareholders in Saab will receive one (1) subscription right for each share held on the record date, whereby four (4) subscription rights of each series entitle to subscription of one (1) new share of the corresponding series (primary preferential right). Shares not subscribed for with primary preferential right shall be offered to all shareholders for subscription (subsidiary preferential right). Upon the transfer of subscription rights (primary preferential right), the subsidiary preferential right will also be transferred to the new holder of the subscription right.</p> <p>The subscription price has been set at SEK 225 per share. Provided that the rights issue is fully subscribed, Saab will consequently raise in total MSEK 6,006 before transaction costs.</p>

E.4	<i>Interests material to the offer</i>	<p>Saab's financial advisor in relation to the rights issue is SEB (Kungsträdgårdsgatan 8, SE-106 40 Stockholm). SEB also acts as Global Coordinator in connection with the offering under this prospectus. From time to time, SEB (and their affiliates) have in the ordinary course of business provided, and may in the future provide, various banking, financial, investment, commercial and other services to Saab for which they have received, and may receive, compensation.</p> <p>Five larger shareholders in Saab, together holding shares representing 46.6 per cent of the shares and 54.0 per cent of the votes in Saab,¹⁾ have undertaken to exercise their preferential rights in the rights issue and thereby subscribe for new shares corresponding to their respective holding in the Company, i.e., totalling 46.6 per cent of the rights issue.</p> <p>1) Excluding treasury shares. As of 20 November 2018, Saab held 2,368,328 treasury shares of series B, which do not entitle to participation in the rights issue.</p>
E.5	<i>Person/entity offering to sell the security, lock-up agreements</i>	Not applicable. The offer under this prospectus comprises newly issued shares and no lock-up agreements have been entered into.
E.6	<i>Dilution</i>	The rights issue will, if fully subscribed, result in an increase of the number of shares in the Company from 109,150,344 shares (1,907,123 shares of series A and 107,243,221 shares of series B) to 135,845,847 shares (2,383,903 shares of series A and 133,461,944 shares of series B), representing an increase of approximately 24.5 per cent. Shareholders who decline to subscribe for shares in the rights issue will experience a dilution with a total of 26,695,503 new shares, representing 19.7 per cent (20.0 per cent excluding treasury shares) of the total shares in the Company after the rights issue.
E.7	<i>Expenses charged to the investor</i>	Not applicable. The issuer will not impose any charges or taxes on investors.

Risk factors

An investment in securities is associated with risk. Prior to any investment decision, it is important to carefully analyse the risk factors considered to be of importance in relation to Saab and the future performance of the shares. The risks currently considered to be of importance to Saab are described below, without being ranked in particular order of importance. There are risks both regarding circumstances linked to Saab and/or the industry and those that are of a more general nature as well as risks associated with the shares and the rights issue. Some risks are beyond Saab's control. The description below does not purport to be complete and, for natural reasons, all risk factors cannot be predicted or described in detail. Therefore, an overall assessment must also include the other information in the prospectus, as well as a general assessment of extraneous factors. The below risks and uncertainty factors may have a material adverse effect on Saab operations, financial position and/or results. They may also cause the shares in Saab to decrease in value, which may result in Saab's shareholders losing all or part of their invested capital. Additional factors of which Saab is currently unaware, or which currently are not deemed to be risks, may also have corresponding negative effects.

Risks related to the operations and the industry

Saab is exposed to geopolitical and macroeconomic risks and factors.

Saab conducts business on the military defence market and the civil aviation and security market. In 2017, 84 per cent of Saab's sales comprised sales of defence materiel. Demand for defence materiel and thereby Saab's products and systems is dependent on states having a political mandate and willingness, as well as government budget possibility, to make defence investments. The defence industry is thus affected by a number of macro-economic factors, including the growth rate in the global economy, exchange rate fluctuations, interest rate levels and changes in the oil price. For example, the introduction of trade barriers and the United Kingdom's expected withdrawal from the EU may affect the global economy and the ability for states to plan for the future. Predictability with respect to both corporate and governmental revenues may, for these reasons, be changed and lead to certain countries becoming more restrictive in making major defence investments, which often involve very large amounts and take many years to plan and implement. Weak government finances, deteriorating macro-economic conditions, budget deficits, reduced defence investments, defence disarmament or changed state priorities with respect to the allocation of defence resources may lead to lower demand for defence materiel. As a consequence of the above and other future economic circumstances, demand for defence materiel may be materially adversely affected.

Saab's international sales account for more than half of its total business and generally involve significant amounts over long periods of time. Therefore, Saab is dependent on good and stable political and international relations around the world, and Saab's international sales are sensitive to changes in the governance of foreign states and national priorities, which may change rapidly and unexpectedly. A change in political priorities may lead to states prioritising matters other than purchases of defence materiel. Since Saab's agreements normally extend over many years, there is a risk that a change in political priorities in the home state of a defence authority, company or supplier which has placed an order during the contractual term of the project. This may affect the willingness and ability of such authority, company or supplier to perform their contractual obligations.

In addition, Saab's business is exposed to risks related to geopolitical concerns and instability as a consequence of, for example, changed threat scenarios, wars, diplomatic crises, terrorism, regional and/or cross-border conflicts, natural disasters, epidemics and strikes, as well as other geopolitical conditions in those jurisdictions in which Saab conducts its international operations. For example, the costs incurred by the Czech Republic as a consequence of extensive flooding in 2002 contributed to a delay in the Czech Republic's procurement of fighter aircrafts. The aforementioned and other external and geopolitical factors and events can adversely affect the possibilities and willingness of states to invest in defence materiel, which may have a material adverse effect on Saab's business, results of operations and financial position.

Moreover, Saab is dependent on the defence policy of various states as well as laws and regulations relating to the import and export of defence materiel. Laws, regulations and ordinances may be changed in a manner which adversely affects Saab's business. Furthermore, Saab is dependent on inter-governmental commitments and relations. If, as a consequence of political decisions or pressure or other implicit wishes from allied or closely related states, a procuring state chooses to purchase defence materiel from domestic defence suppliers or defence suppliers domiciled in an allied state or in a state with which the ordering state has important political or commercial relations, this may adversely affect Saab's export opportunities. For example, it is conceivable that NATO member states prefer to purchase defence materiel from defence suppliers operating in NATO member states. The above factors, as well as risks related to regulatory changes, defence policy, inter-governmental commitments and relations, embargoes and other external risks may have a material adverse effect on Saab's business, results of operations and financial position.

Saab is dependent on winning new contracts and renewing existing contracts.

A large part of Saab's revenues is derived from a limited number of customers and relatively few contracts. Saab is thus dependent on winning new contracts and renewing existing contracts in order to maintain profitability and growth. Saab's addressable markets are limited since there are only a certain number of states and defence companies to whom products, systems and services can be sold. The loss of one or several larger contracts may thus materially affect

Saab's business. It may also be difficult for Saab to assess when or if a customer will decide to procure new defence materiel. If Saab is unable to win new larger contracts or renew larger existing contracts, or if such a new contract is entered into on less favourable terms or results in costs for which Saab is unable to obtain full compensation, or if Saab fails to forecast when and to what extent new procurement processes will take place, this may have a material adverse impact on Saab's business, cash flow, results of operations and financial position.

The European market, including Sweden, is Saab's most important market. Saab makes the assessment that, for many years going forward, Sweden will account for a large portion of Saab's development contracts with respect to e.g. fighter aircraft, missile and underwater systems. The Swedish Defence Materiel Administration (Sw. *Försvarets materielverk* – "FMV") is Saab's most important customer and, in 2017, accounted for 34 per cent of Saab's sales. In addition, Saab has certain sales to the Swedish Armed Forces (Sw. *Försvarmakten*) and other customers in Sweden. Winning contracts on the domestic market is also important since other countries may regard a contract won on the domestic market as a testament to the quality of Saab's products and systems. Therefore, Saab is dependent on winning contracts in conjunction with procurements by FMV. However, compared with many other states, in conjunction with procurements from FMV, priority is not given solely for political reasons to defence materiel produced domestically. In Sweden, Saab thus competes for contracts with a number of international competitors on purely market terms, which is not always the case in conjunction with procurements on certain competitors' domestic markets. If Saab fails to win contracts on its domestic market, Sweden, this may have a material adverse impact on Saab's business, results of operations and financial position.

As the consequence of extensive security requirements and the fact that various countries attempt to protect their defence industries, it may also be challenging for Saab to win contracts on the international market. For example, the U.S. armed forces purchase approximately 90 per cent of their defence materiel from U.S. suppliers. Such a strategy may make it more difficult for non-domestic defence companies to export defence materiel to such countries. There may also be political incentives which lead certain countries to preferring to purchase defence materiel from NATO member countries, which may impede Saab's export possibilities. Many competitors also benefit from the active help of politicians in their home countries with respect to the marketing and sale of their products. These factors may have a material adverse impact on Saab's business, results of operations and financial position.

Saab is exposed to risks related to the implementation of long-term customer projects.

Saab's operations involve complex development projects on the leading edge of technology extending over many years, which in some cases also include participation in developing the customer-country's economy or technological capability through various forms of industrial cooperation. The risk in long-term customer projects is that Saab will not be successful in implementing or delivering technologically advanced, cost-efficient solutions in accordance with the contract or failing to perform or implement the industrial collaborations, which Saab has undertaken to do. This may result in non-performance of the commitment or in Saab incurring significantly higher costs, which may have a material adverse effect on Saab's business, results of operations and financial position.

The contract model for large development projects under which Saab often conducts development work is complicated and entails risks. Contracts are often entered into whereby the customer orders a product in accordance with a requirements specification which sets out the characteristics which the product must have and

the problems which it must solve. For example, according to FMV, in conjunction with FMV's purchase of Gripen, a number of simulations were carried out based on various scenarios, which were based on Sweden's immediate environment combined with the new threat environments created by other countries' systems. Saab thereafter undertakes to deliver in accordance with the requirements specifications and to produce the required product or system. Hence, at the time of entry into contracts in certain cases no product has been produced and the product is normally to be delivered several years later. Since most of the contracts include a fixed-price component, there is a risk that, due to the length of the project and that the complex nature of the products and systems, Saab is unable to adequately estimate the costs for production of the product or systems. There is, therefore, a risk that the product is priced incorrectly, which may result in an adverse effect on Saab's results and cash flow. There is also a risk that Saab will be unable to deliver the product in a timely manner or that the product or the technology in the product will be rendered obsolete during the course of the project.

Most of Saab's sales relate to projects in which, in most cases, income is reported and recognised as revenue in accordance with the percentage of completion method. This imposes major demands as regards project planning and control as well as monitoring in order to ensure that, from time to time, assumptions and assessments regarding project costs and sales provide a satisfactory basis for the accounting of sales and profit. In many cases customer projects also involve a large element of interaction with both customers and subcontractors during the course of the project, and thus the economic outcome of customer projects is not dependent solely on Saab's own activities, but rather also on the behaviour of other parties. Most long-term customer contracts include significant development aspects that are associated with risks. Changed estimations of the projects' total costs may cause retroactive effects, which affect sales and revenue recognition. Some of Saab's major projects are currently in an early stage and in a development phase, which also entails a higher risk with respect to revenue recognition and total costs. There is a risk of Saab incorrectly estimating profit margins in long-term projects and that the reporting of long-term customer projects will therefore differ from the fair value, which may have a material adverse effect on the Group's results of operations. The accounting of long-term customer contracts can also affect balance sheet items such as contract assets and contract liabilities, accounts receivable, inventories as well as provisions for loss-making contracts, and thereby have a material adverse effect on the Group's financial position and cash flow.

The contract model involving long-term customer projects exposes Saab to risks related to its cash flow. Since Saab is engaged in several major customer projects simultaneously and they are in a start-up or development phase, simultaneous investments are required to a greater extent in development, production and working capital. Many of Saab's larger contracts with customers are also based on a payment model whereby most of the payment takes place after, or in connection with, the product or the system being delivered or partially delivered. In the case of contracts, which extend over several years, it may be difficult for Saab to assess when a customer contract will generate sales and cash flows. Such a payment model, combined with a project structure whereby Saab is in the development phase in many large projects, may have an adverse effect on the Group's cash flow, as well as Saab's failure to deliver in accordance with a project plan or in conjunction with milestones. Furthermore, the expected cash flow in a project can also be delayed or fail to materialise if the customer is in delay or discontinues the project prematurely for any reason. The above risks may have a material adverse effect on the Group's cash flow, results of operations and financial position.

Some of Saab's customer contracts include, and future contracts may include, clauses which entitle customers to unilaterally terminate a contract without stating a reason for the termination (referred to as "termination for convenience"). Such a termination risks requiring Saab to discontinue a project when large development expenditures and investments have already been made and Saab may also not receive the entire forecasted sales which the terminated contract was conceived as generating, which may have a material adverse effect on Saab's business, cash flow, results of operations and financial position.

Furthermore, under certain conditions, certain contracts may entitle the counterparty to terminate a contract prematurely due to quality shortcomings, delay or force majeure. Some of these circumstances are beyond Saab's control. There is also a risk that Saab will not receive full payment for delivered products and systems or that Saab will need to discontinue a project when large development expenditures and investments have already been made. Contracts which are terminated as a consequence of quality shortcomings or delays may also lead to Saab being required to pay damages or penalties and may harm Saab's reputation. A large part of Saab's order backlog includes contracts involving an order sum in excess of SEK 1 billion to be delivered over many years. There is also a risk that the effect on Saab will be significant if a larger contract is discontinued, changed or renegotiated. Since Saab's customer contracts often include significant customer adaptation and integration of systems and services, it may be difficult and costly to modify the product in accordance with a new customer's requirements. In the event of termination of a contract, there is thus a risk that the product cannot be used at all. Therefore, terminated contracts may have a material adverse effect on Saab's business, cash flow, results from operations and financial position. The risk of early termination may be particularly high during periods of challenging market conditions when customers may attempt to get out of, or delay, contractual performance by raising allegations of actual or alleged quality shortcomings or other alleged breaches of contract.

In addition, some of Saab's international contracts include requirements of industrial cooperation between Saab and the ordering country and Saab may be required to undertake to make certain investments, technology transfers or training operations in the country. Such undertakings normally require arrangements and operations extending over several years and there is a risk that Saab will be unable to fulfil all such requirements, which may lead to breach of contract and substantial penalties. Some countries may also demand that Saab establishes a joint venture with a local company which retains control over the joint venture or that Saab uses local consultants, subcontractors and collaboration partners in conjunction with local investments, which may increase the risk of violations of contract terms and legislation.

Finally, Saab's business is dependent on well-functioning project implementation. Saab's business comprises delivering systems, products and solutions of extremely advanced technological complexity and the work is usually conducted in project form. Efficient project management is therefore a key factor for minimising operational risks in the business. If Saab fails to manage a project with efficient project management, this may have a material adverse effect on Saab's business, cash flow, results of operations and financial position.

Increased competition can adversely affect Saab's operations.

There is intense competition on the military defence market and on the civil aviation and security market, with primarily U.S. and European companies being strong competitors. However, Saab is also encountering competition from, for example, Israeli defence companies, which have recently won important contracts in competition with e.g.

Saab and other international defence groups both in Sweden and internationally. Increased competition on the markets on which Saab operates may lead to reduced profitability and fewer possibilities for expansion. A number of factors affect competition; these include quality, innovation, security, development time, launch date, ability to control costs, pricing and reliability. Some competitors may also have access to greater resources than Saab. If Saab fails to compete effectively, this may have a material adverse effect on its business, results of operations and financial position.

Within the defence industry, there is a prevailing competition landscape in which two companies who compete within a particular segment on a particular market may engage in extensive collaboration within another segment on the same or a related market. For example, Saab and Boeing collaborate with respect to the T-X trainer aircraft, the same time as Boeing's F18 fighter aircraft competes with Saab's Gripen. As a consequence, Saab is exposed to increased competition within segments and markets on which two or more competitors collaborate. This also requires Saab to be knowledgeable about its competitors and future procurements, in order to know which competitors Saab must attempt to collaborate with in order not to lose business opportunities. Many of Saab's competitors are strong on their respective domestic markets. If defence budgets decrease in these markets, competitors may need to focus on other markets, which may expose Saab's operations to even more intense competition. Furthermore, certain large customers such as Airbus and Boeing are tending, to an increasing extent, to produce certain components in-house, which may reduce the number of potential procurements and increase competition.

With respect to procurement of manufacturing of, or trading in, defence materiel, it is also common for international and national rules to give states the possibility to choose to order from domestic suppliers, without any competitive procurement procedure. As a consequence, Saab does not only compete with the quality in its products, systems and services, but is also dependent on political decisions and inter-governmental relations in order to have the possibility to compete effectively. Such circumstances are beyond Saab's control. Furthermore, Swedish export control legislation is very rigorous compared to the export control legislation in certain other countries, and consequently, Saab may need to meet more stringent requirements than certain competitors in order to be able to export its products and systems, or may not have the same possibilities to receive necessary export permits.

Saab expects competition to intensify within the defence and security industry going forward and that competitors will strengthen their positions, e.g. as a consequence of domestic and cross-border consolidations as well as increased capacity due to vertical integration in the supplier stage. For example, in 2017, the U.S. defence company United Technologies acquired Rockwell Collins, which is a supplier of e.g. avionics systems. In addition, there is over-establishment within the naval defence industry and in certain segments of the radar market, which may lead to consolidation and increased competition. Rapid technological changes can also force companies to make rapid strategic movements on the market, which may increase the competition within other segments. An inability to follow technological changes may reduce Saab's ability to compete effectively. Increased competition may lead to pressure on prices and squeezed margins and it may be difficult for Saab to win and retain market shares, which may have a material adverse effect on Saab's business, results of operations and financial position.

Saab is dependent on developing new products and systems that meet the market's expectations and the customers' demands.

Many of the products and systems that Saab delivers include very advanced technology and sophisticated engineering with related

complex manufacturing and systems integration processes. In an industry which is characterised by constant change and intense competition, efficiency and reduced lead times are a prerequisite for being able to meet customers' needs with technology and solutions, which increase their ability with retained profitability. Hence, Saab's success is dependent on its ability to continue to develop, manufacture and deliver innovative products and solutions and to launch them on the market at the right time and at competitive prices. However, there is a risk that Saab will fail to successfully identify the market's needs and growth opportunities, technological changes and changed trends as well as additional markets for existing technology, in order to meet the customers' demands. There is also a risk that Saab will fail to develop and maintain competitive products, systems and services, to improve the product offering through innovative solutions, which differentiate Saab from its competitors, or to develop, manufacture and market these products in a rapid and cost-efficient manner. If Saab fails to develop new products and technologies which meet the market's expectations and the customers' demands, this may have a material adverse effect on Saab's business, results of operations and financial position.

Certain products and systems require extensive and costly research and development as well as manufacturing processes. Due to the complex and advanced nature of the products and the technology, there is a risk that Saab will fail to resolve the technical challenges that arise in conjunction with the development of new products and technologies, which may lead to delayed delivery and increased costs. There is also a risk that the funds invested in research and development of new technology will, to a significant extent, have been spent in vain if the technology which has been developed, or the products based on it, fail to achieve success on the market or to generate the anticipated return, or if the competitors have developed superior or less expensive products and systems. In such case, there is a risk that Saab may be forced to make new investments in the research and development of other technologies in order to retain existing market shares or to regain market shares that have been lost to competitors.

Furthermore, Saab has invested and capitalised significant amounts in research and development, and will do so also in the future. Currently, this primarily relates to the GlobalEye airborne surveillance system and an export version of Gripen. In addition, the balance sheet includes capitalised research and development related to acquisitions. During the period January–September 2018, capitalised research and development expenditures amounted to MSEK 789. Capitalisation of research and development expenditures as an asset in the balance sheet requires Saab to make assessments regarding the anticipated technical and commercial value of products and systems. If Saab makes incorrect assessment of the future technical or commercial value of a product or a system, or if Saab, for any other reason, fails to sell a product or a system where Saab has capitalised research and development expenditures, Saab may be forced to write down the value of the capitalised research and development expenditures. Such a write-down may have a material adverse effect on the Group's results of operations and financial position.

Many of Saab's projects include products and services that are critical for its customers' operations. If Saab fails to deliver in accordance with contractual specifications, this may result in legal claims from the customer and/or damage Saab's reputation. Some of the contracts that Saab enters into with its customers contain penalty clauses involving significant amounts. However, certain categories of claims are not restricted by such clauses. These include, for example, breaches of confidentiality agreements, gross negligence, intentional violations or violations of third-party intellectual property rights. If Saab fails to deliver in accordance with its obligations or otherwise breaches contractual provisions, this may have a material

adverse effect on Saab's reputation, business, results of operations and financial position.

In addition, Saab's products and systems, or such as are provided by its subcontractors, may contain faults or defects which Saab has failed to discover in conjunction with testing and verification. Such faults may affect the quality of the products and systems and result in consequential damage to property and injury to the person. There is also a risk that the quality tests which Saab carries out prove to be insufficient. If Saab's products prove to contain faults or defects, Saab may be forced to take extensive measures to rectify the fault, which may result in delayed delivery, increased project costs, lost contracts, reduced confidence among customers and adverse publicity.

Finally, there is a risk that Saab's competitors will develop new products or technologies that are superior to Saab's, with the consequence that Saab's products and systems are regarded as obsolete. For example, disruptive technologies are being rapidly developed within the defence industry. Drones, autonomous vehicles, AI and Big Data are examples of such technological development to which Saab must relate and adapt in order to be able to continue to retain a competitive position in the industry. If Saab's development projects fail or if its new products, systems and technologies fail to gain acceptance by the market or the customers or fail to meet their demands, Saab's possibilities to win contracts and new customers will be impaired, which may have a material adverse effect on Saab's business, results of operations and financial position.

Saab's operations are subject to rules and supervision and are subject to licencing requirements in accordance with various laws and regulations.

Saab conducts operations globally, and the Group therefore has to comply with various different laws and regulations. In order to comply with such laws and regulations, Saab must maintain approaches, processes, procedures, controls and infrastructure which support compliance with such requirements. This often results in significant costs, and violations may lead to civil, administrative or criminal law sanctions as well as significant fines.

The largest portion of Saab's exports occur out of Sweden, where the Inspectorate of Strategic Products (Sw. *Inspektionen för strategiska produkter – "ISP"*) determines, on behalf of the Government, which military equipment Saab may manufacture, market, sell and export, and to which countries. The Swedish export control legislation is prohibitory in nature and exports of military equipment may only take place if a license is granted by the ISP. In addition to the Swedish regulations, including the guidelines set out in Govt. Bill 2017/18:23 (strict export control of military equipment – referred to in Swedish as the "KEX investigation"), the EU's common positions on arms embargo to various countries and the UN Arms Trade Treaty are of importance as to whether the ISP and the Government may grant an export license. Amendments to the Military Equipment Act (Sw. *lagen (1992:1300) om krigsmateriel*) entered into force on 15 April 2018. The amendments, which were a result of the KEX investigation, now require the assessment of the democratic status of the recipient country, and now constitutes a condition for the granting of license; less democratic status reducing the possibility for granting a license. The licencing assessment must also cover an assessment of whether the export undermines sustainable development in the recipient country. Furthermore, on 29 March 2018, ISP submitted a proposal to the Government regarding the introduction of rules for supervisory after-control of certain weapons exports. The proposal is based on Swedish inspectors empowered to subsequently travel to countries which have purchased light weapons from Sweden, and to verify that they have not been passed on to another country. Such

rules may make countries disinclined to do business with Saab since states are normally unwilling to discuss their military equipment and afford foreign inspectors entry to classified facilities, and therefore might instead conceivably choose to buy the weapon in question from a supplier from a country where such rules are not applied. As far as Saab is concerned, the rules proposed by the ISP would apply to exports of e.g. the Carl-Gustaf shoulder fired support weapon, the AT4 anti-tank weapon and NLAW (robot 57), the RBS 56 anti-tank robot and the RBS 70 air defence system.

In addition, certain of Saab's civil and commercial products, including possible software and technology, are covered by the export control rules regarding dual-use products (Council Regulation (EC) 428/2009 on setting up a Community regime for the control of exports, transfer, brokering and transit of dual-use items). Hence, in certain cases Saab is required to comply with export control rules in relation to its commercial exports, sales and, in certain cases, also brokering of goods, software or technology, which are covered by the rules regarding dual-use products.

Furthermore, when Saab sells a product which includes components or systems that have been produced by a foreign supplier, a license must often be obtained in accordance with the export control legislation in the supplier's home state. For example, Gripen E is equipped with radar sensors that have been manufactured by a British company. This means that Saab must comply with British export control rules in conjunction with exports of Gripen E. That is also the case as regards components and technology delivered from the United States. In addition to the two export control regulatory frameworks regarding dual-use items, Saab must also take into account sanctions legislation and similar rules which prohibit exports or trading with certain parties, companies or countries. This relates to both the EU sanctions lists as well as lists drawn up by other countries. If Saab purchases a spare part from the United States, it may not be exported in violation of U.S. export control legislation or to a party which appears on certain U.S. export control lists.

In sum, large parts of Saab's business are dependent on manufacturing and supply licenses from the ISP as well as security protection agreements for handling classified information from the FMV. If Saab violates any conditions in a granted license for manufacturing or marketing of military equipment or exports or markets military equipment without a license from the ISP, this may lead to criminal and administrative sanctions and damage Saab's reputation, lead to significant fines as a result of violation of Swedish rules, and also violation of the rules of other countries. In addition to physical military equipment, information material, manuals, data, technology and software may also be subject to export controls in accordance with the rules regarding military equipment and dual-use products. Hence, there is also a risk that Saab may violate export control licenses in conjunction with the use of information and marketing material, the transfer of software or when manuals are sent to a customer. In the case of serious violations, ISP may also withdraw license. If Saab's licenses to develop and deliver military equipment were to be withdrawn for a certain period or conclusively, Saab might be forced to close down all or parts of its operations.

Saab also holds, among other things, a design license from the Swedish Armed Forces in accordance with RML Part V-5JA, under which Saab is entitled to design aircraft in accordance with military type certificates, for example Gripen, to carry out changes to type design and repair aircraft for which Saab holds a type certificate, to perform repairs and changes to aircraft where Saab does not hold a military type certificate, and to demonstrate and verify compliance with military type certificates for the Swedish Military Aviation Safety Inspectorate (Sw. *den militära flyginspektionen*) and for pilot training. Saab also holds civil licenses from, among others, the Swedish Transport Agency (Sw. *Transportstyrelsen*), the European Aviation

Safety Agency and the U.S. Federal Aviation Administration for production, flight, airworthiness inspections and maintenance of aircraft and for pilot training, as well as licenses from the Swedish Civil Contingencies Agency (Sw. *Myndigheten för samhällsskydd och beredskap*) for the handling of explosive materials. In addition, Saab engages in aviation operations and manufacturing which are subject to licensing or reporting obligations pursuant to the Swedish Environmental Code (Sw. *miljöbalken (1998:808)*). Violations of the conditions of these licenses and failure to comply with other applicable laws and regulations may result in civil, administrative and criminal law sanctions, significant default fines and penalties, which may have a material adverse effect on Saab's reputation, business, results of operations and financial position.

On 5 July 2018 the Government appointed a committee to study the role of the business community within total defence as well as reliability of supply of military equipment. The committee's terms of reference include e.g. to provide proposals as to how companies of importance for total defence – which Saab can be deemed to be – will be able in times of heightened preparedness and ultimately in war, to supply goods and services in accordance with various types of contracts with the state and other public bodies and to submit proposals for measures to strengthen the reliability of supply of military equipment. The committee is to report its results on 1 December 2019.

Finally, Saab's international operations, particularly in emerging markets, exposes the Group to other regulatory risks, including unexpected legislative changes, inconsistent application of existing laws and regulations, as well as unclear regulatory and taxation systems. The rules described above or changes to other regulatory requirements may have a material adverse effect on Saab's business, results of operations and financial position stop.

Saab is exposed to environmental risks and risks related to compliance with environmental legislation.

Saab's plants are subject to a number of requirements regarding the environment, health and safety. Certain chemical substances which Saab uses in its operations are associated with risks to humans and the environment and are the subject to environmental law regulation and requirements. These relate e.g. to emissions into the air and water, unintended emissions into the environment, human contact with hazardous substances, the handling, transportation and processing of waste and hazardous substances, investigation and rectification of contamination, handling of chemicals, process safety and the maintenance of safe conditions at work sites. Some of Saab's operations are subject to permit or reporting obligations in accordance with the Environmental Code. In such cases, the environmental impact comprises e.g. emissions of volatile organic solvents and aircraft emissions into the atmosphere, emissions of materials into water, the occurrence of waste as well as noise disturbance to the local surroundings. In order to continue, change or expand Saab's business, Saab may be forced to renew, change or apply for new permits. Legislation regarding the environment, health and safety is also tending to become more stringent over time, which may result in Saab being forced to change its business in order to be granted new permits. This may result in costs and lead to lost sales. Saab may incur large and ongoing investment costs in order to maintain compliance with future legislation concerning the environment, health and safety and the more stringent implementation thereof. Violations of conditions in any of Saab's permits or of environmental laws and regulations may result in significant fines and penalties as well as the withdrawal of permits, or have the consequence that renewed permits cannot be obtained or that plans or operations must be closed down. Such events may have a material adverse effect on Saab's reputation, business, results of operations and financial position.

Saab has applied for a renewed environmental permit in order to conduct and change its aircraft manufacturing business in the Tannefors industrial area in Linköping. Permit obligations exist since Saab e.g. engages in aeronautics operations, surface treatment processes, manufacturing of composite materials, handling of chemical substances and due to the size of the manufacturing facilities. On 13 July 2018 the Land and Environmental Court (Sw. *Mark- och miljööverdomstolen*) granted Saab a new permit with respect to operations in Tannefors, including the aeronautics operations with military and civil aeroplanes, and at the same time ordered Saab to defray the cost of, and carry out, noise protection measures in residential buildings and healthcare and educational premises that are exposed to certain specific outdoor noise levels. The Swedish Environmental Protection Agency (Sw. *Naturvårdsverket*) has appealed the judgment to the Land and Environmental Court of Appeal (Sw. *Mark- och miljööverdomstolen*) and demanded amendment of certain conditions concerning air traffic and airport noise. If the Swedish Environmental Protection Agency succeeds in the Land and Environment Court of Appeal with its appeal regarding the issue of noise, Saab may incur high costs for noise protection measures or continue to conduct operations in Tannefors in accordance with applicable permits.

Other legislation regarding the environment, health and safety, such as Regulation (EC) No 1907/2006 of the European Parliament and the Council of 18 December 2006 concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals ("**REACH**") and similar legislation regarding identification and reduction of adverse health and safety consequences caused by chemicals and other substances, may result in restrictions and onerous requirements with respect to access to, or the use of, chemicals required for Saab's manufacturing processes. Examples include various compounds with hexavalent chromium, which is an important and difficult to replace chemical within the aviation industry, which are included as substances of very high concern (SVHC) in annex XIV to the REACH regulation, and these substances must consequently be phased out. There is a risk that the aviation industry will fail to find alternatives to hexavalent chromium or other chemicals that are covered by REACH.

In addition, Saab may from time to time be held liable to investigate and rectify contamination and emissions at its plants and factories and on properties which Saab, or companies or businesses which Saab has acquired or merged with, owns or has previously owned, irrespective of whether Saab has caused the contamination or whether the activity which caused the contamination was lawful at the time the contamination occurred. Saab may also be subject to claims from public authorities, private individuals, companies or other parties who demand compensation for alleged personal injury, damage to property or damage to nature caused by contamination or hazardous substances resulting from Saab's operations, plants, factories or products. The discovery of previously unknown or new contamination or presented claims regarding investigation and rectification of previously known contamination at Saab's plants may lead to large and unexpected costs and, if Saab makes an incorrect assessment of the time or scale of such costs, this may have a material adverse effect on Saab's business, results of operations and financial position.

Saab is exposed to production-related risks, including risks attributable to plants, suppliers and purchase.

Saab may experience disruptions in its manufacturing as well as research and development facilities due to various reasons, including extreme weather conditions, fire, theft, system failures, natural disasters, terrorist attacks, mechanical failures or equipment breakdown and similar risks. Any disruptions or outages may affect Saab's ability

to manufacture products, which may have a material adverse effect on its business, results of operations and financial position.

In addition, Saab is dependent on deliveries from its subcontractors with respect to subsystems, products, components and related operating equipment to enable Saab to conduct its business. With respect to certain subsystems or components, for example aircraft engines for Gripen and aircrafts that constitute the platform in airborne surveillance systems such as GlobalEye, explosive components to missiles and torpedoes as well as sonars, Saab is dependent on deliveries from one or only a small number of suppliers and manufacturers. Products from all suppliers are subject to thorough quality testing and analyses before the delivery is certified by Saab. Should Saab be forced to replace such a certified supplier, this would result in significant costs and work for evaluating and certifying a new supplier as well as reclassification of the new supplier's subsystems or products in order that they might be included in Saab's systems or products. The subsystems, products and components that Saab uses in its operations must normally work for decades to come. Saab is thus dependent on the suppliers updating and developing the subsystems or products to avoid becoming obsolete or incompatible with the latest technology. There is also a risk that a supplier has misjudged the development or delivery time, which may result in disruptions to Saab's production. There is also a risk that a supplier is unable to access raw materials, commodities and supplies for its manufacture of subsystems, products or components or that the input prices for such raw materials, commodities and supplies increase appreciably. A disruption in the supply chain may also lead to capacity restrictions, disruptions in production, delayed deliveries, price increases and quality problems, which may have the consequence that it becomes difficult for Saab to deliver in accordance with its obligations, which may have a material adverse effect on Saab's business, results of operations and financial position.

Furthermore, Saab may be affected by disruptions in the supply or transportation chain as a consequence of natural disasters or accidents due to human error. Significant cost increases, significant delays or persistent disruptions in delivery or transportation of important goods from areas which have been affected by disasters or accidents may have an adverse effect on Saab's ability to maintain current and anticipated production levels, which may lead to reduced sales and increased operating expenses. There is also a risk that the transportation or delivery is delayed or otherwise exposed to events, such as collisions or severe weather, which may delay the transportation and/or damage the goods being transported. Difficult economic conditions may also affect suppliers and result in them becoming insolvent and, for this reason, unable to deliver to Saab. These and other circumstances attributable to subcontractors may have a material adverse effect on Saab's business, results of operations and financial position.

Finally, Saab uses certain raw materials, commodities and supplies, such as speciality steels and aircraft grade aluminium, in its production. Saab also uses electricity in order to conduct its operations and, in 2017, had an annual consumption of approximately 165 MWh. Increased input prices for raw materials and electricity may adversely affect Saab's profitability. Long-term disruptions in access to raw materials, commodities and materials may have serious effects on Saab's manufacturing, which may have a material adverse effect on Saab's business, results of operations and financial position.

Saab is exposed to risks related to intellectual property rights.

Saab owns or holds rights to a number of patents, trademarks and systems. Saab also holds licenses to use certain systems that belong to third parties and it licenses intellectual property rights and systems to customers. In certain cases the customer owns, or co-owns with Saab, the intellectual property rights to Saab's

products. Exports of these products may thus require approval from the customer. If Saab does not receive approval from other rights holders, this may result in Saab being unable to export the product or system.

Furthermore, inability to adequately protect its intellectual property rights, infringement of Saab's intellectual property rights or violations of terms in the agreements under which Saab licenses intellectual property rights and systems to or from external parties may have a material adverse effect on Saab's business, results of operations and financial position. Saab is also dependent on being able to protect trade secrets. Saab may also be affected by limitations in third-party intellectual property rights, which are used in its products. In addition, Saab runs the risk of being held legally liable if its products infringe third-party intellectual property rights. There is also a risk that laws related to intellectual property rights in certain jurisdictions fail to afford the same protection as Swedish legislation and/or the EU regulatory regime, and consequently Saab's possibilities to enforce and protect intellectual property rights may be limited in certain jurisdictions.

From time to time Saab encounters allegations from parties who claim that they hold patents, copyrights and trademark rights or other intellectual property rights which they believe cover certain components used in Saab's products, systems, technologies and/or services that Saab uses in, or which are relevant for, its operations. In addition, Saab may be subject to claims for licensing compensation from parties who allege that Saab is exploiting their intellectual property rights. The frequency of claims of patent infringement from so-called non-practising entities (sometimes referred to as "patent trolls") has generally increased lately. Saab may be adversely affected by such processes or claims. The initiation of legal proceedings or claims, Saab's inability to advantageously resolve or settle such proceedings or claims, or negative outcomes in connection with such proceedings or claims, may have a material adverse effect on Saab's business, results of operations and financial position.

Saab is exposed to risks related to its reputation and brand.

Saab believes that its strong brand is a very valuable asset and that Saab's brand and reputation have, to a large extent, contributed to its success. Saab's continued success depends on the Group's ability to maintain and promote its brand and reputation.

Saab's reputation may be damaged by adverse publicity on the internet, in social media and in other media. Accidents in which Saab's products are involved often receive major mass media publicity. There is a risk that media coverage of incidents or accidents in which Saab's products are involved will fail to present a fair picture of the actual causes of the incidents or accidents and affect the view of, and confidence in, Saab and Saab's products.

Although Saab has been active in the defence and security industry for more than 80 years, there are still many people who associate Saab with car production. The automotive business was demerged from the Saab group in 1990 and put into bankruptcy in 2011. The bankruptcy was followed by indictments for economic crimes against the CEO and other senior executives of the car manufacturer Saab Automobile AB, which attracted major mass media coverage. In addition, Saab and the truck manufacturer Scania share the same emblem in their logos (a griffin), which is due to the fact of the companies were included in the same group until 1995 when the group was split up and Scania was listed on the stock exchange. There is thus a risk that adverse publicity and circumstances attributable to the spun off car automotive business or the truck producer Scania might adversely affect the market's and the customers' view of, and confidence in, Saab, which may have a material adverse effect on Saab's reputation, business, results of operations and financial position.

The major economic values and the political dimension that often characterise defence transactions imply that anticorruption and trade restrictions are key issues for the defence industry and prioritised areas for Saab's sustainability work. It is not uncommon for defence procurement to be surrounded by suspicions of corruption, and this may lead to law enforcement authorities commencing various types of investigations. Corruption investigations linked to defence procurements in which Saab has participated have occurred on a number of occasions. If Saab is linked to accusations or investigations of corruption and bribery, Saab's brand may be adversely affected. This is the case even if the accusations are groundless or if Saab is not directly involved but is associated with market consultants or other suppliers or business partners against whom accusations are made. Saab's brand may also be adversely affected if Saab conducts business in countries which are subject to trading restrictions or for other reasons are regarded as politically sensitive. This type of negative publicity may damage Saab's reputation and brand, undermine confidence in Saab among customers, suppliers and authorities, and reduce the long-term demand for Saab's products. This may have a material adverse effect on Saab's business, results of operations and financial position.

There is also a risk that certain minerals and other raw materials which Saab or its subcontractors use in their products are derived from conflict areas, such as the Democratic Republic of the Congo. The use of minerals from conflict areas (columbite-tantalite or coltan, cassiterite, gold, wolframite or derivatives thereof, normally referred to as "3TG") in Saab's operations or in the operations of collaboration partners or suppliers may result in adverse publicity which may damage Saab's reputation and brand or lead to regulatory audits, which may have a material adverse effect on Saab's business, results of operations and financial position.

Finally, adverse publicity regarding regulatory or legal proceedings may damage Saab's reputation and brand, undermine customer confidence in, and reduce long-term demand for, its products, even if the regulatory or legal measures are unfounded or of no significance for Saab's business. This may have a material adverse effect on Saab's business, results of operations and financial position.

Saab is exposed to risks related to faults and defects in its products and systems (including product liability).

Saab is exposed to risks, claims and costs related to e.g. delivered products and services failing to meet laws, regulations and public authority decisions with respect to, for example, aviation and maritime safety or agreed customer requirements, as well as statutory or contractual liability for injury to the person or damage to property. The occurrence of such events may force Saab to expend significant resources. For example, a fault in an aircraft or a component in an aircraft may have the consequence that the entire fleet in which the faulty component is included must be grounded, examined and possibly rectified, and compensation may be paid to any injured party. Furthermore, the above-mentioned situations may also stop or delay the launch of new products, result in existing and potential customers questioning the safety and quality of Saab's products, and may damage Saab's reputation. If the reputation of any of Saab's products is damaged, this may result in Saab losing customers and orders, which may have a material adverse effect on its business, results of operations and financial position.

Significant costs for work hours and other resources may be incurred in responding and addressing pending, or the threat of, legal disputes as well as governmental supervisory matters regarding Saab's compliance with regulatory requirements, irrespective of whether Saab's products, operations or business relations are involved. There is also a risk that, when needed, Saab will be unable to maintain or strengthen its insurance coverage on commercially

acceptable terms or at reasonable costs if Saab is held liable for losses and forced to pay out large sums in compensation, or is otherwise deemed to constitute an excessively high risk for insurers as the consequence of alleged deficient regulatory compliance. Claims related to shortcomings in regulatory or contractual compliance and the occurrence of damage may thus have a material adverse effect on Saab's reputation, business, results of operations and financial position.

Saab is exposed to risks related to partnerships and collaborations.

Saab is a collaboration partner and shares a number of important partnerships, including Saab's development collaboration with Boeing concerning the T-X trainer aircraft for the U.S. Air Force and Saab's collaboration with Raytheon for the development of new ammunition for the Carl-Gustaf system. Saab has invested, and will continue to invest, in particularly strategic development projects with third parties, including as a consequence of regulatory restrictions in certain countries in which there are requirements of domestic ownership or in accordance with contractual commitments. Joint ventures and other contractual and/or business law forms of collaborations may require the unanimous approval of all parties with respect to important decisions. If a unanimous decision cannot be achieved when necessary, this may lead to deadlock in the business. Differing opinions among collaboration partners may lead to delayed decisions or failure to agree on important issues. Saab does not hold a majority controlling stake in all of its partnerships and collaboration companies, among other things since many countries preclude foreign owners from having a majority stake in companies within the defence industry, which entails an increased risk that Saab will not agree to certain measures or decisions and is unable to control how other parties act. If such parties fail to perform their obligations to Saab or third parties, violate laws and regulations or in any other way act inappropriate, if the collaboration or partnership works unsatisfactory, or in the event of lack of unanimity concerning the parties' respective rights and obligations, this may have a material adverse effect on the partnership or the collaboration in question and thereby on Saab's reputation, business, results of operations and financial position.

Collaboration agreements between Saab and its competitors may also contain non-compete provisions under which Saab is prohibited from selling corresponding products independently. Furthermore, exchanges of information between collaboration partners, despite confidentiality undertakings, may lead to adverse consequences for Saab when the parties meet as competitors in another context. Furthermore, as a consequence of certain rules regarding security classification of classified military information, Saab has limited insight into the activities of certain foreign subsidiaries. Partnerships or foreign subsidiaries in which Saab does not have full insight into their businesses expose Saab to risks related to violations of contractual terms or regulatory requirements by such partnerships or companies, without Saab having the possibility to control or manage such risks. This may have a material adverse effect on Saab's business, results of operations and financial position.

Saab is exposed to cyber-related risks.

Knowledge, information and intellectual assets are of crucial significance for Saab's ability to compete, as are well-functioning IT systems and networks and effective communication. Saab handles information that is of key importance for its own business and that of its customers and, in many cases, is of importance for national security. Therefore, maintenance and continuous improvements to Saab's information and IT security are critical for Saab. Saab's information management risk lies in information falling into the wrong hands through the information being handled incorrectly or due to a

party accessing the information by entering Saab's IT system without authority or by manipulating communication routes. Cyber threats constitute a risk that has increased in recent years due to the fact that Saab's products contain a large quantity of software and classified information. Traditionally, military systems have addressed cyber threats by not being connected to civil networks. That is no longer the case and consequently exposure to cyber-related risks has increased. The parties that might conceivably attempt to access the information that Saab handles also tend to have high capacity and extensive resources. This factor, combined with the fact that Saab handles information within important strategic and military areas, means that cyber threats are at a high level.

Cyber-related risks may also arise as a consequence of loss of information due to insufficient or erroneous internal processes, individuals and systems or external events. As a supplier of defence materiel, there is a risk of Saab's products being exposed to cyber-attacks. Cyber-related risks may also be caused by e.g. shortcomings in controls in conjunction with internal processes, violations of internal policies by employees, intentional or unintentional leakages of information, outages or technical faults with respect to IT systems, data networks and telecommunication systems, mechanical failures or failures in equipment, human error, natural disasters, power outages, security encroachments or malicious behaviour by third parties (including hackers, espionage, phishing attacks and ransomware attacks). These risks may also occur at Saab's suppliers, collaboration partners and other external parties with whom Saab interacts. The above-mentioned and other cyber-related risks may lead to loss of important data and may have a material adverse effect on Saab's reputation, business, results of operations and financial position.

Finally, on 1 April 2019 a new Security Protection Act (Sw. *säkerhetsskyddslagen (2018:585)*) will enter into force in Sweden. The new legislation imposes more stringent requirements on a party that engages in security-sensitive business and limits the possibilities to outsource certain information security business. If Saab fails to comply with legislation regarding information and IT security, this may have a material adverse effect on its business, results of operations and financial position.

Saab is dependent on attracting and retaining key employees.

Saab's business is very complex and technologically challenging and Saab is dependent on being able to retain and recruit employees and senior executives with key skills. Within Saab, it is particularly important to recruit and retain key skills within most technology areas, research and development, manufacturing, IT security, business development, strategy and project management. In a business environment which is characterised by tough competition and rapid technological changes, it is important to attract and retain key personnel. Since Saab operates within the defence sector, there are regulations regarding classified information which may limit recruitment possibilities. Saab's business is also dependent on developing personnel skills and, with respect to its international operations, employing personnel with relevant experience of, for example, local regulations and requirements as well as local business culture and operations. If Saab fails to attract and retain qualified personnel, there is a risk that the Group will be unable to conduct its operations or compete successfully, which may have a material adverse effect on its business, results of operations and financial position.

Saab may be adversely affected by strikes and labour unrest.

Saab's business is covered in all essential respects by collective agreements. Collective agreements for Saab's employees in Sweden are renegotiated from time to time and, for example, a collective agreement within the industry (Sw. *Teknikavtalet inom industrin*)

extends until 31 March 2020. If such negotiations are discontinued or if agreement cannot be reached, this may affect Saab's operations and have a material adverse effect on its business, results of operations and financial position.

Saab may, in the future, within its own operations or within the operations of suppliers and other business partners, face labour unrest, which may create disruptions and delays in e.g. deliveries, manufacturing, sales and distribution of products and the provision of service and maintenance in those regions that are affected. If strike or other labour unrest occur or continue for a long period of time at Saab's workplaces or those of its suppliers or business partners, this may have a material adverse effect on Saab's business, results of operations and financial position.

Saab is exposed to risks related to its pension commitments.

There are two types of pension plans within the Group: defined benefit plans and defined contribution plans. Defined benefit plans entail that benefits after completed employment are paid as a percentage of salary.

There are risks associated with defined benefit plans. The primary risk factors which may increase future outgoing payments in accordance with defined benefit pension plans, and thereby also increase the pension commitment, are increased longevity and inflation of salary and pensions. Saab has allocated funds for defined benefit pension payments in a pension foundation. The foundation invests the funds in assets, which will be affected by market fluctuations. A low return on the foundation's assets may reduce the value of investments and render them insufficient to cover future pension payments. The discount rate and inflation assumptions that are used to measure the present value of pension commitments may vary, which affects the valuation of the defined benefit obligation in the financial accounts. The discount rate is also affected by the cost which is reported under financial items and service costs. There is a risk that the assets in the foundation, which are long-term in nature, do not fully match the timing and amount of the commitments in the plans, as a result of which the Group would be required or may choose to make additional contributions. Finally, a lower return on the fund's assets, changes in market values, interests rate fluctuations, inflation changes and adverse changes in other material actuarial assumptions may affect the Group's net pension obligations and thereby increase the funding requirement, which may have a material adverse effect on the Group's business, results of operations and financial position.

Saab is exposed to insurance-related risks.

There is a risk that Saab's insurance coverage is insufficient to cover risks that arise within the Group's operations. Saab's current insurance coverage includes all commonly occurring business insurance policies, among other things, liability insurance, including product liability, liability coverage for the CEO/Board of Directors, property and business disruption insurance, transport insurance and business travel insurance. However, it is not possible to insure fully against all risks. There is a risk the claims under Saab's insurance contracts will not be met in full or on time, that the scope of the insurance coverage will not fully cover a particular matter or that the insurance premium will be increased significantly. It is also not possible to insure against damage to reputation. If Saab suffers damage or loss which is not covered by insurance or which is more extensive than the insurance coverage, or if Saab is required to pay an increase insurance premium, this may have a material adverse effect on its business, results of operations and financial position.

Saab is exposed to risks related to compliance with GDPR.

Saab processes personal data in its operations. Such processing of personal data is subject to extensive data protection legislation and regulations which have been adopted to protect the privacy of the individual.

On 25 May 2018, Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (the General Data Protection Regulation – "GDPR") entered into force within the EU. GDPR imposes changes to the EU's previous data protection regime and strengthens the rights of individuals, imposes stricter demands on companies that process personal data, as well as much stricter sanctions with administrative fines of up to the highest of MEUR 20 or 4 per cent of the company's annual global turnover. In addition, countries outside the EU have also adopted legislation governing the processing of personal data. Saab will have to allocate resources for compliance with GDPR and other legislation governing the processing of personal data. Within the scope of its GDPR work, Saab has developed new policies, governance documents and training material and established an internal data privacy organisation headed by a Data Protection Officer and, in the future, may also incur additional expenditures and costs for establishing systems, IT controls and routines for supporting the work on compliance with applicable data protection legislation. The implementation of GDPR has attracted significant attention from legislators, media and investors around the EU. For example, the Swedish Data Protection Authority (Sw. *Datainspektionen*) has become more active in its supervision. Any violation of GDPR or other data privacy legislation may require Saab to pay significant fines or harm its reputation, which may have a material adverse effect on its business, results of operations and financial position.

Saab is exposed to risks related to legal and administrative proceedings.

From time to time, Saab is involved in civil law, work environmental-related and administrative proceedings which arise within the scope of the day-to-day business. In the event of aviation and maritime accidents as well as military accidents, Saab's products may also become involved in investigations by the Swedish Accident Investigation Authority (Sw. *Statens haverikommission*) and/or the Swedish Armed Forces or its foreign equivalents.

It is not possible to foresee the risk or possible outcome of the procedures described above or other procedures, disputes and matters, some of which may be unfavourable for Saab. In such cases, Saab may incur costs and there is a risk that the management measures (for example, provisions in the balance sheet) which are taken to protect against the impact of such costs may not be appropriate or sufficient. Adverse publicity in connection with legal proceedings, governmental investigations or accusations may also damage Saab's reputation and brand, which may have a material adverse effect on its business, results of operations and financial position.

Saab is exposed to tax risks.

Saab operates in a large number of countries around the world. The business – including the implementation of transactions between group companies – is conducted in accordance with Saab's view and interpretation of applicable tax legislation, tax treaties, case law, administrative practice and the requirements imposed by relevant tax authorities. There is, however, a risk that Saab's application and interpretation are not entirely correct or that rules or practice are changed – possibly with retroactive effect. Tax authorities and other authorities in the relevant countries may, therefore, make assessments and

take decisions which differ from Saab's assessment or interpretation of applicable rules, and may impose additional taxes and charges on Saab. This is the case not least with respect to transfer pricing issues, in which it can often be difficult to establish with precision what constitutes a market price in intra-group transactions and where countries involved may have different views on this issue. There is also a risk that views may be presented in relevant countries as to whether Saab possesses sufficient and complete documentation concerning transfer pricing issues. As a consequence of its day-to-day business, Saab is involved from time to time in tax disputes of varying importance and size. Tax law disputes, proceedings or processes may have a material adverse effect on Saab's business, results of operations and financial position.

Finally, Saab's tax situation with respect to previous years and the current year may be changed as a consequence of amended laws, agreements, practice or other provisions, which may have a material adverse effect on the Group's business, results of operations and financial position.

Saab is exposed to competition law risks.

Saab may from time to time be subject to competition law scrutiny and/or investigations in those jurisdictions in which Saab conducts business. This may result in the Group being subject to a competition assessment in conjunction with acquisitions. In the case of such acquisition assessment, the fact that Saab has an owner with significant influence may have an impact (see "*The Company's largest shareholder can exert a substantial influence over Saab*" below). Any future negative decisions in competition law proceedings may lead to administrative fines and liability in damages, which may involve significant amounts depending on the circumstances of the individual case. Furthermore, negative decisions in future disputes or proceedings may result in damage to Saab's reputation and its possibilities to conduct and expand its operations in certain countries may be limited. Such events may have a material adverse effect on Saab's business, results of operations and financial position.

Saab is exposed to risks related to internal governing documents, policies, routines, processes and evaluation methods, including corruption and bribery risks.

There is a risk that internal governing documents, policies, routines, processes and evaluation methods which are used by Saab to assess and manage risks do not effectively address all types of risks, including the risks which Saab has failed to identify or anticipate. Such risks may include deviations from internal governing documents, policies, routines, and processes caused by lack of sufficient internal governance or control. Furthermore, there is a risk of Saab's business failing to comply with internal governing documents, including codes of conduct, or failing to correctly quantify identified risks. If Saab is unable to successfully implement and comply with effective internal governing documents, policies, routines, processes and evaluation methods in order to assess and manage risks, or if Saab's employees act in a manner that is not consistent with the level of business ethics and integrity undertaken by Saab, including violations of laws and regulations relating to competition law, public procurement, anti-corruption, trade sanctions, export controls, data protection, work environmental issues and cyber security, this may have a material adverse effect on Saab's business, financial position and results from operations.

Saab operates in several countries in which there is an increased risk of corruption and it operates in an industry in which corruption occurs. Saab communicates and sells its products and services directly to states and public authorities, which also entails an increased risk of corruption. In order to enter new markets, from time to time, Saab hires market consultants and other external parties in

sales processes. Such consultants may, for example, possess particular skills or experience within the specific country with respect to politics, lobbying, corporate culture, industry or language. Historically, the use of such market consultants has entailed an increased exposure to corruption risks, and may do so also in the future. Violations of anti-corruption legislation, particularly the U.S. Foreign Corrupt Practices Act and the UK Bribery Act may, in so far as they are applicable to Saab's business, lead to significant fines and other sanctions of a criminal law, civil law or administrative nature, which may have a material adverse effect on Saab's reputation, business, results of operations and financial position. See also "*Saab is exposed to risks related to its reputation and brand*" above.

Effective internal governance and control are necessary to enable Saab to provide reliable financial reports, to ensure compliance with internal and external rules as well as to prevent fraud. There is a risk that Saab, in its corporate governance and in its internal controls (irrespective of which corporate governance policies and routines apply from time to time), will be unable to effectively manage corporate functions and internal risks or identify areas in need of improvement. Furthermore, Saab's financial and operational policies and controls may prove to be inadequate, which may result in non-compliance with Saab's internal governing documents and thereby cause Saab to incur costs in respect of shortcomings in regulatory compliance, fines, as well as reputational damage. If Saab fails to maintain an effective internal governance and control, this may have a material adverse effect on Saab's reputation, business, results of operations and financial position.

Saab is exposed to interest rate risks.

Interest rate risk refers to the risk of Saab will be negatively affected by changes in interest rate levels. The Group is exposed to interest rate risks when the market value of certain items in the statement of financial position is affected by changes in underlying interest rates. The item with the largest exposure is pension obligations due to the liability's long duration. A change of +/-0.25 per cent in the discount rate for the liability corresponded, on an annual basis for the 2017 financial year, to MSEK -407/MSEK +465. A change of +/-0.25 per cent in the inflation assumption corresponded, on an annual basis for the 2017 financial year, to MSEK +422/MSEK -449. In the event of changes in market rates, Saab's net financial items will be affected. The Group has both interest-bearing assets and interest-bearing liabilities, several of which carry variable interest. The Group is therefore exposed to risks related to changes in market rates.

Saab is exposed to risks related to foreign currency and exchange rate fluctuations.

Foreign currency risk refers to the risk that fluctuations in foreign currency rates will negatively affect the results of operations. Foreign exchange rate changes affect Saab's results of operations and equity e.g. as follows:

- Results of operations are affected when sales and costs for goods and services are denominated in currencies other than the functional currency (economic and transaction exposure).
- Results of operations or equity are affected when the results, assets or liabilities of the Group's foreign subsidiaries are translated to SEK (translation exposure).
- There is a risk that results of operations are affected by impairment tests with respect to non-hedged future cash flows in foreign currency in loss-making contracts (impairment test).

The Group generates sales in foreign currencies and is therefore exposed to currency changes vis-à-vis the Group's reporting currency, SEK. The most important currencies are USD, EUR and GBP. The Group also generates production costs in USD, EUR, GBP, AUD and ZAR. Therefore, the Group is materially exposed to currency movements compared with SEK. Relative changes in these currency

rates have a direct effect on the Group's operating profit, balance sheet and cash flows.

The Group has outstanding liabilities denominated in foreign currencies and, for this reason, is also exposed to currency fluctuations (for example, the *Schuldschein* loan is denominated in EUR). The Group has experiences, and expects to continue to experience, currency losses and gains on rights and obligations denominated in foreign currency connected to the Group's borrowings, as well as assets and liabilities in foreign currency, as a consequence of currency fluctuations.

The Group is also exposed to risks where suitable hedging items for this type of risk exposure to which the Group is exposed is not available at a reasonable cost or at all. In addition, there are risks related to the use of such hedge instruments. For example, the Group might perhaps not have the possibility to utilise favourable currency swaps. Therefore, hedging measures can lead to large losses. These losses may arise for various reasons, including but not limited to circumstances where a counterparty fails to perform its obligations under an appropriate hedge contract, where the contract has shortcomings or where the Group's internal hedging policies and procedures are not complied with or do not function as they should.

Saab is exposed to risks related to its indebtedness.

As of 30 September 2018, the Group's net debt amounted to MSEK 9,250, which, for Saab, is a historically high level of indebtedness. A high level of debt may have the consequence that Saab is forced to refrain from taking new orders or incurring expenditures on research and development and, in addition, may lead to, among other things, the following adverse consequences for the Group's business:

- make it difficult for the Group to perform its obligations with respect to outstanding Medium Term Notes, credit facilities and other debt;
- increase the Group's vulnerability to, and reduce the Group's flexibility for addressing, general economic and industry-related conditions;
- require that part of the Group's cash flow from the day-to-day business are allocated to pay interest and repay the Group's debts, which leads to reduced cash flow for other purposes;
- restrict the Group's ability to secure additional financing in order to finance working capital, investments, acquisitions, maturing debt, business operations and other general company purposes;
- restrict the Group's flexibility with respect to planning for, or reacting to, changes in the Group's business, competition and the industry in which the Group operates; and
- adversely affect the Group's competitiveness if the indebtedness exceeds that of its competitors.

A part of the Group's liabilities carries variable interest which is linked to various market rates. An increase in the market rates thus leads to increased interest expenses for the Group, which may exacerbate the risks related to the Group's capital structure. These and other factors may have a material adverse effect on the Group's business, results of operations and financial position.

Saab is exposed to risks related to refinancing of existing credit facilities.

The Group's financial indebtedness includes various types of credit facilities, a Medium Term Note programme and certain other capital market financing. As of 30 September 2018, the Group's outstanding liabilities to credit institutions amounted to MSEK 8,973. As of the same date, the average outstanding term to maturity on outstanding loans was 3.6 years and 2 per cent of liabilities had a maturity date within the coming 12 months, while 47 per cent of the Group's long-term liabilities were subject to refinancing within three years.

There is a risk that the Group will be unable to repay debts as they fall due, which may be due to the Group's inability to generate sufficient cash flow from the operating activities, to secure additional capital or financing through new loans or the sale of assets. The ability to secure capital or financing through loans on favourable terms or at all depends on a number of factors beyond the Group's control, including the conditions prevailing on the international credit and capital markets at the time. The Group's ability to sell assets and use such revenues to refinance imminently maturity debts also depends on several factors beyond the Group's control, including the existence of willing buyers and asset values. There is a risk that the Group will be unable to secure capital or refinance the repayment of debts on terms which are as favourable as for the original loan or to sell assets at a price which is sufficiently high to repay the relevant debt or at all at a time when refinancing of a debt must take place. If the Group fails to refinance its existing or future debts or to renew existing or future credit facilities on acceptable terms or at all, this may have a material adverse effect on the Group's liquidity, business, results of operations and financial position.

Saab is exposed to credit and liquidity risks.

The credit risk in a transaction comprises the risk that the counterparty will be unable to perform its contractual obligations from a financial perspective. The Group is exposed in its ongoing operations to credit risks based on transactions with counterparties in the form of customers, suppliers and financial parties. The Group's credit risks comprise commercial credit risks and financial credit risks.

Commercial credit risks consist of outstanding accounts receivable and advances paid to suppliers. As of 30 September 2018 the Group's maximum exposure to counterparty risks amounted to MSEK 3,853. The financial credit risk consist of exposures to financial institutions through deposits, securities investments and/or the market value of outstanding derivatives. As of 30 September 2018, the Group's maximum exposure to financial credit risks amounted to MSEK 3,197. There is a risk that the measures taken to counter the Group's credit risks will not be sufficient or effective, and the Group may fail to implement and manage any hedging arrangements, which may have a material adverse effect on the Group's business, results of operations and financial position.

Liquidity refers to the risk of not being able to meet payment obligations due to insufficient liquidity. As of 30 September 2018, the Group's contractual credit facilities, liquid funds and short-term investments amounted to MSEK 9,197, corresponding to 29 per cent of the Group's sales. If the Group is unable to perform existing financial obligations on time, this may have a material adverse effect on the Group's business, results of operations and financial position.

The Group has issued bank guarantees to customers, primarily with respect to advances and performance. These guarantees are largely structured as unconditional guarantees (referred to as on demand guarantees). As of 30 September 2018, the Group's on demand guarantees totalled MSEK 18,625. An on demand guarantee means that the customer who is the beneficiary under such guarantee can demand payment under the guarantee from the issuing bank. The transaction between an issuing bank and Saab comprises a counter guarantee. This means that if a customer, for any reason, requests payment (on demand) under a guarantee, Saab is obliged to pay directly a corresponding amount to the issuing bank, which may have a material adverse effect on the Group's cash flow, results of operations and financial position.

Since the guarantees relate to Swedish exports, the issuing bank has the possibility to reduce its counterparty risk by applying to the Swedish Export Credits Guarantee Board (Sw. *Exportkreditnämnden* – 'EKN') for EKN to absorb part of the bank's risk. EKN has a limit as to how much EKN can absorb in counterparty risks from Saab. Therefore, there is a risk for Saab that EKN does not have the possibility to increase its limit, which in turn may affect the banks' possibility to

provide risk coverage for new guarantees. Therefore, Saab must rely on there being a sufficient number of banks that are willing to issue new guarantees without risk cover from EKN. If Saab is unable to cause banks to issue guarantees, this may directly affect the possibility to secure new business, which therefore may have a material adverse effect on the Group's cash flow, results of operations and financial position.

The Group's financial targets and forecasts may differ significantly from the Group's actual results.

The Group has adopted certain long-term financial targets. These financial targets constitute forward-looking information. There is a risk that the Group's actual results or financial position may differ materially from such information. The financial targets are merely targets and do not constitute, and must not be regarded as constituting, forecasts, projections or estimates of future performance. Investors are encouraged not to rely on the financial targets. The Group has also adopted a forecast for the full year 2018. The Group's actual results for the full year 2018 may differ significantly from the forecast.

Furthermore, the financial targets and the forecast are dependent on a number of key assumptions that the Group Management has made when setting them, which are subject to significant commercial and operational-related, financial and other risks, many of which are beyond the Group's control. There is a risk that these assumptions will not continue to reflect the commercial, regulatory, geopolitical and economic environment in which the Group operates. Accordingly, these assumptions may change or not materialise at all. In addition, unanticipated events, including macroeconomic, geopolitical and industry-related developments or legislative changes may negatively affect the actual results which the Group achieves going forward, irrespective of whether the Group's assumptions otherwise prove to be correct. Potential investors should not put undue weight on the financial targets or the forecast when making an investment decision. If the Group fails to meet its financial targets or its forecast due to changed assumptions or other factors, the Group may experience lower sales, decreased margins or reduced cash flow, which may adversely affect the Group's financial position and profitability. In turn, the Group may not be able to access suitable financing or pursue attractive business opportunities, which may limit the Group's ability to maintain its market position or competitiveness. This may have a material adverse effect on the Group's business, results of operations and financial position.

Changes in accounting rules may adversely affect the Group's financial statements.

The Group is affected by the accounting rules that apply in the jurisdictions in which it operates, such as the International Financial Reporting Standards ("IFRS") pursuant to which the Group prepares its consolidated financial statements, as well as other international accounting rules. However, going forward, the Group's accounting, financial reporting and internal controls may be affected by, and may need to be adapted to, changes in accounting rules or changes in the application and interpretation of such accounting rules.

The preparation of the financial statements in accordance with IFRS requires the Group Management and the Board of Directors to make estimations, assessments and assumptions that affect the application of the accounting policies and the reported assets, liabilities, income and expenses. However, the actual outcome may differ from these estimates and assessments. The IFRS standards are subject to regular updates by the International Accounting Standards Board ("IASB") and endorsements by the EU. Any such updates or endorsements may require the Group to make further and more comprehensive estimations and assessments in relation to its financial reporting.

IFRS 16 (Leasing) is effective for accounting periods beginning on or after 1 January 2019. For companies that are 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. The application of the new reporting principles will entail an increase in balance sheet total, which will adversely affect the Group's net debt and certain key ratios. These, as well as other changed accounting rules or changes in the application and interpretation thereof, may cause uncertainty with respect to the Group's accounting, financial reporting and internal controls, and affect the Group's reported sales, balance sheet and equity, which may have a material adverse effect on the Group's results of operations and financial position.

Risks associated with the share and the rights issue

The share price can be volatile and the share price development is affected by several factors.

Risk and risk taking is inevitably linked to shareholding. Since an investment in shares may increase or decrease in value, there is a risk that investors will not recover their invested capital. The Company's B-shares are listed on Nasdaq Stockholm. The performance of a share depends on multiple factors, some of which are specific to the Company whilst others are related to the stock market in general. The share price may be very volatile and may, for example, be affected by supply and demand, fluctuations in actual or projected results, changes in earnings forecasts, failure to meet stock analysts' earnings expectations, changes in general economic conditions, changes in regulatory conditions and other factors such as sales of significant holdings by owners. The price of the Company's share may furthermore be affected by, for example, competitors' activities and market position. Saab cannot predict in what way investors' interest for Saab will develop, and whether or not there will always be an active and liquid market for trading the Company's shares. Since it is impossible for a single company to control all factors which may affect the share price, every investment decision should be preceded by careful analysis.

Trading in subscription rights and paid subscription shares (BTA) may be limited.

Persons who are registered as shareholders in Saab on the record date receive subscription rights in proportion to their existing shareholdings. The subscription rights are expected to have an economic value that can only benefit the holder if he or she either exercises them to subscribe for new shares no later than 14 December 2018 or sells them no later than 12 December 2018. After 14 December 2018, unexercised subscription rights will be removed, without prior notification, from the holder's securities account and the holder will thus be deprived of the expected economic value of the subscription rights. Both subscription rights of series B and paid and subscribed shares (Sw. *betalda tecknade aktier* – "BTAs") of series B which, after payment, are booked into the securities accounts of those who subscribed for new shares, will be subject to trading on Nasdaq Stockholm for a limited period of time. Trading volumes in these instruments may be limited, which may cause problems to individual holders in selling their subscription rights and/or BTA of series B. Limited liquidity could also enhance fluctuations in the market price of subscription rights and/or BTA of series B. Consequently, pricing of these instruments could be incorrect or misleading.

Shareholders who do not participate in the issue of new shares are affected by dilution.

The subscription rights will expire and become useless without entitlement to compensation for the shareholder if the shareholder

chooses not to exercise or sell its subscription rights in the share issue as set out in this prospectus. Consequently, such shareholders' proportional ownership and voting rights in Saab will decrease and the proportion of their shares representing the total number of shares and the total number of the votes in the Company will decrease accordingly. There is a risk that the compensation the shareholder receives for the subscription rights on the market does not correspond to the economic dilution of the shareholder's ownership in Saab following the share issue, if a shareholder chooses to sell his or her unutilised subscription rights or if these subscription rights are sold on behalf of the shareholder.

The subscription commitments are not secured.

Investor AB ("**Investor**"), the Knut and Alice Wallenberg Foundation, Första AP-fonden, AFA Insurance and Gladiator have undertaken to exercise their preferential rights and thereby subscribe for new shares corresponding to in aggregate 46.6 per cent of the forthcoming right issue. Investor's, the Knut and Alice Wallenberg Foundation's, Första AP-fonden's, AFA Insurance's and Gladiator's subscription undertakings are not formally secured through, for example, bank guarantees. Consequently, there is a risk that one or several of said parties will not be able to fulfil their subscription commitments. If the aforementioned commitments are not fulfilled, it could have an adverse effect on Saab's possibility to successfully implement the rights issue.

Future sales of major shareholdings and share issues could have an adverse effect on the share price

Substantial sales of shares by major shareholders could have an adverse effect on the Company's share price. Moreover, any additional new issues of shares that – as the forthcoming rights issue – will lead to a dilution of ownership for shareholders who do not participate or choose not to exercise their right to subscribe for shares. The same applies if issues are directed to other persons than the shareholders of the Company.

The Company's largest shareholder can exert a substantial influence over Saab.

Saab's largest shareholder, Investor, holds shares equivalent to 30.0 per cent of the share capital and 40.3 per cent of the votes¹⁾ in the Company. Investor can thus, both before and after the rights issue, exert a substantial influence over Saab in matters that are subject to the approval of the shareholders. This concentration of ownership could prove to be disadvantageous for shareholders with other interests than those of Investor. As a consequence of Investor's subscription commitment in connection with the rights issue, Investor's ownership percentage could increase to a maximum of approximately 34.9 per cent of the share capital and a maximum of approximately 45.8 per cent of the votes¹⁾ in the Company and the influence in matters that are subject to approval of the shareholders can thus be further magnified.

Saab's ability to pay future dividends depends on several factors.

Payment of dividends may only take place if there are payable funds held by Saab and as long as the requirements of future dividends, and the size, scope and risks of any such dividends, are met. Such requirements depend on Saab's equity, consolidation needs, liquidity and position in general for a certain financial year. Furthermore does future dividends, and the size of any such dividends, depend on the

Group's future results, financial position, cash flow, working capital requirements and other factors.

The newly issued shares confer the right to dividends from, and including, the first record date after the new issue has been registered with the Swedish Companies Registration Office. There is a risk that payable dividends will not be available in any financial year.

Shareholders in the U.S. and other foreign jurisdictions are subject to special share-related risks.

Saab's share is only listed in SEK, and any dividends will be paid in SEK. This means that shareholders outside of Sweden may experience a negative impact on the value of their holdings and dividends at conversion to other currencies if SEK declines in value against the relevant currency.

If Saab issues new shares with preferential rights for the Company's shareholders in the future, shareholders in some countries may be subject to restrictions which mean that they are unable to participate in such new issues or that their participation is otherwise prevented or limited. For example, shareholders in the U.S. may be prevented from exercising any such preferential rights if the shares are not registered under the Securities Act and if no exemption from the registration requirement under the Securities Act applies. Shareholders in other jurisdictions outside of Sweden may also be correspondingly affected. In the case of any future issues, Saab is not obliged to apply for registration under the Securities Act or to apply for similar approval under the legislation of any country outside of Sweden concerning subscription rights and shares, and it may prove impractical or costly to do so. To the extent that shareholders in jurisdictions other than Sweden are unable to subscribe for new shares in any new share issues, their proportional ownership in Saab will decrease.

1) Vote percentage calculated excluding treasury shares held by Saab.



Invitation to subscribe for shares in Saab AB

The Board of Directors of Saab resolved on 19 November 2018, with support from the Extraordinary General Meeting's authorisation on 16 November 2018, to increase the Company' share capital through the issue of shares of series A and B with preferential rights for Saab's shareholders to subscribe for the new shares.

The rights issue resolution entails that the Company's share capital will increase by not more than SEK 427,128,048 from the current SEK 1,746,405,504 to SEK 2,173,533,552, through the issuance of not more than 26,695,503 new shares, of which not more than 476,780 shares of series A and not more than 26,218,723 shares of series B. After the rights issue, the number of shares in Saab will amount to not more than 135,845,847 shares, of which not more than 2,383,903 shares of series A and not more than 133,461,944 shares of series B. The Company's shareholders have preferential rights to subscribe for new shares in relation to the number of Saab shares previously held. The record date to receive subscription rights in the rights issue is on 26 November 2018.

Individuals registered on the record date as shareholders in Saab will receive one (1) subscription right for each share held on the record date, whereby four (4) subscription rights of each series entitle to subscription of one (1) new share of the corresponding series (primary preferential right). Shares not subscribed for with primary preferential right shall be offered to all shareholders for subscription (subsidiary preferential right). Upon the transfer of subscription rights (primary preferential right), the subsidiary preferential right will also be transferred to the new holder of the subscription right. Any shares not subscribed for with primary or subsidiary preferential right shall be granted those who have applied for subscription of shares without preferential right as specified in "*Terms and conditions*". Subscription will take place during the period from and including 29 November 2018 up to and including 14 December 2018, or such later date as decided by the Board of Directors, and is in accordance with "*Terms and conditions*".

The subscription price has been set at SEK 225 per share. Provided that the rights issue is fully subscribed, Saab will consequently raise in total MSEK 6,006 before transaction costs.¹⁾

Shareholders who elect not to participate in the rights issue will have their holdings diluted by up to 19.7 per cent (20.0 per cent excluding treasury shares), but have the possibility to compensate themselves financially for the dilution by selling their subscription rights.

Subscription commitments²⁾

Shareholders Investor, the Knut and Alice Wallenberg Foundation, Första AP-fonden, AFA Insurance and Gladiator, together holding 46.6 per cent of the shares and 54.0 per cent of the votes in Saab³⁾, have undertaken to subscribe for their respective pro rata shares of the rights issue. Altogether, said shareholders consequently have undertaken to subscribe for shares corresponding to 46.6 per cent of the rights issue.⁴⁾

The shareholders of Saab are hereby invited to subscribe for new shares in Saab with preferential rights in accordance with the terms and conditions of this prospectus.

Linköping, 25 November 2018

Saab AB (publ)

The Board of Directors

1) Transaction cost estimated at approximately MSEK 28.5 will be deducted from the rights issue proceeds of not more than MSEK 6,006. Net of transaction costs, Saab is estimated to raise not more than approximately MSEK 5,977.5 through the rights issue.

2) Please also refer to "*Subscription commitments*" in "*Legal considerations and supplementary information*".

3) Excluding treasury shares. As of 20 November 2018, Saab held 2,368,328 treasury shares of series B, which do not entitle to participation in the rights issue.

4) The subscription commitments have not been secured, see "*Non-secured subscription commitments*" in "*Risk factors*".



Top: GlobalEye / Left: T-X / Right: Gripen E / Bottom: submarine A 26 (Computer Generated Imagery).

Background and reasons

During the last few years, Saab has experienced a strong order inflow, resulting in an all time high order backlog, increased internationalisation and a compound annual sales growth rate (CAGR) of 10 per cent per year since 2014.¹⁾ The development projects in the order backlog include, among others, Sweden's and Brazil's orders of a new generation of Gripen, the A26 submarine order from Sweden, as well as the order from the United Arab Emirates of GlobalEye, which is a new generation Airborne Warning and Control system. In October 2018, Saab also received an order from Boeing in respect of the T-X trainer aircraft. Saab and Boeing have jointly developed the aircraft, primarily to the U.S. Air Force. As a result, Saab has a portfolio of current and competitive platforms and systems within fighter aircraft systems, Airborne Warning and Control system, trainer aircrafts and submarines. In many of these projects, customer deliveries will commence in the next few years, and Saab may, with existing funds and facilities, complete the orders that are currently part of the order backlog.

During the last few years, Saab has, despite increased competition, strengthened its market position and anticipates a continued strong demand for its products and systems. Meanwhile, defence budgets are increasing in many regions of the world. Saab therefore anticipates good opportunities to further strengthen its order backlog and increase future growth. However, to enable such growth, Saab must be able to successfully compete for new large orders. This requires that Saab has a strong capital base, which creates long-term confidence amongst its customers, and provides possibilities and opportunities for additional growth through new orders and to enter into major collaborations and partnerships as well as creates headroom for increased investments in development, production and working capital. Therefore, the Board of Directors of Saab has resolved, by virtue of the authorisation by the Extraordinary General Meeting on 16 November 2018, to carry out a new share issue with preferential rights for Saab's shareholders.

The rights issue will raise not more than MSEK 6,006 (before deduction of transaction costs estimated at approximately MSEK 28.5). The net proceeds from the rights issue of not more than approximately MSEK 5,977.5 is intended to be used to strengthen the Group's capital base, which in turn creates long-term confidence amongst its customers, and provides possibilities and opportunities for additional growth through new orders and to enter into major collaborations and partnerships as well as creates headroom for increased investments in development, production and working capital.

The Board of Directors of Saab is responsible for the contents of this prospectus. The Board of Directors hereby declares that, having taken all reasonable care to ensure that such is the case, the information in this prospectus is, to the best of the Board of Directors' knowledge, in accordance with the facts and contains no omissions likely to affect its import.

Linköping, 25 November 2018

Saab AB (publ)

The Board of Directors

1) CAGR based on Saab's sales, that in 2014 totalled MSEK 23,527 and in 2017 totalled MSEK 31,394.

Terms and conditions

Preferential rights and subscription rights

The offer includes not more than 26,695,503 new shares, of which not more than 476,780 shares of series A and not more than 26,218,723 shares of series B. Those who on the record date of 26 November 2018 are registered as shareholders of Saab have preferential rights to subscribe for new shares in the offer.

Those who on the record date are registered as shareholders in Saab will receive one (1) subscription right of series A for each share of series A held on the record date, and one (1) subscription right of series B for each share of series B held on the record date. Four (4) subscription rights of series A entitle to subscription for one (1) new share of series A. Four (4) subscription rights of series B entitle to subscription of one (1) new share of series B.

Shareholders who choose not to participate in the offer will be diluted by 26,695,503 shares corresponding to 19.7 per cent (20.0 per cent excluding treasury shares), but have the opportunity to be compensated for the economic dilution effect through the sale of their subscription rights.

Application can also be made to subscribe for shares not subscribed for based on subscription rights, see further below in this section under "*Subscription for new shares without subscription rights*".

Subscription price

The new shares are issued at a subscription price of SEK 225 per new share. Brokerage commission will not be charged.

Record date

The record date at Euroclear Sweden to determine which persons are entitled to receive subscription rights in the offer is 26 November 2018. The last day of trading in Saab's shares inclusive of the right to participate in the offer was 22 November 2018. The shares in Saab are traded exclusive of the right to participate in the offer since 23 November 2018.

Subscription period

Subscription for the new shares will take place during the period from and including 29 November 2018 up to and including 14 December 2018. The Board of Directors of Saab is entitled to extend the subscription period, which – in such case – will be announced through a press release as soon as such decision has been taken and not later than 14 December 2018.

Issue statements

Directly registered shareholders

A pre-printed issue statement with attached pre-printed payment forms will be sent to directly registered shareholders and representatives of shareholders that on the record date are registered in the share register maintained by Euroclear Sweden on behalf of Saab, except for such shareholders who reside in certain unauthorised jurisdictions. The issue statements will state, among others, the number of subscription rights received and the number of new shares that may be subscribed for by virtue of the subscription rights. No securities notification (Sw. *VP-avi*) will be sent out regarding the registration of subscription rights on the securities accounts. Shareholders who are included in the special list of pledge holders and

trustees that is maintained in connection with the share register will not receive any issue statement but will be informed separately.

Nominee-registered shareholders

Shareholders whose holdings are nominee-registered at a bank or other nominee will not receive an issue statement. Subscription and payment for new shares subscribed for with primary as well as subsidiary preferential right should instead be made to the respective nominee and in accordance with instructions from the respective nominee.

Shareholders resident in certain unauthorised jurisdictions

The allotment of subscription rights and the issue of new shares to persons who are resident in countries other than Sweden may be affected by securities legislation in such countries, please refer to "*Important information*". Consequently, subject to certain exceptions, shareholders whose existing shares in Saab are directly registered in a securities account with registered address in the United States, Australia, India, Japan, Canada, Hong Kong, Singapore or South Africa will not receive any subscription rights or be allowed to subscribe for new shares. The subscription rights that otherwise would have been delivered to such shareholders will be sold and the sales proceeds, excluding a deduction for costs, will be paid to such shareholders. Amounts of less than SEK 100 will not be paid out.

Trading in subscription rights

The subscription rights of series B will be traded at Nasdaq Stockholm during the period from and including 29 November 2018 to and including 12 December 2018 with ticker SAAB TR B. SEB and other securities institutions with required licenses will provide brokerage services in connection with the sale and purchase of subscription rights. The primary as well as the subsidiary preferential right will be transferred to the acquirer upon sale of the subscription right. The ISIN code for the subscription rights of series B is SE0011984764. Subscription rights of series A will not be traded.

Subscription for new shares with subscription rights

Subscription for new shares with subscription rights (primary preferential right) will take place during the subscription period, no later than 14 December 2018. Upon expiry of the subscription period, unexercised subscription rights will lapse and become worthless. After 14 December 2018, unexercised subscription rights will be deleted from the holder's securities account without any notice from Euroclear Sweden. In order not to lose the value of the subscription rights, the holder must either:

- exercise the subscription rights to subscribe for new shares no later than 14 December 2018, or in accordance with instructions from the subscriber's nominee; or
- sell the subscription rights that will not be exercised no later than 12 December 2018.

Subscription by directly registered shareholders

Subscription for new shares with subscription rights will be made through payment in cash together with a notification, either by use of the pre-printed payment form or a special application form in accordance with one of the following options:

- If all subscription rights pursuant to the issue statement from Euroclear Sweden are to be exercised, the pre-printed attached payment form shall be used. No additions or amendment may be made on the payment form.
- If subscription rights have been purchased, sold or transferred from another securities account, or if, for some other reason, the number of subscription rights to be exercised for subscription differs from the number set out in the pre-printed issue statement, the application form named "Subscription for shares with subscription rights" shall be used. When the duly filled out subscription form is submitted to SEB at the address below, payment shall be made for the subscribed new shares in accordance with the payment instruction on the application form. Subscription forms can be ordered from SEB during office hours on telephone: +46 (0)8 639 27 50. The subscription form can be sent to SEB, Emissioner AB03, SE-106 40 Stockholm, Sweden or be handed in at any SEB office in Sweden. Subscription forms shall be received by SEB Emissioner no later than 14 December 2018.

Directly registered shareholders not resident in Sweden eligible for subscription of new shares with subscription rights

Directly registered shareholders that are not resident in Sweden but eligible for subscription for new shares with subscription rights (i.e., which are not subject to the restrictions described in "Shareholders resident in certain unauthorised jurisdictions") and that cannot use the pre-printed payment form, can pay in SEK through a foreign bank in accordance with the instructions below:

SEB
Emissioner AB03
SE-106 40 Stockholm, Sweden
IBAN number: SE2050000000058651006063
Bank account number: 5865-10 060 63
SWIFT/BIC: ESSESESS

Upon payment, the subscriber's name, address, securities account number, and the payment identity stated on the issue statement must be quoted. Last day for payment is 14 December 2018. If the number of subscription rights to be exercised for subscription differs from the number on the pre-printed issue statement, the application form "Subscription for shares with subscription rights" shall be used, which can be ordered from SEB during office hours on telephone: +46 (0)8 639 27 50. Payment shall be made in accordance with the instructions above, however, the payment identity from the subscription form shall be quoted. The subscription form shall be received by SEB Emissioner at the address above no later than 14 December 2018.

Subscription by nominee-registered shareholders

Shareholders whose holdings are nominee-registered and who wish to subscribe for new shares with subscription rights shall apply for subscription in accordance with instructions from their nominee or nominees.

Paid subscribed shares (BTAs)

After payment and subscription, Euroclear Sweden will distribute a securities notification confirming the registration of BTAs on the subscriber's securities account. The newly subscribed shares are entered as BTAs on the securities account until the new shares

have been registered at the Swedish Companies Registration Office (Sw. *Bolagsverket*) and the BTAs have been re-classified as regular shares. Registration at the Swedish Companies Registration Office of the new shares that are subscribed for with subscription rights is expected to take place on or around 7 January 2019. Delivery of the new shares subscribed for with subscription rights is expected on 9 January 2019. No securities notification will be issued in connection with such re-classification. Trading in BTAs of series B is expected to take place on Nasdaq Stockholm during the period from and including 29 November 2018 to and including 3 January 2019. SEB and other securities institutions with required licenses will provide brokerage services in connection with the purchase and sale of BTAs of series B. The ISIN-code for the BTAs of series B is SE0011984772. Trading in BTAs of series A will not take place.

Subscription for new shares without subscription right

Subscription of new shares can also be made without subscription rights.

Important information in case of subscription of shares without subscription rights (secondary preferential rights and without preferential rights)

Requirement regarding NID number for natural persons

A National ID or National Client Identifier ("NID number") is a global identification code for private individuals. MiFID II prescribes that, commencing 3 January 2018, all natural persons must have an NID number and that this number must be stated in order to carry out a securities transaction. If such number is not stated, SEB may be prohibited from carrying out the transaction on behalf of the natural person in question. If you have only Swedish citizenship, your NID number comprises the designation "SE" followed by your personal ID number. If you have several citizenships or a citizenship other than Swedish, your NID number may comprise another type of number. For more information about how NID numbers are obtained, contact your bank branch. Remember to find out your NID number in ample time, since the number must be stated on the application form.

Requirements regarding LEI codes for legal entities

Legal Entity Identifier ("LEI") is a global identification code for legal entities. MiFID II prescribes that, commencing 3 January 2018, legal entities must have an LEI code in order to carry out a securities transaction. In absence of such code, SEB may not carry out the transaction on behalf of the legal person in question.

Directly registered shareholders and others

Application for subscription of new shares without subscription rights must be made on a special application form named "Subscription for shares without subscription rights". More than one application form may be submitted, however, only the most recently dated form will be considered. Subscription forms can be obtained at SEB offices in Sweden or on SEB's website for prospectuses, www.sebgroup.com/prospectuses, as well as on Saab's website, www.saabgroup.com. The subscription form can be sent to SEB, Emissioner AB03, SE-106 40 Stockholm, Sweden or handed in at one of SEB's branch offices in Sweden. The subscription form must be received by SEB Emissioner no later than 14 December 2018.

Nominee-registered shareholdings

Subscription for new shares without subscription rights shall be made to the respective nominee and in accordance with instructions

from the nominee, or if the holding is registered with several nominees, from each of these.

Allotment of new shares subscribed for without subscription rights

If all shares are not subscribed for with subscription rights (primary preferential right), new shares will be allotted by the Board of Directors within the framework of the maximum amount of the offer in the following order (except for such shareholders who reside in certain unauthorised jurisdictions):

1. In the first place, new shares shall be allotted to those who have subscribed for new shares with subscription rights (subsidiary preferential right). In the event that allotment cannot be fully awarded, allocation must be made in proportion to the number of shares each previously owned and, if that is not possible, by lottery.
2. Secondly, allotment will be made to others who have notified interest in subscribing for shares without subscription right (applies for the general public in Sweden, Denmark, Finland, Norway and the United Kingdom, as well as qualified investors), whereby – in the event of oversubscription – allotment must be made in relation to the amount in their interest notification and, if that cannot be done, by lottery.

As confirmation of the allocation of new shares subscribed for without subscription rights, settlement notes are sent to directly registered shareholders and others with a securities account. The subscribed and allotted new shares shall be paid in cash in accordance with the instructions on the settlement note, but no later than three banking days from the date of issue of the settlement note.

Nominee-registered shareholders receive a notification of allocation in accordance with the respective nominee's routines. No notice will be sent to those who have not been allotted new shares. The sub-

scription for new shares is binding. If payment is not made in time, the new shares will be transferred to another. In case the selling price is lower than the issue price, the first receiver of the new shares is liable for payment of the difference.

The new shares will be delivered after the required registration with the Swedish Companies Registration Office expected to take place on or around 7 January 2019. Such delivery is expected to take place on 9 January 2019. As confirmation that new shares have been posted on the securities account, a securities notification is sent to registered shareholders or nominees.

Right to dividend

The new shares carry right to dividends commencing from the first record date for dividends that occurs following the registration of the new shares in the Company's share register.

Announcement of the outcome of the rights issue

The preliminary outcome of the rights issue is expected to be announced 17 December 2018 through a press release from Saab. The final outcome will be announced through a press release around 20 December 2018.

Trading in new shares

Saab's shares of series B are traded on Nasdaq Stockholm. Following registration of the new shares at the Swedish Companies Registration Office, the shares of series B issued in the offer will also be traded on Nasdaq Stockholm. Such trading is expected to commence around 7 January 2019. Saab's shares of series A are not subject to organised trading.

Timetable

	Date
Record date for participation in the rights issue	26 November 2018
Subscription period commences	29 November 2018
Trading in subscription rights commences	29 November 2018
Trading in BTAs commences	29 November 2018
Trading in subscription rights concluded	12 December 2018
Subscription period concluded	14 December 2018
Preliminary outcome of the offer is announced	17 December 2018
Final outcome of the offer is announced	20 December 2018
Trading in BTAs is concluded	3 January 2019
Trading in new shares commences	7 January 2019
Delivery of new shares	9 January 2019

Irrevocable subscription

Saab is not entitled to revoke the offer. Subscription of new shares, with or without subscription rights, is irrevocable and the subscriber cannot withdraw or change the subscription of the new shares, unless otherwise stated in this prospectus or in accordance with applicable law.

Other information

In the event a larger amount than necessary has been paid by a subscriber of new shares, Saab will arrange for the excess amount to be refunded. No interest will be paid for such excess amount. Incomplete or incorrect subscription forms may be rejected. Furthermore, if the subscription payment is made late, is insufficient or incomplete, the subscription application may be rejected or subscription may

be deemed to have occurred at a lower amount. The unutilised part of the subscription payment will in such case be refunded. No interest will be paid for such amount. Questions regarding the offer will be answered by SEB during office hours on telephone: +46 (0)8 639 27 50.

Taxation

For more information regarding taxation, please refer to "*Certain tax issues*".

Information about processing of personal data

Personal data that is submitted to SEB, for example, contact information and personal identification number, or which is otherwise

registered in connection with the preparation or administration of the rights issue, will be processed by SEB, in its capacity as the controller of the personal data, for the administration and execution of the rights issue. Processing of personal data will also take place to enable SEB to comply with its statutory duties.

Personal data may, for the stated purposes and in observance of bank secrecy rules, occasionally be disclosed to other companies within the SEB Group or to companies which cooperate with SEB, within and outside the EU/ EEA in accordance with the EU's approved and appropriate protective measures. In certain cases, SEB is also under statutory duty to provide information, for example, to the Swedish Financial Supervisory Authority and Swedish Tax Agency.

Similarly to the Securities Markets Act, the Banking and Financing Business Act contains confidentiality provisions according to which all of SEB's employees are bound by a duty of confidentiality with regards to clients of SEB and other parties to whom services are provided. The duty of confidentiality also applies between and within the various companies in the SEB Group.

Information regarding what personal data is processed by SEB, deletion of personal data, limitation on the processing of personal data, data portability or the rectification of personal data can be requested from SEB's data protection officer. It is also possible to contact the data protection officer to obtain further information about how SEB processes personal data. If the investor wishes to make a complaint regarding SEB's processing of personal data, the investor is entitled to turn to the Swedish Data Protection Authority in its capacity as supervisory authority.

Personal data shall be deleted if it is no longer needed for the purposes for which it was originally collected or otherwise processed, provided that SEB has no legal obligation to preserve the personal data. The normal storage time for personal data is ten years.

Address to SEB's data protection officer:

SEB
Dataskyddsbud
106 40 Stockholm

Questions regarding the offer

For questions regarding the offer, please contact Computershare (weekdays 09:00–16:00) on telephone +46 (8)-518 01 553. Information is also available on SEB's website for prospectuses and offer documents (www.seb.com/prospectuses) and on Saab's website (www.saabgroup.com)

How to proceed

Terms	You will receive one (1) subscription right for each existing share of series B in Saab. Four (4) subscription rights of series B entitle to subscription for one (1) new share of series B in Saab. Subscription can also be made with subsidiary preferential right and without preferential right.
Subscription price	SEK 225 per share
Record date for participation in the rights issue	26 November 2018
Subscription period	29 November–14 December 2018
Trading in subscription rights	29 November–12 December 2018

Subscription for shares with preferential rights (primary preferential right)

1. You are allotted subscription rights

For each share of series B in Saab that you hold on 26 November 2018, you will receive one (1) subscription right of series B.	1 share of series B in Saab	→	1 subscription right of series B
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2. How to exercise your subscription rights

Four (4) subscription rights of series B + SEK 225 entitle to one (1) new share of series B in Saab.	4 subscription rights of series B	+ SEK 225	→	1 new share of series B
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3. Are you a directly registered shareholder or are your shares nominee-registered?

You have a Swedish securities account (meaning that you are a directly registered shareholder) and are resident in Sweden	→	If you wish to exercise all subscription rights, use the pre-printed bank giro form from Euroclear Sweden.
	→	If you have purchased, sold or transferred subscription rights to/from your securities account, use the special subscription form distributed together with the issue statement. The form is also available on www.sebgroup.com/prospectuses and www.saabgroup.com . Payment must be made in accordance with the instructions on the form.
You have a Swedish securities account (meaning that you are a directly registered shareholder) but resident outside Sweden ¹⁾	→	See "Directly registered shareholders not resident in Sweden eligible for subscription of new shares with subscription rights" in "Terms and conditions"
You have a custody account (meaning that you are a nominee-registered shareholder)	→	If your shares are held in one or more custody accounts at a bank or other securities institution, your nominee(s) will inform you of the number of subscription rights that you have received. Follow the instructions that you receive from your custodian(s)/nominee(s).

Subscription for shares with subsidiary preferential right and without preferential rights²⁾

You have a Swedish securities account	→	Use the special subscription form available on www.sebgroup.com/prospectuses and www.saabgroup.com .
You have a custody account (meaning that you are a nominee-registered shareholder)	→	Subscription and payment should be made through the respective nominee. Follow the instructions that you receive from your custodian(s)/nominee(s).

Please note that certain custodians/nominees may apply a shorter subscription period. Please check the instructions that you receive from your custodian(s)/nominee(s).

1) Restrictions apply to U.S. and certain other non-Swedish investors. See "Shareholders resident in certain unauthorised jurisdictions" in "Terms and conditions" and "Selling and transfer restrictions".

2) Any allotment will be made pursuant to the principles described under "Allotment of shares subscribed for without subscription rights" in "Terms and conditions". Restrictions apply to U.S. and certain other non-Swedish investors. See "Shareholders resident in certain unauthorised jurisdictions" in "Terms and conditions" and "Selling and transfer restrictions".



Next generation anti-ship missile Gungnir (Computer Generated Imagery).

Market overview

This prospectus contains certain market and industry information sourced from third parties. Although the information has been accurately reproduced and Saab finds the sources reliable, Saab has not independently verified the information and therefore the accuracy and completeness cannot be guaranteed. As far as Saab is aware and is able to ascertain from information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Introduction to Saab's relevant markets

Saab develops and produces advanced technology products and provides services within defence, aviation and civil security. Saab's products are sold to more than 100 countries and the Group currently has operations in more than 35 countries. Research and development take place primarily in Sweden. The Group has employees primarily in Europe, South Africa, the United States, Australia and Brazil.

Saab operates on the military defence market and on the civil aviation, infrastructure security and traffic management markets with solutions, services and products where Saab is a main supplier of

platforms and systems directly to end customers and as a subcontractor supplying subsystems and components. Saab is also a supplier of consumables, spare parts and training. Saab characterises its markets primarily as the *defence market* and *commercial markets* with secondary markets in accordance with the table below, which shows Saab's business areas that are active within the respective market segments. During the full year of 2017, defence-related products and services accounted for 84 per cent of sales, while the remaining 16 per cent related to civil products and services. For more information about Saab's business areas, see "*Business description*".

The activity of Saab's business areas on relevant markets

Business areas	Market segments					
	Defence market			Commercial market		
	Aviation	Land	Naval	Aviation	Security and traffic management	Technical consulting services
Aeronautics	●					
Dynamics	●	●	●		●	
Surveillance	●	●	●			
Support and Services	●	●	●	●	●	
Industrial Products and Services	●			●	●	●
Kockums			●			
Percentage of sales, 2017	84 %			16 %		

The Defence market

The market segments on the military defence market within which Saab operates are primarily aviation, land and naval.

- **Aviation:** Saab is a main supplier of the Gripen fighter aircraft system, the GlobalEye and Erieye airborne surveillance systems and a subcontractor of, among others, radar and fighter aircraft systems, nose radar for fighter aircraft and missiles, as well as partial supplier to the T-X trainer aircraft.
- **Land:** Saab is a supplier of, among others, advanced combat management systems and fire control systems, land-based air defence systems, support weapons, training systems, advanced camouflage systems and land-based radar systems.
- **Naval:** Saab is a main supplier of submarines, surface vessels and autonomous vehicles as well as a subcontractor supplying subsystems and components for integration in naval solutions, including combat management systems and fire control systems, torpedoes and anti-ship missiles, radar, underwater vehicles for minesweeping and composite structures for vessels.

Sale of defence materiel often takes place between companies and public authorities in a country ("business-to-government"). In certain cases, Saab acts as subcontractor to another defence company ("business-to-business") which, in turn, sells to a government, while in other cases trading in defence materiel takes place between

governments ("government-to-government"). In that case, Saab may be a subcontractor to a government or to a public authority. Trade in defence materiel is governed by national laws and ordinances as well as international agreements and often also by security policy regulatory frameworks. In the case of exports of defence materiel, the sales process is governed by both the recipients' and suppliers' countries' rules governing trade in defence materiel as well as those of the subcontractor countries. See also "*Regulatory overview*" in "*Business description*".

The defence market is affected primarily by countries' total defence budgets. Worldwide total defence expenditures in 2017 increased for the fourth consecutive year and amounted to USD 1.7 trillion, corresponding to approximately 2 per cent of global gross domestic product (GDP). Total global defence expenditures are expected to increase by approximately 2 per cent annually between 2018 and 2022.¹⁾

Commercial markets

The market segments on the commercial markets within which Saab operates are primarily *aviation, infrastructure security and maritime and air traffic management* as well as *technical consulting services*.

- **Aviation:** Saab is, among others, a subcontractor to the largest global aircraft manufacturers with respect to design and production of aircraft doors, parts to wings and flaps, as well as

1) IHS Markit, Jane's Defence Budgets (2018).

avionics in the form of safety-critical systems and components such as computers, display systems and actuators²⁾ for aircraft and helicopters. Saab also supply maintenance of civil aircrafts, primarily to a large part of the global operational fleet of Saab 340 and 2000 type aircraft. The global market for commercial aircrafts is estimated to amount to approximately USD 191 billion in 2018, and is expected to grow by approximately 3 per cent annually up to 2028.³⁾ A strong driver within the commercial aircraft market is that, over time, an increasing proportion of the world's population has become able to afford the cost of flying. Other drivers include technical developments involving more efficient flight and reduced fuel consumption. New players, particularly from Russia and China, are increasing the competition on the commercial market.

- **Infrastructure security and air and maritime traffic management:** Saab is a main supplier of traffic management systems for airports, ports and public transportation as well as security systems to protect and enhance the efficiency of critical infrastructure for, for example, the police, prison and probation service and emergency rescue service. Saab also supplies underwater vehicles to the offshore industry. The global market for air and maritime traffic management systems is estimated to approximately USD 33 billion in 2017 and is estimated to grow by approximately 12 per cent annually up to 2022.⁴⁾ The market for security systems for critical infrastructure⁵⁾ amounted to approximately USD 110 billion in 2017 and is expected to grow by approximately 7 per cent annually up to 2022.⁶⁾ The primary drivers for the market include increased security needs, expansion and modernisation of critical infrastructure, as well as the need to increase the efficiency of traffic flows.
- **Technical consulting services:** Through its independent subsidiary Combitech, Saab provides technical consulting services to customers within the manufacturing industry, the service sector as well as defence and public authorities in Sweden, Norway, Finland and Denmark. Combitech has a broad portfolio of services with an offering which includes information security, systems integration, communication, mechanics, systems security, systems development, technical product information and logistics. In addition, Combitech has cutting-edge expertise within cyber security and digitalisation. The market for technical consulting services has grown strongly in recent years in the Nordic region due to increased demand for cutting-edge expertise and technical know-how combined with industry knowledge, in order to create new solutions regarding the environment and security. As a result of a growing need for technical cutting-edge expertise and increased security requirements, it has become increasingly common to retain external experts.

Introduction to the defence market

The supply of materiel constitutes an integral part of countries' national defence strategies. State ownership is common in the defence industry and in many cases exports of defence materiel constitute a foreign policy and security policy tool. The political and regulatory aspects impose restrictions on the industry, among others, in the form of export controls,⁷⁾ but can also assist with financ-

ing of development and export support where complex defence orders are often developed together with the defence authorities, which in such cases are responsible for a large part of the development costs. In order to share the development costs in respect of such defence orders, it is often in the interests of a country that other countries also purchase the systems and the products, and thus politicians often participate in marketing and work politically vis-à-vis other countries. Several complex products and systems are developed together with defence companies from other countries, with the support of those countries' public authorities, where the countries' armed forces have a shared interest in possessing the products and thereby also in sharing the development costs.

Many products, as well as related industrial and technical expertise, are classified as "material national security interests", entailing that the products are prioritised by political decision-makers and that, in certain cases, ordinary procurement rules are not applicable. Such products are maintained and developed within the scope of national provisions to ensure that development expertise and control over critical technologies are kept within the country. Some of Saab's products – for example the A26 submarine, the Gripen fighter aircraft system, critical parts of combat management systems and sensors as well as underwater weapons – constitute Swedish security interests.

Defence companies have traditionally had a strong domestic market since their role, besides being for-profit companies, is to secure the national supply of materiel. This has also meant that many defence companies have a broad portfolio in order to meet the many and differing needs of their home country. The size of the domestic market is of importance for the size of defence companies, as is evident when U.S. companies such as Lockheed Martin and Boeing or the British company BAE Systems are compared with Saab.

The defence market is primarily driven by countries' total defence budgets. Global total defence expenditures increased for the fourth consecutive year in 2017 and amounted to USD 1.7 trillion, corresponding to 2.1 per cent of global GDP. Total global defence expenditures are expected to grow by approximately 1.8 per cent annually between 2018 and 2022. Defence expenditures can be broken down based on region or defence branch. The largest region is North America, which accounts for 39 per cent of total global defence expenditures. In 2017, the United States continued to have the world's highest defence expenditures (USD 657 billion), while China had the second highest (USD 202 billion). They were followed by India, the United Kingdom, France, Saudi Arabia and Russia as the countries with the highest defence expenditures in the world in 2017.⁸⁾ The largest and most important defence branches globally are land-based defence, naval and aviation. Land-based defence accounted for 37 per cent worldwide defence expenditures in 2017, aviation and naval accounted for 26 per cent and 22 per cent, respectively, while other expenditures accounted for 15 per cent and included non-operational branches such as hospitals, pensions and other institutions.⁹⁾

2) An actuator is a device which is used to directly affect the function of technical equipment. It converts a signal into a mechanical movement.

3) Strategic Defence Intelligence (2018). *The Global Commercial Aircraft Market 2018–2028*. (Report GD-DF0151SR).

4) Marketsandmarkets (2017). *Air Traffic Control (ATC) Market by Airspace (ATCSCC, ARTCC, TRACON, ATCT, FSS), Application (Communication, Navigation, Surveillance, Automation), Sector (Commercial, Defense), Investment Type, System, and Region – Global Forecast to 2022* (Report AS 3053) and Marketsandmarkets (2018). *Vessel Traffic Management Market by Component (Equipment, Solution, Service), Investment (Brownfield, Greenfield), Systems (PMIS, RIS, GMDSS, Aton Management & Health Monitoring Systems), End User (Commercial, Defense), Component, Region – Global Forecast to 2023*. (Report AS 6043).

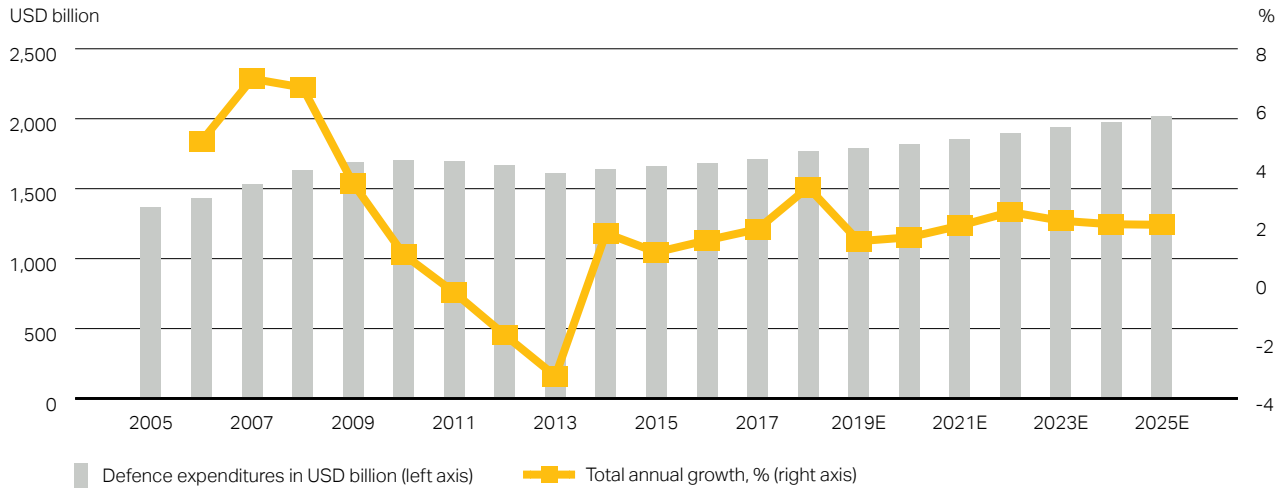
5) Facilities and systems that are necessary for maintaining central societal functions, health, security, protection and human welfare.

6) Marketsandmarkets (2017). *Critical Infrastructure Protection Market by Security Technology (Network Security, Physical Security, Radars, CBRNE, Vehicle Identification, Secure Communication, SCADA, Building Management), Service, Vertical, and Region – Global Forecast to 2022*. (Report TC 3249).

7) In Sweden, exports of defence materiel are regulated by ISP; see also "Sweden" under "Geographic markets" below.

8) IHS Markit, Jane's Defence Budgets (2018).

Global defence expenditures (USD billion)

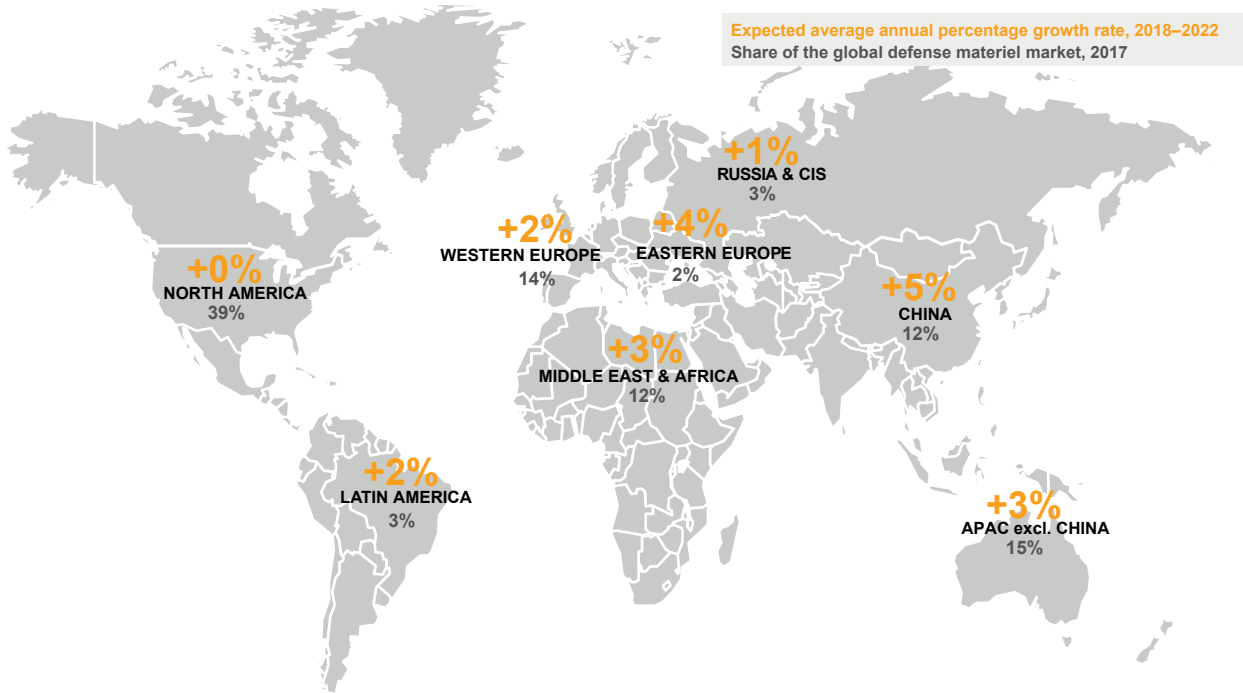


Source: IHS Markit, Jane's Defence Budgets (2018).

Defence budgets globally declined somewhat during 2010 to 2013 but have increased since 2014. Defence budgets on the traditionally large markets in North America and Europe declined during 2011 to 2015, while defence budgets have seen stable increases on the emerging markets of Latin America, the Middle East and Asia. In addition to major U.S. and European companies, competition on the defence market is also characterised by Russian, Israeli and Chinese defence companies. Several countries in, for example, Asia, the Middle East and Latin America have ambitions to strengthen their national independence and become more self-sufficient in defence materiel, which favours the domestic industries. Many countries also

require more established defence companies to enter into various types of partnership, collaborations and technology transfers to their domestic industry. Alliances and collaborations are also common in the defence industry and many companies manufacture everything ranging from individual components to platforms on behalf of third parties and, in addition, integrate third-party systems in their own systems. Consequently, companies that compete in one area may be collaboration partners, customers or suppliers in other areas.⁹⁾

Expected average annual percentage growth rate 2018–2022 and share of the global defence materiel market in 2017



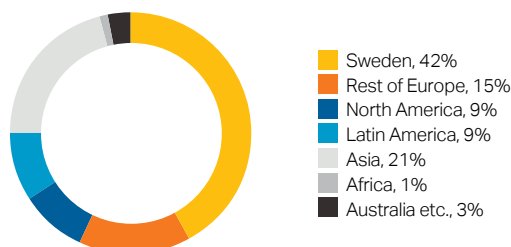
Source: IHS Markit, Jane's Defence Budgets (2018).

9) IHS Markit, Jane's Defence Budgets (2018).

Geographic markets

Saab supplies its products and solutions globally. Sweden is Saab's largest individual market, but the Group also has significant sales in Asia and the Pacific region (particularly in Australia). In addition, the Group has sales in the rest of Europe, Latin America, North America and Africa.

Saab's sales by region (2017)

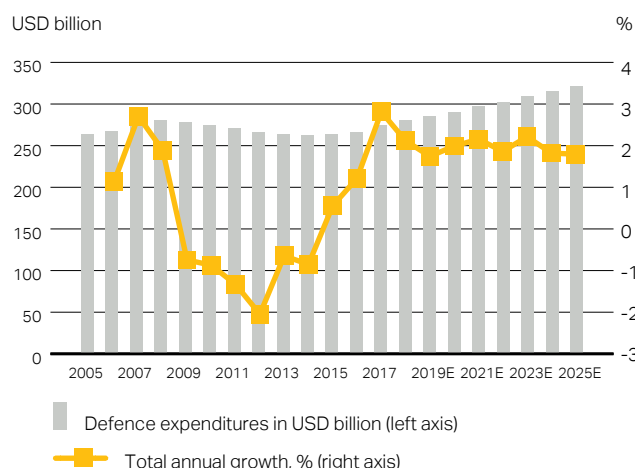


Source: Saab's annual report and consolidated financial statements for 2017. See also "Sales by region" in "Selected historical financial information".

Europe

The European defence market is affected by, among others, Russia's military build-up. This factor, together with the challenges that societies in Europe are facing from, among other things, terrorism, has resulted in increased defence budgets in the area. In 2017 total defence expenditures in Europe amounted to USD 274 billion. Defence budgets declined on average by 1 per cent annually during the period 2009 to 2015, when several EU states had constrained government budgets. Expenditures have increased once again since 2015, in part due to a more uncertain geopolitical climate and, in several countries, in order to fulfil the NATO obligation to allocate at least 2 per cent of GDP to defence.¹⁰⁾

Defence expenditures in Europe (USD billion)



Source: IHS Markit, Jane's Defence Budgets (2018).

Western and Eastern Europe

Defence expenditures in 2017 in Western Europe¹¹⁾ amounted to USD 242 billion and, in Eastern Europe,¹²⁾ to USD 32 billion. During 2018 to 2022, defence expenditures in Western Europe are expected to grow by approximately 1.6 per cent annually, i.e., in pace with GDP growth, while defence expenditures in Eastern Europe are expected to grow by 4.4 per cent annually.¹⁰⁾

10) IHS Markit, Jane's Defence Budgets (2018).

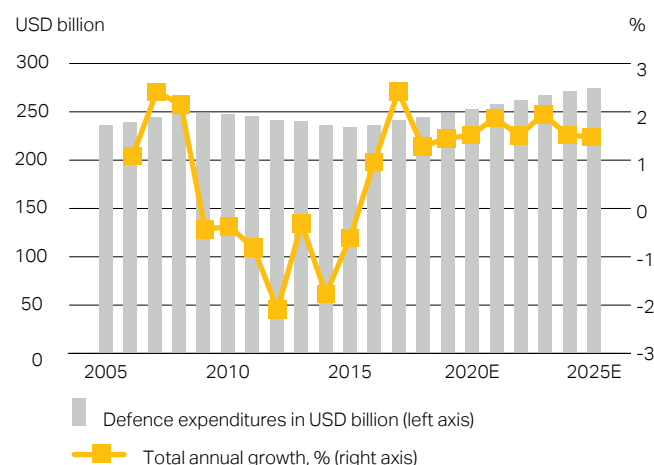
11) Western Europe includes Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom.

12) Eastern Europe includes Bulgaria, Croatia, the Czech Republic, Estonia, Greece, Hungary, Latvia, Lithuania, Poland, Romania, Serbia, Slovakia, Slovenia and Ukraine.

The United Kingdom has the largest defence budget in Europe (USD 58 billion in 2017), corresponding to 2.1 per cent of the country's GDP and approximately 24 per cent of total defence expenditures in Western Europe. France has Europe's next largest defence budget (USD 53 billion in 2017), corresponding to 2.0 per cent of the country's GDP. The domestic terrorist attacks in France during 2015 to 2017 led to revisions of earlier defence plans and budgets and President Emmanuel Macron has expressed his support for increasing defence expenditures up to 2 per cent of the country's GDP.¹⁰⁾

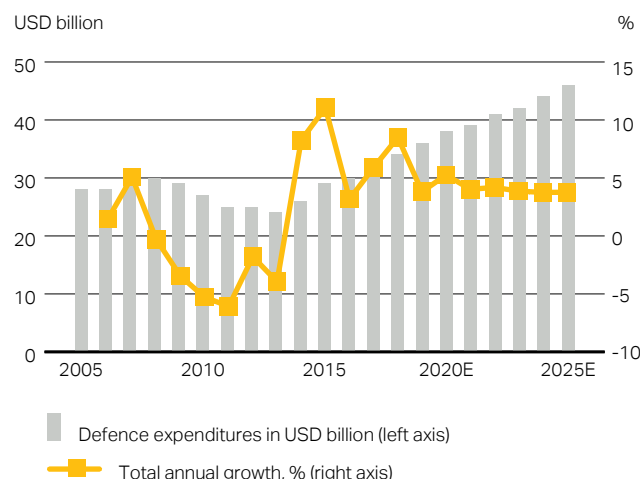
The need for modernisation of material and NATO undertakings (including the undertaking to spend 2 per cent of GDP on defence) are driving market growth in Eastern Europe. Poland accounts for the largest share of defence expenditures in Eastern Europe, with a budget of USD 10 billion in 2017, corresponding to 1.9 per cent of the country's GDP and 38 per cent of defence expenditures in the region.¹⁰⁾

Defence expenditures in Western Europe (USD billion)



Source: IHS Markit, Jane's Defence Budgets (2018).

Defence expenditures in Eastern Europe (USD billion)



Source: IHS Markit, Jane's Defence Budgets (2018).

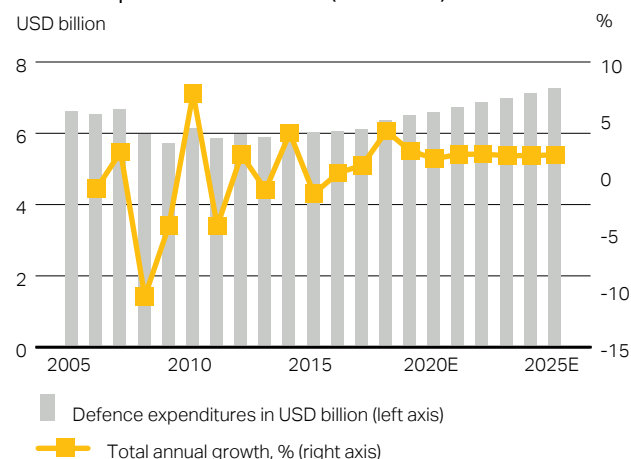
Sweden

The development of Sweden's modern defence industry began during the inter-war period when the goal was to remain politically independent and self-sufficient with regard to defence materiel. This desire led to the development of a large domestic defence industry which has largely been maintained, and the development of, among others, fighter aircraft systems, submarines, anti-ship missiles and torpedoes. There is an increased element of international collaboration, for example with respect to the Meteor and IRIS-T missile systems, which have been developed together with a number of European countries. Sweden has been, and currently still is, Saab's individual largest market. Good relations with Swedish decision-makers, civil and military customers and public authorities are thus important for the Group. Sweden accounted for 42 per cent of Saab's sales in 2017.

Swedish defence expenditures in the coming years are expected to increase in pace with GDP. Sweden's defence expenditures amounted to approximately 1.1 per cent of the country's GDP in 2017, corresponding to USD 6 billion, and are expected to increase by approximately 1.9 per cent annually during 2018 to 2022.¹³⁾

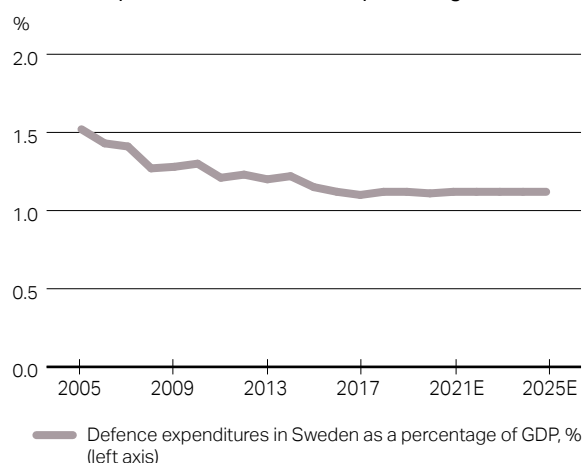
In Sweden, ISP is responsible for export controls of defence materiel. ISP's task is to assess applications regarding manufacture, supply, export and collaborations with parties outside Sweden. Defence materiel includes, among others, weapons, ammunition, surveillance and measurement equipment, protection materiel, military training, technical assistance or other products developed for military use. The guidelines governing Swedish weapons exports prescribe that there must be security policy or defence policy reasons for the export and that it may not run counter to Swedish foreign policy. In conjunction with ISP's assessment, in addition to Swedish guidelines consideration must also be given to the EU's common positions and the UN Arms Trade Treaty; see further under "Regulatory overview" in "Business description". These rules apply to all exports of defence materiel from Sweden, irrespective of order size or recipient country.

Defence expenditures in Sweden (USD billion)



Source: IHS Markit, Jane's Defence Budgets (2018).

Defence expenditures in Sweden (as percentage of GDP)



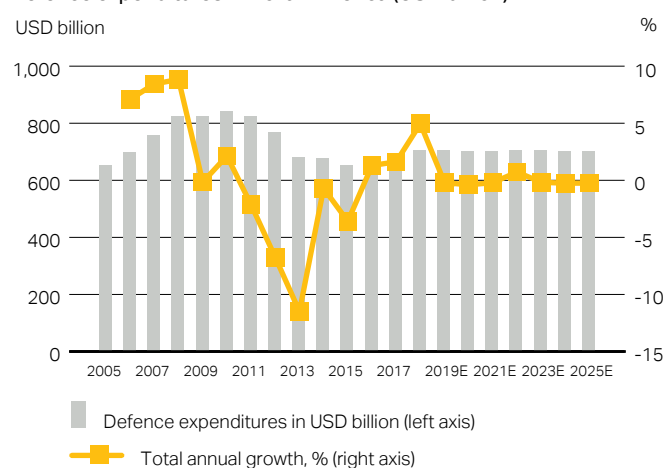
Source: IHS Markit, Jane's Defence Budgets (2018).

North America

North America has the highest defence expenditures in the world. Expenditures in the region amounted to USD 673 billion in 2017, of which the United States accounted for 98 per cent; this corresponds to 39 per cent of total global defence expenditures. Defence budgets in the region are expected to increase by 5.0 per cent in 2018, and will thereafter remain at the 2018 level for the next 10 years.¹³⁾

In North America, investments in 2017 increased in the construction of ships, missiles as well as ammunition and space-based systems, while investments in aircraft and missile defence systems declined.¹³⁾

Defence expenditures in North America (USD billion)



Source: IHS Markit, Jane's Defence Budgets (2018).

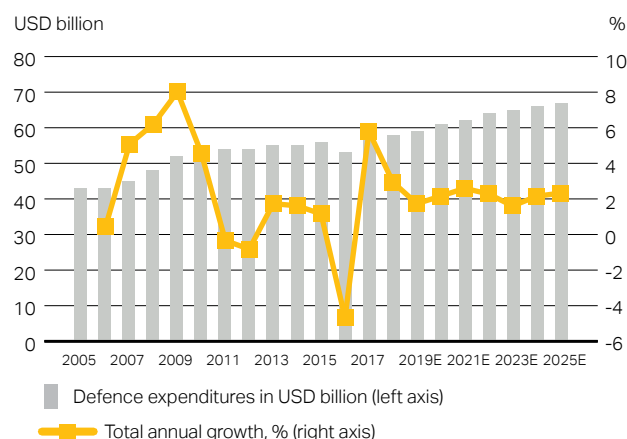
13) IHS Markit, Jane's Defence Budgets (2018).

Latin America

Defence expenditures have increased in Latin America in recent years. In 2017, expenditures amounted to USD 57 billion and they are expected to increase by 2.2 per cent annually during the period 2018 to 2022. Brazil accounts for approximately one half of the region's defence expenditures (approximately USD 29 billion in 2017, corresponding to 1.4 per cent of the country's GDP), and it has a long-term ambition and resources to develop a diversified aviation and defence industry. Argentina had the next largest defence budget (approximately USD 6 billion in 2017, corresponding to 1.0 per cent of the country's GDP), and accounted for approximately 10 per cent of the total defence expenditures in the region in 2017.¹⁴⁾

In 2017, 72 per cent of total defence expenditures in Latin America comprised costs for military personnel, while only 13 per cent comprised the acquisition of materiel. The army, navy and air force accounted for 42 per cent, 22 per cent and 19 per cent of defence expenditures in the region, respectively.¹⁴⁾

Defence expenditures in Latin America (USD billion)



Source: IHS Markit, Jane's Defence Budgets (2018).

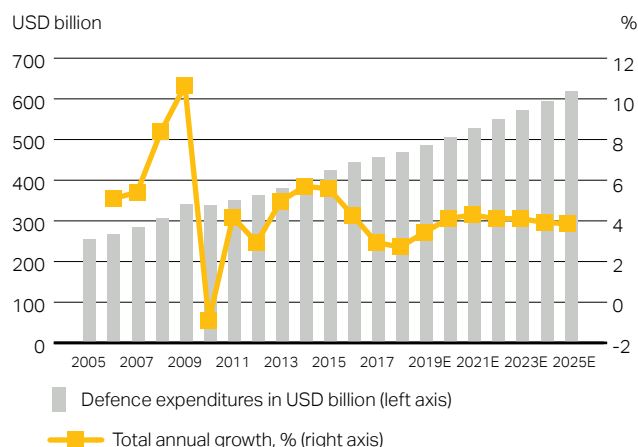
Asia and the Pacific region

Defence expenditures in Asia and the Pacific region amounted to USD 456 billion in 2017, corresponding to approximately 27 per cent of the world's total defence expenditures. Excluding China, the Asia and Pacific region accounts for approximately 12 per cent of global expenditures. China alone accounts for almost one half of the region's defence expenditures (approximately USD 202 billion in 2017, corresponding to 1.7 per cent of the country's GDP), and thereby has the second largest defence expenditures in the world. China's defence expenditures are expected to increase by 5 per cent annually during the period 2018 to 2022. The country's favourable economic development over time has also contributed to a large and growing domestic defence industry. Among other things, China is a major weapons exporter.¹⁴⁾

Modernisation of the military is driving market growth in the region. Defence expenditures increased in 2017 by 3.0 per cent and are expected to continue to increase by 4.0 per cent annually during the period 2018 to 2022, primarily as a consequence of China's defence investments. Other drivers in the region are both strategic and economic: for example, increased political tensions between East and South Asia, China's growth and the threat scenarios coming from North Korea in recent years.¹⁴⁾

Due to political reasons, the Chinese market for defence materiel, for example, is closed to Saab or other European or U.S. defence companies.

Defence expenditures in Asia and the Pacific region (USD billion)

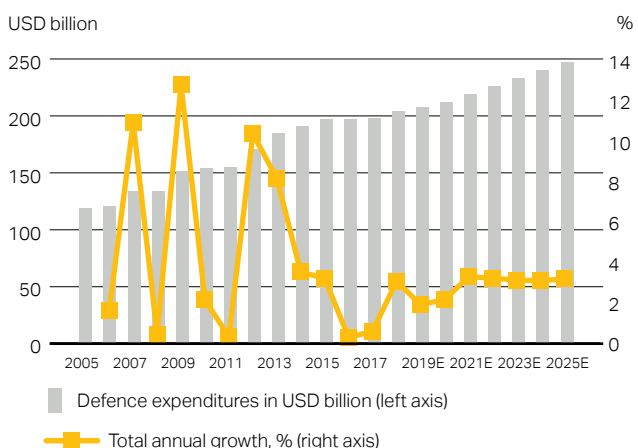


Source: IHS Markit, Jane's Defence Budgets (2018).

The Middle East and Africa

Defence expenditures in the Middle East and Africa amounted to USD 198 billion in 2017. The expenditures are expected to increase by 2.6 per cent annually during the period 2018 to 2022. Saudi Arabia is the largest player in the region (approximately USD 52 billion in 2017, corresponding to 7.6 per cent of the country's GDP) and accounts for approximately 26 per cent of total defence expenditures in the region.¹⁴⁾

Defence expenditures in the Middle East and Africa (USD billion)



Source: IHS Markit, Jane's Defence Budgets (2018).

Russia and the Commonwealth of Independent States

Defence expenditures in Russia and the Commonwealth of Independent States¹⁵⁾ amounted to USD 55 billion in 2017. The expenditures are expected to increase by 0.7 per cent annually during the period 2018 to 2022. Russia is the largest player in the region with a defence budget of approximately USD 51 billion, corresponding to approximately 3.2 per cent of the country's GDP and accounting for approximately 92 per cent of the total defence expenditures. Due to

14) IHS Markit, Jane's Defence Budgets (2018).

15) Apart from Russia, the Commonwealth of Independent States includes Azerbaijan, Kazakhstan, Kirgizstan, Tajikistan, Turkmenistan, Uzbekistan and Belarus.

political reasons, the Russian market for defence materiel is closed to Saab or other European or American defence companies.¹⁶⁾

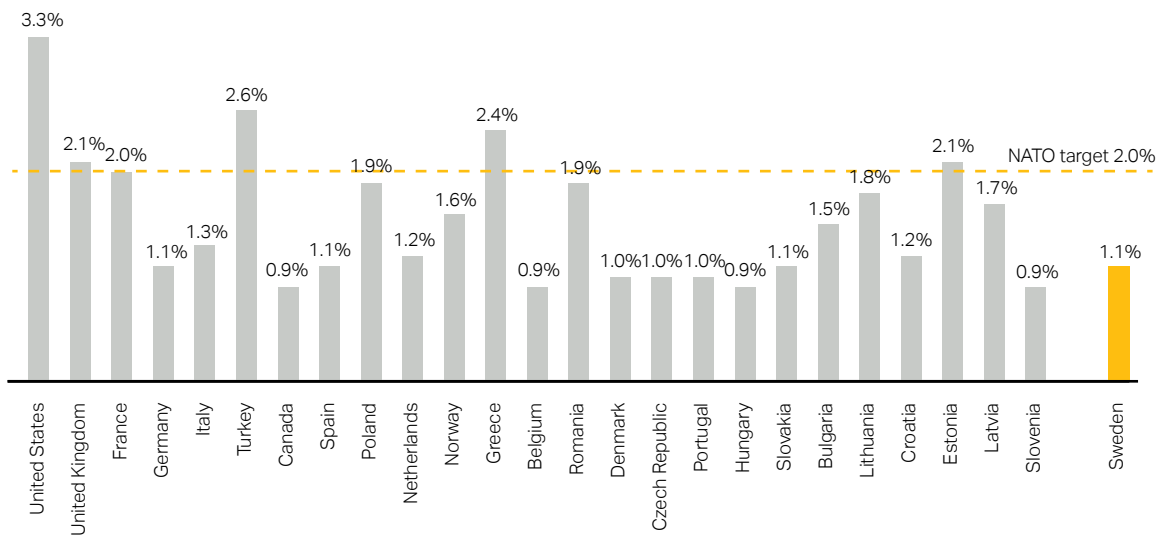
Market trends and growth factors

There are a number of different market trends which affect development within the defence industry. Saab has made an assessment and identified a number of market trends which the Group considers to be influential: changed geopolitical conditions, trends within interoperability and collaborations, technological developments, as well as the build-up of local capability and capacity.

Defence expenditures within NATO

At the NATO meeting in Wales in 2014, it was decided that all member states would have a goal of increasing their defence expenditures towards the guidelines of allocating at least 2 per cent of their GDP to defence by 2024 at the latest. In addition, in order to ensure that NATO members invest in modernisation, a target of all members spending at least 20 per cent of their defence budgets on new equipment, including related research and development, was presented.¹⁶⁾

At the end of 2017, apart from the United States, only four countries had spent more than 2 per cent of their GDP on defence, namely Turkey, Greece, the United Kingdom and Estonia, while France, Poland and Romania have achieved approximately 2 per cent of GDP. The remaining 21 NATO members are below 2 per cent.¹⁶⁾



Defence expenditures within NATO as a percentage of GDP in 2017, sorted based on budget size. Sweden is included as a reference.

Source: IHS Markit, Jane's Defence Budgets (2018). The graphic includes 25 out of a total of 29 NATO member states.

Interoperability and collaborations

While Saab sees a trend towards increased focus on defence of one's own boundaries and territory, it is now also important to have a defence that can act with other armed forces both internationally and nationally. For example, Sweden has signed a host nation support agreement with NATO with the aim of improving the conditions for providing and accepting support in times of crisis and war. Demand is increasing for defence systems that are designed to have the ability to easily function and integrate with the armed forces of other countries. When different defence forces collaborate, development and use of systems must be coordinated and integrated (referred to as interoperability). It is becoming increasingly common for more complex defence products, platforms and systems to be developed in collaboration between a number of companies and countries, to share development costs and ensure interoperability among other things. The development of international collaborations imposes requirements for open, cost-effective and intelligent systems that can be coordinated and integrated in other systems. Saab's systems and solutions are characterised by a high degree of interoperability and systems integration, which constitute Saab's core expertise, and

Geopolitical conditions

In recent years, the geopolitical situation in the world has deteriorated, which has caused a number of countries to review their defence capability, both internally and in collaboration with other countries. The European defence market is affected by, among others, Russia's military build-up and intensified discussions within NATO regarding fulfilment of the obligation to spend 2 per cent of GDP on defence. This, together with the fact that several countries have been subjected to terrorism, has resulted in increased defence budgets in the area.

development has taken place in cooperation with several different customers.

Cost-effective products and systems

The need for modernised and new defence materiel is increasing while defence appropriations are limited. This factor is driving demand for advanced products with lower purchasing prices and which are cost-effective to use and maintain. Meanwhile, there is increasing demand for reducing lead times to develop and launch advanced products and systems. Saab has always needed to weave in cost efficiency as a parameter, as early as, when the product or system is created, since the development has often been directed towards Sweden, which has a limited defence budget. As a result of the foregoing, for many years, Saab has been offering multifunctional and cost-effective products and systems that are developed to resolve different tasks.

Technological development

Information and communications technology permeates all dimensions of society today. Processes and products on different

¹⁶⁾ IHS Markit, Jane's Defence Budgets (2018).

levels in society are digitalised and are becoming connected to an ever greater degree, which increases vulnerability. It is an absolute necessity to ensure robustness and security in all systems. The rapid technological development is also changing conditions for both development of capabilities as well as planning and acquisition processes for the defence industry and commercial industries, and is imposing requirements for shorter decision and development cycles as well as efficient deliveries. Systems integration and creating security and robustness in systems constitute Saab's core expertise. Saab reinvests a large portion of sales in research and development where a continuous, close dialogue with customers, collaboration partners and universities allows technological development to be driven forward within prioritised areas.

Local capability and capacity

An increasing number of countries are imposing requirements for industrial collaboration in connection with purchases of defence materiel. Such collaboration may involve technology and skills transfers, research collaboration or contributing to the development of local industry and production capability. Such collaborations are aimed at developing the national capability to maintain and expand defence systems. This requires, to an ever increasing degree, local presence for defence companies and an ability to meet demands for collaboration and technology transfers. In recent years, Saab has strengthened its local presence on selected markets and Saab's products and systems are characterised by a high degree of interoperability and systems integration, which provides good capability to meet these demands. Furthermore, by having employees *in situ* on the local market, Saab obtains greater knowledge as to how the market and the local procurement procedures function.

Value chain and competition landscape

Products and systems on the defence market are characterised by a varying degree of complexity and volume, from products with low complexity and a high degree of repetition that are manufactured in long series, such as ammunition, to products and systems of high complexity and relatively low volumes, such as fighter planes, submarines and combat management systems.

The value chain in the defence industry



Dimensions of the defence market

Platform and systems supplier

The value chain for large, complex products, platforms and systems within the defence market consists primarily of a number of sub-contractors of subsystems and components to a main supplier who manufactures, delivers and is responsible for the end product to the end customers. The main supplier or platform supplier is the primary player in the value chain; this is often a defence company which has direct contracts with customers for the delivery of complete products and systems. Suppliers of complex systems and products are often well-established, large multinational companies which are diversified in terms of products and geographic presence and have close business relations with countries' defence procurement authorities. This industry is characterised by high barriers to entry as well as some economies of scale. Defence companies often offer comprehensive solutions that normally include training, maintenance, support and service, with the aim of maintaining functionality and cost effectiveness over the entire life-cycle of the product. Deliveries can take place over several years after the development period. These systems are configured and developed based on the customer's specific needs, and thus there is often a large portion of customer-financed development. In addition, complex defence orders often include elements of industrial collaboration. This has been prominent in both the United States and Europe in the form of collaboration projects, joint ventures and corporate acquisitions. Examples include Eurofighter Typhoon, MBDA Meteor Missile system and NH Industries Helicopters.

Examples of complex products and systems by Saab include the Gripen fighter aircraft system, the A26 submarine system, the Visby-class corvette, the Erieye and GlobalEye airborne surveillance systems and the combat management system 9LV.

The main methods used in conjunction with public procurement of complex defence products are 'cost-plus' and 'fixed-price'. In the cost-plus method, open accounting is prepared to enable the buyer, for example the party procuring defence materiel, to verify and monitor the suppliers' performance relative to set goals. The suppliers receive a fixed, predetermined margin on different types of expenses. According to this procurement method, the customer bears the risk if greater costs arise than were initially assumed, while the supplier has a fixed but limited profit margin. Over time, this procurement method has become less common, to the advantage of procurements with a larger fixed-price element. 'Fixed-price' transfers larger parts of the risk to the suppliers; this enables the suppliers to receive higher margins by retaining any surplus from achieved cost savings. However, the suppliers bear the risk of the project not being as profitable as estimated if the costs become higher than planned. The potential profits which the suppliers can generate are higher with this model than with cost-plus, while the risk of loss may be high. Contracts often contain an element of both types of procurement method with incentives where the supplier is entitled to higher profit margins if the project is completed on time and at a lower cost than planned.

Product and subsystem suppliers

Saab also acts as a subcontractor supplying products and subsystems to platform suppliers and suppliers of complex defence products who have the main contact with the end customer. The relationship between a main supplier and subcontractor is usually a commercial business-to-business relationship with private procurements and purchase contracts where the main supplier is able to choose between different subcontractors. However, in certain cases defence authorities may determine which specific subsystems must be included in various complex defence products such as vessels and aircraft. For example, Saab Australia has been identified by the

Australian Government to provide a tactical management system (9LV) for the Australian Navy's nine new frigates and for future classes of vessels.

It is common on the market for players to act as both subcontractors to, and main suppliers of, complex systems. Several of Saab systems, such as combat management systems, are platform-independent and can be integrated with both Saab's products and systems and those of other companies. A reason for choosing to be a subcontractor in certain cases, and not to compete as main supplier, may be that the cost or other market conditions make this into an effective strategy for having a presence in a particular market. Saab is, for example, a subcontractor to other companies as regards various combat management systems, such as 9LV and radar systems, and one or more of Saab's business areas are subcontractors via internal sales to other business areas within the Group.

In addition, direct procurement of products often take place from customers related to products and systems of lesser complexity. This is the case, for example, with ammunition and other explosive products, components as well as camouflage system. Consulting and support services as well as various solutions for training for armies, navies and air forces are also often sold directly to end customers. Some products and services are delivered on the same day as the order is received, while others have a lead time of more than one year. Such products and services are often sold at a predetermined price and comprise a low portion of customer-financed development compared with complex products and systems.

After sales and support

Maintenance, support and training provided by the main supplier during a limited period of time are often included in conjunction with sales of large, complex products, platforms and systems. The end customers may also choose to supplement with maintenance, support and training as well as spare parts in addition to that which is included; these are then sold as a separate engagement. Such services can also be purchased separately from suppliers other than the main supplier.

Competitors

The Group considers its most important competitors on the defence market to be, among others, Lockheed Martin, Boeing, Raytheon, Northrop Grumman, Airbus, Dassault Aviation, Leonardo, Thales, MBDA, Diehl, Atlas Elektronik, Kongsberg, Naval Group, Navantia and ThyssenKrupp Marine Systems. In addition to U.S. and European companies, Saab also competes with a number of Russian, Chinese and Israeli companies that operate on the defence market.

Introduction to commercial markets

The commercial markets on which Saab offers systems and products are primarily *aviation, infrastructure security and air and maritime traffic management, technical consulting services and underwater vehicles*. The commercial markets accounted for 16 per cent of Saab's sales in 2017. The markets are diversified in terms of character, comprise different competitors and customers, and are driven by different market trends. Saab has identified a number of market trends which the Group considers to be influential within the respective market segments.

Aviation

The market for commercial aircrafts, where Saab is, among others, a subcontractor supplying structural parts such as doors as well as avionics, is dominated by the two global aircraft manufacturers, Airbus and Boeing. In addition, there are several smaller aircraft manufacturers, such as Embraer and Bombardier. The global market for commercial aircrafts is estimated to amount to approximately USD 191 billion in 2018 and is expected to grow by approximately 3 per cent annually up to 2028.¹⁷⁾

The aircraft market is characterised by a small number of main suppliers, primarily Airbus and Boeing, who manufacture finished aircraft with the help of a large number of subcontractors. There is strong competition among subcontractors since there often are many companies who can manufacture subsystems, while there are only a few buyers with strong negotiating positions. Saab's assessment is that the primary competitors within design and production of aircraft structural parts and subsystems include, in addition to Airbus and Boeing's own production, Spirit AeroSystems, Triumph Group and GKN Aerospace. The primary competitors within avionics are Thales and Rockwell Collins.

Market trends and growth factors

Commercial aviation is growing globally, both in the form of business travel and tourism, and primarily on emerging markets where economic growth and a growing population are the primary drivers. Falling ticket prices are contributing to a larger portion of the population being able to afford to fly nowadays. In addition, goods are increasingly being transported internationally, which in part can be explained by the growth of e-commerce but also by positive economic growth in developing countries. This is leading to increased demand for aircraft and thereby systems and components.

Demand for energy and fuel efficient aircraft is increasing due to higher fuel prices, increased environmental awareness as well as more stringent environmental requirements. In order to reduce emissions, airlines are investing in new aircrafts with new technology which meets the customers' demands for performance and comfort and fulfil new environmental requirements. This, in turn, is leading to increased demand for more efficient components and systems from subcontractors.

Infrastructure security and air and maritime traffic management

Saab is a supplier of traffic management systems for airports, ports and public transport as well as security systems for protecting and enhancing the efficiency of critical infrastructure for, e.g. the police, prisons and transportation. The markets for air and maritime traffic management systems, as well as security systems for critical infrastructure,¹⁸⁾ are cyclical and depend on the general economic climate. These markets are generally also affected by the trend towards increased automation. Developing regions such as Latin America and Southeast Asia are considered to account for the greatest market growth, since increased traffic volumes and complexity in these regions are creating the need for new systems. A large number of players have ambitions to modernise their systems and thereby implement new technology. The global market for air and maritime traffic management systems amounted to approximately USD 33 billion in 2017, and is estimated to grow by approximately 12 per cent annually up to 2022¹⁹⁾ The market for security systems for critical infrastructure amounted to approximately USD 110 billion in 2017,

17) Strategic Defence Intelligence (2018). *The Global Commercial Aircraft Market 2018–2028*. (Report GD-DF0151SR).

18) Facilities and systems that are necessary for maintaining central societal functions, health, security, protection and human welfare.

19) Marketsandmarkets (2017). *Air Traffic Control (ATC) Market by Airspace (ATCSCC, ARTCC, TRACON, ATCT, FSS), Application (Communication, Navigation, Surveillance, Automation), Sector (Commercial, Defense), Investment Type, System, and Region – Global Forecast to 2022* (Report AS 3053) and Marketsandmarkets (2018). *Vessel Traffic Management Market by Component (Equipment, Solution, Service), Investment (Brownfield, Greenfield), Systems (PMIS, RIS, GMDSS, Aton Management & Health Monitoring Systems), End User (Commercial, Defense), Component, Region – Global Forecast to 2023*. (Report AS 6043).

and is expected to grow by approximately 7 per cent annually up to 2022.²⁰⁾

The customers within these markets differ in terms of size and experience of procuring complex systems and products. In conjunction with purchases of traffic management systems, the customers are often public authorities, major airports, airlines and ports which are accustomed to procuring complex systems. Procurement and marketing needs may differ significantly between different purchasers of security systems, who may range from major public authorities or private parties to smaller regional players, where local presence is important for the seller. In Saab's opinion, its primary competitors on these markets include Indra, Terma, Frequentis, Thales, Kongsberg and Signalis.

Market trends and growth factors

Saab believes that the most important market trends and primary reasons for growth in the markets for traffic management systems and security systems for critical infrastructure are increased automation, digitalisation, modernisation of systems, focus on cyber security as well as increased flows.

Security systems for critical infrastructure

The market for security systems for critical infrastructure is growing strongly through the increased need to protect critical assets, operations and areas from physical attack and cyber threats. Stricter regulations from public authorities and increased capability requirements are also driving the need for increased technological capability and modernisation of existing systems.

Air traffic management

Within the air traffic management market, the trends include modernisation and digitalisation of existing infrastructure to meet growth in the aviation industry, harmonisation and development of systems to increase efficiency, as well as investments in solutions to increase security and meet more exacting environmental requirements.

Maritime traffic management

Within the maritime traffic management market, there is a growing trend to integrate and harmonise systems. The increasingly dense traffic in ports, larger vessels and digitalisation, are driving new applications and integrated solutions. A growing market in Asia is leading to the expansion of ports, new construction of ports and increased focus from public authorities on coastal and port security. There is also a clear trend that systems for monitoring flows are increasing in pace with the increased need for transportation.

Technical consulting services

Through its independent subsidiary Combitech, Saab is a consultant to customers within the manufacturing industry, the service sector, defence and public authorities in Sweden, Norway, Finland and Denmark as well as to Saab's various business areas. Combitech has a broad service portfolio with an offering which includes information security, systems integration, communication, mechanics, systems security, systems development, technical product information and logistics. Historically, approximately one half of Combitech's revenues derive from Saab. In addition, Combitech has cutting-edge expertise within cyber security and digitalisation.

The long-term demand is deemed to remain strong on the market for technical consulting services, which is driven by an accelerating digital transformation, digital content in products and services and entirely new areas of use for technology in business processes. Most industrial companies are nowadays encountering increasingly intense global competition, with exacting demands for innovative and profitable solutions and where processes and production are rendered more efficient at the same time as new products are developed. The market for technical consultants is relatively fragmented with a large number of international and domestic major players as well as a large number of smaller niche players. Saab considers its major competitors in the Nordic region to be ÅF, HiQ, Acando, Semcon and KnowIT.

Market trends and growth factors

Presented below is a description of what Saab considers to be the primary reasons for growth in the technical consulting services market and the most important trends on the market.

The general market trends that affect Combitech comprise, among others:

- Industry 4.0 – Increased digitalisation within manufacturing industry and specific autonomous systems.²¹⁾
- Cyber Security – Increased digitalisation generates increased security requirements.²²⁾
- Internet of Things – The connected society with an estimated 26 billion connected units in 2020.²³⁾
- Increased threat scenario – Increased need for technical development to support defence and civil society.

An increasingly complex world

Companies' products and solutions have become increasingly complex as digitalisation and the possibilities to compile and process data have increased. In addition to new digital and technical needs, the digital transformation entails challenges for companies in terms of adapting to the increasingly rapid pace of change. Meanwhile, digitalisation is giving rise to increased exposure to cyber threats, and thus entails increased demands regarding cyber security. Companies are therefore seeking collaborations with suppliers of technical consulting services that possess the technical expertise as well as specialist expertise in order to carry out turnkey projects.

Combitech's market offering comprises advanced technical know-how and product development, combined with advice and leadership in digital transformation, which facilitates turnkey solutions aimed at meeting industrial companies' future needs in regards to everything ranging from management and strategy issues to specific technical solutions. One example of the digital transformation is the newly initiated project for digital mines of the future, where Combitech is responsible for the digital leadership together with LKAB, Epiroc, Volvo and ABB.²⁴⁾

20) Marketsandmarkets (2017), *Critical Infrastructure Protection Market by Security Technology (Network Security, Physical Security, Radars, CBRNE, Vehicle Identification, Secure Communication, SCADA, Building Management), Service, Vertical, and Region - Global Forecast to 2022*. (Report TC 3249).

21) PWC (2015), *Smart industry – Industrial internet creates possibilities for manufacturing companies*. Report. www.pwc.se/sv/pdf-reports/den-smarta-industrin.pdf. Published 9 September 2015.

22) PWC Finansdagen 2015 and market analysis conducted at Combitech 2015.

23) Gartner (2017), *Leading the IoT: Gartner Insights on How to lead in a Connected World* (2017). www.gartner.com/imagesrv/books/iot/iotEbook_digital.pdf.

24) LKAB (2018), *New global standard for sustainable mining*, Press release, 27 June 2018.



Gripen with next-generation anti-ship missile.

Business description

Overview

Saab develops and manufactures high-technology products and provides services in defence, aviation and civil security. Saab's products are sold to over 100 countries and today the Group has operations in more than 35 countries. Saab's head office is located in Stockholm with facilities around the world. Saab's largest Swedish facilities are in Linköping, Järfälla, Gothenburg, Karlskoga, Arboga, Malmö, Karlskrona and Huskvarna. Saab also has development and production facilities globally, including in the United States, Australia, South Africa, Brazil, the United Kingdom, India, Germany, Finland, Denmark, Switzerland and the Netherlands. Saab generated sales of SEK 31.4 billion in 2017 and had around 16,000 employees at 31 December 2017, approximately 80 per cent of whom were in Sweden.

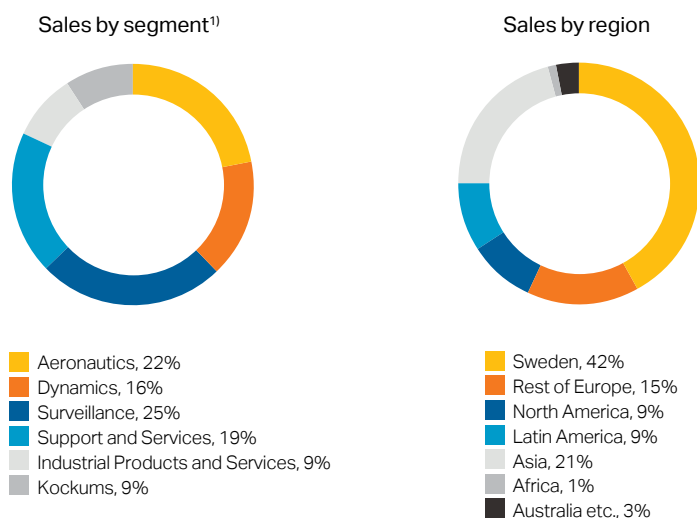
Saab's operations are primarily focused on well-defined areas mainly in defence electronics, missile systems, ground combat weapons, naval systems, and military and commercial aviation. The Group is also active in technical services and maintenance. An important part of Saab's strategy is to stay on the forefront and develop advanced technological solutions that meet the demand for high-technology products with low lifecycle costs, both in terms of procurement and operation. Saab considers many of its products to

be technologically leading, and historically Saab has achieved great success through product development. Successful products include the Carl-Gustaf shoulder fired support weapon, the Giraffe radar system and the Gripen fighter aircraft. Gripen is one of the largest industrial projects ever in Sweden.

Through its historical heritage, Saab has a strong position in its home market, Sweden, and the majority of sales is generated in Europe. In addition, Saab has a local presence in South Africa, Australia, the United States and certain other countries. Products are sold primarily directly to defence authorities, but also to some extent to companies and other authorities. The products range from less complex, serial-produced products to larger customised systems that stretch from research and development to finished product. Defence projects tend to be comprehensive and lead times are long, which can mean that large projects are tendered and continue over extended periods, while recurring product purchases can occur more often and more continuously.

The Group's operations are divided into six business areas that are also reporting segments: *Aeronautics*, *Dynamics*, *Surveillance*, *Support and Services*, *Industrial Products and Services* and *Kockums*.

Percentage of sales 2017 by reporting segment and region



1) Excluding intra-group functions.

Saab's history

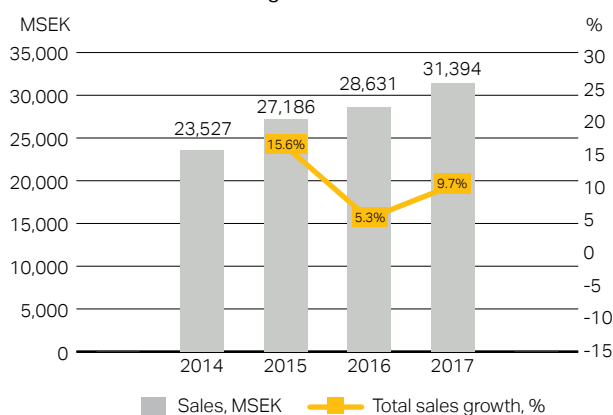
Saab was founded 1937 as Swedish Aeroplan AB but has roots from 1907. The acquired companies Bofors (Celsius) and Kockums have history dating back to the 17th century.

Year	Event
1936	The Swedish Parliament (Sw. <i>Riksdagen</i>) decides in 1936 to make a significant investment in the Swedish Air Force, procuring 297 warplanes and 95 trainer aircraft by 1943.
1937	Svenska Aeroplan AB is founded with its head office in Trollhättan. In March, AB Förenade Flygverkstäder (AFF) is formed on the advice of Swedish state to consolidate the country's aeronautics expertise. The company is divided equally between the competitors AB Svenska Järnvägsverkstädernas Aeroplanavdelning (ASJA) and Svenska Aeroplan AB.
1939	Svenska Aeroplan AB acquires its competitor ASJA and becomes sole owner of AFF, moving the head office to Linköping. World War II breaks out and Saab (Svenska Aeroplan AB) and Bofors play a critical role in equipping the Swedish defence.
1940	Saab's first aircraft, the B17, makes its maiden flight.
1944	Saab is listed on the Stockholm stock exchange Stockholms Fondbörs (today Nasdaq Stockholm).
1945	Maiden flight of the Saab 91 Safir trainer aircraft, which was used by a number of flight schools and air forces.
1948	Maiden flight of the Saab 29 Tunnan, which remained in service by the Swedish Air Force from 1951 to 1972.
1952	Maiden flight of the Saab 32 Lanser, which remained in service by the Swedish Air Force from 1956 to 1997.
1955	Maiden flight of the Saab 35 Draken, which remained in service by the Swedish Air Force from 1960 to 1999.
1965	Name changed to Saab AB.
1967	Maiden flight of the Saab 37 Viggen, which remained in service by the Swedish Air Force until 2005.
1977	First delivery of the Giraffe surveillance radar system to the Swedish Armed Forces.
1988	First test flight of the Saab 39 Gripen.
1990	Aircraft and passenger car manufacturing are separated: General Motors takes over 50 per cent of the new Saab Automobile AB and buys out the rest of the company in 2000.
1991	Investor acquires all the outstanding shares in Saab-Scania and Saab-Scania is delisted from Stockholms Fondbörs.
1993	A Gripen aircraft crashes during an air show in Stockholm. No one is injured and the investigation showed that the control system malfunctioned.
1995	Saab-Scania AB is divided into two separate companies, Saab AB and Scania AB.
1998	Saab is relisted at Stockholms Fondbörs.
2000	Saab and Celsius (including the former Bofors) merge. Bofors is divided up between Saab Dynamics (missiles and ground combat weapons) and BAE Systems Bofors AB (naval weapon systems and ammunition), which becomes part of BAE Systems Inc.
2005	As a result of an agreement signed in 1999 to export Gripen to South Africa, Saab acquires a majority interest in South Africa's Grintek and establishes a presence in the country.
2006	Saab acquires Ericsson Microwave Systems.
2008	Saab Space is sold to RUAG.
2010	Saab launches a new organisation and divides into five business areas.
2011	Saab acquires the U.S. company Sensis, which is active in air traffic management and radar.
2013	The Swedish defence orders the new Gripen E.
2014	Saab acquires Kockums. Saab wins an order for 36 Gripen aircraft to Brazil.
2015	The United Arab Emirates orders the new GlobalEye. The Swedish defence orders the A26 submarine.
2018	Saab and Boeing are selected by the U.S. Air Force to supply the next-generation T-X trainer.

Overview of Saab's historical financial development

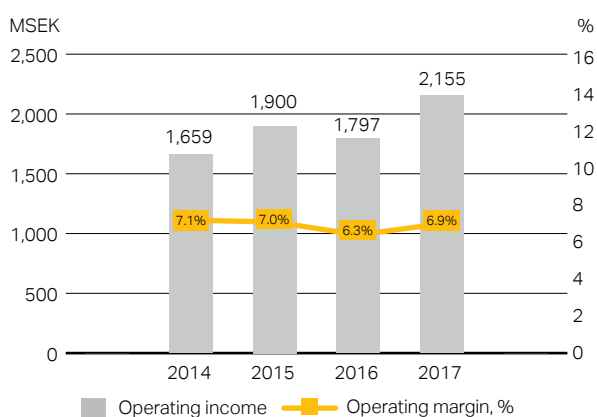
Following is an overview of Saab's sales, total sales growth, operating income and operating margin since 2014. During 2014–2017, Saab reported a compound annual sales growth rate of 10 per cent²⁾ and an average operating margin of 6.8 per cent.

Saab's sales and total sales growth 2014–2017



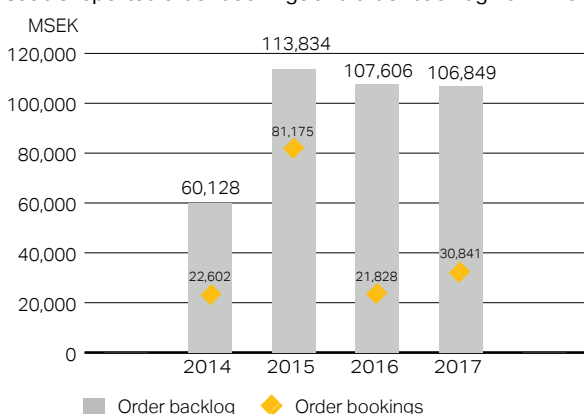
Source: Saab's annual report and consolidated financial statements for each year.

Saab's reported operating income and operating margin 2014–2017³⁾



Source: Saab's annual report and consolidated financial statements for each year.

Saab's reported order bookings and order backlog 2014–2017



Source: Saab's annual report and consolidated financial statements for each year.

Vision, mission and strategy

Saab's business concept

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

Vision, mission and values

Vision

It is a human right to feel safe.

Since Saab was founded, the Group has strived to keep society and people safe. It is a basic human need to feel safe and, as the Group sees it, a human right. Through systems and solutions that increase security, Saab can make this possible.

Mission

To make people safe by pushing mental and technological boundaries.

Saab's mission describes how the Group works to achieve its vision. By improving and updating technological systems and solutions, Saab increases security in society for citizens and for those whose job it is to maintain security. Saab also contributes insight into how threats to our security change and develop innovative new solutions that make society secure.

Core values

At Saab, the Group shares values which are inherited from generation to generation and reflect the company's soul.

- **Trust** – We are global citizens, honest and reliable and we keep our promises.
- **Expertise** – We combine knowledge, skills and constant learning.
- **Drive** – We have a passion for innovation, we are open to change and are committed to being fast and flexible.

2) CAGR based on Saab's sales, that in 2014 totalled MSEK 23,527 and in 2017 totalled MSEK 31,394.

3) Note that the 2017 operating margin adjusted for IFRS 15 was 7.1 per cent. See also "New standards" in "Selected historical financial information".

Strategy

To be able to keep a strong market position meet customers' needs in an optimal way, Saab has a strategy built on three areas: market, performance and innovation.

To achieve the strategic and financial goals that have been set, Saab operates based on defined targets. Saab is working to further strengthen its presence in key markets, develop innovative solutions and acquire companies in priority areas. Internally, efficiency programs are continuously improving productivity. The focus is on continuously developing leaders and employees and creating a culture that enhances and promotes performance, innovation and motivation. Saab's employees drive the business forward, and sustainability affects everything Saab does.

Saab's strategic priorities



Strengths and competitive advantages

Saab is a successful company with a long history of delivering high-quality products and innovative solutions to customers around the world. Saab's strengths and competitive advantages are essentially the reason for the Group's long success, and these strengths and advantages are expected by the Group to help keep Saab on the forefront in the future. Saab has identified a number of main areas, as described below.

Focus on world-leading products

In the defence materiel market, product performance and availability are in focus. Defeating an adversary in the battlefield puts high demands on the products' availability and precision. To gain the trust of customers, Saab has focused through generations of development and with its knowledge of customers' needs on supplying the best possible products in terms of performance and reliability. One example of Saab's prominent export position, which is also a result of this performance focus, is the Carl-Gustaf shoulder fired support weapon, which has been sold to over 40 countries. Others include the Giraffe, Sea Giraffe and Arthur radar systems, which have been sold to more than ten countries, and Barracuda camouflage systems, which have been sold to over 60 countries.

Saab intends to maintain a focus on developing innovative solutions and has a number of ongoing development projects.

Prioritising productive and agile research and development

Saab has a history of time- and cost-effectively developing new products and platforms, thanks to which the Group can stay agile in the market and effectively meet demand for new products. The ability to keep development costs low is appreciated by customers, who often share the financial risk in major development projects. Since large projects can be difficult to survey and potentially risky in terms of both time and cost, Saab can utilise its strength as a reliable partner as a competitive advantage.

Through continuous R&D investment, a long-term view of product lifecycles and qualified employees, Saab has been able to limit development times and costs with kept or increased quality. Saab prioritises modular and flexible products with long lifecycles and invests the necessary resources in R&D and skilled employees to stay at the forefront of technological development.

Prioritising selected markets and building a strong local presence

Through acquisitions and by building up market-oriented operations and various partnerships, Saab is established in selected markets such as Australia, the United States, the United Kingdom and South Africa. Saab also has, through a technology transfer programme for Gripen's development established operations in Brazil. Through the collaboration with Boeing on the T-X trainer and collaboration with Raytheon on guided munition to Carl-Gustaf, Saab has further strengthened its U.S. presence. Saab assesses that a strong local presence and openness to cooperation create better opportunities to offer a combination of products and solutions, both large system and smaller products. These opportunities can in turn provide access to new markets.

Knowledge gained through generations of development and close collaborations

The Group's production is technologically advanced, and the skills of its employees are critically important. Saab as a company has for generations contributed to Sweden's high level of technological expertise through a culture that promotes development and curiosity.

Saab was founded based on the Swedish Parliament's defence decision in 1936, which laid the foundation for Sweden's fighter aircraft development. Throughout Saab's history, the Swedish Armed Forces have been a close partner and played a major role, and in 2017 FMV accounted for 34 per cent of the Group's sales. The strong relationship with the Armed Forces gives Saab good insight and understanding compared to others in the private sector on what systems and products have to be able to handle in Swedish conditions and helps it to continuously stay updated on changes in the market. With cooperative and service agreements, Saab is also present during the product's lifecycle and in this way can also learn of potential improvements.

Competent employees and long-term collaborations with the Swedish Armed Forces have repeatedly proven to be the key to successful system and product development, and Saab will continue to focus on skilled employees and collaborations with other companies and armed forces to improve future products.

Financial targets and dividend policy

Saab's long-term financial targets consist of targets for organic sales growth, operating margin (EBIT) and the equity/assets ratio. The following table shows the financial goals and outcomes for 2017 (2016).

Target	Description	Outcome 2017 (2016)
Organic sales growth	Organic sales growth will average 5 per cent per year over a business cycle	10% (5%)
Operating margin (EBIT)	The operating margin (EBIT) will average at least 10 per cent per year over a business cycle	6.9% (6.3%)
Equity/assets ratio	The equity/assets ratio will exceed 30 per cent	32.2% (32.3%)

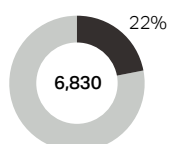
Saab's long-term dividend policy is to distribute 20-40 per cent of net income over a business cycle to the shareholders. For 2017, the dividend was SEK 5.50 per share, corresponding to 42 per cent of net income.

The above financial targets and dividend policy constitute forward-looking statements. Forward-looking statements do not constitute a guarantee of future results or developments and the actual outcomes could differ materially from what is stated in the forward-looking statements. See also "Forward-looking statements" under "Important information".

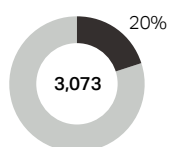
Business areas

Aeronautics

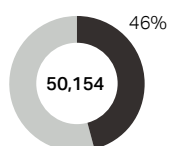
Share of sales 2017 (MSEK)



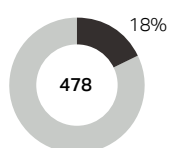
Share of employees 2017 (numbers)



Share of order backlog 2017 (MSEK)⁴⁾



Share of operating income 2017 (MSEK)⁵⁾



Business area Aeronautics manufactures 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.

The Aeronautics area includes Gripen, a flexible combat aircraft system. With its modular design, it can be upgraded and adapted to customers' requirements. The Gripen system is currently in use in, or has been ordered by, seven countries on four continents. The business area also comprises development and production of a new generation trainer aircraft for the U.S. Air Force as part of the T-X programme together with Boeing.

Aeronautics's main competitors are Lockheed Martin, Boeing, Dassault Aviation, Airbus and, in certain markets, Russian and Chinese companies.

Aeronautics includes the business units Gripen E/F, Gripen C/D, Gripen Brazil, Advanced Pilot Training Systems and Operations Contracts.

Examples from Aeronautics's product portfolio



Fighter aircraft system Gripen C



Combat aircraft system Gripen E



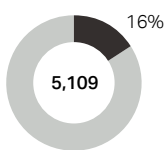
Trainer aircraft T-X

4) Including internal order backlog. Total elimination amount for the Group's order backlog 2017 was MSEK 2,392.

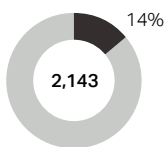
5) Excluding intra-group functions.

Dynamics

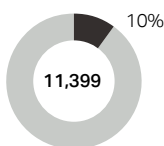
Share of sales 2017 (MSEK)



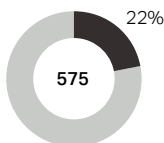
Share of employees 2017 (numbers)



Share of order backlog 2017 (MSEK)⁶⁾



Share of operating income 2017 (MSEK)⁷⁾



Dynamics offers a product portfolio comprising ground combat weapons, missile systems, torpedoes, unmanned underwater vehicles, training systems, signature management systems for armed forces and related niche products for the civil and defence markets such as unmanned underwater vehicles for the offshore industry. The business area's products and solutions have been sold to more than 60 countries around the world.

Dynamics offers systems for ground combat, including the Carl-Gustaf shoulder fired support weapon, the AT4 and NLAW (robot 57) anti-armour weapons, the RBS 56 ant-tank missile and the RBS 70 air defence system. It also offers air-to-surface missiles in the form of the RBS 15. In addition, Dynamics is a partner in international missile programmes such as the air-to-air missiles Meteor and IRIS-T and the surface-to-surface systems Taurus and GLSDB. Underwater systems such as remotely operated and autonomous vehicles, torpedoes, underwater sensors, advanced camouflage systems and army training systems are also sold by Dynamics.

For support weapons, the competitors are Instalaza and Dynamit Nobel Defence. For missile systems, the competitors are MBDA, Raytheon, Diehl, Lockheed Martin, Boeing and Kongsberg. For underwater systems, the competitors are Atlas Elektronik, Leonardo and Thales. For Camouflage systems, the main competitor is Fibrotext, and for training systems, among, others, Cubic, Rheinmetall and RUAG.

Dynamics includes the business units Ground Combat, Missile Systems, Underwater Systems, Training and Simulation and Barracuda.

Examples from Dynamics's product portfolio



Shoulder fired support weapon
Carl-Gustaf



Mobile Camouflage System
Barracuda MCS



Air-to-air-missile IRIS-T



Anti-ship missile solution RBS15 Mk3



Remotely operated vehicles

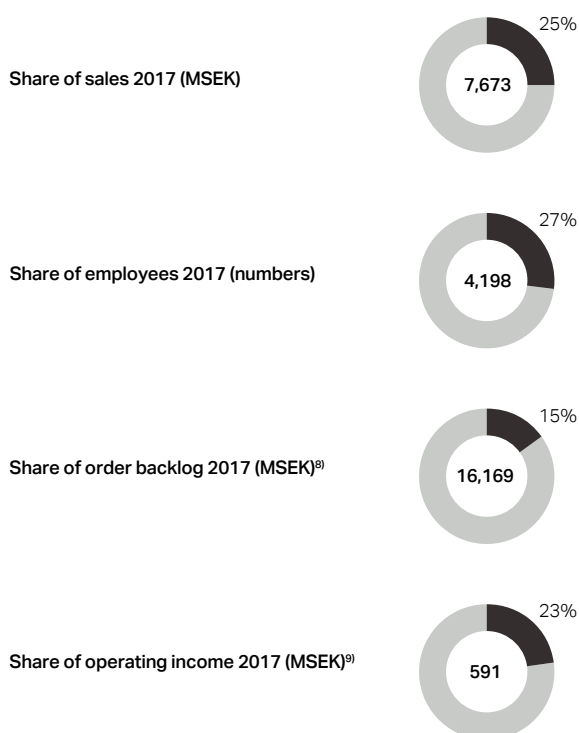


Training systems

6) Including internal order backlog. Total elimination amount for the Group's order backlog 2017 was MSEK 2,392.

7) Excluding intra-group functions.

Surveillance



Surveillance supplies solutions for surveillance and decision support, and for threat detection, location, and protection. The product portfolio covers airborne, ground-based and naval radar, signals intelligence and self-protection systems, and military command and control systems for the navy, air force and army.

Surveillance offers the airborne sensor and surveillance systems GlobalEye and Saab Erieye AEW&C (Airborne Early Warning & Control) for defence and civil security, which have been sold to nine countries on several continents. Surveillance also offers the radar systems Giraffe, Sea Giraffe and Arthur for air and maritime surveillance and weapon locating, which in total have been sold to more than twelve countries, including the United States and the United Kingdom. The product offering also includes naval combat management systems that have been sold to several countries, including Australia, and electronic warfare systems to detect and identify threats for both tactical and strategic applications. Business area Surveillance also comprises self-protection systems that warn of threats and protect aircraft, helicopters, vehicles and vessels as well as nose radar for fighter aircraft, data links, laser rangefinders and cyber security.

The competition in airborne systems includes Boeing and Northrop Grumman. For maritime combat management systems, the main competitors are Thales, Lockheed Martin and Atlas Elektronik. For radar and electronic warfare systems the competitors are Thales, Leonardo, Raytheon, Elta and Indra.

Surveillance includes the business units Airborne Surveillance Systems, Combat Systems and C4I Solutions, Cyber Security, Electronic Warfare Systems and Surface Radar Solutions. The business unit Traffic Management was previously part of Surveillance, but is included as of 2018 in the business area Industrial Products and Services.

Examples from Surveillances's product portfolio



Airborne surveillance system GlobalEye



Surveillance radar system Giraffe AMB



Combat management system 9LV CMS



Countermeasure dispenser BOL

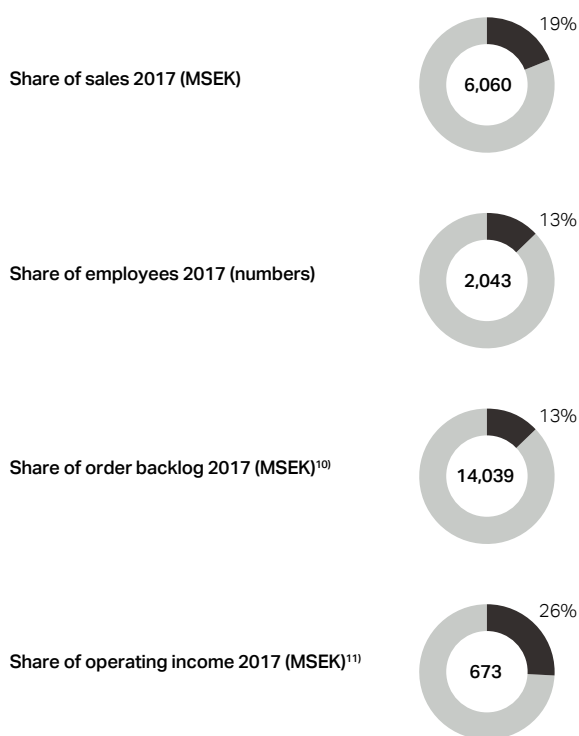


Cyber security solutions

8) Including internal order backlog. Total elimination amount for the Group's order backlog 2017 was MSEK 2,392.

9) Excluding intra-group functions.

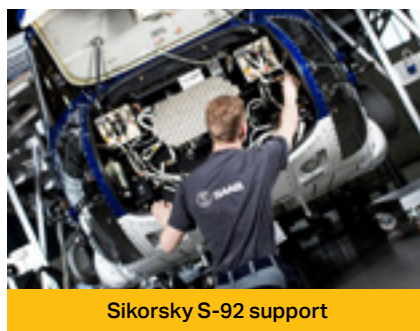
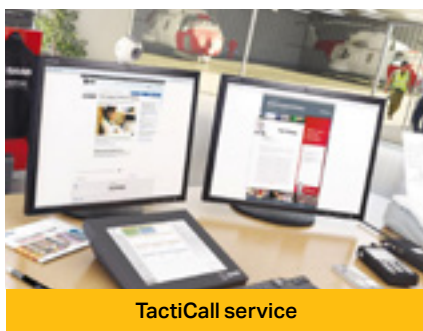
Support and Services



Support and Services offers customised support solutions over the product's entire lifecycle for a number of Saab's products, systems and markets. Business area Support and Services also supplies everything from individual spare parts to availability-based commitments as well as technical services, maintenance and repair work. Examples include support services for the Gripen system and service and maintenance for commercial aircrafts and helicopters, such as the Sikorsky S-92. In addition, the business area offers products and integration for airborne surveillance systems such as TactiCall service, communication systems, CBRN (chemical, biological, radiological and nuclear) solutions, military avionics and field solutions.

Support and Services includes the business units Aviation Services, Airborne ISR, Gripen Support and Communication and Tactical Solutions.

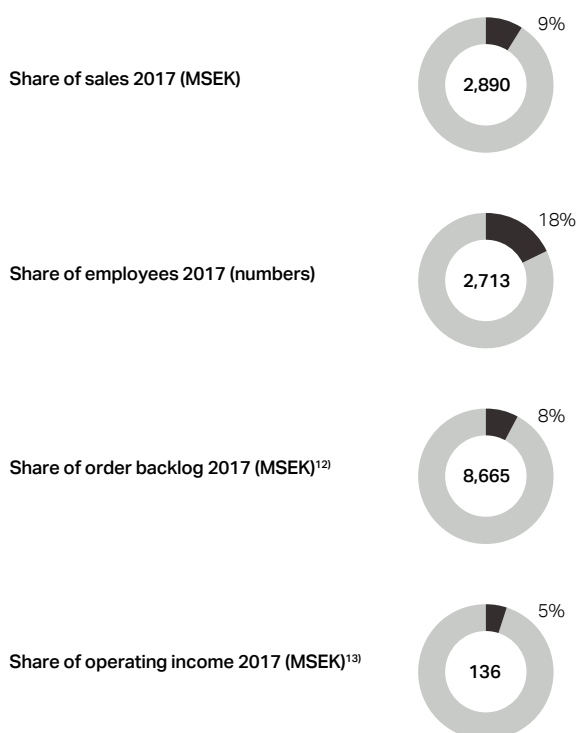
Examples from Support and Services's product portfolio



10) Including internal order backlog. Total elimination amount for the Group's order backlog 2017 was MSEK 2,392.

11) Excluding intra-group functions.

Industrial Products and Services

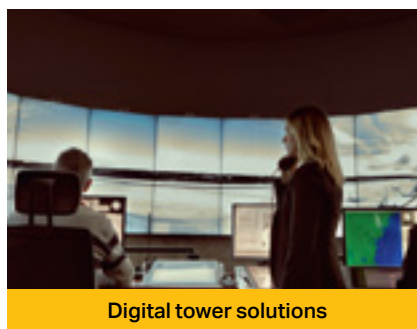
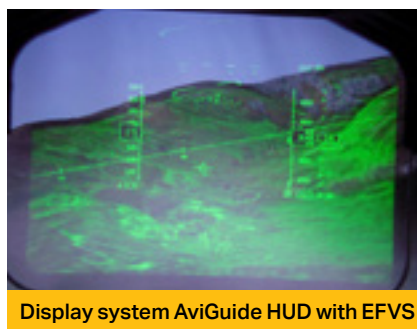


Industrial Products and Services includes the business units Aerostructures, Avionics Systems and Traffic Management, and the independent consulting company Combitech. The business units within Industrial Products and Services are focused on business-to-business-customers (B2B).

Industrial Products and Services offers technical consulting services to customers in industry, defence and the public sector through the independent subsidiary Combitech, which has a broad range of services, with cutting-edge expertise in cyber security and digitalisation. Business unit Aerostructures designs and produces wings, flaps and doors for commercial aircraft manufacturers such as Boeing and Airbus as well as for Saab's own products such as Gripen. Avionics offers safety critical systems and components such as computers, display systems and actuators for demanding environments for aircraft and helicopters. The Traffic Management unit offers systems and products to handle flows, for example, of aircrafts and ships.

Combitech's main competitors are ÅF, HiQ, Acando, Semcon and Knowit. Aerostructures's main competitors are Spirit AeroSystems, Triumph Group and GKN Aerospace. Avionics's competitors are, among others, Rockwell Collins and Thales. For air traffic management, the main competitors are, among others, Indra, Terma, Frequentis and Thales. For maritime traffic management, the main competitors are Kongsberg and Signalis. For infrastructure security, the competitors are Capita Security and Exipsoft.

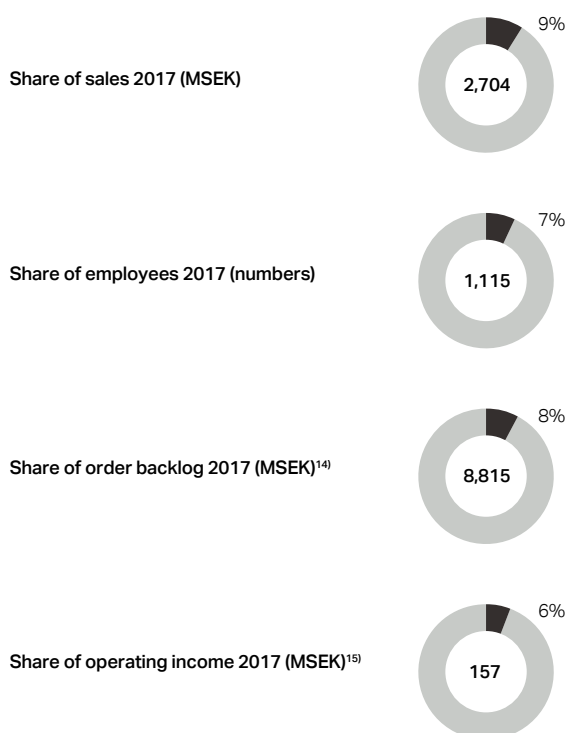
Examples from Industrial Products and Services's product portfolio



12) Including internal order backlog. Total elimination amount for the Group's order backlog 2017 was MSEK 2,392.

13) Excluding intra-group functions.

Kockums



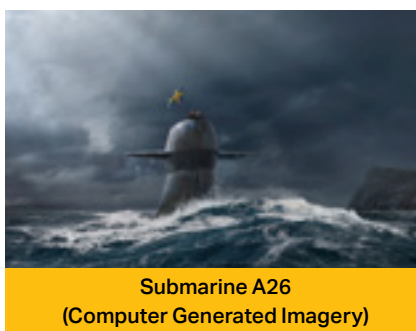
Kockums develops, supplies, and maintains systems for naval environments. The portfolio includes submarines with the Stirling system for air independent propulsion, stealth surface ships, mine hunting systems and autonomous vessels.

The business area's unique expertise is in signature management and stealth technology, both above and below the surface, material optimisation and shock resistance as well as systems integration. As a part of this, air-independent propulsion with the Stirling system, carbon fibre composite designs and minesweeping systems are solutions where Kockums considers itself to be a leader. Kockums's products are designed for availability, simplified maintenance and long operating lives. One example is the Västergötland-class submarine, which after 30 years is operational in both Sweden and Singapore. Kockums's production facility in Karlskrona has undergone major modernisations since Saab's acquisition. Through investments in methodological improvements, industrial robots and digitisation, Saab today has a modern shipyard for production and in-service support of submarines.

Kockums's main competitors are Naval Group, Navantia and ThyssenKrupp Marine Systems.

Kockums includes the business units Submarines and Surface Ships.

Examples from Kockums's product portfolio



Corporate

In addition to the business areas, Corporate comprises Group staff and departments as well as other non-core operations. Since 2018, Saab's venture portfolio is also included (previously included in the business area Industrial Products and Services). The portfolio brings

together and develops product ideas that derive from development projects but fall outside the core business. The portfolio includes, among other things, Saab's interests in Vricon Inc. and UMS Skeldar AG.

14) Including internal order backlog. Total elimination amount for the Group's order backlog 2017 was MSEK 2,392.

15) Excluding intra-group functions.

Customers

Saab's customers are defence authorities, other authorities and companies. The customers vary depending on the business area and type of product and can be categorised based on whether the product has a military or commercial application. Saab's customer base is geographically diversified (although most customers are based in Sweden) and varies over time depending product type and contract lengths. In the defence industry, it is common for directly competing companies to sometimes collaborate. This means that Saab can be a subcontractor of various products and solutions to a company that, in another segment, is a competitor to Saab, which in turn delivers the final product.

The buying habits of customers depend to a large extent on product type, with certain products purchased repeatedly, while larger projects are often one-offs or more infrequent. Ammunition is an example of recurring purchase, while larger projects such as GlobalEye are infrequent. Saab's largest customer, FMV, accounted for 34 per cent of the Group's sales in 2017. FMV is a customer all business areas, and total sales from FMV amounted to MSEK 10,695 in 2017.

In individual cases, FMV is a contractual partner towards Saab when other defence authorities prefer to deal directly with the Swedish government. Saab is then a subcontractor and sells the system to FMV, which is responsible vis-à-vis the counterparty. Such customers include Thailand and the Czech Republic in connection with each country's Gripen contract.

Aeronautics's, Surveillance's, Dynamics's and Kockums's customers are almost exclusively defence authorities and other companies that sell to defence authorities. The business areas offer their customers everything from complete aircraft, vessel and submarine programmes to arms and sensors that can be used on various types of craft and fixed installations. Saab also has close collaborations with other companies in the industry where the Group is a subcontractor of various types of solutions and components. Kockums will, among other things, supply the new A26 submarine to FMV (for the Swedish Navy), while Aeronautics is a partner and subcontractor to Boeing on the new trainer T-X aircraft for the U.S. Air Force.

Industrial Products and Services's customers are companies active in e.g. aerial surveillance and traffic management or in cyber security and research and development. Industrial Products and Services differs from Saab's other business areas in that its customers are mostly private companies and organisations. In Industrial Products and Services, Saab sells directly to customers, but is also a subcontractor for specific parts and components.

Support and Services's customers are shared with Saab's other business areas since Support and Services is responsible for support and maintenance of products and platforms sold by other business areas. Customers are therefore both civil and military and reflect Saab's customer base as a whole. Since support and maintenance contracts tend to be long, customer relationships are often long as well, and new customers are usually added when the other business areas win new projects.

Research and development

Technological development is moving fast and is an important factor behind Saab's international competitiveness. Saab invests strategically, long-term and extensively in research and development. Processes at various levels in society are being digitalised, which is increasing vulnerability, and the rapid technological development is changing how capabilities are developed as well as planning and procurement processes. To stay competitive, Saab invests about one fourth of sales (including co-investments from customers) in R&D. See also "Research and development" in "Capitalisation and other financial information".

Saab's product development depends on systematic innovation. To succeed, the Group needs to have the ability to predict customers' future needs. Saab does so by staying close to the market. Development work therefore includes a continuous, close dialogue with customers, partners and universities to ensure that technological development is driven in line with Saab's priority areas. The close relationship with the Swedish Armed Forces also means that Saab has good insight into, and understanding of, the market's needs and can stay updated on changes.

The systematic product development work follows an established process, and to ensure that the product portfolio is in line with its strategic plans Saab has a product lifecycle process to support decisions on, for example, whether to introduce new products or phase out old ones.

In connection with defence materiel purchases, more and more countries are demanding industrial collaborations comprising shared research, transfers of technology or expertise, or assistance in building up a local industry. To better understand selected markets, Saab has in recent years strengthened its local presence, e.g. by establishing research collaborations with local universities. Saab's current and ongoing research and development initiatives include:

- The partnership to develop a candidate for a future pilot training system, including a new trainer aircraft, together with Boeing, which, among other things, has led to contracts and business opportunities for Saab.
- Saab signed separate agreements in 2017 with Nanyang Technological University in Singapore and Aalto University in Helsinki, Finland, on research collaborations in air traffic management (Nanyang) and sensor technology (Aalto).
- Saab is one of the main suppliers to Clean Sky, Europe's largest research programme dedicated to reducing aircraft emissions. Saab has among other things contributed with an innovative aircraft wing which reduces wind resistance with laminar flow to cut fuel consumption.

Saab's strategy is to concentrate R&D investments in five core areas: aeronautics, advanced weapons systems, command and control systems (including cyber security), sensors and underwater systems, with training and support as integrated parts. Saab invests in areas where the Group assesses that it already is, or can be, a market or technology leader. Research and development on the next generation of products and concepts is largely focused on software and is e.g. conducted in areas such as software development and artificial intelligence, where smarter new systems can collect large amounts of data to improve decision-making and increase customers' capacity.

R&D investments in new major projects are decided on centrally. The majority of R&D work is done in Sweden. As of 30 September 2018, Saab had several ongoing innovation collaborations and 38 doctoral students.

Intellectual property

Saab holds a number of registered intellectual property rights, such as trademarks, patents, domain names and trade names, as well as unregistered intellectual property rights, such as copyrights, know-how and trade secrets. As of 30 September 2018, Saab's trademark portfolio consisted of approximately 1,600 trademarks where for example the trademark Saab and the logotype are registered in 115 countries. Saab also holds product trademarks such as Gripen, Erieye, Barracuda and Carl-Gustaf.

As of 30 September 2018, Saab's patent portfolio consisted of approximately 1,800 patents, divided into approximately 460 patent families in a large number of countries around the world. In general, Saab secures intellectual property rights on the geographic regions that are important for Saab's operations. The United States and

Europe are some of the geographic markets where Saab holds many patents and patent applications.

Innovations are important in creating and maintaining a competitive advantage, specifically within the aviation and defence industries where technologies and efficient use of technologies are crucial in providing solutions with new and improved capabilities. Since patent applications become public documents, new inventions are always evaluated considering whether the advantages of filing a patent application outweighs the advantages of keeping the invention as a trade secret. Furthermore, the patent portfolio is managed through decisions with the purpose of continuously adapting the portfolio to the changing business needs of each business area. Examples of technology areas where Saab has chosen to apply for patents include aircraft structures and production thereof, autonomy, avionics, cyber security, displays, decision support, human machine interface (HMI), electronic warfare, image processing, radars, collision avoidance, sensor fusion, signal processing, soldier trainings, target tracking and weapons.

Saab acts as a system integrator and has thus a number of sub-suppliers and licensors. In order to limit and control Saab's dependency on a single supplier, Saab strives for creating and maintaining competition between sub-suppliers so that components can be purchased from several different sub-suppliers. Where this is not possible, Saab strives to initiate and maintain a close and long-term cooperation with such sub-supplier.

Sales and delivery

Marketing and sales

Saab has in recent years built up its marketing organisation and created a geographical market area organisation: Europe, North America, Latin America, Asia Pacific and the Middle East/Africa. This gives Saab a stronger local presence in selected markets and greater opportunities to offer the right combination of products and solutions to customers around the world. Marketing and sales work follows an established process ("Winning Business") in several steps,

from evaluating market opportunities to negotiating through a clearly defined process with clear decision points and with participation by the market and business areas. The process also includes a thorough analysis of the conditions and risks before a tender is submitted and a contract is signed as well as requirements on how identified risks are handled to ensure contract quality.

Project implementation

A majority share of Saab's deliveries are conducted as in projects, whereof many have been ongoing for years. Saab has an established process for project performance, and continuous reviews are made with clear decision points. An important part of these reviews is to identify and assess risks and the measures that will be taken to mitigate them. Major customer projects such as Gripen E, Gripen Brazil and the A26 submarine are regularly monitored by Group Management and reported to the Board of Directors. Other projects with high impact are reviewed on a regular basis by each business area and reported to Group Management.

Production

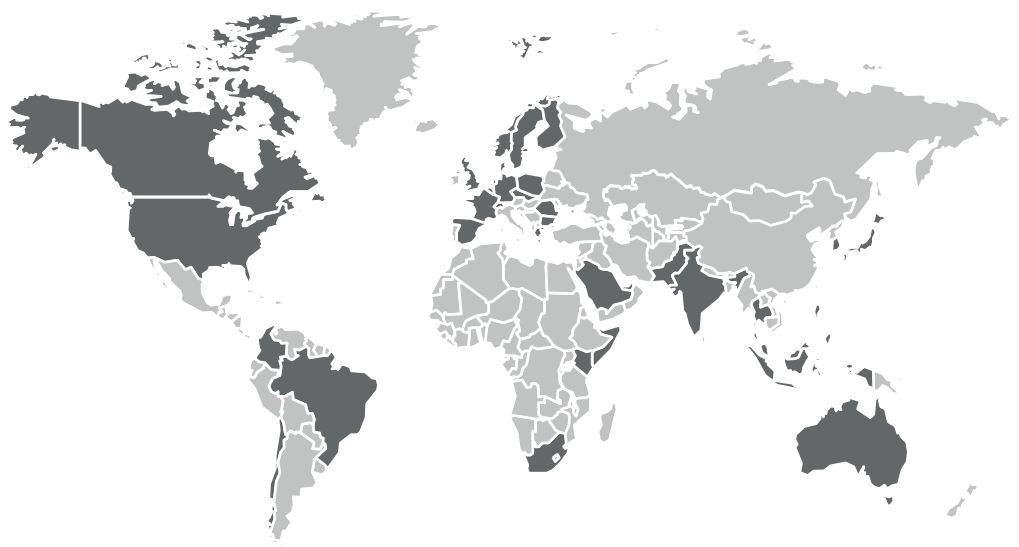
Saab's production process is adapted to each business area and type of product. Certain products are manufactured in large series, while larger product platforms are often developed or produced in smaller quantities as development projects. Saab is focused on producing at low cost and with high quality. Within the Group there are a number of different facilities and types of production suited to each purpose. Saab strives for its production to be as efficient as possible, and works continuously to keep costs down and improve quality.

The Group has operations spread around the world. As at the date of this prospectus, Saab has operations in more than 35 countries, ranging from local sales and coordination offices to development and production facilities. In Sweden, the Group has facilities for research and development as well as production and testing. The locations of the facilities are based on, among other things, the historical knowledge base and close proximity to customers.

Map of selected parts of Saab's operations in Sweden



Map showing Saab's global operations



Purchasing

Saab has in many cases very long and close collaborations with suppliers, which is crucial in order to provide customers with high quality products. Saab works systematically to ensure that suppliers

take ethical, social and environmental responsibility. This work also contributes to better product quality. Saab's Supplier Code of Conduct, which is partly based on the UN Global Compact's principles,

is included in new and renegotiated contracts. The largest share of purchases is from Sweden, and a large majority of the suppliers are located in Europe. Saab mainly purchases components and technologies for its products and systems. Each business area is responsible for purchasing to meet its production needs. As support, purchasers have a central procurement council within the Group with various procurement groups (e.g. electronics and mechanics). With the help of the council, the Group can benefit from economies of scale, which at the same time, the organisation can stay agile and decide itself, within the organisation, which components are needed to deliver high performance solutions. Procurement of goods and products which are not included in Saab's products is centralised.

Saab's aim is to not use minerals and other raw materials extracted in conflict zones and sold to finance further conflict. This is also covered in the Supplier Code of Conduct.

Logistics

Saab uses various logistical solutions based on the products' characteristics. Security is a top concern depending on the type of product, and the Group cooperates closely with authorities to ensure its products are transported safely and securely. Saab has established contacts with various transport providers. Saab has customary insurance coverage for all transport that the Group is responsible for.

Saab strives as far as possible to use environmentally friendly transports and to have as little impact on the climate as possible.

IT

IT is an integral part of the Group, and Saab is strongly focused on information and IT security. The IT department is centralised through standard applications and is a support function shared by the business areas.

In order to meet IT security challenges, the Group has implemented a special information and IT security strategy, which includes adding further resources in information security, improving information on the intranet and providing training for employees. The Group also has a set of administrative and technological protections that include clearly defined rules, processes, routines and technical solutions for information, IT and communication security as well as reviews of the IT systems.

Security, risk management, sustainability and ethical guidelines

To ensure that the operations are conducted responsibly and transparently, Saab prioritises a number of the Group's key sustainability issues which affect every area of operations, and which are annually reported and monitored. The sustainability work addresses ethical, environmental and security issues and is governed by established policies and similar documents such as the Code of Conduct, HR policy, environmental policy, occupational health and safety policy, procurement policy, diversity policy, business travel policy and security policy. Through its sustainability work, Saab is able to mitigate corruption risk, reduce environmental impacts, contribute to society and be an attractive employer. For a description of Saab's management of financial risks, please refer to "*Financial exposure and risk management*" in "*Capitalisation and other financial information*".

Saab monitors and manages risk exposure in a structured and proactive way. By understanding risks and their impact, the aim is to better support decision-making and meet Saab's long-term goals through balanced risk-taking within an established framework. Each business area, market area and Group function within Saab is responsible within its respective organisation, continuously at all levels, for identifying and managing risks in accordance with Saab's risk process. All risks are evaluated as the probability that they will be

realised and the potential impact on the business. This gives Saab a tool to measure risk exposure and set priorities as needed. Saab has established an Enterprise Risk Management (ERM) function that works actively with the overall risk management. Major risks and how they are managed are reported on a regular basis to Group Management, the Audit Committee and the Board of Directors. In addition, Saab's internal audit unit is responsible for independently reviewing the effectiveness of a sample of internal control processes each year. Risks are also managed through Saab's insurance programme.

Saab's anti-corruption work includes corruption risk analysis in connection with business collaborations, a whistleblower system and training for employees and consultants on Saab's Code of Conduct. In addition, all employees receive web-based anti-corruption training, available in English and Swedish, designed specifically to reflect the risks that arise in Saab's operations. The responsibility for sustainable business extends beyond Saab and incorporates partners and suppliers. All collaborations with partners, marketing consultants and other advisors must be presented and evaluated, then approved and regularly re-evaluated by a central function, with a clearly defined decision-making process in place. Marketing consultants are required to complete Saab's training and commit to follow Saab's guidelines as a prerequisite for signing a new contract.

The Group works extensively with security and all employees receive internal training on information management and security. The Group has various types of routines with different levels of security classifications and internal systems which reduce the risk of information leakage. The security classifications are both physical as well as digital and include everything from digital files to production facilities.

Saab works systematically to reduce its environmental impact. Saab's goal is to reduce greenhouse gas emissions by at least 20 per cent in relation to sales from 2007 to 2020. By the end of 2017, they had been reduced by 26 per cent. The measures taken include switching to eco-labelled electricity providers (Sw. *Bra miljöval*), using facilities more efficiently, installing energy-efficient lighting and solar panels, and capturing surplus heat. To reduce the impact from travel, Saab uses information technology to hold more online meetings. Saab also contributes to better environment by developing products and solutions with better energy performance which reduce costs and the impact on the environment. Through its innovation capabilities, industrial collaborations and technology transfers, Saab contributes to technological and economic development in the markets where the Group operates.

Saab continuously works towards being an attractive employer for current, as well as potential employees. This includes programmes to increase diversity and gender equality, offer continuous training, and strive towards an improved work environment. Saab has a global policy to guide occupational health and safety. To early identify work environment risks that may be associated with various businesses and projects in risky environments, safe labour practices are built into Saab's business processes. HR is currently introducing a global digital system to enable a unified approach to recruiting, performance reviews, talent identification and skills training. The system will also provide a better global overview of the workforce.

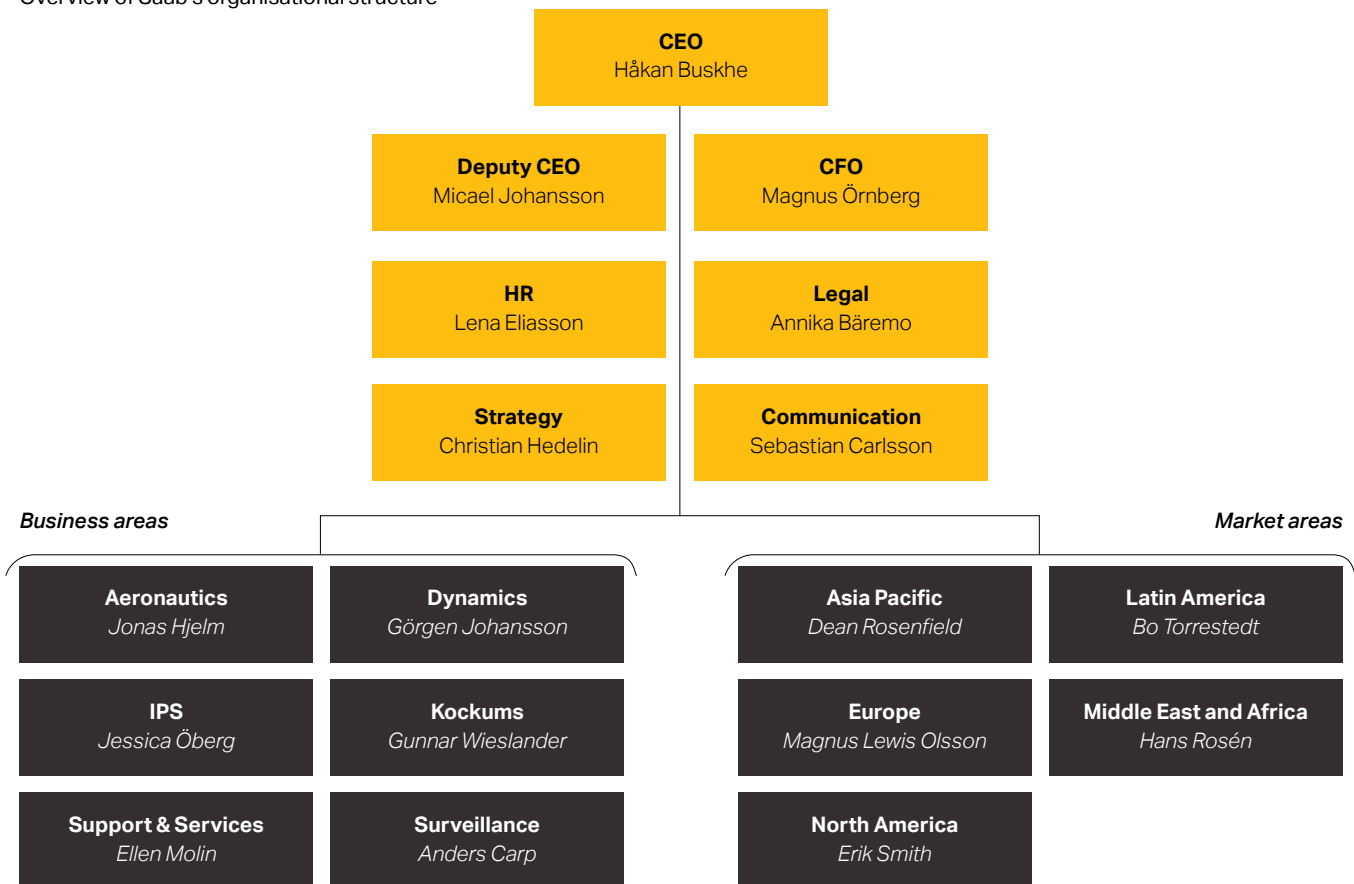
Saab is certified according to the ISO 14001 environmental management system and ISO 9001 quality management system and has since 2011 participated in UN Global Compact, whose members have committed to follow its ten principles of human rights, labour, the environment and anti-corruption.

Organisational structure and employees

Saab's headquarter is located in Stockholm and the Group has operations around the world where Saab's customers are located. Depending on the customer relationship and the equipment, Saab's presence differs from location to location. Saab's operations and management structure are organised in five market areas and the previously mentioned six business areas, which are also operating

segments: Aeronautics, Dynamics, Surveillance, Support and Services, Industrial Products and Services and Kockums. In addition to the six business areas and the five market areas is Corporate, which comprises Group staffs and departments as well as other non-core operations.

Overview of Saab's organisational structure



Employees

As of 31 December 2017, Saab had 16,427 employees. The average number of employees per business area was: Aeronautics 3,073, Dynamics 2,143, Surveillance 4,198, Support and Services 2,043,

Industrial Products and Services 2,713, and Kockums 1,115. As of 31 December 2017 Saab had 882 employees in Group functions.

The following table describes the average number of employees in 2015, 2016 and 2017 geographically and by gender.

Saab's average number of employees geographically and by gender

Saab	2017			2016			2015		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Sweden	2,841	10,071	12,912	2,571	9,499	12,070	2,518	9,312	11,830
Other Europe	178	754	931	177	723	900	136	606	742
North America	169	503	672	158	474	632	34	126	160
Latin America	13	34	47	11	13	24	150	456	606
Asia	38	170	208	32	158	190	33	144	177
Africa	235	611	846	209	569	778	189	526	715
Australia etc.	57	262	319	53	243	296	60	255	315
Saab total	3,530	12,405	15,935	3,212	11,678	14,890	3,119	11,426	14,545

Regulatory overview

Large parts of Saab's operations are governed by export controls laws and regulations, which require the authorisation of national authorities to conduct various aspects of the business. The main purpose of the rules, from the government's standpoint, is to control the flow of products that are classified as military equipment or dual-use items. Saab uses suppliers outside of Sweden and sometimes also participates in international consortia in major tenders abroad. Consequently, the export control laws and regulations in several countries are often applicable for Saab's operations.

The following is an overview of the most important rules in Sweden/EU and the United States.

Regulations in Sweden/EU

Sweden has two principal export control laws and regulations: those on military equipment and those on dual-use items.

The rules on military equipment are covered in the Military Equipment Act (Sw. *lagen (1992:1300) om krigsmateriel*) and the Military Equipment Ordinance (Sw. *förordning (1992:1303) om krigsmateriel*) as well as related EU legal documents. These rules require that a list is to be maintained of products and technologies classified as military equipment and which therefore require various types of licences for various types of operations, e.g. manufacturing, marketing, distribution and exports (outside of Sweden). These types of licences are also associated with various conditions and reporting requirements.

The Swedish rules are adopted nationally and are prohibitory in nature and require licencing from the ISP. According to the Military Equipment Act, a licence may be granted only if there are security or defence policy reasons for doing so and it does not conflict with Sweden's foreign policy. In its evaluation, ISP takes into account the national guidelines stipulated in Govt Bill 2017/2018:23 (strict control of military equipment), which specifies that *"A licence to export military equipment, or to otherwise cooperate with others outside the country with respect to military equipment, should be granted only if such exports or cooperation is necessary to meet the Swedish defence's needs for materiel or knowledge, or if there is otherwise a security policy interest at stake, and that it does not violate the principles and objectives of Sweden's foreign policy"*. Aside from the Swedish national guidelines, ISP also takes into account the EU's common position, Council Common Position 2008/944/SFSP, which establishes eight criteria for national authorities to take into account in licencing. The EU also has a common military list adopted by the Council on 6 March 2017, which establishes a common EU list of products classified as military equipment. The EU also has common rules on arms embargoes, in addition to the UN's Arms Trade Treaty, which the ISP also shall take into account.

The rules on dual-use items consist of EU law adopted through Council Regulation (EG) No 428/2009 setting up a community regime for the control of exports, transfer, brokering and transit of dual-use items ("dual-use") and complementary laws in Sweden: the act on control of dual-use items (Sw. *lagen (2000:1064) om kontroll av produkter med dubbla användningsområden*), the ordinance on control of products with dual uses and of technical assistance (Sw. *förordning (2000:1217) om kontroll av produkter med dubbla användningsområden och av tekniskt bistånd*), and the ordinance on financing for ISP (Sw. *förordning (2008:89) om finansiering av verksamheten vid ISP*). According to these rules, a licence is required for exports and in certain cases also brokering of dual-use items between two third countries. The EU regulation establishes a common list of products classified as dual-use, and member states have the right to add more products to the list. The ISP is also in charge of licencing and monitoring most dual-use products.

Saab's operations are mainly governed by the laws and regulations on military equipment, but to some extent also the rules on dual-use.

Regulations in the United States

U.S. export controls consist of laws similar to those in the EU. Military equipment is mainly governed by the International Traffic in Arms Regulations ("**ITAR**"), which can entail extensive licencing requirements. ITAR licencing and monitoring are administered by the U.S. State Department.

Commercial products are largely governed by the Export Administration Regulations ("**EAR**"). Unlike the EU rules, they comprise practically all products originating from the United States and require a licence to re-export certain control products between third countries even after the product has been exported from the United States. This means that Swedish companies that use U.S. supplies or spare parts are often governed by the rules on re-exports. Saab's operations are largely dependent on licences from U.S. authorities.

In addition to the export control laws and regulations, Saab must also abide by various sanctions regimes that limit which parties a company may do business with (mainly those of the EU, the UN and the United States). To comply with licencing or contractual requirements, Saab may therefore have to follow, e.g. U.S. sanctions and trade restrictions even if Saab is not subject to U.S. laws.



Selected consolidated historical financial information

The below condensed financial statements (as well as measures defined under IFRS) pertaining to full years have been derived from Saab's annual reports for the financial years 2015–2017, which have been prepared in accordance with IFRS as adopted by EU and audited by the Company's auditor. The condensed financial statements (as well as measures defined under IFRS) pertaining to the nine months ended 30 September 2018 and 2017, respectively, have been derived from Saab's interim report for the period January–September 2018, which has been prepared in accordance with IAS 34 *Interim Financial Reporting* and the Swedish Annual Accounts Act (*årsredovisningslagen (1995:1554)*). The interim report has, as regards January–September 2018, been reviewed by the Company's auditor. The comparative period January–September 2017 is restated to reflect the new accounting principles that apply as of 2018 for revenue recognition, IFRS 15 (see "*New standards and changes in report structure*" below). For further information, please refer to "*Note 1 – Accounting principles*" on p. 84 and onwards in Saab's annual report for the financial year 2017 and "*Note 2 – Accounting principles*" on p. 21 and onwards in Saab's interim report January–September 2018.

The prospectus also includes certain measures that are not defined under IFRS (alternative performance measures). These non-IFRS measures have not been reviewed or audited by the Company's auditor. Saab believes these measures are commonly used by certain investors, securities analysts and other interested parties as supplementary measures of performance trends and financial position. Saab's non-IFRS measures may not be comparable to other similarly titled measures presented by other companies and have certain limitations as analysis tools. Consequently, they should not be considered separately, or as an alternative to Saab's financial information prepared in accordance with IFRS.

The information below should be read in conjunction with "*Operating and financial review*" and Saab's financial statements for the financial years 2015–2017 and for the period January–September 2018, which have been incorporated by reference in this prospectus (see "*Incorporation by reference, etc.*" in "*Legal considerations and supplementary information*") and included in this prospectus (see "*Interim report January–September 2018*"), respectively. All financial statements are available on Saab's website, www.saabgroup.com.

Other than as stated above and as regards Saab's forecast relating to sales growth and operating margin for 2018 (see "*Forecast for 2018*" in "*Capitalisation, indebtedness and other financial information*"), no information in this prospectus has been reviewed or audited by the Company's auditor.

Condensed consolidated income statement

MSEK	Jan-Sep 2018	Jan-Sep 2017	2017	2016	2015
Sales	22,138	21,516	31,394	28,631	27,186
Cost of goods sold	-17,162	-16,491	-23,946	-21,748	-20,700
Gross income	4,976	5,025	7,448	6,883	6,486
Other operating income	99	83	104	201	371
Marketing expenses	-1,909	-1,750	-2,430	-2,223	-2,061
Administrative expenses	-1,088	-1,064	-1,493	-1,364	-1,323
Research and development costs	-990	-970	-1,348	-1,592	-1,565
Other operating expenses	-241	-54	-87	-70	-48
Share in income of associated companies and joint ventures	-3	-15	-39	-38	40
Operating income	844	1,255	2,155	1,797	1,900
Financial income	80	150	121	90	169
Financial expenses	-452	-195	-272	-276	-338
Net financial items	-372	-45	-151	-186	-169
Income before taxes	472	1,210	2,004	1,611	1,731
Taxes	-114	-305	-566	-436	-329
Net income of the period	358	905	1,438	1,175	1,402
Attributable to:					
Parent company's shareholders	331	876	1,407	1,133	1,362
Non-controlling interest	27	29	31	42	40
Earnings per share before dilution, SEK	3.10	8.22	13.20	10.67	12.88
Earnings per share after dilution, SEK	3.08	8.16	13.10	10.60	12.79

Condensed consolidated statement of financial position

MSEK	30 Sep 2018	30 Sep 2017	31 Dec 2017	31 Dec 2016	31 Dec 2015
ASSETS					
Fixed assets:					
Intangible fixed assets	8,650	7,359	7,862	7,094	6,476
Tangible fixed assets ¹⁾	5,938	5,098	5,271	4,811	4,472
Biological assets	353	355	352	291	290
Investment properties ¹⁾	–	–	40	33	34
Shares in associated companies and joint ventures	652	703	700	788	602
Financial investments	28	159	26	165	190
Long-term receivables	701	602	662	505	444
Deferred tax assets	268	358	211	252	351
Total fixed assets	16,590	14,634	15,124	13,939	12,859
Current assets:					
Inventories	9,530	8,580	7,743	6,660	5,243
Derivatives	1,147	1,171	1,139	1,290	1,058
Tax assets	470	165	26	120	106
Accounts receivable	3,790	3,559	4,342	5,402	2,913
Contract assets	10,141	7,441	–	–	–
Amounts due from customers ²⁾	–	–	7,917	–	–
Other receivables ²⁾	463	466	522	6,821	8,102
Prepaid expenses and accrued income	743	872	1,193	1,035	962
Short-term investments	1,747	2,677	4,469	4,542	2,995
Liquid assets	1,450	2,117	2,202	1,402	850
Total current assets	29,481	27,048	29,553	27,272	22,229
TOTAL ASSETS	46,071	41,682	44,677	41,211	35,088

1) As from 1 January 2018, "Investment properties" is no longer recognised as a separate line item in the consolidated statement of financial position but are included in "Tangible fixed assets".

2) As from the financial year 2017, "Other receivables" was divided into "Amounts due from customers" and "Other receivables". As from the financial year 2018, "Amounts due from customers" was replaced by "Contract assets" due to the enforcement of IFRS 15.

Condensed consolidated statement of financial position (contd.)

MSEK	30 Sep 2018	30 Sep 2017	31 Dec 2017	31 Dec 2016	31 Dec 2015
EQUITY AND LIABILITIES					
Equity:					
Equity attributable to Parent company's shareholders	13,175	13,588	14,189	13,156	12,851
Non-controlling interest	184	172	188	145	61
Total equity	13,359	13,760	14,377	13,301	12,912
LIABILITIES					
Long-term liabilities:					
Long-term interest-bearing liabilities	8,975	6,205	6,235	5,624	4,872
Other liabilities	200	184	210	202	136
Provisions for pensions	4,441	3,009	3,424	3,069	2,373
Other provisions	1,052	829	1,024	811	1,097
Deferred tax liabilities	160	343	274	30	34
Total long-term liabilities	14,828	10,570	11,167	9,736	8,512
Short-term liabilities:					
Short-term interest-bearing liabilities	502	83	92	292	853
Contract liabilities	7,461	8,190	–	–	–
Amounts due to customers ³⁾	–	–	9,094	–	–
Advance payments from customers ³⁾	–	–	–	5,161	1,098
Accounts payable	2,527	2,270	2,958	2,880	2,340
Derivatives	1,091	1,128	1,093	1,955	1,614
Tax liabilities	176	230	120	81	37
Other liabilities	602	736	805	695	725
Accrued expenses and prepaid income ³⁾	4,889	4,252	4,483	6,711	6,549
Provisions	636	463	488	399	448
Total short-term liabilities	17,884	17,352	19,133	18,174	13,664
Total liabilities	32,712	27,992	30,300	27,910	22,176
TOTAL EQUITY AND LIABILITIES	46,071	41,682	44,677	41,211	35,088

3) As from the financial year 2017, "Advance payments from customers" was reported together with deferred income relating to long-term customer contracts according to the percentage of completion method, and was entitled "Amounts due to customers". As from the financial year 2018, "Amounts due to customers" was replaced by "Contract liabilities" due to the enforcement of IFRS 15.

Condensed consolidated statement of cash flows

MSEK	Jan-Sep 2018	Jan-Sep 2017	2017	2016	2015
Operating activities:					
Income after financial items	472	1,210	2,004	1,611	1,731
Adjustments for items not affecting cash flow	1,603	923	1,479	1,226	688
Dividend from associated companies and joint ventures	37	24	26	16	25
Income tax paid	-506	-130	-272	-120	-266
Cash flow from operating activities before changes in working capital	1,606	2,027	3,237	2,733	2,178
Cash flow from changes in working capital:					
Contract assets and liabilities	-4,145	-1,494	-	-	-
Amounts due from and due to customers	-	-	-475	-	-
Inventories	-1,312	-1,454	-994	-1,329	349
Other current receivables	543	1,760	795	-1,129	-3,573
Advance payments from customers	-	-	-	4,025	284
Other current liabilities	-134	-280	704	177	1,426
Provisions	-322	-61	-103	-323	-306
Cash flow from operating activities	-3,764	498	3,164	4,154	358
Investing activities:					
Investments in intangible fixed assets	-131	-95	-193	-98	-70
Capitalised development costs	-789	-532	-871	-784	-524
Investments in tangible fixed assets	-1,079	-823	-1,093	-807	-799
Sales and disposals of tangible fixed assets	6	23	25	27	7
Investments in and sales of short-term investments	2,712	1,857	63	-1,525	-1,722
Investment in financial assets	-46	-54	-30	-169	-354
Sales and disposals of financial assets	61	20	104	25	222
Investments in operations, net effect on liquidity	5	-	-170	-49	-235 ¹⁾
Sale of subsidiaries, net effect on liquidity	3	-	-	77	316 ²⁾
Cash flow from investing activities	742	396	-2,165	-3,303	-3,159
Financing activities:					
Repayment of loans	-750	-1,265	-1,301	-582	-1,865
Raising of loans	3,820	1,700	1,700	732	4,758
Repurchase of shares	-203	-	-	-	-
Dividend paid to the Parent company's shareholders	-588	-559	-559	-530	-501
Dividend paid to non-controlling interest	-24	-3	-4	-5	-10
Transactions with non-controlling interest	-14	-	-	15	-
Cash flow from financing activities	2,241	-127	-164	-370	2,382
CASH FLOW FOR THE PERIOD	-781	767	835	481	-419
Liquid assets at beginning of period	2,202	1,402	1,402	850	1,284
Exchange rate difference in liquid assets	29	-52	-35	71	-15
Liquid assets at period-end	1,450	2,117	2,202	1,402	850

1) In 2015, also including investments in associated companies, which as from 2016 is included in "Investments in financial assets".

2) In 2015, also including sales and disposals of associated companies, which as from 2016 is included in "Sales and disposals of financial assets".

Sales by region

MSEK	Jan-Sep 2018	Jan-Sep 2017	2017	2016	2015 ¹⁾
Sweden	9,298	9,066	13,218	12,389	11,399
Rest of Europe	3,107	3,070	4,549	4,981	4,933
North America	2,007	2,040	2,791	2,740	2,477
Latin America	2,537	1,658	2,653	2,014	1,584
Asia	3,925	4,599	6,691	5,107	5,370
Africa	270	361	449	495	541
Australia etc.	994	722	1,043	905	882
Total	22,138	21,516	31,394	28,631	27,186

1) The amounts for 2015 consists of comparative items included in the annual report for the financial year 2016, since the current division of regions is applied as from the annual report for the financial year 2016.

Sales by business area

MSEK	Jan-Sep 2018	Jan-Sep 2017	2017	2016	2015 ³⁾
Aeronautics	5,402	4,894	7,267	7,138	6,262
Dynamics	3,032	3,167	5,267	4,927	4,009
Surveillance ¹⁾	5,095	4,667	8,015	7,659	7,305
Support and Services	3,813	4,162	6,201	5,081	6,012
Industrial Products and Services ¹⁾	4,228	4,012	4,022	3,605	3,562
Kockums	2,262	1,949	2,712	2,311	1,847
Corporate and Eliminations ²⁾	-1,694	-1,335	-2,090	-2,090	-1,811
Total for the Group	22,138	21,516	31,394	28,631	27,186

1) The business unit Traffic Management is as from 2018 reported in the business area Industrial Products and Services, and was before then reported in the business area Surveillance (the change is also reflected in the comparative items for the period January–September 2017).

2) Corporate comprises Group staffs and departments as well as other non-core operations. Since 2018, Saab's minority portfolio is reported in Corporate, and was before then reported in the business area Industrial Products and Services (the change is also reflected in the comparative items for the period January–September 2017).

3) The amounts for 2015 consists of comparative items included in the annual report for the financial year 2016, since the current segment reporting structure was implemented on 1 January 2016.

Key operating metrics and data per share

	Jan-Sep 2018	Jan-Sep 2017	2017	2016	2015
Order bookings, MSEK ²⁾	17,183	24,255	30,841	21,828	81,175
Order backlog, MSEK ²⁾	102,400	110,120	106,849	107,606	113,834
Sales, MSEK ¹⁾	22,138	21,516	31,394	28,631	27,186
<i>Total sales growth, %²⁾</i>	3	10	10	5	16
<i>Organic sales growth, %²⁾</i>	2	9	10	5	11
Gross income, MSEK ²⁾	4,976	5,025	7,448	6,883	6,486
Gross margin, % ²⁾	22.5	23.4	23.7	24.0	23.9
EBITDA, MSEK ²⁾	1,528	1,892	2,994	2,743	2,859
EBITDA margin, % ²⁾	6.9	8.8	9.5	9.6	10.5
Operating income (EBIT), MSEK ²⁾	844	1,255	2,155	1,797	1,900
Operating income excluding non-recurring items, MSEK ²⁾	1,142	–	–	–	1,782
Operating margin, % ²⁾	3.8	5.8	6.9	6.3	7.0
Operating margin excluding non-recurring items, % ²⁾	5.2	–	–	–	6.6
Net income for the period, MSEK ¹⁾	358	905	1,438	1,175	1,402
Earnings per share (after dilution), SEK ^{1),3)}	3.08	8.16	13.10	10.60	12.79
Return on equity, % ²⁾	7.1	11.9	10.4	9.0	11.5
Capital employed ²⁾	26,339	22,444	23,391	21,691	20,579
Return on capital employed ²⁾	7.7	11.0	10.1	8.9	11.2
Operational cash flow, MSEK ²⁾	–5,197	–758	1,388	2,603	–500
Free cash flow, MSEK ²⁾	–5,699	–920	852	2,359	–726
Free cash flow per share after dilution, SEK ^{2),3)}	–52.97	–8.57	7.93	22.07	–6.82
Net liquidity/debt, MSEK ²⁾	–9,250	–3,224	–1,834	–1,836	–3,217
Equity/assets ratio, % ²⁾	29.0	33.0	32.2	32.3	36.8

Measures for the interim periods January–September 2018 and 2017, respectively, are not audited.

1) IFRS measure, derived from reviewed and audited financial reports, respectively.

2) Non-IFRS measure (alternative performance measures), not audited.

3) Average number of shares after dilution: January–September 2018: 107,589,947; January–September 2017: 107,357,386; 2017: 107,400,920; 2016: 106,906,726; 2015: 106,450,263.

Definitions and reconciliation of non-IFRS measures

Measures	Definition	Reason for use
Capital employed	Total assets less non-interest-bearing liabilities.	Capital employed represents the capital that is lent to Saab by the shareholders or by lenders. As Saab wants to have a strong balance sheet, this key figure is important for the management of Saab's operations.
EBITDA	Operating income before depreciation, amortisation and write-downs.	EBITDA shows the generated income in the operating activities before depreciation, amortisation and write-downs, and is an important key ratio for the management of Saab's operations.
EBITDA margin	Operating income before depreciation, amortisation and write-downs as a percentage of sales.	EBITDA margin shows the profitability before depreciation, amortisation and write-downs and is an important key ratio for control of the management of Saab's operations.
Equity/assets ratio	Equity and total assets ratio.	Equity/assets ratio states the proportion of the assets that are financed with equity and is an indication of the company's long-term solvency.
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.	It is important for Saab to ensure the creation of a positive cash flow in the operations, and therefore this is an important key ratio for the management of Saab's operations.
Free cash flow per share after dilution	Free cash flow divided by the average number of shares after dilution.	This key ratio measures the free cash flow in relation to the amount of shares in Saab.

Gross margin	Gross income as a percentage of sales.	The gross margin shows the profitability of a project and is included as one of the key ratios that are important for the management of Saab's operations.
Net liquidity/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.	Saab's ambition is to have a strong balance sheet and one goal in this ambition is to steer the business towards a net liquidity, even if the business cannot always be in a net liquidity. This key ratio is important for the management of Saab's operations.
Operating income	Income before financial items and taxes.	Saab considers this an important key ratio, in order to display the income generated in the operating activities.
Operating income excluding non-recurring items	Operating income less non-recurring items. The non-current items in January–September 2018 are related to identified efficiency measures in order to increase productivity. The non-recurring items in 2015 concerned the transfer of the autonomous helicopter Skeldar to UMS Skeldar AG and sale of a property as well as efficiency measures in connection with change of business area structure.	Operating income excluding non-recurring items is a useful key ratio when comparing Saab's operating activities, between periods when Saab reported non-recurring items.
Operating margin	Operating income as a percentage of sales.	Operating margin shows profitability in the operating activities, and is an important key ratio to control Saab's operations.
Operating margin excluding non-recurring items	Operating income in percentage of sales less non-recurring items (see also " <i>Operating income excluding non-recurring items</i> " above).	Operating margin excluding non-recurring items is a useful key ratio when comparing Saab's operating activities, between periods when Saab reported non-recurring items.
Operational cash flow	Cash flow from operating activities, excluding taxes and other financial items, and acquisitions and divestments of intangible fixed assets and tangible fixed assets.	It is important for Saab to ensure the creation of a positive cash flow in the operations and therefore operational cash flow is an important key ratio for the management of Saab's business areas and for Saab as a whole.
Order backlog	Total value of orders at the end of the period.	The order backlog states how much operating activity Saab has already booked which is to be converted to sales in the future. Therefore this is an important key ratio for the management of Saab's operations.
Order bookings	Total value of orders received during the period.	Order bookings is important to secure since this is a sure indicator of future sales and therefore an important key ratio for the management of Saab's operations.
Organic sales growth	Change in sales in percentage adjusted for currency effects regarding revaluation of foreign subsidiaries and structural changes such as acquisitions and divestments of subsidiaries.	Organic sales growth shows increase or decrease in net sales in SEK on a comparable basis, making it possible to distinguish and separately discuss the effect from acquisitions/divestments and exchange rates.
Return on equity	Net income for the period (rolling 12 months) as a percentage of average equity.	Return on equity shows the return on the capital that shareholders have invested in the company and is an important key ratio for the management of Saab's operations.
Return on capital employed	Operating income plus financial income (rolling 12 months) as a percentage of average capital employed.	This key ratio shows the profitability of both equity and lent capital and is an important key ratio for the management of Saab's operations.
Total sales growth	Change in sales in percentage.	This key ratio shows increase or decrease of net sales in SEK on a comparable basis.

Reconciliation of non-IFRS measures

EBITDA and EBTDA margin

	Jan-Sep 2018	Jan-Sep 2017	2017	2016	2015
Operating income, MSEK	844	1,255	2,155	1,797	1,900
Depreciation/amortisation and write-downs	684	637	839	946	959
EBITDA, MSEK	1,528	1,892	2,994	2,743	2,859
EBITDA margin, %	6.9	8.8	9.5	9.6	10.5

Net liquidity/debt

MSEK	30 Sep 2018	30 Sep 2017	31 Dec 2017	31 Dec 2016	31 Dec 2015
Assets:					
Liquid assets	1,450	2,117	2,202	1,402	850
Short-term investments	1,747	2,677	4,469	4,542	2,995
Total liquid investments	3,197	4,794	6,671	5,944	3,845
Short-term interest-bearing receivables	–	24	14	29	48
Long-term interest-bearing receivables	493	457	454	391	367
Long-term receivables attributable to pensions	40	51	40	51	49
Long-term interest-bearing financial investments	–	134	–	140	141
Total interest bearing assets	3,730	5,460	7,179	6,555	4,450
Liabilities:					
Liabilities to credit institutions	8,973	5,769	5,798	5,107	4,762
Liabilities to associated companies and joint ventures	42	44	45	239	251
Other interest-bearing liabilities	462	475	484	570	712
Provisions for pensions ¹⁾	3,503	2,396	2,686	2,475	1,942
Total interest-bearing liabilities	12,980	8,684	9,013	8,391	7,667
Net liquidity (+)/net debt (-)	-9,250	-3,224	-1,834	-1,836	-3,217

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

Operational cash flow, free cash flow and free cash flow per share after dilution

MSEK	Jan-Sep 2018	Jan-Sep 2017	2017	2016	2015
Cash flow from operating activities	-3,764	498	3,164	4,154	358
Taxes and other financial items	560	171	356	194	528
Cash flow from operating activities excluding taxes and other financial items	-3,204	669	3,520	4,348	886
Investing activities:					
Investments in intangible fixed assets	-920	-627	-1,064	-882	-594
Investments in tangible fixed assets	-1,079	-823	-1,093	-807	-799
Sales and disposals of tangible fixed assets	6	23	25	27	7
Investments in financial assets	–	–	–	-83	–
Cash flow from investing activities¹⁾	-1,993	-1,427	-2,132	-1,745	-1,386
Operational cash flow	-5,197	-758	1,388	2,603	-500
Taxes and other financial items	-560	-171	-356	-194	-528
Sale of and investments in financial assets	50	9	-10	-78	221
Investment in operations	5	–	-170	-49	-235
Sale of subsidiaries	3	–	–	77	316
Free cash flow	-5,699	-920	852	2,359	-726
Free cash flow per share after dilution, SEK	-52.97	-8.57	7.93	22.07	-6.82

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.

Organic and total sales growth

MSEK	Jan-Sep 2018	Jan-Sep 2017	2017	2016	2015
Organic sales growth	2	9	10	5	11
Acquisitions	1	-	-	-	3
Currency effects regarding revaluation of foreign subsidiaries	-	1	-	-	2
Total sales growth	3	10	10	5	16

Return on equity

	30 Sep 2018	30 Sep 2017	31 Dec 2017	31 Dec 2016	31 Dec 2015
Net income of the period (rolling 12 months), MSEK	961	1,544	1,438	1,175	1,402
Average equity, MSEK	13,560	12,997	13,839	13,107	12,143
Opening balance	13,760	12,234	13,301	12,912	11,373
Closing balance	13,359	13,760	14,377	13,301	12,912
Return on equity, %	7.1	11.9	10.4	9.0	11.5

Operating income and operating margin excluding non-recurring items

MSEK	Jan-Sep 2018	Jan-Sep 2017	2017	2016	2015
Operating income	844	1,255	2,155	1,797	1,900
Non-recurring items:					
<i>Other operating income</i>	-	-	-	-	-224 ²⁾
<i>Cost of goods sold</i>	41 ¹⁾	-	-	-	66 ³⁾
<i>Administrative expenses</i>	3 ¹⁾	-	-	-	40 ³⁾
<i>Research and development costs</i>	54 ¹⁾	-	-	-	-
<i>Other operating expenses</i>	200 ¹⁾	-	-	-	-
Operating income excluding non-recurring items	1,142	1,255	2,155	1,797	1,782
Operating margin excluding non-recurring items	5.2	5.8	6.9	6.3	6.6

1) Attributable to efficiency measures in order to increase productivity implemented in the third quarter 2018.

2) Attributable to the transfer of the autonomous helicopter Skeldar to UMS Skeldar AG and sale of a property 2015.

3) Attributable to efficiency measures in connection with change of business area structure.

Capital employed and return on capital employed

MSEK	30 Sep 2018	30 Sep 2017	31 Dec 2017	31 Dec 2016	31 Dec 2015
Total assets	46,071	41,682	44,677	41,211	35,088
Less non-interest bearing liabilities	-19,732	-19,238	-21,286	-19,520	-14,509
Capital employed	26,339	22,444	23,391	21,691	20,579
Operating income (rolling 12 months)	1,839	2,215	2,155	1,797	1,900
Financial income	51	180	121	90	169
	1,890	2,395	2,276	1,887	2,069
Average capital employed	24,392	21,776	22,541	21,135	18,454
Opening capital employed	22,444	21,108	21,691	20,579	16,329
Closing capital employed	26,339	22,444	23,391	21,691	20,579
Return on capital employed, %	7.7	11.0	10.1	8.9	11.2

New standards and changes in report structure

New standards

"IFRS 15 – Revenue from Contracts with Customers" applies for accounting periods beginning on or after 1 January 2018. IFRS 15 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 goods or the service. 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.

IFRS 9 Financial Instruments, which 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, also applies for accounting periods beginning on or after 1 January 2018.

For effects of changes in accounting principles, IAS 8 and the transition rules in each standard have been applied. For further information (including transition effects), see "Note 46 – New accounting principles 2018" on p. 124 and onwards in Saab's annual report for the financial year 2017 and "Note 2 – Accounting principles" on p. 21 and onwards in Saab's interim report for the period January–September 2018.

Changes in report structure

The structure of the consolidated statement of financial position slightly changed for the financial year 2017 compared to previous financial years. The following changes have been made:

- **Assets:** The previously reported line item "Other receivables" was, as from the financial year 2017, reported as "Amounts due from customers" and "Other receivables".
- **Liabilities:** The previously reported line item "Advance payments from customers" was, as from the financial year 2017, reported together with deferred income regarding long-term customer contracts according to the percentage of completion method and was entitled "Amounts due to customers".

The structural changes also imply certain consequential changes in the Group's statement of cash flow. The purpose of the structural changes was to increase transparency on how activities and settlements are progressing in the long-term customer projects.

As from 1 January 2018, "Investment properties" is no longer recognised as a separate line item but is included in "Tangible fixed assets".



Submarine HMS Södermanland.

Operating and financial review

This operating and financial overview is provided to facilitate the understanding and assessment of trends and changes in the Group's results and financial position. Historical results do not necessarily provide an accurate indication of future results. The information in this section should be read together with "Selected historical financial information" and the financial reports incorporated in this prospectus by reference (see "Incorporation by reference, etc." in "Legal considerations and supplementary information") and included in this prospectus (see "Interim report January–September 2018"), respectively.

Factors affecting Saab's results of operations

Saab's results have been affected, and will continue to be affected, by a number of factors, some of which are beyond Saab's control. A description of the principal factors that Saab believes have affected its operating results during the periods covered in this section and which can be expected to further affect Saab's results in the future is presented below:

- External factors
- Regulatory requirements
- Order bookings and order backlog
- Execution of large contracts
- Product and project mix
- Industrial and development partnerships
- Investments in operation
- Efficiency measures
- Fluctuations in foreign exchange rates

External factors

In 2017, 84 per cent of Saab's sales was generated from the sale of defence materiel. Demand for defence materiel, and thus for Saab's products and systems, is dependent on geopolitical conditions and macro-economic factors. Geopolitical turmoil has forced many countries to reassess their defence capabilities in recent years, which has made them more willing to spend on defence and is raising demand for Saab's products. Deteriorating macro-economic factors could negatively impact government finances and lead to smaller defence budgets, which could mean lower demand for Saab's products. In addition, changing geopolitical conditions may affect Saab's possibilities to receive export licenses and could thus put Saab's existing order backlog at risk.

For a more detailed description of key market factors that are expected to impact Saab's results in the future, see "Market overview".

Regulatory requirements

Saab's operations are subject to extensive regulatory requirements and require licensing. Saab must comply with international laws and regulations on defence exports. Revised and stricter laws and regulations governing export controls could make it illegal to export to certain countries, which could lead to lower sales and higher expenses and affect Saab's results.

Order bookings and order backlog

As of 30 September 2018, Saab's order backlog amounted to MSEK 102,400, or 3.2 times higher than sales for the full year 2017. Strong order bookings and a large order backlog are important to ensure

Saab's growth and sales. Saab's order bookings are dependent on the timing of major procurements and orders, which in the long run can affect Saab's results. Some of the products sold by Saab are classified as products of national security interest, which might generate a positive effect on the order bookings and order backlog.

Execution of large contracts

A large part of Saab's operations includes long-term customer contracts for the development and manufacture of complex systems lasting over several reporting periods and where the so-called percentage of completion method is used. An estimation of total costs, including assessments of technical and commercial risks, is critical to revenue recognition and provisions for project losses as well as inventory revaluations. Revised estimations of the projects' total costs have retroactive effects, which can affect Saab's result. Executing large contracts in line with Saab's calculations and thereby converting the order backlog to sales is therefore an important factor that impacts Saab's results. Changes in contractual conditions, such as delays, as well as management and completion of commitments to make certain investments, technology transfers and training in the ordering country can also impact Saab's results.

Product and project mix

Saab's results are affected by its product and project mix, which, in turn, is affected by the contracts Saab is awarded as well as by which phase Saab's products and projects are in. In addition, earnings vary by project, due to which Saab's results are dependent on the overall mix of results from each project. If several large projects are, simultaneously, in the start-up or development phase more investment, production planning and working capital are required at the same time. On the other hand, a diversified product and project mix in terms of the projects' stage of completion, allows for a better allocation of expenses over time.

Industrial and development partnerships

It is becoming increasingly common that defence materiel and large systems are developed collaboratively between companies and countries. Saab is a contributor to several important partnerships, including a development partnership with Boeing on the T-X trainer aircraft for the U.S. Air Force and a partnership with Raytheon to develop new ammunition for the Carl-Gustaf system. In certain cases, Saab absorbs the risk associated with this type of development without a promise of compensation from the customer. It is important for Saab to carefully evaluate which partnerships the Group should join. Industrial partnerships can enable Saab to take part in more deals and share development expenses with others, but may require investments in research and development at the Group's own risk before an order can be secured. The ability to develop and

launch products in cooperation with partners can affect Saab's results.

Investments in operations

Saab's results are affected by the extent to which Saab chooses to reinvest in the operation. For example, Saab is making considerable investments in research and development as well as other investments in the capacity of production, which also contribute to Saab's long-term competitive strength and ability to generate sales. Furthermore, Saab's results are affected by whether the investments are recorded in the income statement or capitalised in the balance sheet.

Efficiency measures

Demand for modern defence materiel is growing at the same time as defence spending is limited. This is driving demand for advanced products with a lower initial price and that are cost-efficient to operate and maintain. The ability to continuously make the operations more efficient, rationalised and optimised is important for Saab in order to improve its competitiveness and results in the long term. During the third quarter of 2018, Saab initiated a number of efficiency measures, including a plan to adjust the product portfolio, improve marketing efficiency and increase digitalisation of internal processes. The efficiency measures also include workforce reductions. During the third quarter 2018, non-recurring costs of MSEK 298 were recognised for these measures. Saab's long-term ability to make efficiency improvements could impact Saab's results.

Fluctuations in exchange rates

The Group generates sales in foreign currencies and is therefore exposed to fluctuations in foreign exchange rates against the Group's reporting currency, SEK. The most important currencies are USD, EUR and GBP. The Group also generates production expenses in USD, EUR, GBP, AUD and ZAR. The Group's results are therefore affected by fluctuations in these currencies in relation to SEK.

Segments

Saab's operations are divided into six business areas, which are also operating segments:

- Aeronautics
- Dynamics
- Surveillance
- Support and Services
- Industrial Products and Services
- Kockums

Complementing the six segments is Corporate, which comprises Group staffs and departments as well as other non-core operations.

Explanation of income statement items

Sales

Saab's sales are derived from long-term customer contracts, service assignments and the sale of products and solutions. Revenue is measured at the fair value of what is received or will be received after deducting sales tax, returns, discounts or other similar deductions.

Long-term customer contracts relate to the development and manufacture of complex systems lasting over several reporting periods. Long-term customer contracts are recognised as revenue in relation to the project's stage of completion, while cash flow depends on the timing of deliveries, advances and milestone payments during the contract period.

Service assignments consist of consulting and support services, for example training and ongoing maintenance associated with previous deliveries. Revenue from service assignments on current account is normally recognised as the project is rendered.

The third part of Saab's 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.

Cost of goods sold

Cost of goods sold comprises costs for material handling and manufacturing costs, including salary and material costs, purchased services, premises, and the depreciation/amortisation and write-down of intangible and tangible fixed assets other than internally funded capitalised development cost (see "Research and development expenditures" below). Customer-financed research and development is recognised in cost of goods sold.

Administrative expenses

Administrative expenses relate to expenses for the Board of Directors, Group Management and staff functions as well as expenses related to business area and business unit managements.

Marketing expenses

Marketing expenses comprise expenses for the in-house marketing and sales organisation as well as external marketing and selling expenses.

Research and development expenditures

Research and development expenditures are recognised separately and comprise the cost of internally funded new and continued product development as well as amortisation of capitalised development expenditures.

Other operating revenue and expenses

Other operating revenue and expenses relate to secondary activities, exchange rate differences on items of an operating nature, changes in the value of derivatives of an operating nature and capital gains/losses on the sale of tangible fixed assets.

Also included at the Group level are capital gains/losses on the sale of subsidiaries and share of profits from associated companies and joint ventures.

Financial income

Financial income comprises interest income on loans receivable and financial income from the revaluation and disposal of financial assets and liabilities at fair value through profit or loss and other financial income.

Financial expenses

Financial expenses comprise interest expenses on loans and financial liabilities, financial expenses from the revaluation and disposal of financial assets and liabilities at fair value through profit or loss, financial expenses related to pensions and other financial expenses.

Taxes

Taxes for the period consist of current and deferred tax. Current tax is calculated based on applicable tax laws in the countries in which parent company and subsidiaries are active and generate taxable income.

January–September 2018 compared to January–September 2017

Figures in parentheses refer to the corresponding year-earlier period.

Orders

Order bookings amounted to MSEK 17,183 (24,255) in the first nine months of 2018. The change is primarily due to a decrease in large orders during the period January–September 2018, which amounted to MSEK 1,350 compared to the same period in 2017, where Saab received large orders for a total of SEK 10.7 billion. Bookings of medium-sized orders increased with 32 per cent compared to the same period in 2017 and amounted to MSEK 7,925 (5,996). Orders of less than MSEK 100 amounted to MSEK 7,908 (7,525). During the period January–September 2018, index and price changes had a positive effect on order bookings of MSEK 269 (200).

The order backlog amounted to MSEK 102,400 at 30 September 2018, compared to MSEK 107,233 at 31 December 2017. In total, 65 per cent of the order backlog is attributable to markets outside Sweden.

Business area Aeronautics

Order bookings amounted to MSEK 2,680 (1,876) during the first nine months of 2018. During the period, Saab received an order from FMV valued at SEK 1.4 billion 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.

The order backlog at 30 September 2018 amounted to MSEK 47,433, compared to MSEK 50,154 at 31 December 2017.

Business area Dynamics

Order bookings amounted to MSEK 3,845 (7,591) during the period January–September 2018. During the period, 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 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. During the same period in 2017, a contract was signed with FMV for the development and production of the next generation anti-ship missile valued at SEK 3.2 billion.

The order backlog at 30 September 2018 amounted to MSEK 12,445, compared to MSEK 11,597 at 31 December 2017.

Business area Surveillance

Order bookings amounted to MSEK 5,406 (5,099) during the period January–September 2018. During the period, 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.

The order backlog at 30 September 2018 amounted to MSEK 15,081, compared to MSEK 14,764 at 31 December 2017.

Business area Support and Services

Order bookings amounted to MSEK 2,386 (5,077) during the period January–September 2018. Several orders were received during the period, 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.

The order backlog at 30 September 2018 amounted to MSEK 11,098, compared to MSEK 12,513 at 31 December 2017.

Business area Industrial Products and Services

Order bookings amounted to MSEK 3,576 (4,417) during the period January–September 2018. The change is mainly because the business unit Traffic Management received several large orders in the same period in 2017.

The order backlog at 30 September 2018 amounted to MSEK 11,113, compared to MSEK 11,697 at 31 December 2017.

Business area Kockums

Order bookings amounted to MSEK 748 (1,914) during the period January–September 2018. During the period, Saab signed a contract with ASC to update the Integrated Ship Control Management and Monitoring System (ISCMMMS) for four of the Australian Navy's Collins Class Submarines. The order amounted to approximately MSEK 150.

The order backlog at 30 September 2018 amounted to MSEK 7,300, compared to MSEK 8,815 at 31 December 2017.

Sales

Sales during the period January–September 2018 amounted to MSEK 22,138 (21,516). Most of the increase is attributed to a high activity level in 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. Organic sales growth during the period was 2 per cent (9).

Sales in 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 is attributable to the defence market.

Business area Aeronautics

Sales increased during the period January–September 2018 to MSEK 5,402 (4,894), mainly due to a higher activity level within Gripen development and production for Brazil.

Business area Dynamics

Sales decreased during the period January–September 2018 to MSEK 3,032 (3,167) due to slightly fewer deliveries in the first nine months 2018 compared to 2017.

Business area Surveillance

Sales increased during the period January–September 2018 to MSEK 5,095 (4,667), mainly due to a higher activity level for Airborne Surveillance Systems.

Business area Support and Services

Sales during the period January–September 2018 amounted to MSEK 3,813 (4,162). The main reason for the lower sales compared to

the first nine months of 2017 was that Saab received a major order in the same period in 2017, which led to higher revenue recognition at the start of the project.

Business area Industrial Products and Services

Sales increased within several business units in the first nine months of 2018 compared to 2017 and amounted to MSEK 4,228 (4,012).

Business area Kockums

Sales during the period January–September 2018 amounted to MSEK 2,262 (1,949) due to a high activity in submarines and the acquisitions of N. Sundin Dockstavarvet AB and the repair shipyard Muskövarvet AB on 29 December 2017.

Income, margin and profitability

Gross income during the period January–September 2018 amounted to MSEK 4,976 (5,025), with a gross margin of 22.5 per cent (23.4). Gross income was lower than in 2017 due to changes in the project mix and lower sales within the business area Dynamics.

Total depreciation and amortisation 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 the T-X programme. Investments related to the T-X programme were lower than the same period in 2017. Capitalised expenditures are mainly related 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 of MSEK 298, operating income amounted to MSEK 1,142 and the operating margin was 5.2 per cent. The non-recurring items are related to identified efficiency improvements to increase productivity and mainly refer to work force reductions. A number of measures were initiated in the third quarter, including in Saab's business unit Barracuda within the business area Dynamics, where efficiency improvements have been carried out, and within the business areas Surveillance and Support and Services, where the product portfolio has been modified. 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.

The financial net amounted to MSEK -372 (-45). The change compared to the corresponding period 2017 is mainly due to changes in the market value of derivatives related to hedged tenders mainly in USD.

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.

Net income for the period January–September 2018 amounted to MSEK 358 (905). The change compared to the same period in 2017 is largely explained above.

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

Business area Aeronautics

Operating income during the period January–September 2018 amounted to MSEK 371 (294). The business area's operating margin improved to 6.9 per cent (6.0) due to the higher activity level and

because R&D costs for the T-X programme were lower compared to the same period in 2017.

Business area Dynamics

Operating income for the period January–September 2018 amounted to MSEK 113 (287) with an operating margin of 3.7 per cent (9.1). 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 the lower operating margin. In addition, a non-recurring expense of MSEK 6 was recognised for productivity improvements in the third quarter of 2018.

Business area Surveillance

Operating income for the period January–September 2018 amounted to MSEK 260 (351) with an operating margin of 5.1 per cent (7.5). During the third quarter of 2018, a non-recurring expense of MSEK 42 was recognised for productivity improvements, including adjustments to a part of the Norwegian operations.

Business area Support and Services

Operating income for the period January–September 2018 amounted to MSEK 365 (449) with an operating margin of 9.6 per cent (10.8). During the third quarter of 2018, a non-recurring expense of MSEK 50 was recognised for productivity improvements related to adjustments of the business area's product portfolio.

Business area Industrial Products and Services

Operating income for the period January–September 2018 amounted to MSEK 63 (40) with an operating margin of 1.5 per cent (1.0). The operating margin increased during the period due to improved project execution mainly in the business unit Traffic Management.

Business area Kockums

Operating income for the period January–September 2018 amounted to MSEK 128 (110) with an operating margin of 5.7 per cent (5.6).

Financial position and liquidity

As of 30 September 2018, net debt was MSEK 9,250, an increase of MSEK 7,416 compared to 31 December 2017 when net debt amounted to MSEK 1,834. Net debt was mainly affected by negative cash flow from operating activities of MSEK -3,764 (see "Cash flow" below), an increase in the net pension obligation of MSEK 818, and net investments of MSEK 1,993 (1,427). The increase in net investments was mainly related to investments in real estate and IT solutions as well as capitalised R&D expenditures. To secure the delivery of shares to participants in Saab's various share matching plans, shares of series B were repurchased for MSEK 203 during the period. In addition, a dividend of MSEK 588 was paid to the parent company's shareholders.

Intangible fixed assets amounted to MSEK 8,650 as of 30 September 2018, compared to MSEK 7,862 as of 31 December 2017, with capitalised development expenditures on the balance sheet increased by MSEK 651 during the period. The increase was mainly related to investments to develop Gripen E/F for future exports. Tangible fixed assets amounted to MSEK 5,938 as of 30 September 2018, compared to MSEK 5,311 as of 31 December 2017. As from 1 January 2018, investment properties are no longer recognised as a separate line item but are included in tangible fixed assets.

Accounts receivable decreased by MSEK 552 during the period January–September 2018, mainly due to payments received for large deliveries 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 was mainly related to future deliveries within Dynamics.

As of 30 September 2018, short-term investments and liquid assets amounted to MSEK 3,197, a decrease of MSEK 3,474 compared to 31 December 2017. MSEK 3,820 in funding was raised in the first nine months of 2018.

Investments

The cash flow effect of investments in tangible fixed assets amounted to MSEK 1,079 (823) in the first nine months of 2018. 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.

Cash flow

Cash flow from operating activities amounted to MSEK -3,764 (498) during the period January–September 2018. Cash flow from operating activities, excluding taxes and other financial items, amounted to MSEK -3,204 (669). Operational cash flow amounted to MSEK -5,197 (-758). The main reason for the changes compared to the corresponding period 2017 is a high level of capital employed in projects in the Gripen operations as well as utilisation of previously received advances and milestone payments. The cash flow was also negatively affected by high level of completion in projects within the business area Surveillance and fewer deliveries to customers within the business area Dynamics compared to the corresponding period 2017. Free cash flow amounted to MSEK -5,699 (-920). Cash flow for the period amounted to MSEK -781 (767).

2017 compared to 2016

Figures in parentheses refer to the corresponding year-earlier period.

Orders

Order bookings were higher in 2017 than in 2016, mainly due to large orders received in 2017 in the Airborne Early Warning and Control (AEW&C) segment. Orders with a total value exceeding MSEK 100 represented 65 per cent (45) of total order bookings. In total, Saab received orders amounting to SEK 30.8 billion (21.8), of which SEK 10.9 billion (12.0) was attributable to orders of less than MSEK 100. In total, 86 per cent (84) of order bookings was attributable to defence-related operations and 55 per cent (59) to markets outside Sweden. During 2017, index and price changes had a positive effect on order bookings of MSEK 812, compared to MSEK 727 in 2016.

The order backlog at 31 December 2017 amounted to MSEK 106,849, compared to MSEK 107,606 at 31 December 2016.

Business area Aeronautics

Order bookings amounted to MSEK 3,295 (1,789) in 2017. Saab received an order from FMV to provide operational and development support for Gripen in 2017. A contract was also signed with FMV on the continued support and maintenance of Gripen C/D valued in total at SEK 1.9 billion. The order value for Aeronautics amounted to MSEK 536.

The order backlog amounted to MSEK 50,154 at 31 December 2017, compared to MSEK 54,127 at 31 December 2016.

Business area Dynamics

Order bookings amounted to MSEK 8,615 (6,680) in 2017. Dynamics signed a major contract during the year with FMV for the development and production of next generation anti-ship missiles. The total order value amounted to SEK 3.2 billion. FMV subsequently ordered additional production of next generation anti-ship missiles for MSEK

500. Saab also received an order from the Swiss Federal Office for Defence Procurement, Armasuisse, to deliver the Next generation Light Anti-Tank Weapon system (NLAW) to the Swiss Army. The order value amounted to about SEK 1.04 billion.

The order backlog amounted to MSEK 11,399 at 31 December 2017, compared to MSEK 8,031 at 31 December 2016.

Business area Surveillance

Order bookings amounted to MSEK 8,528 (5,993) in 2017. During the year, Surveillance and Support and Services received a major order in the AEW&C segment valued at MUSD 236, approximately SEK 2 billion, of which approximately MSEK 550 was related to Surveillance. Another AEW&C contract was signed, valued at SEK 1.35 billion, of which MSEK 789 was related to Surveillance. Surveillance and Kockums also signed a major contract for the modification and upgrade of the Swedish Navy's Gävle-class corvettes. The order value amounted to SEK 1.25 billion, of which MSEK 501 was attributable to Surveillance.

The order backlog amounted to MSEK 16,169 at 31 December 2017, compared to MSEK 16,415 at 31 December 2016.

Business area Support and Services

Order bookings amounted to MSEK 7,324 (4,473) in 2017. Support and Services and Surveillance received a major order during the year in the AEW&C segment valued at MUSD 236, approximately SEK 2 billion, of which approximately MSEK 1,450 was related to Support and Services. Another AEW&C contract was signed, with an order value of SEK 1.35 billion, of which MSEK 561 was related to Support and Services. A major contract was signed with FMV on the continued support and maintenance of Gripen C/D valued in total at SEK 1.9 billion. The order value for Support and Services amounted to MSEK 1,164.

The order backlog amounted to MSEK 14,039 at 31 December 2017, compared to MSEK 12,938 at 31 December 2016.

Business area Industrial Products and Services

Order bookings amounted to MSEK 3,311 (3,358) in 2017. Order bookings increased within the technical consulting company Combitech, but were slightly lower in the business units Avionics and Aerostructures. Aerostructures received a major order in 2016 that was not repeated in 2017.

The order backlog amounted to MSEK 8,665 at 31 December 2017, compared to MSEK 9,361 at 31 December 2016.

Business area Kockums

Order bookings amounted to MSEK 2,129 (1,293) in 2017. During the year, a contract was signed with FMV for delivery of a Special Purpose Ship for Signal Intelligence (SIGINT). The order covers the period 2017–2020, with a total value of MSEK 730. Kockums and Surveillance also signed a contract for the modification and upgrade of the Swedish Navy's Gävle-class corvettes. The order value amounted to SEK 1.249 billion, of which MSEK 748 was related to Kockums.

The order backlog amounted to MSEK 8,815 at 31 December 2017, compared to MSEK 8,910 at 31 December 2016.

Sales

Sales increased in all business areas in 2017 and amounted to MSEK 31,394 (28,631). Most of the increase is related to major orders within airborne surveillance systems and support operations and higher sales in the business area Dynamics. Organic sales growth was 10 per cent (5) in 2017.

Sales in markets outside Sweden amounted to MSEK 18,176 (16,242), or 58 per cent (57) of total sales. Sales to Asia increased by

31 per cent and to Latin America by 32 per cent compared to 2016. 84 per cent (83) of sales was related to the defence market.

Business area Aeronautics

Sales increased slightly in 2017 to MSEK 7,267 (7,138), mainly because the activity level within the Gripen programmes to Sweden and Brazil remained high during the year.

Business area Dynamics

Sales increased to MSEK 5,267 (4,927) in 2017, mainly due to strong order bookings in large parts of the business area in recent years.

Business area Surveillance

Sales increased to MSEK 8,015 (7,659) in 2017, mainly due to a high activity level in the AEW&C segment.

Business area Support and Services

Sales increased to MSEK 6,201 (5,081) in 2017, mainly due to a high activity level in the AEW&C segment.

Business area Industrial Products and Services

Sales increased to MSEK 4,022 (3,605) in 2017, mainly due to higher sales within Combitech, which strengthened as a result of higher demand, the effects of the transfer of Ericsson's development organisation in October 2016 and the acquisition of Watchcom AS in 2016.

Business area Kockums

Sales increased slightly in 2017 to MSEK 2,712 (2,311). The increase is due to higher activity in the ongoing half-time modifications of two Gotland-class submarines and high activity related to maintenance of surface vessels.

Income, margin and profitability

Gross income amounted to MSEK 7,448 (6,883) in 2017, with a gross margin during the year of 23.7 per cent (24.0). The improved gross income compared to 2016 is mainly due to the increased sales.

Total depreciation and amortisation amounted to MSEK 839 (946). Depreciation of tangible fixed assets amounted to MSEK 555 (493). Total R&D expenditures amounted to MSEK 7,348 (7,421), or about 23 per cent (26) of sales. Internally funded R&D amounted to MSEK 2,059 (2,065), of which MSEK 871 (784) was capitalised. Capitalised development mainly related to GlobalEye. Internally funded R&D expenditures mainly related to radar and sensor technology as well as to the T-X programme. Significant, but smaller, R&D expenditures were devoted during the year to the T-X programme compared to 2016. Amortisation of intangible fixed assets amounted to MSEK 284 (453), of which amortisation of capitalised development expenditures amounted to MSEK 160 (311). The share of income in associated companies and joint ventures amounted to MSEK -39 (-38).

Operating income amounted to MSEK 2,155 (1,797), with an operating margin of 6.9 per cent (6.3). Profitability strengthened in the AEW&C segment due to the high level of activity. Despite a somewhat lower operating margin in the fourth quarter of 2017, the business area Dynamics reported an improved operating margin due to high capacity utilisation throughout its operations. Within Dynamics, the Training and Simulation segment delivered a strong profit improvement during the year.

The financial net amounted to MSEK -151 (-186) in 2017. The change compared to 2016 is mainly due to currency gains related to hedges of the tender portfolio.

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

Net income for 2017 amounted to MSEK 1,438 (1,175) in 2017. The improvement compared to 2016 is largely explained above.

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

Business area Aeronautics

Operating income amounted to MSEK 478 (535) in 2017, with an operating margin of 6.6 per cent (7.5). The business area's operating income was affected by significant development expenditures in the T-X programme in 2017, but at a lower level than in 2016, as well as larger investments in marketing in 2017 compared to 2016 due to great interest in Gripen.

Business area Dynamics

Operating income amounted to MSEK 575 (447) in 2017, with an operating margin of 10.9 per cent (9.1). The business area's operating margin strengthened due to high capacity utilisation throughout its operations, where the Training and Simulation segment delivered a strong profit improvement during the year.

Business area Surveillance

Operating income amounted to MSEK 591 (449) in 2017, with an operating margin of 7.4 per cent (5.9). The business area's operating margin strengthened mainly due to a high activity level within the AEW&C segment.

Business area Support and Services

Operating income amounted to MSEK 673 (454) in 2017, with an operating margin of 10.9 per cent (8.9). The improvement is mainly due to a high activity level within the AEW&C segment.

Business area Industrial Products and Services

Operating income amounted to MSEK 136 (134) in 2017, with an operating margin of 3.4 per cent (3.7). Operating income increased within Combitech as a result of a high utilisation rate and more project commitments, while the business unit Aerostructures was affected by delayed deliveries. Significant investments were made in 2017 in the minority portfolio containing Saab's ownership interests in companies in various stages of development.

Business area Kockums

Operating income amounted to MSEK 157 (134) in 2017, with an operating margin of 5.8 per cent (5.8). The income improvement is mainly due to higher activity in the ongoing half-time modifications of two Gotland-class submarines and high activity related to maintenance of surface vessels.

Financial position

As of 31 December 2017, the Group's net debt amounted to MSEK 1,834, a decrease of MSEK 2 compared to as of 31 December 2016, when net debt amounted to MSEK 1,836. The net debt was mainly affected by positive cash flow from operating activities of MSEK 3,164 (see "Cash flow" below), an increase in the net pension obligation of MSEK 222 and net investments of MSEK 2,132 (1,745). The increase in net investments was mainly related to intangible fixed assets as well as machinery and equipment. Subsidiaries were acquired for MSEK 170. In addition, a dividend of MSEK 559 was paid to the parent company's shareholders. Currency exchange rate differences in liquid assets and unrealised results from financial investments had a negative impact on net debt of MSEK 79.

Intangible fixed assets amounted to MSEK 7,862 (7,094) at 31 December 2017, with capitalised development expenditures on the balance sheet of MSEK 2,360 (1,652). The latter increase was

mainly related to the development of GlobalEye. Tangible fixed assets amounted to MSEK 5,271 at 31 December 2017 (4,811).

Accounts receivable amounted to MSEK 4,342 (5,402) at 31 December 2017. Amounts due from customers amounted to MSEK 7,917 (6,222) on the same date. Amounts due to customers totalled MSEK 9,094 at 31 December 2017 (7,884). Inventories increased by MSEK 1,083 during the year, mainly due to the business areas Dynamics and Surveillance and upcoming deliveries.

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

Investments

The cash flow effect of investments in tangible fixed assets amounted to MSEK 1,093 (807). Investments in intangible fixed assets amounted to MSEK 1,064 (882), of which MSEK 871 (784) related to capitalised R&D expenditures and MSEK 193 (98) to other intangible fixed assets.

Cash flow

Cash flow from operating activities amounted to MSEK 3,164 (4,154) in 2017. Cash flow from operating activities, excluding taxes and other financial items, amounted to MSEK 3,520 (4,348). Operational cash flow amounted to MSEK 1,388 (2,603) in 2017. The changes compared to 2016 are mainly due to the change in working capital and increased net investments. Free cash flow amounted to MSEK 852 (2,359). Cash flow for the year amounted to MSEK 835 (481).

2016 compared to 2015

Figures in parentheses refer to the corresponding year-earlier period.

Orders

Order bookings were lower in 2016 than in 2015, mainly because Saab received several large orders in 2015 related to Gripen to Brazil, the submarine A26 to Sweden and an airborne surveillance system to the United Arab Emirates, among others. In total, Saab received orders of SEK 21.8 billion in 2016 (81.2). Orders with a value exceeding MSEK 100 represented 45 per cent (86) of total order bookings. Order bookings of smaller orders increased by 3 per cent compared to 2015. In total, 84 per cent (95) of order bookings were attributable to defence-related operations and 59 per cent (80) to markets outside Sweden. During 2016, index and price changes had a positive effect on order bookings of MSEK 545, compared to MSEK 183 in 2015.

The order backlog as at 31 December 2016 amounted to MSEK 107,606, compared to MSEK 113,834 at 31 December 2015.

Business area Aeronautics

Order bookings amounted to MSEK 1,789 (39,349) in 2016. During 2016, FMV ordered an upgrade of the IFF system (identification, friend or foe) in Gripen C/D. FMV also placed complementary orders for Gripen C/D during the year. For Gripen E, FMV ordered an advanced helmet mounted display (HMD) system that had previously been ordered for the Brazilian Air Force's Gripen fighters. The high order bookings in 2015 were mainly because the contract with the Brazilian government to develop and produce 36 Gripen NG was effective, where SEK 35.5 billion of the total order of SEK 39.3 billion was related to Aeronautics.

The order backlog amounted to MSEK 54,127 at 31 December 2016, compared to MSEK 59,476 at 31 December 2015.

Business area Dynamics

Order bookings amounted to MSEK 6,680 (5,273) in 2016. During 2016, Dynamics received an order for production and delivery of ammunition for the man-portable weapon system Carl-Gustaf. The total order value was approximately SEK 1.4 billion. An order was also received for the latest version of Saab's air-to-surface missile, RBS 70 NG VSHORAD (Very Short Range Air Defence System). FMV ordered the development and production of the New Lightweight Torpedo system to Sweden with a total value of SEK 1.5 billion. During the year, a contract was also signed for delivery of the new Carl-Gustaf M4 multi-role weapon system.

The order backlog amounted to MSEK 8,031 at 31 December 2016, compared to MSEK 6,284 at 31 December 2015.

Business area Surveillance

Order bookings amounted to MSEK 5,993 (15,456) in 2016. During 2016, Surveillance and Support and Services received an order in the AEW&C segment amounting to about SEK 1.1 billion, of which MSEK 687 was related to Surveillance. The Australian government placed an order for the sustainment of the combat system on the Australian Navy's ANZAC-class frigates. The Spanish shipbuilder Navantia ordered an integrated combat system for two new replenishment ships for the Australian Navy. The high order bookings in 2015 were mainly due to an airborne surveillance system from the United Arab Emirates worth SEK 5.6 billion and an order of SEK 1.7 billion related to the Brazilian government's Gripen order.

The order backlog amounted to MSEK 16,415 at 31 December 2016, compared to MSEK 17,707 at 31 December 2015.

Business area Support and Services

Order bookings amounted to MSEK 4,473 (10,557) in 2016. Orders were received from FMV for support and maintenance of Gripen on behalf of the Swedish Armed Forces for the years 2016 and 2017 as well as for the continued delivery of complete support and maintenance for Helicopter 15 in 2018 and 2019. During 2016, Surveillance and Support and Services received an order in the AEW&C segment amounting to about SEK 1.1 billion, of which MSEK 418 was related to Support and Services. A support contract was signed regarding an airborne surveillance system for the years 2016–2017 for spares and support services for the previously delivered Saab 2000 AEW&C system. The high order bookings in 2015 were mainly due to an AEW&C order to the United Arab Emirates, where SEK 4.0 billion was attributable to Support and Services, as well as the Brazilian government's order Gripen NG in 2015, where SEK 2.1 billion was related to Support and Services.

The order backlog amounted to MSEK 12,938 at 31 December 2016, compared to MSEK 13,393 at 31 December 2015.

Business area Industrial Products and Services

Order bookings amounted to MSEK 3,358 (3,632) in 2016. During 2016, order bookings increased in the business unit Aerostructures due to several orders from Airbus. The consulting company Combitech and Ericsson signed an agreement on the transfer of Ericsson's development organisation with focus on radio software development.

The order backlog amounted to MSEK 9,361 at 31 December 2016, compared to MSEK 9,578 at 31 December 2017.

Business area Kockums

Order bookings amounted to MSEK 1,293 (10,268) in 2016. Saab received several orders from FMV, including for modifications and upgrades to the Swedish Navy's Koster-class mine countermeasures vessels, development and production of Torpedo Integration Systems (TIS) for the Swedish Navy's A26 submarines and an upgrade of existing systems on Visby-class corvettes and Gotland-

class submarines. The high order bookings in 2015 were mainly due to orders from FMV to build two A26 submarines and for half-time modifications of two Gotland class submarines.

The order backlog amounted to MSEK 8,910 at 31 December 2016, compared to MSEK 9,928 at 31 December 2015.

Sales

Sales increased slightly in 2016 to MSEK 28,631 (27,186). Acquisitions had no impact on sales 2016 compared to a positive effect of 3 per cent in 2015. Currency effects had no impact on sales 2016 compared to a positive effect of 2 per cent in 2015. Organic sales growth was 5 per cent (11) in 2016.

Sales in markets outside Sweden amounted to MSEK 16,242 (15,787) in 2016, or 57 per cent (58) of total sales. 83 per cent (82) of sales was related to the defence market.

Business area Aeronautics

Sales increased to MSEK 7,138 (6,262) in 2016. The increase mainly related to activities as part of the Gripen NG project for Brazil, which was ordered in the third quarter of 2015.

Business area Dynamics

Sales increased to MSEK 4,927 (4,009) in 2016 due to strong order bookings in both 2015 and 2016.

Business area Surveillance

Sales increased to MSEK 7,659 (7,305) in 2016 and were positively affected by orders in 2015 and 2016 mainly for radar systems and combat systems.

Business area Support and Services

Sales decreased to MSEK 5,081 (6,012) in 2016, mainly due to a high activity level in AEW&C systems in 2015. During 2015, a large order was received for an airborne surveillance system from the United Arab Emirates, where revenue from preparatory work related to the order contributed to a high level of sales in the business area in 2015.

Business area Industrial Products and Services

Sales amounted to MSEK 3,605 (3,562) in 2016. Sales for 2016 were in line with 2015, with Combitech increasing the business area's sales and compensating for a slightly lower delivery rate in certain aircraft programmes within Aerostructures.

Business area Kockums

Sales amounted to MSEK 2,311 (1,847) in 2016. The increase was mainly due to activity in the A26 programme for Sweden.

Income, margin and profitability

Gross income amounted to MSEK 6,883 (6,486) in 2016, with a gross margin of 24.0 per cent (23.9) and was in line with 2015.

Total depreciation and amortisation amounted to MSEK 946 (959). Depreciation of tangible fixed assets amounted to MSEK 493 (451). Total expenditures in R&D amounted to MSEK 7,421 (6,841). Internally funded R&D expenditures amounted to MSEK 2,065 (1,765), of which MSEK 784 (524) was capitalised. Internally funded R&D expenditures are mainly related to radar and sensor technology as well as the T-X programme. The increased capitalisation of development costs is related to GlobalEye. Amortisation of intangible fixed assets amounted to MSEK 453 (508), of which amortisation of capitalised development expenditures amounted to MSEK 311 (323). The share of income in associated companies and joint ventures amounted to MSEK -38 (40), mainly related to a lower result within the minority portfolio, where Saab owns shares in companies in various stages

of development. The portfolio is managed within the business area Industrial Products and Services.

Operating income amounted to MSEK 1,797 (1,900) in 2016, with an operating margin of 6.3 per cent (7.0). The business areas Dynamics and Surveillance reported improvements in operating income due to increased deliveries and a change in product mix. During 2015, a large order for an airborne surveillance system where preparation work was recognised as operating income upon signing the contract contributed to a higher operating margin for the business areas Surveillance and Support and Services. Adjusted for non-recurring items related to transfer of the autonomous helicopter Skeldar to UMS Skeldar AG and sale of a property, operating income amounted to MSEK 1,782 in 2015 and the operating margin was 6.6 per cent. During 2015, the reversal of risk provisions for the remaining risks related to the termination of Saab's leasing fleet of turbo prop aircraft (SAL) positively contributed to operating income.

The financial net amounted to MSEK -186 (-169) in 2016. The change compared to 2015 was mainly due to lower currency losses related to hedges of the tender portfolio and Saab's divestment in December 2015 of its holding in the Indian company Pipavav Defence and Offshore Engineering Company Limited, a sale that resulted in a capital gain of MSEK 117.

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

Net income amounted to MSEK 1,175 (1,402) in 2016. The change compared to 2015 is largely explained above.

Return on capital employed was 8.9 per cent (11.2) in 2016 and return on equity was 9.0 per cent (11.5), both measured over a rolling 12-month period.

Business area Aeronautics

Operating income amounted to MSEK 535 (509) in 2016, with an operating margin of 7.5 per cent (8.1). During 2016 and 2015, major investments were made in the T-X programme, which had a negative impact on the business area's operating margin. In December 2015, Saab and UMS Aero Group AG formed a joint venture, UMS Skeldar AG, which generated a capital gain of MSEK 117 in 2015.

Business area Dynamics

Operating income amounted to MSEK 447 (175) in 2016, with an operating margin of 9.1 per cent (4.4). The business area's operating margin improved compared to 2015 as a result of increased deliveries and a change in product mix.

Business area Surveillance

Operating income amounted to MSEK 449 (320) in 2016, with an operating margin of 5.9 per cent (4.4). The business area's operating margin was positively affected in 2016 by orders in 2015 and 2016, mainly related to radar systems and combat systems.

Business area Support and Services

Operating income amounted to MSEK 454 (549) in 2016, with an operating margin of 8.9 per cent (9.1). The decrease was mainly related to an order for an airborne surveillance system from the United Arab Emirates in 2015, where revenue from preparatory work was recognised when the contract was signed.

Business area Industrial Products and Services

Operating income amounted to MSEK 134 (213) in 2016, with an operating margin of 3.7 per cent (6.0). Investments in the minority portfolio, where Saab owns shares in companies in various stages of development, had a negative effect on the business area's operating income.

Business area Kockums

Operating income amounted to MSEK 134 (228) in 2016, with an operating margin of 5.8 per cent (12.3). The change compared to 2015 was mainly because the business area's operating margin was positively impacted in 2015 by large project deliveries to markets outside Sweden.

Financial position

At 31 December 2016, net debt amounted to MSEK 1,836, a decrease of MSEK 1,381 compared to 31 December 2015, when net debt amounted to MSEK -3,217. Net debt was mainly affected by positive cash flow from operating activities of MSEK 4,154 (see "Cash flow" below), an increase in the net pension obligation of MSEK 531 and net investments of MSEK 1,745 (1,084). The increase in net investments was mainly related to capitalised R&D expenditures. Divestments and acquisitions of subsidiaries reduced net debt by MSEK 28. In addition, a dividend of MSEK 530 was paid to the parent company's shareholders. Currency exchange rate differences in liquid assets and unrealised results from financial investments positively affected net debt by MSEK 5.

Intangible fixed assets amounted to MSEK 7,094 (6,476) at 31 December 2016, with capitalised development expenditures on the balance sheet of MSEK 1,652 (1,157). The latter increase was mainly related to GlobalEye. Tangible fixed assets amounted to MSEK 4,811 (4,472). The increase was mainly attributable to investments in real estate.

Accounts receivable amounted to MSEK 5,402 at 31 December 2016 (2,913). Receivables from customers amounted to MSEK 6,222 at 31 December 2016 (7,549). Inventories increased by MSEK 1,417 in 2016, mainly due to preparations for deliveries on major projects in 2017.

As of 31 December 2016, short-term investments and liquid assets amounted to MSEK 5,944 (3,845). The increase was mainly related to advances from customers during the year.

Investments

The cash flow effect of investments in tangible fixed assets amounted to MSEK 807 (799). Investments in intangible fixed assets amounted to MSEK 882 (594), of which MSEK 784 (524) related to capitalised R&D expenditures and MSEK 98 (70) to other intangible fixed assets.

Cash flow

Cash flow from operating activities amounted to MSEK 4,154 (358) in 2016. Cash flow from operating activities, excluding taxes and other financial items, amounted to MSEK 4,348 (886). Saab has an established programme to sell trade receivables to strengthen its financial position and increase financial flexibility. At 31 December 2016, no receivables had been sold, compared to MSEK 1,299 at 31 December 2015. This had a negative effect on cash flow from operating activities of MSEK 1,299 in 2016. Operational cash flow amounted to MSEK 2,603 (-500). The strong operational cash flow in 2016 compared to 2015 was mainly related to advances from customers related to the Gripen programmes and the order for GlobalEye. Free cash flow amounted to MSEK 2,359 (-726). Cash flow for the year amounted to MSEK 481 (-419).



Heavyweight torpedo.

Capitalisation, indebtedness and other financial information

Capitalisation and indebtedness

Capitalisation

Set forth below is Saab's capitalisation as of 30 September 2018.

MSEK	30 September 2018
Total current debt	502
Guaranteed	0
Secured	0
Unguaranteed/unsecured	502
Total non-current debt	8,975
Guaranteed	0
Secured	0
Unguaranteed/unsecured	8,975
Shareholders' equity	13,175¹⁾
Share capital	1,746
Legal reserves	543
Other reserves	10,886 ²⁾

1) Excluding non-controlling interest of MSEK 184.

2) Including retained earnings of MSEK 10,633.

Net indebtedness

Set forth below is Saab's net indebtedness as of 30 September 2018.

MSEK	30 September 2018
(A) Cash	1,050
(B) Cash equivalents	400
(C) Trading securities	1,747
(D) Liquidity (A)+(B)+(C)	3,197
(E) Current financial receivables	0
(F) Current bank debt	0
(G) Current portion of non-current debt	411
(H) Other current financial debt	0
(I) Current financial debt (F)+(G)+(H)	411¹⁾
(J) Net current financial indebtedness (I)-(E)-(D)	-2,786
(K) Non-current bank debt	0
(L) Bonds issued	7,530 ¹⁾
(M) Other non-current loans	1,032
(N) Non-current financial indebtedness (K)+(L)+(M)	8,562
(O) Net financial indebtedness (J)+(N)	5,776

1) The sum of (G) Current financial debt (MSEK 411) and (L) Bonds issued (MSEK 7,530) corresponds to the total utilised amount of the Group's Medium Term Note programme of MSEK 7,941. See also "Medium Term Note programme" below.

If the forthcoming rights issue had been completed on 30 September 2018, and the proceeds in its entirety been converted to cash, the Group's net financial indebtedness (as set out in the table above) would have amounted to MSEK -224 and its equity/assets ratio to 37.2 per cent.

Contingent liabilities

A contingent liability exists if there is a possible commitment stemming from events whose occurrence is dependent on one or more uncertain future events and there is a commitment that is not recognised as a liability or provision because it is unlikely that an outflow of resources will be required or the size of the obligation cannot be estimated with sufficient reliability. Information is provided as long as the likelihood of an outflow of resources is not extremely low.

As of 30 September 2018, the Group's contingent liabilities amounted to MSEK 130. The contingent liabilities consisted mainly of guarantees to the insurance company PRI Pensionsgaranti and in relation to Group companies' commitments to customers.

Credit facilities and loans

Saab has two revolving credit facilities with an equivalent value of MSEK 6,000 divided between eight banks. Both facilities have a term of five years to 2022 and are not utilised. Saab also has a commercial paper programme with a limit of MSEK 5,000 and a Medium Term Note (MTN) programme with a limit of MSEK 10,000. As of 30 September 2018, MSEK 0 in commercial paper and MSEK 7,941 in MTN had been issued.

In addition to these credit facilities, as part of efforts to diversify funding sources, Saab has borrowed MEUR 100 under a Schuldschein documentation. In addition, Saab has an established programme for the sale of trade receivables with a framework of MSEK 1,475. Saab's aim is to utilise this programme in situations where greater financial flexibility is needed. No financial covenants are attached to any of Saab's credit facilities.

The table below shows Saab's credit facilities and loans as of 30 September 2018.

Credit facility	Currency	Facility size, MSEK	Utilised, MSEK	Available, MSEK	Average remaining credit period (years)
Revolving Credit Facility	Several currencies	6,000	–	6,000	3.5
Overdraft facility	SEK	42	–	42	0.5
Commercial Paper Programme	SEK/EUR	5,000	–	5,000	N/A
Medium Term Notes (MTN)	SEK	10,000	7,941	2,059	3.7
Programme for sales of trade receivables	SEK	1,475	0	1,475	1.0 ¹⁾
Schuldschein loan	EUR	MEUR 100	MEUR 100	N/A	2.9

1) Mutual termination.

Financing agreements and other loans

Revolving Credit Facility

The multicurrency Revolving Credit Facility is arranged with an equivalent value of MSEK 6,000 from eight banks with maturity in March 2022. The facility has not been utilised. The following banks are lenders; BNP Paribas, Citibank, Credit Agricole, Danske Bank, Nordea, Skandinaviska Enskilda Banken, Swedbank and National Westminster Bank Plc.

Commercial Paper Programme

The Commercial Paper Programme established in February 2008 allows Saab to borrow in SEK and EUR. The limit on the programme was extended to MSEK 5,000, or its equivalent in EUR in June 2008. Skandinaviska Enskilda Banken is arranger of the programme.

Medium Term Note programme

Since 2009, Saab has a Medium Term Note programme (MTN) to enable the issuance of long-term loans on the capital market. In 2015, the MTN programme was increased from MSEK 3,000 to MSEK 6,000 and in May 2018, it was increased 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 2017, MTN loans with maturity December 2018 with total outstanding amount of MSEK 1,350 was partly closed out with an amount of MSEK 1,038. At the

same time, new loans of MSEK 1,700, maturing in 2022, were issued. In September 2018, parts of the MTN loans with maturity 2018 and 2019 were redeemed – in total MSEK 691 of MSEK 1,575. At the same time, two new loans, MSEK 950 with maturity 2021 and MSEK 120 with maturity 2023 were issued. As a result, outstanding loans under the MTN programme totalled MSEK 7,941.

Schuldschein loan

In December 2015, Saab signed Schuldschein loan agreements amounting to MEUR 100. The maturity dates are between 2021 and 2023 and tranches are in both fixed and floating rates.

Programme for sale of trade receivables

Saab has an established programme for sale of trade receivables in order to strengthen its financial position and increase financial flexibility. As of 30 September 2018, the programme amounted to MSEK 1,475, of which MSEK 0 was utilised. Saab has not utilised the programme since 2015.

Working capital statement

It is Saab's assessment that the working capital (i.e., excluding proceeds from the rights issue) is sufficient for the present requirements during the next twelve months as from the date of this prospectus. In this context, working capital refers to the ability to access liquid resources in order to meet liabilities as they fall due.

Research and development

The table below shows Saab's research and development costs and expenditures, respectively, during the financial years 2015–2017 and the period January–September 2017 and 2018, respectively. Please refer to "Research and development" in "Business description" for a description of research and development within Saab.

MSEK	Jan–Sep 2018	Jan–Sep 2017	2017	2016	2015
Research and development costs	990	970	1,348	1,562	1,565
<i>Of which amortisation and write-downs</i>	<i>150</i>	<i>128</i>	<i>160</i>	<i>311</i>	<i>323</i>
Research and development expenditures	1,629	1,374	2,059	2,065	1,765
<i>Of which capitalised</i>	<i>789</i>	<i>532</i>	<i>871</i>	<i>784</i>	<i>524</i>

Capital expenditures

Saab's total capital expenditures during the financial years 2015–2017 and the period January–September 2017 and 2018, respectively, are summarised in the table below. The capital expenditures principally comprise capitalised research and development expenditures and other intangible fixed assets.

MSEK	Jan–Sep 2018	Jan–Sep 2017	2017	2016	2015
Tangible fixed assets	1,079	823	1,093	807	799
Capitalised research and development expenditures	789	532	871	784	524
Other intangible fixed assets	131	95	193	98	70
Total	1,999	1,450	2,157	1,689	1,393

Current and future capital expenditures

Since 2015, Saab's capital expenditures in internally funded research and development have annually amounted to approximately 7 per cent of sales. This includes ongoing capital expenditures affecting the income statement, and such being capitalised in the balance sheet. Large parts of the future capital expenditures will be related to Saab's five core areas: Aeronautics, Advanced Weapon Systems, Command and Control Systems, Sensors and Underwater Systems.

Saab also has large capital expenditures in tangible fixed assets annually. In 2017, had capital expenditures amounted to MSEK 1,093. Capital expenditures are driven by the need for new technology to improve production and development processes, investments in properties and initiation of major projects or operations.

Saab's capital expenditures have historically been made in Sweden, but it is Saab's assessment that a larger part of the capital expenditures will be made internationally going forward. It is Saab's assessment that the Group will make capital expenditures in tangible fixed assets and research and development at approximately the same extent as before. All capital expenditures are intended to be financed through Saab's existing financing structure.

Tangible fixed assets

As of 30 September 2018, Saab's tangible fixed assets amounted to MSEK 5,938, mainly comprising operating properties, buildings and land, plant and machinery, equipment, tools and installations and construction in progress. As of 30 September 2018, the tangible fixed assets contained leased assets amounting to MSEK 450. Leasing fees amounted to MSEK 501 during the financial year 2017. As of 30 September 2018, no material assets were pledged for tangible fixed assets.

Plant and machinery includes an aircraft that is leased through a finance lease. The finance lease extends through 2020. As of 30 September 2018, the carrying amount was MSEK 376. The aircraft is straight line depreciated over its period of use. As of 30 September 2018, total future minimum lease payments amounted to MSEK 402, of which MSEK 41 is due within one year and MSEK 361 is due later than one year but within five years. As of 30 September 2018, the present value of the future minimum lease fees amounted to MSEK 384.

Some of Saab's business are subject to licensing under to the Swedish Environment Code and such licenses may affect Saab's utilisation of some tangible fixed assets. For example, there are limitations as regards when test flights can be carried out at the Tannefors industrial area in the municipality of Linköping.

Intangible fixed assets

As of 30 September 2018, Saab's intangible fixed assets amounted to MSEK 8,650. The intangible fixed assets consist mainly of goodwill, capitalised development expenditures and other intangible assets.

Financial exposure and risk management

Saab's financial assets and liabilities and contractual obligations give rise to financial risks. These risks are managed to a large extent with various financial instruments. Group Treasury is responsible for managing the financial risks. The Board of Directors of Saab has established a Group Treasury Policy, which provides an overall description of the management of the financial risks and Treasury operations. The goal is to identify and actively manage the financial risks in order to reduce any negative impact on the Group's results, competitive strength and financial flexibility.

The financial risks are defined as follows:

- Currency risk
- Liquidity risk
- Refinancing risk
- Interest rate risk
- Commodity price risk
- Credit and counterparty risk
- Pension obligations

Group Treasury has a risk mandate expressed as VaR (Value at Risk) of MSEK 50. The mandate is divided between management of the financial risks related to fixed price tenders and, to a limited extent, trading. Risks are managed through various portfolios and are reported daily according to defined risk measures. Management of the Group's funding and investment of liquid assets, customer financing, guarantees and insurance is centralised in Group Treasury.

Currency risk

Currency risk refers to the risk that fluctuations in exchange rates will negatively affect income or net assets. Income is affected when sales and the cost of goods and services sold are in currencies other than the functional currency. Currency risk also arises when fixed-price tenders are issued in foreign currency. Comprehensive income is affected when the results and net assets of foreign subsidiaries are translated to SEK. Currency risk due to translation effects on the net assets of foreign subsidiaries is not hedged.

Contracted flows in the order backlog are exposed to transaction exposure. Saab hedges the currency exposure in the order backlog with currency derivatives (mainly forward exchange contracts), which means that changes in exchange rates do not affect the Group's future results with respect to the current order backlog. To reduce the transaction exposure, amounts in foreign currency are netted as well. Hedges are normally arranged for each specific contract. The average forward rate is then used as the contract's rate for revenue recognition. In 2017, countries outside Sweden accounted for 58 per cent of Saab's sales. Since a large share of production takes place in Sweden with expenses denominated in SEK, Saab has a large net exposure in foreign currencies.

Liquidity risk

Liquidity risk refers to the risk of not being able to meet payment obligations due to insufficient liquidity. The company consistently must always maintain unutilised credit facilities or liquid assets corresponding in value to MSEK 4,000, adjusted for loans with maturity dates within 12 months or the higher of 10 per cent of Saab's total sales.

Saab monitor all guarantees issued by banks and calculate a risk weighted amount to be held in liquid assets. Liquidity risk is minimised by diversifying financing sources and maturities. The Group's other financial liabilities include accounts payable with credit terms normally within 30–90 days as well as other operating liabilities which are classified as current.

Refinancing risk

Refinancing risk refers to the risk that Saab cannot refinance maturing loans with either new loans or its own funds. To minimise this risk, Saab maintains a diversified loan maturity structure. The average duration for loans must in the range of 24–60 months. As of 30 September 2018, this amounted to 44.9 months.

Interest rate risk

Interest rate risk refers to the risk that Saab will be negatively affected by changes in interest rate levels. Interest rate futures and swaps are used to manage interest rate risks to achieve the desired interest rate duration. Lending to subsidiaries in foreign currency is normally financed in SEK and converted to the subsidiary's currency through swaps. Interest rate risk and foreign currency risk is managed with cross currency basis swaps. Saab is exposed to interest rate risk when the market value of certain items in the statement of financial position is affected by changes in underlying interest rates. The item with the largest exposure is pension obligations due to the liability's long duration. Changes in market rates affect Saab's net financial items.

Commodity price risk

Commodity price risk refers to the risk that Saab will be negatively affected by changes in commodities. Purchasing costs for material are managed primarily through contract clauses with customers and suppliers. Purchasing costs for electricity are managed through hedging instruments. Electricity directives are managed through a discretionary management mandate. Hedge accounting is applied to electricity derivatives.

Credit and counterparty risk

Credit risk is the risk that the counterparty in a transaction will not be able to fulfil the financial obligations of a contract. In the course of its day-to-day operations, Saab is exposed to credit risks as a result of transactions with counterparties in the form of customers, suppliers and financial counterparties. The Group's aggregate credit risks consist of commercial credit risks and financial credit risks.

Commercial credit risks

Commercial credit risks consist of outstanding accounts receivable and advances paid to suppliers. This type of credit risk is identified and managed on a case-by-case basis. Credit risks that arise in customer contracts are managed by utilising available banking or insurance products. In some cases, export credit institutions may be used as well. Commercial credit risks that arise from advance payments to suppliers are managed by demanding bank-guaranteed collateral. As of 30 September 2018, the Group had paid advances to suppliers of MSEK 63.

Accounts receivable represent a commercial credit risk. Since accounts receivable are generally attributable to states and author-

ities, the commercial credit risk is low. To a limited extent, accounts receivable are hedged via bank instruments (letters of credit), and in some specific contracts, the risks are limited through export financing, arranged by Saab, where Saab is payment counterparty under the credit.

Financial credit risk

Financial credit risk consists of exposures to financial institutions through deposits, securities investments and/or the market value of outstanding derivatives.

The Group's policy for managing financial credit risks is to ensure that all financial counterparties have a long-term credit rating of no lower than A- from Standard and Poor's or A3 from Moody's. Each financial counterparty is assigned a credit limit based on its long-term credit rating.

Saab has entered into ISDA master agreements with financial counterparties to net the positive and negative market values of outstanding derivatives. Saab has only CSA contract with a counterparty that gives Saab a unilateral right to collateral.

Pension obligations

The Saab Pension Fund was established in 2006 to secure the main part of the Group's pension obligation. The fund has a long-term real yield requirement that corresponds annual financial cost of pension liability to PRI Pensionsgaranti. Investment guidelines indicate asset allocation as follows 0–40 per cent equities, 0–15 per cent alternative assets, 25–100 per cent interest-bearing products and 0–20 per cent real estate. Investments are made in interest-bearing securities from issuers with a credit rating of no lower than BBB according to Standard & Poor's and Baa according to Moody's. As of 30 September 2018, the fund's capital was invested as follows: interest bearing investments 33 per cent, property investments 18 per cent, equity investments 38 per cent and alternative investments 11 per cent.

Significant trends

Saab continued its growth journey 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 as its new pilot training system. By participating in the delivery of the T-X to the U.S. Air Force, Saab expects to strengthen its position in the U.S.

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 but also a plan to adapt the product portfolio, improve marketing efficiency and increase the digitisation of internal processes. During the third quarter 2018, non-recurring costs of MSEK 298 mainly related to workforce reductions was reported.

Order bookings in the first nine months 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. Sales amounted to SEK 22.1 billion with organic growth of 2 per cent.

Operational cash flow amounted to MSEK –5,197 in the period January–September 2018, 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 operations 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 as of 30 September 2018, mainly as a result of negative operating cash flow.

Significant changes since 30 September 2018

On 23 October 2018, Saab announced that the Company is planning a rights issue during the fourth quarter 2018 of approximately SEK 6 billion, to support Saab's continued growth journey and to give Saab increased opportunity to successfully compete for large orders. The Extraordinary General Meeting, held on 16 November 2018, resolved to authorise the Board of Directors to resolve on the rights issue. With said authorisation, on 19 November 2018, the Board of Directors of Saab resolved to increase the company's share capital through the forthcoming rights issue.

Forecast for 2018

Saab's interim report for the period January–September 2018 contains the following outlook statement concerning sales growth (change in sales in percentage, adjusted for currency effects regarding revaluation of foreign subsidiaries) and operating margin (operating income as percentage of sales) for the full year 2018:

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

The information above concerning sales growth and operating margin for the full year 2018 is based on the interim report for the period January–September 2018 and Saab's internal accounting and represents the Group's preliminary assessment of its expected sales and operating margin for the full year 2018, and thereby also its expected sales growth and operating margin excluding material non-recurring items for the full year 2018. The forecast constitutes a forward-looking statement, see *"Forward-looking statements"* in *"Important information"*.

Material accounting principles

The forecast for 2018 has been compiled in accordance with accounting principles that in all material aspects are consistent with accounting principles applied by the Group, which are stated in the consolidated financial statements for the financial year 2017 and the interim report for the period January–September 2018.

Assumptions for the profit forecast

The main assumptions for Saab's forecast for the full year 2018 are set forth below:

Factors over which Saab has influence or control

- Implementation of planned projects in the existing order backlog for the fourth quarter 2018, including fulfilment of sub targets in these projects, and in line with expected percentage of completion of the projects.
- Cost development in line with the Group Management's expectations

Factors beyond Saab's influence or control

- No material changes in geopolitical factors affecting Saab's existing and potential customers will occur
- No material changes in defence budgets and investment decisions amongst Saab's existing and potential customers will occur
- No material changes in incoming new orders compared to Saab's expectations will occur
- No material changes in Saab's competitive environment will occur
- No material changes in customers' obligations, abilities or willingness to fulfil their obligations as compared to Saab's expectations will occur
- No material changes in Saab's suppliers' abilities to deliver products and systems in a timely manner or in accordance with time plan that create delays in relation to which Saab cannot deduct sales will occur
- No changes in currency rates, interest rates, tax bases, regulations or interpretations or legal or regulatory requirements, specifically relating to arms export, as compared to as applicable at the expiry of the third quarter 2018 that would have a significant impact on Saab's business or accounting principles will occur



(This is a literal translation of the Swedish original report)

The Auditor's report on forecast

To the Board of Directors in Saab AB (publ) (corporate identity number 556036-0793)

We have audited how the forecast set out on page 87 in Saab AB's (publ) prospectus dated 25 November 2018 has been prepared.

The Board of Directors' and the Managing Director's responsibility

It is the Board of Directors' and the Managing Director's responsibility to prepare the forecast, together with the material assumptions upon which it is based, in accordance with the requirements of the Commission Regulation (EC) No 809/2004.

The auditor's responsibility

It is our responsibility to provide an opinion required by Annex 1 item 13.2 of the Prospectus Regulation (EC) No 809/2004. We are not required to, nor do we, express an opinion on the possibility of achievement of result or on the assumptions on which the preparation of the forecast is based. We do not accept any responsibility for any financial information previously reported on and used in the compilation of the forecast beyond that responsibility we have for auditor's reports regarding historical financial information issued in the past.

Work performed

We performed our work in accordance with FAR's Recommendation RevR 5 *Examination of Prospectuses*. This recommendation requires that we comply with FAR's ethical requirements and have planned and performed the audit to obtain reasonable assurance that the financial statements are free from material misstatements. The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We are independent of the Saab AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

Our work included an evaluation of the procedures undertaken by the Board of Directors and the Managing Director in compiling the forecast and the accounting policies used when compiling the forecast compared to those policies adopted by the company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to obtain reasonable assurance that the forecast has been compiled based on the basis stated on page 87.

Since the forecast and the assumptions on which it is based relate to the future and may therefore be affected by unforeseen events, we can express no opinion as to whether the actual results reported will correspond to those shown in the forecast. Differences may prove to be material.

Opinion

In our opinion the forecast has been compiled on the basis stated on page 87 and in accordance with the accounting principles applied by the company.

Stockholm, 25 November 2018

PricewaterhouseCoopers AB

Bo Hjalmarsson
Authorised auditor



Board of Directors, Group Management and auditor

Board of Directors

According to Saab's Articles of Association, the Board of Directors shall comprise of not less than six and not more than twelve members elected by the shareholders at the General Meeting. In addition and by law, employee organisations are entitled to appoint employee representatives. The Board of Directors currently comprises 10 members elected by the General Meeting (elected by the 2018 Annual General Meeting for a term of office extending until the close of the 2019 Annual General Meeting) as well as three members and three deputies appointed by employee organisations.

Name	Assignment	Elected	Independent in relation to the Company and the Group Management	Independent in relation to major Audit shareholders committee	Remuneration committee	Shareholding ¹⁾
Marcus Wallenberg	Chairman	1992 ²⁾	Yes	No	Member	100,000
Håkan Buskhe	Member, President and CEO	2011	No	Yes		53,640
Sten Jakobsson	Member and Deputy Chairman	2008	Yes	Yes	Chairman	5,500
Danica Kragic Jensfelt	Member	2017	Yes	Yes		1,000
Sara Mazur	Member	2013	Yes	No		2,000
Daniel Nodhäll	Member	2017	Yes	No	Member	2,000
Bert Nordberg	Member	2016	Yes	Yes	Member	8,500
Cecilia Stegö Chilö	Member	2010	Yes	Yes		1,500
Erika Söderberg Johnson	Member	2017	Yes	Yes	Member	200
Joakim Westh	Member	2010	Yes	Yes	Chairman	8,000
Stefan Andersson	Member ^{*)}	2008	–	–		1,848
Göran Gustavsson	Member ^{*)}	2017 ³⁾	–	–		2,315
Nils Lindskog	Member ^{*)}	2016 ⁴⁾	–	–		1,022
Magnus Gustafsson	Deputy ^{*)}	2016	–	–		609
Conny Holm	Deputy ^{*)}	1995 ⁵⁾	–	–		934
Tina Mikkelsen	Deputy ^{*)}	2016	–	–		1,648

*) Employee representative.

1) Refers to own holdings and holdings of related persons and affiliated companies as of 20 November 2018 (and known changes thereafter).

2) Chairman of the Board of Directors since 2006 and Deputy Chairman of the Board of Directors 1993–2006.

3) Deputy member of the Board of Directors 1995–2000 and 2008–2016.

4) Deputy member of the Board of Directors 2007–2016.

5) Deputy member of the Board of Directors 1995–2008 member of the Board of Directors 2008–2016.

Marcus Wallenberg

Born 1956. Chairman of the Board of Directors since 2006, Deputy Chairman of the Board of Directors 1993–2006 and member of the Board of Directors since 1992. Member of the Remuneration Committee.

Principal education and professional experience: B.Sc. of Foreign Service, Georgetown University. Lieutenant in the Royal Swedish Naval Academy.

Other current assignments/positions: Chairman of the board of SEB AB, FAM AB, Marcus Wallenberg Foundation for Forestry Scientific Research, Vidbynäs Förvaltningsaktiebolag and Marcus Wallenberg Foundation for Jurisprudential Research. Member of the board of AstraZeneca plc, Investor AB, Temasek Holding Ltd, NV Gårdsförvaltning AB, Knut and Alice Wallenberg Foundation and Marianne and Marcus Wallenberg Foundation. Dr. Tech. Marcus Wallenberg Foundation for Education in International Industrial Entrepreneurship.

Previous assignments/positions (past five years): Chairman of the board of AB Electrolux, LKAB and Svenska ICC Service AB. President and CEO of Investor AB. Member of the board of Stora Enso Oyj, EQT Holdings AB, Ready Digital AB and Hi3G Holding AB.

Holding: 100,000 shares.

Independent in relation to the Company and the Group Management but not to the Company's major shareholders.

Håkan Buskhe

Born 1963. President and CEO since 2010. Member of the Board of Directors since 2011.

Principal education and professional experience: M.Sc., Licentiate of Engineering, Chalmers University of Technology.

Other current assignments/positions: Board member of Nefab AB. Deputy Chairman of AeroSpace and Defence Industries Association of Europe (ASD).

Previous assignments/positions (past five years): Chairman of the board of Green Cargo AB. Board member of Vattenfall AB and Teknikföretagen. President and CEO of E.ON Nordic AB and E.ON Sverige AB as well as other senior positions within E.ON Sverige. CEO of Stora, Carlsberg and Coca-Cola Distribution AB, Schenker North, Schenker-BTL AB and Land Operations, Schenker AG. Production Director, Carlsberg Sverige.

Holding: 53,640 shares.

Independent in relation to the Company's major shareholders but not in relation to the Company and the Group Management.

Sten Jakobsson

Born 1949. Member of the Board of Directors since 2008 and Deputy Chairman of the Board of Directors since 2010. Chairman of the Remuneration Committee.

Principal education and professional experience: M.Sc. in Engineering, Royal Institute of Technology (KTH). President and CEO, ABB Sweden as well as other senior positions within the ABB group.

Other current assignments/positions: Chairman of the board of Power Wind Partners. Board member of Xylem Inc. and Arla Plast AB.

Previous assignments/positions (past five years): Chairman of the board of LKAB. Board member of Stena Metall AB and FLSmidth A/S.

Holding: 5,500 shares.

Independent in relation to the Company and the Group Management as well as the Company's major shareholders.

Danica Kragic Jensfelt

Born 1971. Member of the Board of Directors since 2017.

Principal education and professional experience: Professor, School of Electrical Engineering and Computer Science, Royal Institute of Technology (KTH). Director of the Centre for Autonomous Systems, KTH. Docent and Ph.D., Computer Science, KTH. M.Sc., Mechanical Engineering, Technical University of Rijeka, Croatia. Honorary Doctorate, Lappeenranta University of Technology.

Other current assignments/positions: Board member of FAM AB, the Institute for Future Studies and the Scientific Advisory Board, Max Planck Institute for Intelligent Systems. Member of the Royal Swedish Academy of Engineering Sciences (IVA), Division of Electrical Engineering and the Royal Swedish Academy of Sciences (KVA).

Previous assignments/positions (past five years): Deputy Director, School of Computer Science and Communication, KTH.

Holding: 1,000 shares.

Independent in relation to the Company and the Group Management as well as the Company's major shareholders.

Sara Mazur

Born 1966. Member of the Board of Directors since 2013.

Principal education and professional experience: Docent Electrical Engineering, Royal Institute of Technology (KTH) Ph.D., Electrical Engineering, KTH. M.Sc., Electrical Engineering, KTH. Honorary Doctorate, Luleå University of Technology.

Other current assignments/positions: Director of Strategic Research, Knut and Alice Wallenberg Foundation. Deputy chairman of Wallenberg Autonomous System and Software Program (WASP). Board member of Investor AB, Combient AB, Nobel Media AB, RISE Research Institutes of Sweden AB, Mazur Innovation AB, Wallenberg Centre for Quantum Technology (WACQT). Member of the Royal Swedish Academy of Engineering Sciences (IVA), Division for Education and Research.

Previous assignments/positions (past five years): Vice President and Head of Ericsson Research, Ericsson AB. Board member of Chalmers University of Technology AB, RISE SICS North AB and Integrated Transport Research Lab, KTH. Member of the Strategic Counsel for the School of Electrical Engineering, KTH.

Holding: 2,000 shares.

Independent in relation to the Company and the Group Management but not in relation to the Company's major shareholders.

Daniel Nodhäll

Born 1978. Member of the Board of Directors since 2017. Member of the Audit Committee.

Principal education and professional experience: M.Sc. in Economics and Business, Stockholm School of Economics.

Other current assignments/positions: Chairman of the board of Invaw Invest AB. Board member of Husqvarna AB and Navigare AB. Director of Listed Core Investments, Investor AB.

Previous assignments/positions (past five years): Investment Manager, Head of Capital Goods, Investor AB.

Holding: 2,000 shares.

Independent in relation to the Company and the Group Management but not in relation to the Company's major shareholders.

Bert Nordberg

Born 1956. Member of the Board of Directors since 2016. Member of the Remuneration Committee.

Principal education and professional experience: Engineer, Malmö School of Technology.

Other current assignments/positions: Chairman of the board of Vestas Wind Systems A/S and TDC Group A/S. Board member of AB Electrolux, Svenska Cellulosa Aktiebolag (SCA), Essity Aktiebolag, Brainlit AB and Sigma Connectivity AB.

Previous assignments/positions (past five years): Chairman of the board of Imagination Technologies Group plc and Sony Mobile Communications AB. Board member of SkiStar AB and Axis AB. Chairman and CEO of Sony Ericsson Communications AB. Various senior positions within the Ericsson group as well as various positions within Data General Corporation and Digital Equipment Corporation.

Holding: 8,500 shares.

Independent in relation to the Company and Group Management as well as the Company's major shareholders.

Cecilia Stegö Chilò

Born 1959. Member of the Board of Directors since 2010.

Principal education and professional experience: Studies in Political Science and Economics.

Other current assignments/positions: Chairman of the board of Gotlands Bryggeri AB. Board member of Spendrups Bryggeri AB, Investment AB Spiltan and Centre for Business History.

Previous assignments/positions (past five years): Deputy Chairman of the board of Fortum Värme AB (current Stockholm Exergi Holding AB). Board member of the Expo Foundation, Linköpings University Holding AB, AMF Fonder AB, Länsförsäkringar Liv and Marginalen Group AB. CEO of the Free Enterprise Foundation of Sweden. Head of Think Tank Timbro. Cabinet member and Head of the Swedish Ministry of Culture. Owner and CEO of Bastängen i Opphem AB.

Holding: 1,500 shares.

Independent in relation to the Company and Group Management as well as the Company's major shareholders.

Erika Söderberg Johnson

Born 1970. Member of the Board of Directors 2017. Member of the Audit Committee.

Principal education and professional experience: M.Sc. in Economics and Business, Stockholm School of Economics.

Other current assignments/positions: CFO, Biotage AB. Board member of Qliro Group AB and Domej Consulting AB. Chairman of the board of Vaxonia AB.

Previous assignments/positions (past five years): Board member of Sectra AB and MedCap AB.

Holding: 200 shares.

Independent in relation to the Company and Group Management as well as the Company's major shareholders.

Joakim Westh

Born 1961. Member of the Board of Directors since 2010. Chairman of the Audit Committee.

Principal education and professional experience: M.Sc. in Aeronautics, Royal Institute of Technology (KTH). M.Sc. in Aerospace Engineering, Massachusetts Institute of Technology (MIT).

Other current assignments/positions: Chairman of the board of Amexci AB. Board member of CGI Group Inc., Absolent Group AB and Swedish Match AB. Owner and board member of Westh Ventures AB. CEO and board member of Joakim Westh Företagsutveckling AB.

Previous assignments/positions (past five years): Chairman of the board of EMA Technology AB and Absolent AB. Board member of Arcam AB, Intrum AB, Rörvik Timber AB, Telelogic AB and VKR Holding A/S. Deputy board member of Sony Ericsson Mobile Communications AB. Senior Vice President of Group Function Strategy & Operational Excellence and member of the Group Management Team, Ericsson. Group Vice President and member of the Executive Management Group, Assa Abloy AB. Partner at McKinsey & Co. Inc.

Holding: 8,000 shares.

Independent in relation to the Company and Group Management as well as the Company's major shareholders.

Stefan Andersson

Born 1974. Board member since 2008. Representative of Unionen.

Principal education and professional experience: B.Sc. Mechanical Engineering, Dalarna University.

Other current assignments/positions: President of the Local Salaried Employees' Union, Unionen at Saab Dynamics AB, Linköping.

Previous assignments/positions (past five years): –

Holding: 1,848 shares.

Göran Gustavsson

Born 1953. Member of the Board of Directors since 2017 and deputy member of the Board of Directors 1995–2000 as well as 2008–2016. Representative of IF Metall.

Principal education and professional experience: Employed at Saab AB since 1972.

Other current assignments/positions: President of the Local Service Union for IF Metall at Saab AB, Linköping.

Previous assignments/positions (past five years): Deputy board member of Resurstorget Sverige AB.

Holding: 2,315 shares.

Nils Lindskog

Born 1955. Member of the Board of Directors since 2016 and deputy member of the Board of Directors 2007–2015. Representative of AF.

Principal education and professional experience: M.Sc. E.E., Chalmers University of Technology.

Other current assignments/positions: Member of the Local Swedish Association of Graduate Engineers at Saab AB, Gothenburg.

Previous assignments/positions (past five years): –

Holding: 1,022 shares.

Magnus Gustafsson

Born 1965. Deputy member of the Board of Directors since 2016. Representative of AF.

Principal education and professional experience: M.Sc. in Engineering, Linköping Institute of Technology.

Other current assignments/positions: President of the Local Swedish Association of Graduate Engineers at Saab AB, Linköping.

Previous assignments/positions (past five years): –

Holding: 609 shares.

Conny Holm

Born 1947. Deputy member of the Board of Directors since 2017 and 1995–2008 and member of the Board of Directors 2008–2016. Representative of IF Metall.

Principal education and professional experience: Upper Secondary Engineering education.

Other current assignments/positions: President of the Local Service Union IF Metall at Avionics Systems, Jönköping. Board member of Metallica Invest AB.

Previous assignments/positions (past five years): Member of the County Administrative Board, Jönköping County.

Holding: 934 shares.

Tina Mikkelsen

Born 1973. Deputy member of the Board of Directors since 2016. Representative of Unionen.

Principal education and professional experience: Electrical Engineering, Stockholms Tekniska Institut (STI).

Other current assignments/positions: President of the Local Salaried Employees' union, Unionen, at Saab AB, Stockholm, Järfälla.

Previous assignments/positions (past five years): –

Holding: 1,648 shares.

Group Management

Name	Position	Employed since	Shareholding ¹⁾
Håkan Buskhe	President and CEO	2010	53,640
Micael Johansson	Senior Executive Vice President and Deputy CEO	1985	10,412
Magnus Örnberg	Executive Vice President and Chief Financial Officer (CFO)	2012	14,819
Jonas Hjelm	Senior Vice President and Head of Business Area Aeronautics	2006	5,242
Görgen Johansson	Senior Vice President and Head of Business Area Dynamics	2004	9,431
Anders Carp	Senior Vice President and Head of Business Area Surveillance	2001	3,967
Jessica Öberg	Senior Vice President and Head of Industrial Products and Services	1996	2,924
Ellen Molin	Senior Vice President and Head of Business Area Support and Services	2006	1,871
Gunnar Wieslander	Senior Vice President and Head of Business Area Kockums	2015	1,294
Lena Eliasson	Senior Vice President and Head of Group Human Resources	2012	9,350
Annika Bärems	Senior Vice President and Head of Group Legal Affairs, General Counsel, Secretary of the Board of Directors	2012	8,414
Sebastian Carlsson	Senior Vice President and Head of Group Communication	2012	451
Christian Hedelin	Senior Vice President and Chief Strategy Officer	2018	0

1) Own holdings and holdings of related persons and affiliated companies as at 20 November 2018 (and known changes thereafter).

Håkan Buskhe

President and CEO since 2010.

Please refer to "Board of Directors" above.

Micael Johansson

Born 1960. Senior Executive Vice President and Deputy CEO and since 2017.

Principal education and professional experience: B.Sc. Mathematics and Computer Science, Uppsala University. Various positions at Ericsson. Various positions within Saab Avionics. Senior Vice President and Head of Business Area Surveillance.

Other current assignments/positions: –

Previous assignments/positions (past five years): –

Holding: 10,412 shares.

Magnus Örnberg

Born 1965. Executive Vice President and Chief Financial Officer (CFO) since 2012.

Principal education and professional experience: M.Sc. in Economics and Business, Stockholm School of Economics. Various positions within the ABB group, such as Global Division CFO in Zürich, CFO ABB Sweden and regional CFO for ABB Northern Europe.

Other current assignments/positions: –

Previous assignments/positions (past five years): –

Holding: 14,819 shares.

Jonas Hjelm

Born 1971. Senior Vice President and Head of Business Area Aeronautics since 2017.

Principal education and professional experience: Upper Secondary Technical education. Various positions within Saab (Chief Marketing Officer, President Saab North America, Senior Vice President, Head of Business Area Support & Services). Various positions within the Government Offices of Sweden and the Swedish Armed Forces. Head of Education for Society and Defence.

Other current assignments/positions: –

Previous assignments/positions (past five years): –

Holding: 5,242 shares.

Görgen Johansson

Born 1964. Senior Vice President and Head of Business Area Dynamics since 2013.

Principal education and professional experience: M.Sc. in Economics and Business, Växjö University. CFO of Aerotech Telub and Saab Aerotech, Group Controller Saab, Acting CFO of Saab.

Other current assignments/positions: Board member of Amexci AB and Örebro University.

Previous assignments/positions (past five years): Board member of Vricon Inc.

Holding: 9,431 shares.

Anders Carp

Born 1971. Senior Vice President and Head of Business Area Surveillance since 2017.

Principal education and professional experience: Stanford Executive Program, Stanford Graduate School of Business. Officer for the Swedish Armed Forces. Various positions within Saab, such as campaign manager for Gripen, Head of Middle East, Head of Market Area Nordics and Head of Business unit Traffic Management.

Other current assignments/positions: –

Previous assignments/positions (past five years): Board member of the Swedish Security & Defence Industry Association.

Holding: 3,967 shares.

Jessica Öberg

Born 1972. Senior Vice President and Head of Industrial Products and Services since 2017.

Principal education and professional experience: University degree, ADB, Mälardalen University. Various operating positions within Saab.

Other current assignments/positions: Principal of Sparbanken, Västra Mälardalen. Board member of Swedish Aerospace Industries.

Previous assignments/positions (past five years): Board member of Tikab AB.

Holding: 2,924 shares.

Ellen Molin

Born 1973. Senior Vice President and Head of Business Area Support and Services since 2017.

Principal education and professional experience: M.Sc. in Economics and Business and M.Sc. in Business administration, Linköping University. Various senior positions within Saab (such as Head of Business Unit Gripen Support och Head of Gripen Program Support and Services).

Other current assignments/positions: –

Previous assignments/positions (past five years): –

Holding: 1,871 shares.

Gunnar Wieslander

Born 1962. Senior Vice President and Head of Business Area Kockums since 2017.

Principal education and professional experience: Stanford Executive Program. Naval Officer (submarine officer, staff officer and unit commander) of the Swedish Armed Forces. Chief Official at the Swedish Ministry for Foreign Affairs of Sweden and at the Cabinet of Sweden.

Other current assignments/positions: Chairman of the Swedish Maritime Robotics Centre.

Previous assignments/positions (past five years): –

Holding: 1,294 shares.

Lena Eliasson

Born 1967. Senior Vice President and Head of Group Human Resources since 2012.

Principal education and professional experience: M.Sc. in Engineering, Chalmers University of Technology. Several senior positions within the ABB group (such as VP HR Center, SVP HR ABB Sweden and SVP HR Swedeb and Northern Europe).

Other current assignments/positions: Board member of Acando AB, Kedtech Holding AB, the insurance company PRI Pensionsgaranti, ömsesidigt, the Association of Swedish Engineering Industries and Teknikarbetsgivarna.

Previous assignments/positions (past five years): –

Holding: 9,350 shares.

Annika Bärems

Born 1964. Senior Vice President and Head of Group Legal Affairs, General Counsel, Secretary of the Board of Directors since 2012.

Principal education and professional experience: LL.M., Uppsala University. General counsel, Sandvik Materials Technology, Sandvik AB. Attorney, Michelson & Werner Advokatbyrå and Nordia KB. Assessor, Svea Court of Appeal.

Other current assignments/positions: Chairman of the Association of Swedish Engineering Industries. Deputy board member of Kedtech Holding AB.

Previous assignments/positions (past five years): –

Holding: 8,414 shares.

Sebastian Carlsson

Born 1984. Senior Vice President and Head of Group Communication since 2017.

Principal education and professional experience: Public relations officer, Saab. Press Secretary to the Prime Minister 2010–2012 and Moderata samlingspartiet 2007–2010.

Other current assignments/positions: –

Previous assignments/positions (past five years): –

Holding: 451 shares.

Christian Hedelin

Born 1969. Senior Vice President and Chief Strategy Officer since 2018.

Principal education and professional experience: M.Sc. in Engineering, Chalmers University of Technology, MBA, Gothenburg School of Business, Economics and Law. Head of Strategy Ericsson Networks, Head of Strategy Ericsson North East Asia.

Other current assignments/positions: Board member of Ericsson LG, Korea (ELG).

Previous assignments/positions (past five years): –

Holding: –

Other information concerning the Board of Directors and Group management

All members of the Board of Directors and the Group Management can be reached through the Company's address, Olof Palmes gata 17, 5tr, SE-111 22 Stockholm.

There are no family ties between any of the members of the Board of Directors and/or Group Management. No member of the Board of Directors or Group Management has been convicted in any case involving fraudulence during the past five years. None of them have been involved in any bankruptcy, receiverships or liquidation during the past five years in the capacity of a member of administrative, management or supervisory bodies or a senior executive. No incrimination and/or sanctions have been issued by statutory or regulatory authorities (including designated professional bodies) during the past five years against any of the members of the Board of Directors or Group Management. Nor, during the past five years, has any member of the Board of Directors or Group Management been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company.

No member of the Board of Directors or Group Management has any private interests which might conflict with their duties to Saab. However, as stated above, a number of the members of the Board of Directors and Group Management have a financial interest in Saab through shareholdings.

Auditor

PricewaterhouseCoopers AB (Torsgatan 21, SE-113 97 Stockholm) is the Company's auditor since 2011 and was, on the Annual General Meeting of 2015, re-elected as auditor until the close of the Annual General Meeting of 2019. Bo Hjalmarsson, authorised public accountant and a member of FAR (the professional institute for authorised public accountants in Sweden), is auditor-in-charge since 2016.

Corporate governance

Corporate governance within Saab

The corporate governance of Saab is based on Swedish law, Saab's Articles of Association, the Swedish Code of Corporate Governance (the "Code") and Nasdaq Stockholm's Rule Book for Issuers as well as other relevant laws and regulations. The Code is based on the "comply or explain" principle, meaning that companies are not obliged to at all times apply every rule in the Code, but are allowed the freedom to choose alternative solutions which they feel are better in their particular circumstances, provided they report every deviation, describe the alternative solution and explain the reasons for the deviation. Saab applies the Code without any deviation strives to maintain a high standard in its corporate governance.

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

Board committees

The Board of Directors has established two committees, the Audit Committee and the Remuneration Committee.

Audit Committee

The Audit Committee comprises Joakim Westh (chairman), Daniel Nodhäll and Erika Söderberg Johnson. The Audit Committee shall, among other things, monitor the company's financial reporting and submit proposals to ensure the integrity of the financial reporting, monitor the efficiency of the company's internal control, internal audit and risk management in respect of the financial reporting, keep itself informed of the audit of the annual report and consolidated accounts, inform the Board of Directors of the results of the audit, review and monitor the auditors' independence, assist the Nomination Committee in preparing the proposal for the Annual General Meeting's election of the auditors and in certain cases procure auditing services, in addition to establishing guidelines for services other than auditing that may be provided by the company's auditor. Moreover, the Audit Committee shall annually monitor and evaluate

the effectiveness and appropriateness of the company's business ethics programme, including the Code of Conduct, and keep itself informed of material deviations or non-compliance with the company's regulations, including whistleblower reports, through regular reporting from the Ethics and Compliance Board. The company's external auditor participates in the meetings of the Audit Committee.

Remuneration Committee

The Remuneration Committee comprises Sten Jakobsson (chairman), Marcus Wallenberg and Bert Nordberg. The Remuneration Committee's tasks are to prepare the Board of Directors' resolutions on remuneration principles, remuneration and other terms of employment for the Group Management, monitor and evaluate variable remuneration programmes for the Group Management, both ongoing and those ended during the year, and monitor and evaluate the application of the remuneration guidelines for members of the Group Management adopted by the Annual General Meeting as well as the current remuneration structures and levels in the Company. The Remuneration Committee also proposes remuneration guidelines for members of the Group Management, which, following resolution by the Board of Directors, are submitted to the Annual General Meeting. Matters concerning the employment terms, remuneration and other benefits for the CEO are prepared by the Remuneration Committee for resolution by the Board of Directors. The Remuneration Committee is responsible for interpretation and application of the remuneration guidelines for members of the Group Management.

Compensation to the Board of Directors

The 2018 Annual General Meeting resolved that a fee of SEK 1,750,000 shall be paid to the Chairman of the Board of Directors and a fee of SEK 675,000 to the Deputy Chairman and a fee of SEK 600,000 to each other Board member who is not employed by Saab. In addition, the General Meeting resolved that a fee of SEK 225,000 shall be paid to the Chairman of the Audit Committee and a fee of SEK 150,000 to each other member of the Audit Committee, while a fee of SEK 150,000 shall be paid to the Chairman of the Remuneration Committee and SEK 90,000 to each other member of the Remuneration Committee.

The table below specifies the fees paid to member of the Board of Directors elected by the General Meeting during 2017.

TSEK	Function	Fee		Total
		Board fee ¹⁾	Audit Committee Remuneration Committee	
Marcus Wallenberg	Chairman	1,550	80	1,630
Håkan Buskhe	Member, President and CEO	–	–	–
Sten Jakobsson	Member and Deputy Chairman	640	135	775
Cecilia Stegö Chilò	Member	570	–	570
Johan Forsell ²⁾	Member	174	–	174
Danica Kragic Jensfelt ³⁾	Member	570	–	570
Sara Mazur	Member	570	–	570
Daniel Nordhäll ⁴⁾	Member	570	150	720
Bert Nordberg ⁵⁾	Member	570	80	650
Per-Arne Sandström ⁶⁾	Member	190	–	190
Erika Söderberg Johnson ⁷⁾	Member	570	150	720
Lena Treschow Torell ⁸⁾	Member	174	–	174
Joakim Westh	Member	570	225	795
Total		6,718	525	7,538

1) Refers to the fee resolved by the Annual General Meeting 2017 for the period until the Annual General Meeting 2018. The CEO Håkan Buskhe does not receive a fee.

2) Left the Board of Directors at the Annual General Meeting 2017. Received fee for the period January–March 2017 of SEK 173,750.

3) Elected at the Annual General Meeting in April 2017.

4) Elected at the Annual General Meeting in April 2017.

5) New member in the Remuneration Committee after the Annual General Meeting 2017.

6) Left the Board of Directors at the Annual General Meeting 2017. Received fee for the period January–March 2017 of SEK 190,000.

7) Elected at the Annual General Meeting in April 2017.

8) Left the Board of Directors at the Annual General Meeting 2017. Received fee for the period January–March 2017 of SEK 173,750.

Compensation to Group Management

The compensation to members of Group Management comprises fixed salary, share-based incentive programmes, pension benefits and other benefits. The tables below shows the compensation paid to Group Management in 2017.

SEK	Share-based incentive				Total
	Fixed salary	programmes	Other benefits ¹⁾	Pension benefits ²⁾	
President and CEO	13,707,503	4,970,946	135,716	4,979,931	23,794,096
Other members of Group Management ^{*)}	40,940,138	7,918,850	1,820,778	14,748,622	65,428,388
Total	54,647,641	12,889,796	1,956,494	19,728,553	89,222,484

*) 12 persons during 2017.

1) Consists primarily of company car and medical insurance. Several members of the Group Management also have benefits in the form of overnight housing and travel. The amounts include compensation for the additional costs incurred due to the benefits.

2) The Group Management's pension plans are defined contribution plans. There are consequently no amounts set aside or accrued to provide pension, retirement or similar benefits to the current Group Management.

Notice period and severance payment

CEO

If terminated by the Company, the CEO will receive a salary and pension benefits for a period of six months (period of notice). Thereafter he will receive severance pay equivalent to one year of salary, based on his current fixed salary. If the CEO does not obtain new employment, he will receive an additional six months of severance pay. The severance will be deducted from income received from other employment during the same period. If the CEO resigns voluntarily, there is a six-month period of notice with salary and pension benefits, but no severance pay. The CEO's agreement includes a non-compete clause.

Group Management

If terminated by the Company, the group of other senior executives normally receives salary and pension benefits for six months (period of notice). Thereafter, 10 members of the Group Management receive severance pay, according to agreement, equivalent to a maximum of 18 months of salary, based on their fixed salary. Severance is paid monthly with the first payment in the month after the employment has ended. Severance is not paid for the period falling after the contractual pension age. Members of the Group Management hired before 1 January 2005 who have reached the age of 55 are entitled to an additional six months of severance. Together, the term of notice and severance may not exceed 24 months. The severance will be deducted from income received from other employment during the same period. If they resign voluntarily, there is a six-month period of notice with salary and pension benefits, but no severance pay.



Giraffe ground based radar family.

Share capital and ownership structure

Share information

According to Saab's Articles of Association, the share capital shall be not less than SEK 750,000,000 and not more than SEK 3,000,000,000, divided into not less than 46,875,000 shares and not more than 187,500,000 shares. There are two class of shares in the Company, series A and B. As of 31 December 2017, the Company's registered share capital was SEK 1,746,405,504, represented by 1,907,123 non-listed shares of series A and 107,243,221 listed shares of series B (no change since 1 January 2017), each with a quota value of SEK 16. The shares in Saab have been issued in accordance with Swedish law, are fully paid and denominated in SEK. The shares are not subject to any restrictions on transferability. The rights of the shareholders may only be changed pursuant to the procedures set out in the Swedish Companies Act (*aktiebolagslagen (2005:551)*).

No changes to the number of shares have occurred since 31 December 2017. The forthcoming rights issue will, if fully subscribed, result in an increase of the number of shares in the Company from 109,150,344 shares (1,907,123 shares of series A and 107,243,221 shares of series B) to 135,845,847 shares (2,383,903 shares of series A and 133,461,944 shares of series B), representing an increase of 24.5 per cent. Shareholders who decline to subscribe for shares in the rights issue will experience a dilution with a total of 26,695,503 new shares, representing 19.7 per cent (20.0 per cent excluding treasury shares) of the total shares in the Company after the rights issue.

The shares are not subject to any offer made pursuant to a mandatory takeover bid and/or squeeze-out and sell-out rules. No public takeover bids have been made in respect of the shares in Saab during the current financial or previous financial year.

Certain rights attached to the shares

General Meetings

Notice of General Meetings shall be published in the Swedish Official Gazette (*Sw. Post- och Inrikes Tidningar*) and on the Company's website. Simultaneously, an announcement with information that the notice has been issued shall be published in *Dagens Nyheter* and *Svenska Dagbladet*. To be entitled to participate in a General Meeting, the shareholder must be registered in the share register five weekdays prior to the meeting, and notify the Company of the participation not later than on the day specified in the notice of the meeting.

Voting rights

Each share of series A carries ten (10) votes and each share of series B carries one (1) vote. Each shareholder is entitled to vote for the total number of shares held without limitation of the voting powers.

Preferential rights to new shares, etc.

If the Company resolves to issue new shares of Series A and Series B through a cash issue or an issue by set-off, holders of shares of Series A and Series B shall have preferential right of subscription to new shares of the same share series in proportion to the number of shares already owned by the shareholder (primary preferential right). Shares which have not been acquired on the basis of primary preferential right shall be offered for subscription to all shareholders (subsidiary preferential right). If the shares thus offered are insufficient for subscription on the basis of subsidiary preferential right, the shares

shall be allocated among the subscribers in proportion to the number of shares already held by them and, to the extent this cannot be done, through the drawing of lots.

If the Company resolves to issue through a cash issue or an issue by set-off shares either of Series A or Series B, but not both, all shareholders, regardless of whether their shares are of Series A or Series B, shall have preferential right of subscription to new shares in proportion to the number of shares already held by them.

If the Company resolves to issue, through a cash issue or an issue by set-off, warrants or convertible promissory notes, the shareholders shall, respectively, have preferential right of subscription to the warrants as if the issue concerned the shares that may be subscribed under the warrant, and preferential right of subscription to the convertible promissory notes as if the issue concerned the shares that the convertible promissory notes may be exchanged for.

The above shall not entail any limitation to the possibility of reaching a decision on a cash issue or an issue by set-off departing from the shareholders' preferential right.

If the share capital is increased through a bonus issue, new shares of each series shall be issued in proportion to the number of shares of the same series as already exist. In this connection, earlier shares of a specific series shall entitle the shareholder to new shares of the same series. This shall not entail any limitation to the possibility to issue shares of a new series through a bonus issue, following requisite amendments to the Articles of Association.

Rights to dividends and surplus in the event of liquidation

All shares carry the same right to share in the Company's profit and any surplus in the event of liquidation.

Dividends are resolved upon by the General Meeting and the payment is administered by Euroclear Sweden. Dividends may only be paid if the Company, after such dividends, still has full coverage of its restricted equity and further to the extent that such dividends are justified taking into consideration (i) the demands with respect to size of shareholders' equity which are imposed by the nature, scope and risks associated with the operations, and; (ii) the Company's and the Group's consolidation needs, liquidity and financial position in general (the so-called prudence rule). As a general rule, the shareholders may not decide upon larger dividends than those proposed or approved by the Board of Directors. Dividends are normally paid to shareholders in cash on a per share basis, but may also be paid in kind.

On the record date established by the General Meeting, holders recorded as owners of shares in the register of shareholders maintained by Euroclear Sweden will be entitled to receive dividends. If a shareholder cannot be paid through Euroclear Sweden, such shareholder still retains its claim to the dividend amount, and the claim remains against the Company subject to a statutory limitation of 10 years. Should the claim become barred by the statute of limitations, the dividend amount is forfeited to the Company. Neither the Swedish Companies Act nor the Company's Articles of Association contain any restrictions regarding dividend rights of shareholders outside Sweden. Subject to any restrictions imposed by banks or clearing systems in the relevant jurisdiction, payments to such shareholders are made in the same manner as for shareholders resident in Sweden. However, shareholders with limited tax liability in Sweden are

normally subject to Swedish withholding tax. See "Certain tax issues in Sweden" in section "Certain tax issues" for additional information.

For Saab's dividend policy, see "Financial targets and dividend policy" in "Business description".

Dividend history

SEK	2017	2016	2015
Dividend per B share	5.50	5.25	5.00

Share conversion clause

A shareholder is entitled to demand that shares of series A in his possession be converted into shares of series B. An application to this effect shall be submitted in writing to the Board of Directors. Conversion shall take effect when registration has been completed at the Swedish Companies Registration Office.

Major shareholders as of 31 October 2018

Holder/nominee/custodian	Shares of series A	Shares of series B	Total number of shares	Share capital, %	Votes, % ¹⁾
Investor	1,907,123	30,870,975	32,778,098	30.0	39.5 (40.3)
The Knut and Alice Wallenberg Foundation	–	9,590,087	9,590,087	8.8	7.6 (7.7)
Swedbank Robur Funds	–	5,297,248	5,297,248	4.9	4.2 (4.3)
AFA Insurance	–	3,053,668	3,053,668	2.8	2.4 (2.5)
Life Insurance Skandia	–	2,259,149	2,259,149	2.1	1.8 (1.8)
SEB Funds	–	2,103,689	2,103,689	1.9	1.7 (1.7)
Vanguard	–	1,998,544	1,998,544	1.8	1.6 (1.6)
Fidelity	–	1,765,700	1,765,700	1.6	1.4 (1.4)
Handelsbanken Funds	–	1,711,295	1,711,295	1.6	1.4 (1.4)
Gladiator	–	1,700,000	1,700,000	1.6	1.3 (1.4)
Total ten largest shareholders	1,907,123	60,350,355	62,257,478	57.0	62.9 (64.1)
Other shareholders	–	44,420,875	44,420,875	40.7	35.1 (35.9)
Treasury shares held by Saab ^{2),3)}	–	2,471,991	2,471,991	2.3	2.0 (–)
Total	1,907,123	107,243,221	109,150,344	100.0	100.0

Source: Modular Finance

1) Figures within parenthesis refer to votes calculated excluding treasury shares held by Saab.

2) May not be represented at general meetings and do not entitle to participation in the rights issue.

3) In November 2018, matching of some of the Group's share-based incentive programmes was carried out. This affected the number of treasury shares held by Saab. As of 20 November 2018, Saab held 2,368,328 treasury shares. Please refer to "Treasury shares" below.

In Sweden, the lowest limit for disclosure of holdings (Sw. *flaggning*) is five per cent of all shares or the voting rights of all shares.

Investor can exercise significant influence over the Company in matters where the shareholders have a voting right. Due to its shareholding, Investor may put through several proposals at a general meeting, even if other shareholders do not agree with the proposal (see "The Company's largest shareholder can exert a substantial influence over Saab" in "Risk factors"). Investor is therefore able to exercise significant influence over Saab. The control is, however, limited in accordance with the rules set out in the Swedish Companies Act (2005:551) on minority protection.

Share capital development

No changes in the Company's share capital have occurred since 1 January 2015.

Ownership structure

As at 31 October 2018, Saab had approximately 49,347 shareholders. The largest shareholder was Investor, with approximately 30 per cent of the total share capital and 40.3 voting rights in the Company. The table below shows the Company's largest shareholders as of 31 October 2018.

Listing and share price performance

Saab's B share is listed on Nasdaq Stockholm since 6 October 1998. The share is traded on the Large Cap list under the ticker SAAB B. The chart below shows the share price development and volumes traded on Nasdaq Stockholm during the past five years (up and including 16 November 2018).



Source: Nasdaq Stockholm

Treasury shares

As of 20 November 2018, Saab held 2,368,328 treasury shares of series B (each with a quota value of SEK 16), corresponding to 2.2 per cent of the shares in the Company. Treasury shares may, pursuant to the Swedish Companies Act, not be represented at general meetings and may, pursuant to the Swedish Annual Accounts Act, not be included as an asset in the Company's balance sheet and do not entitle to participation in the rights issue.

Authorisations

Authorisation to resolve on the rights issue

At Saab's Extraordinary General Meeting, held on 16 November 2018, the Board of Directors was authorised to resolve on the rights issue during the period up and including the Company's Annual General Meeting 2019. The total number of shares that will be issued shall amount to the number of shares that corresponds to gross proceeds of approximately SEK 6 billion, and must be set within the limits of the share capital. Other terms and conditions will be determined by the Board of Directors.

With support from the Extraordinary General Meeting, the Board of Directors of Saab resolved on 19 November 2018 to carry out the rights issue and to issue not more than 26,695,503 new shares (of which not more than 476,780 shares of series A and not more than 26,218,723 shares of series B) with preferential right for the Company's shareholders.

Authorisation to acquire and transfer own shares

The Annual General Meeting 2018 resolved to authorise the Board of Directors to resolve on an acquisition of a maximum of 1,470,000 shares of series B to secure delivery of shares to participants in Saab's long-term Share Matching Plan, Performance Share Plan and Special Projects Incentive and for subsequent transfers on Nasdaq Stockholm to cover certain costs associated with long-term incentive programme 2019 (consisting of Share Matching Plan 2019, Performance Share Plan 2019 and Special Projects Incentive 2019) and Special Projects Incentive 2018, mainly social security costs. The authorisation may be used on one or several occasions before the next Annual General Meeting. The Annual General Meeting further resolved that not more than 1,140,000 shares of series B may be

transferred, free of consideration, to participants in long-term incentive programme 2019 and Special Projects Incentive 2018.

In June 2018, the Board of Directors resolved to use the acquisition authorisation and to acquire not more than 500,000 shares of series B in Saab to secure delivery in Saab's long-term Share Matching Plan, Performance Share Plan and Special Projects Incentive. Repurchases of shares of series B were carried out in July and August 2018, amounting to MSEK 203.

For information about the Company's share-based incentive programmes, see "*Share-based incentive programmes*" below.

The Annual General Meeting 2018 also resolved to authorise the Board of Directors to resolve on acquisition of a maximum number of shares of series B so that the Company's holdings at any time do not exceed 10 per cent of the total number of shares in the Company. The authorisation may be used on one or several occasions up and including the next Annual General Meeting. The purpose of the authorisation is to be able to adjust the Company's capital structure and thereby contribute to an increased shareholder value as well as to enable a continuous use of acquired shares in connection with potential acquisitions and for the Company's share-based incentive programmes. As of the date of this prospectus, the authorisation has not been utilised.

The Annual General Meeting 2018 further resolved to authorise the Board of Directors to resolve on transfer of shares of series B in connection with acquisitions. Transfers in connection with acquisitions of companies or businesses must take place at a price that closely corresponds to the market value of the Company's shares at the time of the resolution on the transfer. Not more than the number of shares of series B that the Company holds at the time of the Board of Directors' resolution may be transferred based on the authorisation. The authorisation includes the right to resolve that the issue will be made with deviation from the shareholders' preferential rights and in non-cash consideration, and it may be utilised on one or several occasions before the next Annual General Meeting. The purpose of the authorisation is to provide the Board of Directors with increased scope of action when financing acquisitions. The reason for the deviation of the shareholders' preferential rights is to enable alternative forms of payment for acquisitions of companies or businesses. As of the date of this prospectus, the authorisation has not been utilised.

The Annual General Meeting 2018 finally resolved to authorise the Board of Directors to, prior to the Annual General Meeting 2019,

transfer a maximum of 1,200,000 shares of series B, in order to cover certain costs, mainly social security costs, that may arise in relation to Share Matching Plan 2014, 2015, 2016 and 2018, as well as Performance Share Plan 2014, 2015, 2016 and 2018, and Special Projects Incentive 2017. Transfers of the shares will be effected at Nasdaq Stockholm at a price within the price range (spread) applicable from time to time, meaning the spread between the highest purchase price and the lowest selling price prevailing and disseminated by Nasdaq Stockholm from time to time. As of the date of this prospectus, the authorisation has not been utilised.

Shareholders' agreements, etc.

To the Board of Directors' knowledge, there are no shareholders' agreement or other agreements between shareholders in the Company intended to exercise joint control of the Company. Neither is the Board of Directors aware of any agreements or similar which may cause changes to the control of the Company.

Share-based incentive programmes

The Company has a yearly adopted long-term incentive programme that may give the Company's employees the right to receive shares of series B. The long-term incentive programme has since 2017 comprised of three parts, a Share Matching Plan, a Performance Share Plan and a Special Projects Incentive. Saab currently has the following programmes: Share Matching Plan 2014, 2015, 2016, 2018 and 2019, Performance Share Plan 2014, 2015, 2016, 2018 and 2019, and Special Projects Incentive 2017, 2018 and 2019. Participation in Saab's long-term incentive programmes requires an own investment in shares in Saab.

Share Matching Plan

In the Share Matching Plans, the Company's permanent employees are offered the opportunity to invest up to a maximum of 5 per cent of the cash base salary for the purchase of shares of series B on Nasdaq Stockholm during a twelve-month period. If the purchased shares are retained by the employee for three years from the date of investment and employment within the Group has not been terminated during the entire three-year period, the employee will be allocated a corresponding number of shares of series B free of consideration. The Share Matching Plan 2014, 2015, 2016, 2018 and 2019 may comprise in aggregate of up to 2,151,000 shares of series B in the Company.

Performance Share Plan

In the Company's Performance Share Plans, the members of the Group Management and other key employees, up to 175 persons in

total per year, are offered the opportunity to invest up to a maximum of 7.5 per cent of the cash base salary to purchase shares of series B on Nasdaq Stockholm during a twelve-month period. Investments made under the Performance Share Plan count also as a basis for participation in the Share Matching Plan for the corresponding year, however, only up to an amount of maximum 5 per cent of the cash base salary. If the purchased shares are retained by the employee for three years from the date of investment and employment within the Group has not been terminated during the entire three-year period, the employee may be entitled to matching of performance shares, free of consideration. Matching may be made with 2–7 performance shares, depending on the role within the Group and to what extent the performance targets have been met. The performance targets are based on three independent targets: organic sales growth (30 per cent of the performance targets), EBIT margin after amortisation and depreciation (40 per cent of the performance targets) and free cash flow (30 per cent of the performance targets). The Performance Share Plan 2014, 2015, 2016, 2018 and 2019 may comprise in aggregate of up to 741,000 shares of series B in the Company.

Special Projects Incentive

The Special Projects Incentives are aimed at a number of key employees within the Group, up to 45 persons in total per year, and is a complement to the Performance Share Plans. Participation in the Special Projects Incentives presupposes purchasing of shares of series B under the Performance Share Plan or the Share Matching Plan. The programme gives the employee the right to receive performance shares corresponding to 15.0–52.5 per cent of the cash base salary, depending on role within the Group, provided that the employment remains during three years and the performance targets are met. The conditions for allotment of performance shares are based on the achievement of eight equally weighted performance targets, consisting of operational targets and milestones within Saab's product areas Gripen, airborne radar systems (AEW&C) and submarines. The performance targets may, for example, relate to product and design review, customer review, partial deliveries or system implementation. Each performance target represents 12.5 per cent of the total performance targets. For the CEO and other members of the Group Management, allotment of shares in the Special Projects Incentive and in the Performance Share Plan may not exceed 75 per cent of the cash base salary for the CEO and 60 per cent of the cash base salary for other members of the Group Management, respectively. The Special Projects Incentive 2017, 2018 and 2019 may comprise in aggregate of up to 261,000 shares of series B in the Company (prior to recalculation as a result of the forthcoming rights issue).

Summary

The table below shows a summary of the maximum number of shares that may be allotted under the Company's outstanding share-based incentive programmes as of the date of this prospectus (i.e., prior to recalculation of the Special Projects Incentive as a result of the forthcoming rights issue).

Programme	Number of shares
Share Matching Plan 2019 ^{*)}	700,000
Share Matching Plan 2018 ^{*)}	700,000
Share Matching Plan 2016	291,000
Share Matching Plan 2015	291,000
Share Matching Plan 2014 ¹⁾	350,000
Performance Share Plan 2019 ^{*)}	240,000
Performance Share Plan 2018 ^{*)}	280,000
Performance Share Plan 2016	78,000
Performance Share Plan 2015	98,000
Performance Share Plan 2014 ²⁾	101,000
Special Projects Incentive 2019 ^{*)}	100,000
Special Projects Incentive 2018 ^{*)}	100,000
Special Projects Incentive 2017	61,000
Total	3,390,000

^{*)} Maximum number of shares that may be delivered to the participants according to the General Meeting's resolution.

- 1) Matching of Share Matching Plan 2014 took place in November 2018. As of the date of this prospectus, 284,000 shares have been delivered to the participants in Share Matching Plan 2014.
- 2) Matching of Performance Share Plan 2014 took place in November 2018. As of the date of this prospectus, 83,000 shares have been delivered to the participants in Performance Share Plan 2014.

Central securities depository

The Company's shares are book-entry registered in a securities register in accordance with the Swedish Central Securities Depository and Financial Instruments Accounts Act (*lagen (1998:1479) om värdepapperscentraler och kontoföring av finansiella instrument*). The register is operated by Euroclear Sweden (Euroclear Sweden AB, Box 191, SE-101 23 Stockholm, Sweden). The shares are registered on person. No share certificates have been issued for the shares or will be issued for the new shares. The ISIN code for shares of series A and series B is SE0000112377 and SE0000112385, respectively.

LEI Code

Saab's LEI code is 549300ZHO4JCQQI13M69.



Articles of association

Adopted by the Annual General Meeting on 7 April 2011.

§ 1

The name of the Company is SAAB AKTIEBOLAG. The Company is a public limited company (plc).

§ 2

The object of the Company's business is, directly or indirectly, to develop, manufacture, sell and maintain products to the aviation, engineering and electronic industries, and to provide technical services and consultancy in the electronics, telecommunications and computer fields. Operations are directed primarily at defense materiel. The company shall also own and manage real estate and chattels, buy and sell rights, and engage in financing activities as well as any other business compatible therewith.

§ 3

The registered office of the Company shall be located in Linköping, Sweden.

§ 4

The share capital shall comprise no less than seven hundred and fifty million (750,000,000) Swedish kronor and no more than three billion (3,000,000,000) Swedish kronor.

§ 5

The number of shares shall be not less than 46,875,000 and not more than 187,500,000.

§ 6

The shares shall be issuable in two series, designated Series A and Series B. Shares of either series may be issued in a number equivalent to the entire share capital.

When voting at a shareholders' meeting, one share of Series A shall entitle the shareholder to ten votes and one share of Series B shall entitle the shareholder to one vote. In all other respects, the shares of Series A and Series B are equal to each other.

A shareholder is entitled to demand that shares of Series A in his possession be converted into shares of Series B. An application to this effect shall be submitted in writing to the Company's Board of Directors, stating how many shares the owner wishes to convert and supplying all and any other information and documents that the Board of Directors may request. It is the duty of the Company's Board of Directors to report such application for registration purposes within one month of receipt of the application. Conversion shall take effect when registration has been completed.

§ 7

If the Company resolves to issue new shares of Series A and Series B through a cash issue or an issue by set-off, holders of shares of Series A and Series B shall have preferential right of subscription to new shares of the same share series in proportion to the number of shares already owned by the shareholder (primary preferential right). Shares which have not been acquired on the basis of primary preferential right shall be offered for subscription to all shareholders (sub-

sidary preferential right). If the shares thus offered are insufficient for subscription on the basis of subsidiary preferential right, the shares shall be allocated among the subscribers in proportion to the number of shares already held by them and, to the extent this cannot be done, through the drawing of lots.

If the Company resolves to issue through a cash issue or an issue by set-off shares either of Series A or Series B, but not both, all shareholders, regardless of whether their shares are of Series A or Series B, shall have preferential right of subscription to new shares in proportion to the number of shares already held by them.

If the Company resolves to issue, through a cash issue or an issue by set-off, warrants or convertible promissory notes, the shareholders shall, respectively, have preferential right of subscription to the warrants as if the issue concerned the shares that may be subscribed under the warrant, and preferential right of subscription to the convertible promissory notes as if the issue concerned the shares that the convertible promissory notes may be exchanged for.

The above shall not entail any limitation to the possibility of reaching a decision on a cash issue or an issue by set-off departing from the shareholders' preferential right.

If the share capital is increased through a bonus issue, new shares of each series shall be issued in proportion to the number of shares of the same series as already exist. In this connection, earlier shares of a specific series shall entitle the shareholder to new shares of the same series. This shall not entail any limitation to the possibility to issue shares of a new series through a bonus issue, following requisite amendments to the Articles of Association.

§ 8

In addition to the members who may in accordance with legal requirements be appointed by other than the Annual General Meeting, the Board of Directors of the Company shall comprise at least six (6) and at most twelve (12) regular members and at most four (4) deputies for such members.

§ 9

One or two Auditors with or without Deputy Auditors shall be appointed to examine the Company's Annual Report and accounts, as well as the administration of the Company's affairs by the Board of Directors and the Managing Director. Either one or two registered accounting firms may be appointed as auditor. The appointment as Auditor shall apply until the close of the Annual General Meeting that is held during the fourth financial year after the election of the Auditor.

§ 10

The Company's accounting year shall be the calendar year.

§ 11

General Meeting of the Company's shareholders shall be held in Linköping or Stockholm.

§ 12

Notices convening a General Meeting shall be published in "Post-och Inrikes Tidningar" and on the website of the company. That notice has been given shall be published in "Dagens Nyheter" and "Svenska Dagbladet".

Shareholders wishing to attend a General Meeting shall be included in a printout or other representation of the shareholders' register reflecting the conditions five business days prior to the meeting and shall notify the Company no later than 12 noon on the day specified in the notice convening the meeting, stating the number of assistants. This day may not be a Sunday, a public holiday, a Saturday, Midsummer's Eve, Christmas Eve or New Year's Eve, and may not fall earlier than the fifth weekday before the meeting.

§ 13

At the Annual General Meeting, the following items shall appear on the agenda:

- 1) Election of Chairman for the meeting;
- 2) Approval of the voting list;
- 3) Approval of the agenda;
- 4) Election of one or two persons to verify the minutes of the meeting;
- 5) Motion as to whether the meeting was duly convened;
- 6) Presentation of the Annual Report and Auditors' Report, and of the Consolidated Annual Report and Consolidated Auditors' Report;
- 7) Resolutions a. on approval of the Income Statement and Balance Sheet and the Consolidated Income Statement and Consolidated Balance Sheet b. on allocations in respect of profit or loss according to the approved Balance Sheet c. on discharge of the Board of Directors and the Managing Director from liability for their administration of the Company's affairs;
- 8) Stipulation of the number of regular and deputy Board Members and, where applicable, Auditor and Deputy Auditor, to be appointed by the Annual General Meeting;
- 9) Stipulation of the Directors' and Auditors' fees;
- 10) Election of regular Board Members and Deputy Board Members;
- 11) Where applicable, election of Auditors and Deputy Auditors;
- 12) Any other business which, in accordance with the Companies' Act or the Company's Articles of Association, requires consideration by the Annual General Meeting.

§ 14

The Company's shares shall be registered in a CSD (Central Securities Depository) register under the Financial Instruments Accounts Act (1998:1479).

Legal considerations and supplementary information

General corporate and group information

The legal name of the Company (and its commercial name) is SAAB AKTIEBOLAG. Saab's Swedish corporate ID No. is 556036-0793 and the registered office of the Board of Directors is situated in the municipality of Linköping, Sweden. The Company's head office's visiting and postal address is Olof Palmes gata 17, 5tr, SE-111 22 Stockholm. The Company was incorporated in Sweden on 6 April 1937 and registered with the Swedish Companies Registration Office on 26 April 1937. The Company has been conducting operations since

then. The Company is a Swedish public limited liability company governed by the Swedish Companies Act (aktiebolagslagen (2005:551)).

Saab is the ultimate parent company of the Group, which, as of 30 September 2018, comprised 91 subsidiaries and 24 affiliates in over 35 countries. The table below shows the most significant Group companies. Saab's holdings in shares in associated companies are not deemed to be of significant meaning for Saab's financial position or results.

Subsidiary	Country	Shares and voting rights, %
Combitech AB	Sweden	100
Combitech Oy	Finland	100
Saab Australia Pty Ltd	Australia	100
Saab Barracuda AB	Sweden	100
Saab Barracuda LLC	United States	100
Saab Czech s.r.o.	Czech Republic	100
Saab Defense and Security USA LLC	United States	100
Saab Dynamics AB	Sweden	100
Saab Danmark A/S	Denmark	100
Saab Grintek Defence (Pty) Ltd	South Africa	75
Saab Kockums AB	Sweden	100
Saab Medav Technologies GmbH	Germany	100
Saab Seaeye Ltd	United Kingdom	100
Saab Sensis Corporation	United States	100
Saab Technologies B.V	Netherlands	100

Material agreements

The Company has not entered into any material agreements outside the ordinary course of business during the past two years.

Saab's agreements within the ordinary course of business in general

As all companies running commercial operations, Saab is dependent on winning new contract and renewing existing contracts in order to maintain profitability and growth. A large part of Saab's revenues is derived from a limited number of customers and relatively few contracts. Examples of large industrial agreements include FMV's order of the A26 submarine (for the Swedish Navy) and a new generation of the Gripen fighter aircraft system. Within the ordinary course of business, Saab also enters into large agreements in conjunction with order of defence materiel from various customers. Please also refer to "Customers" in "Business description" and "Saab is dependent on winning new contracts and renewing existing contracts" in "Risk factors".

Saab's operations involve complex, development projects on the leading edge of technology extending over many years that in some cases also include participation in developing the customer-country's economy or technological capability through various

forms of industrial cooperation. Industrial agreements entered into in conjunction with such development projects are important for Saab. Saab is a collaboration partner and shares a number of important partnerships, including Saab's development collaboration with Boeing concerning the T-X trainer aircraft for the U.S. Air Force and Saab's collaboration with Raytheon for the development of new ammunition for the Carl-Gustaf system. Such commercial partnerships are important for Saab's operations. Please also refer to "Saab is exposed to risks related to the implementation of long-term customer projects" and "Saab is exposed to risks related to partnerships and collaborations" in "Risk factors".

Acquisitions and divestments

No material acquisitions or divestments have occurred during the financial years 2015–2017 and the period January–September 2018, respectively.

Financing agreements

For a description of the Group's financing agreements, please refer to "Credit facilities and loans" in section "Capitalisation and other financial information".

Subscription undertakings

Subscription undertakings

Five larger shareholders in Saab, together holding shares representing 46.6 per cent of the shares and 54.0 per cent of the votes in the Saab¹⁾ have undertaken to exercise their preferential rights in the rights issue and thereby subscribe for new shares corresponding to their respective holding in the Saab, i.e., totalling 46.6 per cent of the rights issue (see breakdown in the table below). No compensation is paid for these subscription undertakings.

Total commitments

Altogether, the subscription undertakings total 46.6 per cent of the rights issue as detailed in the below table. All commitments were entered into in conjunction with the Board of Directors' public release of the terms and conditions for the rights issue on 15 November 2018.

Shareholder	Current holding, number of shares	Subscription undertaking (preferential rights), share of the rights issue, %
Investor	32,778,098	30.7
The Knut and Alice Wallenberg Foundation	9,590,086	9.0
Första AP-fonden	3,073,800	2.9
AFA Insurance	2,585,223	2.4
Gladiator	1,700,000	1.6
Total	49,727,207	46.6

Declarations of intent

Swedbank Robur Funds, AFA Foundation and Handelsbanken Funds, together representing 7.8 per cent of the shares and 6.7 per cent of the votes in Saab¹⁾ have expressed their intention to subscribe for their pro rata shares in the rights issue.

Legal and arbitration proceedings

Saab is present in several countries and from time to time, Saab is subject to disputes, claims and administrative proceedings in the ordinary course of business. However, during the past twelve months Saab has not been part to any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Saab is aware) which may have, or have had in the recent past, significant effects on Saab financial position or profitability.

Related-party transactions

The Group's financial agreements conform to market principles. Saab has not had any significant transactions with Investor, members of the Board of Directors or the Group Management. For the financial years 2015, 2016 and 2017, 5 per cent, 6 per cent and 6 per cent, respectively, of the parent company's sales, referred to sales to Group companies, while 13 per cent, 17 per cent, and 20 per cent, respectively, of the parent company's purchases were from Group companies.

For the financial years 2015, 2016 and 2017, sales to and purchases from the Group's associated companies amounted to approximately MSEK 249, MSEK 212 and MSEK 114, respectively, while sales to and purchases from the Group's joint ventures amounted to approximately MSEK 135, MSEK 85 and MSEK 113, respectively.

During the fourth quarter 2015, Saab acquired a real estate company, which owns the property where Saab conducts its operations in Järfälla, Sweden. The real estate company was then divested at

Non-secured commitments

The above-mentioned subscription undertakings are not secured. Consequently, there is a risk that one or more of the above-mentioned parties are not able to fulfil their undertakings in whole or in part. Please also refer to "The subscription undertakings are not secured" in "Risk factors".

a price corresponding to estimated fair value to Järfälla Veddesta Holding AB, a jointly owned company where Saab holds 35 per cent and Saab Pension Fund holds 65 per cent. Järfälla Veddesta Holding AB is classified as a joint venture. The acquisition was financed through loans from Saab and Saab Pension Fund. Saab's loan to Järfälla Veddesta Holding AB amounts to MSEK 254. The loan is on market conditions. The transaction resulted in a capital gain of MSEK 107.

Please also refer to "Note 40 – Transactions with related parties" on p. 120 in Saab's annual report for the financial year 2017. No material related-party transactions have occurred during the period January–September 2018. For information on remuneration to the members of the Board of Directors and Group Management, see "Compensation to the Board of Directors" and "Compensation to the Group Management" in "Board of Directors, Group Management and auditor".

Advisors, etc.

Saab's financial advisor in relation to the rights issue is SEB (Kungsträdgårdsgatan 8, SE-106 40 Stockholm). SEB also acts as Global Coordinator in connection with the offering under this prospectus. From time to time, SEB (and their affiliates) have in the ordinary course of business provided, and may in the future provide, various banking, financial, investment, commercial and other services to Saab for which they have received, and may receive, compensation.

Mannheimer Swartling Advokatbyrå is Saab's legal advisor in the rights issue.

Incorporation by reference, etc.

Saab's consolidated financial statements for the financial years 2015–2017 are incorporated into this prospectus by reference and consequently form part of this prospectus and are to be read as part hereof. The said financial statements are included in Saab's annual reports for the financial years 2015–2017, where reference is made as follows:

1) Excluding treasury shares. As of 20 November 2018, Saab held 2,368,328 treasury shares of series B, which do not entitle to participation in the rights issue.

- Annual report 2017:²⁾ directors' report (p. 45–71), consolidated income statement (p. 73), consolidated statement of comprehensive income (p. 74), consolidated balance sheet (page 75–76), change in consolidated equity (p. 77), consolidated cash flow statement (p. 78), notes (p. 84–127) and audit report (p. 130–135).
- Annual report 2016:³⁾ directors' report (p. 56–83), consolidated income statement (p. 85), consolidated statement of comprehensive income (p. 86), consolidated balance sheet (page 87–88), change in consolidated equity (p. 89), consolidated cash flow statement (p. 90), notes (p. 96–136) and audit report (p. 140–145).
- Annual report 2015:⁴⁾ directors' report (p. 34–59), consolidated income statement (p. 61), consolidated statement of comprehensive income (p. 62), consolidated balance sheet (page 63–64), change in consolidated equity (p. 65), consolidated cash flow statement (p. 66), notes (p. 72–112) and audit report (p. 115–116).

Non-incorporated parts of the above reports contain information presented elsewhere in this prospectus or which is deemed not relevant to investors. Saab's consolidated financial statements for the financial years 2015–2017 have been audited by the Company's auditor.

Documents on display

The following documents can be downloaded on Saab's website, www.saabgroup.com. Copies of the documents can also be obtained at the head office of Saab (Olof Palmes gata 17, 5tr, SE-111 22 Stockholm, Sweden) during the validity of this prospectus (regular office hours on business days).

- Saab's Articles of Association.
- Saab's annual reports for the financial years 2015–2017 (including audit reports).
- Saab's interim report for the period January–September 2018.

2) https://saabgroup.com/globalassets/corporate/investor-relations/reports/2018/20180327-updates/saab_ar_17_eng_20180319.pdf

3) https://saabgroup.com/globalassets/saab_ar16_eng.pdf

4) https://saabgroup.com/globalassets/corporate/investor-relations/reports/saab_ar2015_en.pdf



*Submarine A 26
(Computer Generated Imagery)*

Certain tax issues

Certain tax issues in Sweden

The following summary outlines certain Swedish tax consequences relating to the offer to subscribe for new shares for shareholders and holders of subscription rights in the Company. The summary is only applicable to individuals and limited liability companies (Sw. aktiebolag) tax resident in Sweden, unless otherwise stated. The summary is based on the laws of Sweden as currently in effect and is intended to provide general information only. The summary does not cover securities held by partnerships or held as current assets in business operations. Furthermore, the summary does not cover the specific rules on tax-exempt dividends and capital gains (including non-deductibility for capital losses) in the corporate sector, which may become applicable when shareholders hold securities that are considered to be held for business purposes (Sw. näringsbetingade andelar). Nor does the summary cover the special rules which may be applicable to holdings in companies which are, or previously were, closely-held companies, or to shares acquired pursuant to so-called qualified shares in closely-held companies. Moreover, the summary does not cover shares or other securities that are held in a so-called investment savings account (Sw. investeringssparkonto) and that are subject to special rules on standardised taxation. Special rules apply to certain categories of taxpayers, for example, investment companies and insurance companies. The tax treatment of each individual shareholder depends on such investor's particular circumstances. Each holder of shares and subscription rights should, therefore, consult a tax advisor for information on the specific implications that may arise in an individual case, including the applicability and effect of foreign rules and tax treaties.

Individuals

Capital gains taxation

Upon the sale or other disposition of listed shares or other equity-related securities, such as subscription rights, a taxable capital gain or deductible capital loss may arise. Capital gains are taxed as capital income at a rate of 30 per cent. The capital gain or loss is normally calculated as the difference between the sales proceeds, after deducting sales costs, and the tax basis (for specific information about the tax basis for subscription rights, see "*Exercise and disposal of subscription rights*" below). The tax basis for all equity-related securities of the same class and type is calculated together in accordance with the "average cost method". It should be noted that BTAs (paid subscribed shares) in this context are not considered to be of the same class and type as the existing shares that entitled the shareholder to the preferential right in the rights issue until the resolution of the rights issue has been registered with the Swedish Companies Registration Office.

Alternatively, upon the sale of listed shares, such as the shares in the Company, the tax basis may alternatively be determined as 20 per cent of the sales proceeds, after deducting sales costs, under the "notional rule".

Capital losses on listed shares and other listed equity-related securities are fully deductible against taxable capital gains on shares and on other listed equity-related securities, with the exception of units in securities funds or special funds that consist solely of Swedish receivables (Sw. *räntefonder*). Capital losses on shares and other equity-related securities which cannot be set off in this way can be deducted with up to 70 per cent against other capital income. If there is a net loss in the capital income category, a tax reduction is allowed against municipal and national income tax, as well as against real estate tax and municipal real estate charges. A tax reduction is allowed with 30 per cent on the portion of such net loss that does

not exceed SEK 100,000 and with 21 per cent on any remaining loss. Such net loss cannot be carried forward to future income years.

Dividend taxation

For individuals, dividends on listed shares are taxed as income from capital at a rate of 30 per cent. For individuals resident in Sweden, a preliminary tax of 30 per cent is generally withheld by Euroclear Sweden or, in respect of nominee-registered shares, by the Swedish nominee.

Exercise and disposal of subscription rights

The exercise of subscription rights does not give rise to any taxation. The acquisition cost for shares received is the issue price. If subscription rights used for subscribing for shares have been purchased or otherwise acquired (i.e., that have not been received based on a holding of existing shares) the tax basis for the subscription rights should be included when calculating the tax basis for the subscribed shares.

For shareholders that do not wish to utilise their preferential right to participate in the rights issue and therefore dispose of their subscription rights, a capital gain or loss is calculated. Subscription rights based on a holding of existing shares are considered to have been acquired at SEK 0. The total sales proceeds, after deduction of sales costs, are thus taxable. The "notional rule" is not applicable in this case. The tax basis for the original shares is not affected.

For subscription rights purchased or otherwise acquired, the price paid for the rights constitutes the tax basis. The "notional rule" may be applied on disposal of listed subscription rights in this case.

A subscription right that is not exercised or sold, and thus expires, is considered to have been disposed of at SEK 0.

Limited liability companies

Capital gains and dividends taxation

For Swedish limited liability companies (*Sw. aktiebolag*) all income, including taxable capital gains and dividends, is taxed as business income at a rate of 22 per cent (the corporate income tax rate will be reduced to 21.4 per cent from 1 January 2019 and to 20.6 per cent from 1 January 2021). Capital gains and capital losses are calculated in the same manner as described above for individuals. Deductible capital losses on shares and other equity-related securities may only be deducted against taxable capital gains on such securities. Under certain circumstances, such capital losses may also be deducted against capital gains in another company in the same group, provided that the requirements for exchanging group contributions (*Sw. koncernbidragsrätt*) between the companies are met. A capital loss that cannot be utilised during a given income year may be carried forward and be offset against taxable capital gains on shares and other equity-related securities during subsequent income years, without limitation in time.

Exercise and disposal of subscription rights

The exercise of subscription rights does not give rise to any taxation. The acquisition cost for shares received is the issue price. If subscription rights used for subscribing for shares have been purchased or otherwise acquired (i.e. that have not been received based on a holding of existing shares) the tax basis for the subscription rights should be included when calculating the tax basis for the subscribed shares.

For shareholders that do not wish to utilise their preferential right to participate in the rights issue, and therefore dispose of their subscription rights, a capital gain or loss is calculated. Subscription rights based on a holding of existing shares are considered to have been acquired at SEK 0. The total sales proceeds, after deduction of sales costs, are thus taxable. The "notional rule" is not applicable in this case. The tax basis for the original shares is not affected.

For subscription rights purchased or otherwise acquired, the price paid for the rights constitutes the tax basis. The "notional rule" may be applied on disposal of listed subscription rights in this case.

A subscription right that is not exercised or sold, and thus expires, is considered to have been disposed of at SEK 0.

Specific tax considerations for shareholders or holders of subscription rights who are not tax residents in Sweden

Withholding tax on dividends

For shareholders not tax resident in Sweden who receive dividends from a Swedish limited liability company, Swedish withholding tax is normally payable. The tax rate is 30 per cent. However, the tax rate is often reduced by tax treaties between Sweden and other countries for the avoidance of double taxation. The majority of Sweden's tax treaties allow for a reduction of the Swedish tax to the tax rate stipulated in the treaty directly at the payment of dividends, provided that necessary information is available in relation to the person entitled to such dividends. In Sweden, Euroclear Sweden or, for nominee-registered shares, the nominee normally carries out the withholding. The receipt of subscription rights does not give rise to any obligation to pay withholding tax.

If a 30 per cent withholding tax is deducted from a payment to a person entitled to be taxed at a lower rate, or if excessive withholding tax has otherwise been withheld, a refund can be claimed from the Swedish Tax Agency prior to the expiry of the fifth calendar year following the dividend distribution.

Capital gains taxation

Holders of shares and subscription rights not tax resident in Sweden and whose holding is not attributable to a permanent establishment in Sweden are generally not liable for Swedish capital gains taxation on the disposal of shares or subscription rights. The holders may, however, be subject to tax in their country of residence. Under a specific tax rule, individuals that are not tax resident in Sweden may, however, be subject to tax in Sweden on the sale of certain securities (such as shares, BTAs and subscription rights) if they have been resident or lived permanently in Sweden at any time during the calendar year of such disposal or during any of the previous ten calendar years. The application of this rule may be limited by tax treaties between Sweden and other countries.

Certain tax issues in Denmark

The following is a summary of certain Danish income tax considerations relating to the offer to subscribe for new shares for shareholders and holders of subscription rights in the Company. The summary is for general information only and does not purport to constitute exhaustive tax or legal advice. It is specifically noted that the summary does not address all possible tax consequences relating to an investment in the shares. The summary is based solely upon the tax laws of Denmark in effect on the date of this prospectus. Danish tax laws may be subject to change, possibly with retroactive effect. The summary does not cover investors to whom special tax rules apply, and, therefore, may not be relevant, for example, to investors subject to the Danish Tax on Pension Yields Act (i.e., pension savings), professional investors, certain institutional investors, insurance companies, pension companies, banks, stockbrokers and investors with tax liability on return on pension investments. The summary does not cover taxation of individuals and companies who carry on a business of purchasing and selling shares. The summary only sets out the tax position of the direct owners of the shares and further assumes that the direct investors are the beneficial owners of the shares and any dividends thereon. Sales are assumed to be sales to a third party. Potential investors are advised to consult their tax advisers regarding the applicable tax consequences of acquiring, holding and disposing of the shares based on their particular circumstances. Investors who may be affected by the tax laws of other jurisdictions should consult their tax advisers with respect to the tax consequences applicable to their particular circumstances as such consequences may differ significantly from those described herein.

Individuals

Sale of shares

Gains from the sale of shares are taxed as share income at a rate of 27 per cent on the first DKK 52,900 in 2018 (for cohabiting spouses, a total of DKK 105,800) and at a rate of 42 per cent on share income exceeding DKK 52,900 (for cohabiting spouses, income exceeding DKK 105,800). Such amounts are subject to annual adjustments and include all share income (i.e., all capital gains and dividends derived by the individual or cohabiting spouses, respectively).

Gains and losses on the sale of shares admitted to trading on a regulated market are calculated as the difference between the purchase price and the sales price. The purchase price is generally determined using the average method, which means that each share is considered to be acquired for a price equivalent to the average acquisition price of all the shareholders' shares in the issuing company.

Losses on the sale of shares admitted to trading on a regulated market can only be offset against other share income deriving from shares admitted to trading on a regulated market, (i.e., received dividends and capital gains on the sale of shares admitted to trading on a regulated market). Unutilised losses should be offset against a cohabiting spouse's share income deriving from shares admitted to trading on a regulated market and additional losses can be carried forward indefinitely and offset against future share income deriving from shares admitted to trading on a regulated market.

Losses on shares admitted to trading on a regulated market may only be set off against gains and dividends on other shares admitted to trading on a regulated market if the Danish tax authorities have received certain information concerning the ownership of the shares. This information is normally provided to the Danish tax authorities by the securities dealer.

Dividends

Dividends paid to individuals who are tax residents of Denmark are taxed as share income, as described above. All share income must be included when calculating whether the amounts mentioned above

are exceeded. The Danish shareholder may receive a Danish tax credit for any tax withheld in Sweden.

Companies

Sale of shares

For the purpose of taxation of sales of shares made by corporate shareholders, a distinction is made between Subsidiary Shares, Group Shares, Tax-Exempt Portfolio Shares and Taxable Portfolio Shares:

"Subsidiary Shares" are generally defined as shares owned by a shareholder holding at least 10 per cent of the nominal share capital of the issuing company.

"Group Shares" are generally defined as shares in a company in which the shareholder of the company and the issuing company are subject to Danish joint taxation or fulfil the requirements for international joint taxation under Danish law.

"Tax-Exempt Portfolio Shares" are generally defined as shares not admitted to trading on a regulated market owned by a shareholder holding less than 10 per cent of the nominal share capital of the issuing company.

"Taxable Portfolio Shares" are defined as shares that do not qualify as Subsidiary Shares, Group Shares or Tax-Exempt Portfolio Shares.

In the following only the rules applicable to Taxable Portfolio Shares are summarised. Capital gains from the sale of Taxable Portfolio Shares admitted to trading on a regulated market are taxable at a rate of 22 per cent irrespective of ownership period. Losses on such shares are generally deductible.

Gains and losses on Taxable Portfolio Shares admitted to trading on a regulated market are taxable according to the mark-to-market principle. According to the mark-to-market principle, each year's taxable gain or loss is calculated as the difference between the market value of the shares at the beginning and end of the tax year. Thus, taxation will take place on an accrual basis even if no shares have been disposed of and no gains or losses have been realised. If the Taxable Portfolio Shares are sold or otherwise disposed of before the end of the income year, the taxable income of that income year

equals the difference between the value of the Taxable Portfolio Shares at the beginning of the income year and the value of the Taxable Portfolio Shares at realisation. If the Taxable Portfolio Shares are acquired and realised in the same income year, the taxable income equals the difference between the acquisition sum and the realisation sum. If the Taxable Portfolio Shares are acquired in the income year and not realised in the same income year, the taxable income equals the difference between the acquisition sum and the value of the shares at the end of the income years.

Dividends

Dividends paid on Taxable Portfolio Shares are subject to the standard corporation tax rate of 22 per cent irrespective of ownership period. The Danish shareholder may receive a Danish tax credit for any tax withheld in Sweden.

Exercise and disposal of subscription rights (Individuals and Companies)

The exercise of subscription rights does not give rise to any taxation. The acquisition cost for shares received is the issue price. If subscription rights used for subscribing for shares have been purchased or otherwise acquired (i.e., have not been received based on a holding of existing shares) the tax basis for the subscription rights should be included when calculating the total acquisition cost for the subscribed shares.

Subscription rights received based on a holding of existing shares are considered to have been acquired at DKK 0. For subscription rights purchased or otherwise acquired, the price paid for the rights constitutes the tax basis. For shareholders that do not wish to utilise their preferential right to participate in the issue of shares, and therefore dispose of their subscription rights, a capital gain is calculated as the sales proceeds less sales costs. The capital gain is treated in the manner as described in "Sales of shares" under "Individuals" and "Companies" above. The tax basis for the original shares is not affected. A subscription right that is not exercised or sold, and thus expires, is considered to have been disposed of at DKK 0. Share Transfer Tax and Stamp Duties No Danish share transfer tax or stamp duties are payable on transfer of the shares.

Certain tax issues in Finland

The following summary outlines certain Finnish tax consequences relating to the offer to subscribe for new shares for shareholders and holders of subscription rights in the Company. The summary is only applicable to individuals and limited liability companies (*Fi. osakeyhtiö*) tax resident in Finland, unless otherwise stated. The summary is based on the laws of Finland as currently in effect and is intended to provide general information only. The summary does not cover securities held by partnerships or held as current assets in business operations. Furthermore, the summary does not cover the specific rules on tax-exempt dividends and capital gains (including non-deductibility for capital losses) in the corporate sector, which may become applicable when shareholders hold securities that are considered to be held for business purposes. Nor does the summary cover the special rules which may be applicable to, for example, investment companies, financial institutions and insurance companies. The tax treatment of each individual shareholder depends on such investor's particular circumstances. Each holder of shares and subscription rights should, therefore, consult a tax advisor for information on the specific implications that may arise in an individual case, including the applicability and effect of foreign rules and tax treaties.

Individuals

Capital gains taxation

Upon the sale or other disposition of listed shares or other equity-related securities, such as subscription rights, a taxable capital gain or deductible capital loss may arise. Capital gains are taxed as capital income at a rate of 30 per cent and 34 per cent on capital income exceeding EUR 30,000. Capital gains are tax-exempt and capital losses are non-deductible in case the total annual sales price and the total acquisition cost of any sold assets is less than EUR 1,000. A capital gain or a capital loss is normally calculated as the difference between the sales proceeds, after deducting sales costs, and the acquisition cost (for specific information about the acquisition cost for subscription rights, see "*Exercise and disposal of subscription rights*" below). The acquisition cost for equity-related securities and BTAs (Interim shares) is the actual cost paid on those securities.

Alternatively, upon sale of shares in the Company, the acquisition cost may be determined as 20 per cent of the sales price (if the shares have been owned less than 10 years) or 40 per cent of the sales price (if the shares have been owned at least 10 years) (so called "presumptive acquisition cost"). When using the presumptive acquisition cost method no costs relating to the sale can be deducted. Instead, the presumptive acquisition cost is assumed to include all costs.

Capital losses on listed shares and other listed equity-related securities are fully deductible against taxable capital gains or any other capital income. If there is a net capital loss it can be utilised during a 5 year period against capital gains on shares or any other capital income.

The shares are in general deemed to be disposed based on FIFO ("first in, first out") principle unless otherwise proven by the tax payer.

Dividend taxation

The gross dividend from a listed company is taxable in Finland for Finnish resident individuals such that 15 per cent of the dividend is tax-exempt and the remaining 85 per cent of the dividend is taxed as capital income at a rate of 30 per cent or for capital income exceeding EUR 30,000 at a rate of 34 per cent. The Finnish shareholder may receive a Finnish tax credit for any tax withheld in Sweden in accordance with the provisions of the applicable double tax treaty. For instance according to the Nordic Tax Treaty Sweden has right to collect a tax at source tax of 15 per cent on Swedish-source dividend income. Thus, maximum tax credit in Finland on any Swedish tax withheld from dividend income would amount to 15 per cent.

Exercise and disposal of subscription rights

The exercise of subscription rights does not give rise to any taxation. When the subscription right has been obtained based on an existing shareholding, the total sum of subscription prices of new shares and the acquisition cost of old shares is divided to all shares in order to achieve the new acquisition cost. If subscription rights used for subscribing for shares have been purchased or otherwise acquired (i.e., have not been received based on a holding of existing shares) the acquisition cost for the subscription rights is included when calculating the acquisition cost for the subscribed shares.

For shareholders that do not wish to utilise their preferential right to participate in the rights issue of shares, and therefore dispose of their subscription rights, a capital gain or loss is calculated. Subscription rights based on a holding of existing shares are considered to have been acquired at EUR 0. The total sales proceeds, after deduction of sales costs, are thus taxable. The "presumptive acquisition cost" method is applicable also to a sale of subscription rights. The disposal of subscription rights does not impact the acquisition cost of the original shares.

For subscription rights purchased or otherwise acquired, the price paid for the rights constitutes the acquisition cost. The "presumptive acquisition cost" method is applicable also to a sale of subscription rights.

A subscription right that is not exercised or sold, and thus expires, will result in a loss corresponding to the acquisition cost, if any.

Limited liability companies

Capital gains and dividend taxation

For Finnish limited liability companies (*Fi. osakeyhtiö*) taxable capital gains are taxed at a rate of 20 per cent. Capital gains and capital losses are calculated by deducting the acquisition cost from the sales price. A net loss that cannot be utilised in a given income year may be carried forward for ten subsequent years. In case capital loss is derived from shares that are part of the fixed assets of a Finnish limited liability company, a capital loss may be deducted only against capital gains from fixed asset shares in the same tax year or in the subsequent five tax years. In case a Finnish limited liability company is taxed in accordance with Income Tax Act a capital loss may be deducted only against capital gains in the same tax year or in the subsequent five tax years.

The gross dividend from a listed company is taxable in Finland for resident unlisted limited liability companies at a rate of 20 per cent. In case the recipient holds at least 10 per cent of the shares in the company, the dividend is tax exempt. Also, dividends received by

publicly listed companies are tax-exempt in Finland regardless of the ownership level. The Finnish shareholder may receive a Finnish tax credit, against tax payable in Finland, for any tax withheld in Sweden.

Exercise and disposal of subscription rights

The exercise of subscription rights does not give rise to any taxation. The acquisition cost for shares received is the subscription price. If subscription rights used for subscribing for shares have been purchased or otherwise acquired (i.e., have not been received based on a holding of existing shares) the tax basis for the subscription rights should be included when calculating the tax basis for the subscribed shares.

For shareholders that do not wish to utilise their preferential right to participate in the rights issue of shares, and therefore dispose of their subscription rights, a capital gain or loss is calculated. Subscription rights based on a holding of existing shares are considered to have been acquired at EUR 0. The total sales proceeds, after deduction of sales costs, are thus taxable. The disposal of subscription rights does not impact the acquisition cost / tax base of the original shares.

For subscription rights purchased or otherwise acquired, the price paid for the rights constitutes the tax basis.

A subscription right that is not exercised or sold, and thus expires, will result in a capital loss corresponding to the acquisition cost, if any.

Certain tax issues in Norway

The following is a summary of certain Norwegian tax considerations relevant to the ownership and disposal of Shares by holders that are resident of Norway for purposes of Norwegian taxation. The following summary does not purport to be a comprehensive description of all tax considerations that may be relevant to a decision to purchase, own or dispose of the shares in the Company. Please note that special rules apply for shareholders that cease to be tax resident in Norway or that for some reason are no longer considered taxable to Norway in relation to their shareholding. The summary below is based on the assumption that the Company is (i) considered to be genuinely established as well as tax resident in Sweden; and (ii) considered to have genuine economic business activities in Sweden according to current Norwegian tax legislation and as such is a qualifying object under the Norwegian participation exemption method (a "Qualifying Company").

Personal shareholders

Taxation of dividends

Dividends distributed from a Qualifying Company to Norwegian personal shareholders (i.e., shareholders who are individuals) ("**Norwegian Personal Shareholders**") are taxable at a rate of 23 per cent to the extent the dividends exceed a statutory tax-free allowance (No. *Skjermingsfradrag*). The taxable amount will equal the dividend less the calculated allowance, increased by a factor of 1.33.

The allowance is calculated separately for each share as the tax purchase price of the share, multiplied with a determined risk-free interest rate, which will be based on the effective rate after tax of interest on treasury bills (No. *statskasserveksler*) with three months maturity. The allowance one year will be allocated to the shareholder owning the share on 31 December the relevant income year. Norwegian Personal Shareholders who transfer shares during an income year will thus not be entitled to deduct any calculated allowance related to the year of transfer. The part of the allowance one year exceeding the dividends distributed on the share the same year ("**unused allowance**") will be added to the tax purchase price of the share and be included in the basis for calculating the allowance the next year, and may also be carried forward and set off against future dividends received on, and against gains upon the realisation of, the same share.

According to the Nordic tax treaty article 10 (3), Swedish withholding tax of 15 per cent applies on dividends to Norwegian Personal Shareholders. If certain requirements are met, Norwegian Personal Shareholders may be entitled to a tax credit in Norway for possible dividend withholding tax paid on the same income in Sweden.

In Sweden, withholding tax deductions are normally carried out by Euroclear Sweden or, in respect of nominee-registered shares, by the nominee. Tax is withheld based on the information Euroclear Sweden/the nominee is provided with in respect of the person entitled to the dividend. If withholding tax wrongly has not been imposed, the person entitled to such dividends may be taxed retroactively. If a 30 per cent withholding tax has been deducted from a payment to a person entitled to be taxed at a lower rate, or in the event that too much tax has otherwise been withheld, a refund can be claimed from the Swedish Tax Agency (Sw. *Skatteverket*) prior to the expiry of the fifth calendar year following the year of the dividend distribution.

Taxation on realisation of shares

According to the Nordic tax treaty article 13 (6), capital gains from disposal of shares in a Swedish resident company held by a Norwegian Personal Shareholder is taxable only in Norway.

For Norwegian Personal Shareholders, gains from sale or other disposal of shares are taxable in Norway as ordinary income at a rate of 23 per cent and losses are deductible against ordinary income. The gain is subject to tax and the loss is tax deductible irrespective of the duration of the ownership and the number of shares realised.

Gain or loss is calculated per share, and the capital gain (or loss) is equal to the sale price less the cost price of the shares less transactions costs. From the basic calculation of the capital gain, Norwegian Personal Shareholders are entitled to deduct a calculated tax-free allowance on the same share, when calculating their taxable income (see above). The taxable amount will equal the gain less the calculated allowance, increased by a factor of 1.33.

The calculated allowance may only be deducted in order to reduce a taxable gain calculated upon the realisation of the share, and may not be deducted in order to produce or increase a loss for tax purposes i.e. any unused allowance exceeding the capital gain upon realisation of a share will be annulled.

The tax free allowance is allocated to the individual shareholders holding shares at the end of each calendar year. Norwegian Personal Shareholders who transfer shares will not be entitled to deduct any calculated allowance related to the year of transfer.

If a shareholder sell shares acquired at different times, the shares that were first acquired will be deemed as first sold (the FIFO-principle) upon calculating taxable gain or loss.

Net wealth tax

For Norwegian Personal Shareholders, shares will be part of the shareholder's capital and be subject to net wealth tax in Norway. The current marginal wealth tax rate is 0.85 per cent of taxable values. Historically listed shares have been valued at 100 per cent of their quoted value as of 1 January in the assessment year (the year following the income year). With effect for the income year of 2018, listed shares shall be valued at 80 per cent of their quoted value.

Corporate shareholders

Taxation of dividends

Norwegian corporate shareholders (i.e., limited liability companies, mutual funds, savings banks, mutual insurance companies or similar entities tax-resident in Norway) ("**Norwegian Corporate Shareholders**") are exempt from tax on dividends received on shares in a Qualifying Company under the participation exemption method (No. *Fritaksmetoden*).

Three percent of the dividends comprised by the participation exemption shall be entered as general income and taxed at the flat rate of 23 per cent, implying that such dividends are effectively taxed at a rate of 0.69 per cent.

According to the Nordic tax treaty article 10 (3), Swedish withholding tax shall as a general rule be limited to 15 per cent for Norwegian Corporate Shareholders. No Swedish withholding tax shall apply if the beneficial owner of the dividends is a Norwegian Corporate Shareholder which holds directly at least 10 per cent of the capital of the company paying the dividends. Please note that to the extent a Swedish withholding tax is levied, Swedish tax will not be credited in Norway.

In Sweden, withholding tax deductions are normally carried out by Euroclear Sweden or, in respect of nominee-registered shares, by the nominee. Tax is withheld based on the information Euroclear/the nominee is provided with in respect of the person entitled to the dividend. If withholding tax wrongly has not been imposed, the person entitled to such dividends may be taxed retroactively. If a 30 per cent withholding tax has been deducted from a payment to a person entitled to be taxed at a lower rate, or in the event that too much tax has otherwise been withheld, a refund can be claimed from the Swedish Tax Agency (Sw. *Skatteverket*) prior to the expiry of the fifth calendar year following the year of the dividend distribution.

Taxation on realisation of shares

According to the Nordic tax treaty article 13 (6), capital gains from disposal of shares in a Swedish resident company held by a Norwegian Corporate Shareholder is taxable only in Norway.

For Norwegian Corporate Shareholders, gains from sale or other disposal of shares in the Company are currently exempt from taxation in Norway according to the Norwegian tax participation exemption method. Correspondingly, losses upon the realisation and costs incurred in connection with the purchase and realisation of such shares are not deductible for tax purposes.

Net wealth tax

Norwegian Corporate Shareholders are not subject to net wealth tax.

Certain tax issues in the United Kingdom

The following is a summary of certain United Kingdom tax considerations relating to an investment in the shares. The statements set out below are based on current United Kingdom law and published HM Revenue & Customs (“HMRC”) practice (which may not be binding on HMRC), as of the date of this document, and which may be subject to change, possibly with retroactive effect. Shareholders should note that the following reflects changes in law and tax rates as set out in Finance (No.3) Bill on 7 November 2018. If Finance (No.3) Bill is not enacted in its current form, or additional provisions are introduced following parliamentary scrutiny prior to Royal Assent, likely March 2019, then the tax position set out below may change. The statements are intended as a general guide and apply only to shareholders resident and, in the case of an individual, domiciled in (and only in) the United Kingdom for United Kingdom tax purposes (except insofar as express reference is made to the treatment of non-United Kingdom residents), who hold shares as an investment (other than under an individual savings account or self-invested personal pension) and who are the absolute beneficial owners of the shares and any dividends paid on them. (In particular, shareholders holding their shares via a depositary receipt system or clearance service should note that they may not always be regarded as the absolute beneficial owners thereof.) The discussion does not address all possible tax consequences relating to an investment in the shares. The statements are not addressed to: (i) special classes of shareholders such as (and without limitation), for example, dealers in securities, broker dealers, intermediaries, insurance companies and collective investment schemes; (ii) shareholders who hold shares as part of hedging transactions; (iii) shareholders who have (or are deemed to have) acquired their shares by virtue of an office or employment; and (iv) shareholders who hold shares in connection with a trade, profession or vocation carried on in the United Kingdom through a branch or agency (or, in the case of a corporate shareholder, in connection with a trade in the United Kingdom carried on through a permanent establishment or otherwise). Shareholders or prospective shareholders who are in any doubt about their tax position, or who are resident or otherwise subject to taxation in a jurisdiction outside the United Kingdom, should consult their own professional advisers immediately.

Individuals (resident in the United Kingdom)

Dividends

United Kingdom resident individual shareholders who receive a dividend from the Company will be entitled to a dividend allowance in the form of a 0 per cent tax rate on the first GBP 2,000 of dividend income received in a year. The dividend tax rates for any additional dividend income above GBP 2,000 will be set at 7.5 per cent for basic rate taxpayers, 32.5 per cent for higher rate taxpayers and 38.1 per cent for additional rate taxpayers (2018/19). Dividend income that is within the dividend allowance will still count towards an individual's basic or higher rate limits. Dividend income will be treated as the top slice of a shareholder's income. An individual shareholder may be entitled to a credit for Swedish withholding tax against his United Kingdom income tax liability (if any) on the dividend and shareholders should consult their own professional advisers.

Chargeable gains

A disposal or deemed disposal of shares by a shareholder who is resident in the United Kingdom for tax purposes, may give rise to a chargeable gain or an allowable loss for the purposes of United Kingdom taxation of capital gains. This will depend upon the shareholder's circumstances and is subject to any available exemption or relief (such as the annual exempt amount for individuals and indexation or substantial shareholding exemption for corporate shareholders).

Where an individual shareholder who is resident in the United Kingdom ceases to be so resident (or becomes resident outside of the United Kingdom for the purposes of double taxation arrangements (“**treaty non-resident**”)) for a period of five years or less, a disposal of all or part of his shares during that period may be liable to capital gains tax on his return to the United Kingdom, subject to

any available exemptions or reliefs. Nothing in any double taxation relief arrangements prevents such an individual from being subject to United Kingdom capital gains tax in those circumstances.

If an individual shareholder who is subject to income tax at the higher or additional rate becomes liable to United Kingdom capital gains tax on the disposal of shares, the applicable rate will be 20 per cent. An individual shareholder who is subject to United Kingdom income tax at the basic rate, will be liable to United Kingdom capital gains tax on the disposal of shares at 10 per cent.

Limited liability companies (resident in the United Kingdom)

Dividends

United Kingdom resident shareholders who are within the charge to United Kingdom corporation tax will be subject to United Kingdom corporation tax at the rate of 19 per cent (2018/19) on dividends paid by the Company, unless (subject to special rules for such shareholders that are small companies) the dividends fall within an exempt class and certain other conditions are met. Each shareholder's position will depend on its own individual circumstances, although it would normally be expected that the dividends paid by the Company would fall within an exempt class (although it should be noted that the exemption is not comprehensive and is also subject to anti-avoidance rules).

Shareholders within the charge to corporation tax may be entitled to a credit for Swedish withholding tax and should consult their own professional advisers.

Chargeable gains

A disposal or deemed disposal of shares by a shareholder who is resident in the United Kingdom for tax purposes, may give rise to a chargeable gain or an allowable loss for the purposes of United Kingdom taxation of capital gains. This will depend upon the shareholder's circumstances and is subject to any available exemption or relief (such as the annual exempt amount for individuals and indexation or substantial shareholding exemption for corporate shareholders).

If a shareholder within the charge to United Kingdom corporation tax becomes liable to United Kingdom corporation tax on chargeable gains on the disposal of shares, the applicable rate will be 19 per cent for companies paying the main rate of corporation tax, due to reduce to 17 per cent from 1 April 2020.

Exercise and disposal of subscription rights

No comment is made in respect of the exercise or disposal of subscription rights and holders of subscription rights should consult their own professional advisers in this regard.



Selling and transfer restrictions

The distribution of subscription rights and the offer to subscribe for new shares in the Company by exercise of subscription rights as well as without subscription rights (the “Rights Issue”) to persons resident in, or who are citizens of, countries other than Sweden, Denmark, Finland, Norway and the United Kingdom may be affected by the laws of the relevant jurisdiction. Investors should consult their professional advisers as to whether they require any governmental or other consent or need to observe any other formalities to enable them to exercise subscription rights or to subscribe for new shares without subscription rights.

General

Saab has requested that the SFSA provides a certificate of approval and a copy of this prospectus (and a translated summary, where applicable) to the relevant competent authorities in Denmark, Finland, Norway and the United Kingdom pursuant to Article 18 of the Directive 2003/71/EC (as amended or superseded).

Saab has not taken and will not take any action to permit a public offering of the new shares being issued in the Rights Issue (through the exercise of the subscription rights or otherwise) in any jurisdiction other than Sweden, Denmark, Finland, Norway and the United Kingdom. Receipt of this prospectus will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this prospectus is for information only and must not be copied or redistributed.

Except as otherwise disclosed in this prospectus, if an investor receives a copy of this prospectus in any jurisdiction other than Sweden, Denmark, Finland, Norway and the United Kingdom, the investor may not treat the prospectus as constituting an invitation or offer to it, nor should the investor in any event deal in the subscription rights, paid subscribed shares/interim shares (*Sw. betalda tecknade aktier (BTA)/interimsaktier*) or new shares being granted or offered, respectively, in the Rights Issue (the “Securities”), unless, in the relevant jurisdiction, such an invitation or offer could lawfully be made to that investor, or the Securities could lawfully be dealt in without contravention of any unfulfilled registration or other legal requirements.

Accordingly, if an investor receives a copy of this prospectus, the investor should not distribute or send the same, or transfer the Securities to any person, in or into any jurisdiction where to do so would or might contravene local securities laws or regulations. If any investor forwards this prospectus into any such jurisdictions (whether under a contractual or legal obligation or otherwise), such investor should draw the recipient’s attention to the contents of this section. Except as otherwise expressly noted in this prospectus, the following applies:

- the Securities may not be offered, subscribed for, sold or transferred, directly or indirectly, to or in the United States, Australia, Canada, Hong Kong, India, Japan, South Africa, Singapore or any other jurisdiction in which it would not be permissible to offer the Securities or where such action would require additional prospectuses, registration or measures other than those pursuant to Swedish, Danish, Finnish, Norwegian law or the laws of the United Kingdom (an “**Ineligible Jurisdiction**”, together the “**Ineligible Jurisdictions**”);
- the prospectus may not be sent by any recipient thereof to any person in any Ineligible Jurisdiction; and
- the transfer of subscription rights to an account of a shareholder or other person in an Ineligible Jurisdiction or of a citizen of an Ineligible Jurisdiction (referred to as “**Ineligible Persons**”) does not

constitute an offer to such persons of new shares and Ineligible Persons may not exercise subscription rights.

If an investor subscribes for, receives, transfers, trades or otherwise deals in the Securities, that investor will be deemed to have made, or, in some cases, be required to make, among other things, the following representations and warranties to Saab and any person acting on its behalf (unless such requirement is waived by Saab):

- the investor is not located in an Ineligible Jurisdiction;
- the investor is not an Ineligible Person;
- the investor is not acting, and has not acted, for the account or benefit of an Ineligible Person;
- the investor understands that the Securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) or under any applicable securities laws of any state or other jurisdiction of the United States and may not be offered, sold, subscribed for, exercised, pledged, resold, allotted, delivered or otherwise transferred, directly or indirectly, in or into the United States, or for the account or benefit of persons in the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements under the Securities Act and in accordance with any applicable securities laws of any state or other jurisdiction in the United States; and
- the investor may lawfully be offered, exercise, subscribe for and receive Securities in the jurisdiction in which it resides or is currently located.

Saab and any person acting on its behalf will rely upon the investor’s representations and warranties. Any provision of false information or subsequent breach of these representations and warranties may subject the investor to liability.

If a person is acting on behalf of a holder of subscription rights (including, without limitation, as a nominee, custodian or trustee), that person will be required to provide the foregoing representations and warranties to Saab with respect to the exercise of subscription rights on behalf of the holder. If such person does not or is unable to provide the aforementioned representations and warranties, Saab will not be bound to authorise the allocation of any Securities to that person or the person on whose behalf the other is acting.

Subject to the specific restrictions described below, if an investor (including, without limitation, its nominees, custodians and trustees) who is located outside of Sweden, Denmark, Finland, Norway and the United Kingdom wishes to exercise, deal in or subscribe for Securities, the investor must satisfy itself as to full observance of the applicable laws of any relevant jurisdiction including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any taxes due in such territories.

The information set out in this section is intended as a general guide only. If the investor is in any doubt as to whether it is eligible to exercise subscription rights or otherwise subscribe for Securities, that investor should consult professional advisers without delay.

For shareholders who on the record date 26 November 2018 hold shares in Saab through financial intermediaries, all subscription rights will initially be credited to such financial intermediaries for such shareholders' accounts. A financial intermediary may not exercise any subscription rights on behalf of any person in the Ineligible Jurisdictions or any Ineligible Persons and may be required in connection with any exercise of subscription rights to certify the same.

Subject to certain exceptions, financial intermediaries are not permitted to send this prospectus or any other information about the Rights Issue into any Ineligible Jurisdiction or to any Ineligible Person. The crediting of subscription rights to the account of persons in Ineligible Jurisdictions or to Ineligible Persons does not constitute an offer of Securities to such persons. Nominees, which include banks, brokers, custodians and other financial intermediaries, holding for Ineligible Persons may consider selling any or all subscription rights held for the benefit of such persons to the extent permitted under their arrangements with such persons and applicable law and to remit the net proceeds to the accounts of such persons.

Subject to certain exceptions, exercise instructions or certifications regarding subscription sent from or postmarked in any Ineligible Jurisdiction will be deemed to be invalid and the Securities will not be delivered to an addressee in any Ineligible Jurisdiction. Saab reserves the right to reject any exercise or revoke any accepted exercise made in the name of any person who provides an address in an Ineligible Jurisdiction for exercise or delivery of Securities, who does not or is unable to represent or warrant that such person is not in an Ineligible Jurisdiction and is not an Ineligible Person, who is not acting on a discretionary basis for such persons, or who appears to Saab or its agents to have executed its exercise instructions or certifications in, or dispatched them from, an Ineligible Jurisdiction. Furthermore, Saab reserves the right, with sole and absolute discretion, to treat as invalid any exercise or purported exercise of subscription rights which appears to it to have been executed, effected or dispatched in a manner that may involve a breach or violation of the laws or regulations of any jurisdiction.

Notwithstanding any other provision of this prospectus, Saab reserves the right to permit a holder to exercise its subscription rights if Saab in its absolute discretion is satisfied that the transaction in question is exempt from or not subject to the laws or regulations giving rise to the restrictions in question. Certain applicable exemptions in certain jurisdictions are described below. In any such case, Saab does not accept any liability for any actions that a holder takes or for any consequences that such holder may suffer by Saab's acceptance of the holder's exercise of subscription rights.

None of Saab or any of their respective representatives is making any representation to any offeree, subscriber or purchaser of the Securities regarding the legality of an investment in the Securities by such offeree, subscriber or purchaser under applicable laws. Each investor should consult with its own advisors and make its independent assessment of the legal, tax, business, financial and other consequences of a subscription or purchase of the Securities.

Investing in the Securities involves risks. See "Risk factors" for a discussion of risks that prospective investors should consider before investing in the Securities.

United States

None of the Securities have been or will be registered under the Securities Act or under the securities legislation of any state or other jurisdiction of the United States and may not be offered, sold, subscribed for, exercised, pledged, resold, allotted, delivered or

otherwise transferred, directly or indirectly, within the United States except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities legislation in any state or other jurisdiction of the United States. Subject to limited exceptions, the Securities are being offered only outside the United States in reliance on Regulation S under the Securities Act.

Accordingly, subject to certain limited exceptions, this prospectus will not be sent to, and no subscription rights will be credited to, any shareholder with a registered address in the United States. In addition, Saab reserves the right to reject any instruction in respect of the Securities sent by or on behalf of any securities account holder with a registered address in the United States.

Until 40 days after the commencement of the Rights Issue, an offer, sale or transfer of the Securities within the United States by a dealer (whether or not participating in the Rights Issue) may violate the registration requirements of the Securities Act. The Securities have not been approved or disapproved by the U.S. Securities and Exchange Commission (SEC), any state securities commission or any other U.S. regulatory authority nor have any of the foregoing authorities passed upon or endorsed the merits of the Rights Issue or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offense in the United States.

Agreement of confidentiality

Any recipient of this document in the United States is hereby notified that this document is being furnished to it on a confidential basis and must not be reproduced, resent or otherwise redistributed, in whole or in part, under any circumstances. Furthermore, recipients are authorised to use this document solely for the purpose of considering a subscription for Securities and may not disclose any of the contents of this document or use any information herein for any other purpose. This document is personal to each recipient and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire Securities. Any recipient of this document agrees to the foregoing by accepting delivery of this document.

Enforcement of liabilities and service of process

Saab is a Swedish limited liability company. The majority members of the Board of Directors and the Group Management are resident outside the United States. A substantial portion of the assets of Saab and such persons are located outside the United States. As a result, it may not be possible for investors to serve writ of summons upon Saab or such persons or to enforce against them in U.S. courts judgments obtained in such courts. Original actions, or actions for the enforcement of judgments of a U.S. court, relating to the civil liability provisions of the federal or state securities laws of the United States are not directly enforceable in Sweden. The United States and Sweden do not have a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial matters. Accordingly, a final judgment for the payment of money rendered by a U.S. court based on civil liability will not be directly enforceable in Sweden. However, if the party in whose favour such final judgment is rendered brings a new lawsuit in a competent court in Sweden, that party may submit to the Swedish court the final judgment that has been rendered in the United States. Although a judgment by a federal or state court in the United States against the Company or the Group will neither be recognised nor enforced by a Swedish court, it may serve as evidence in a similar action in a Swedish court.

EEA

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant

Member State"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**"), the Securities may not be offered or sold to the public in that Relevant Member State, other than the offers contemplated in the prospectus in Sweden, Denmark, Finland, Norway and the United Kingdom, from the time the prospectus has been approved by the competent authority in Sweden and published, and notified to the relevant competent authorities, in accordance with the Prospectus Directive, except that, with effect from and including the Relevant Implementation Date, an offer of Securities may be made to the public in that Relevant Member State:

- a. to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- b. to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive); or
- c. in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Securities shall require Saab to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Securities to the public**" in relation to any Securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Securities to be offered so as to enable an investor to decide to purchase or subscribe the Securities, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended or superseded) and includes any relevant implementing measure in the Relevant Member State.

Switzerland

The Securities may not and will not be publicly offered, distributed or redistributed on a professional basis in or from Switzerland or may not and will not be listed on the SIX Swiss Exchange ("**SIX**") or any other stock exchange or regulated trading facility in Switzerland, and neither this document nor any other solicitation for investments in the Securities may be publicly communicated or distributed or made otherwise publicly available in Switzerland in any way that could constitute a public offering within the meaning of Articles 652a or 1156 of the Swiss Code of Obligations or of Article 3 of the Swiss Federal Act on Collective Investment Schemes.

In Switzerland, this document may not be copied, reproduced, distributed or passed on to others without Saab's prior written consent. This document is not a prospectus within the meaning of Articles 652a and 1156 of the Swiss Code of Obligations or a listing prospectus according to article 27 of the Listing Rules of SIX or the listing rules of any other stock exchange or regulated trading facility in Switzerland and may not comply with the information standards required there under. Saab will not apply for a listing of the Securities on any Swiss stock exchange or other regulated stock exchange or regulated trading facility in Switzerland and this document may not comply with the information required under the relevant listing rules. This document and the Securities have not been and will not be filed with, and the offering of Securities will not be supervised by the Swiss Financial Market Authority, and have not and will not be authorised under the Swiss Federal Act on Collective Investment Schemes. The investor protection afforded to acquirers of investment fund certificates by the Swiss Federal Act on Collective Investment Schemes does not extend to acquirers of the Securities.

Other jurisdictions

The Securities have not been and will not be registered in Australia, Canada, Hong Kong, India, Japan, South Africa, Singapore or any other jurisdiction outside Sweden and may not be offered, subscribed for, exercised, pledged, sold, resold, delivered or otherwise transferred, directly or indirectly, in or to any such jurisdiction other than in such exceptional cases when a prospectus would not be required under applicable laws and regulations of such jurisdiction.

Interim report January–September 2018

Saab interim report January–September 2018

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 ²⁾
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 ³⁾	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.

Jan-Sep 2018	Jan-Sep 2017	Q3 2018	Q3 2017	Full Year 2017
107,589,947	107,357,386	107,575,025	107,470,451	107,400,920



Saab interim report January–September 2018

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

2

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.

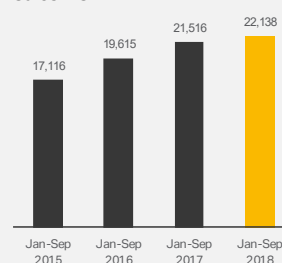


Market

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



Sales MSEK



2018: Q3

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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.

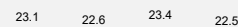
Tax

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, %



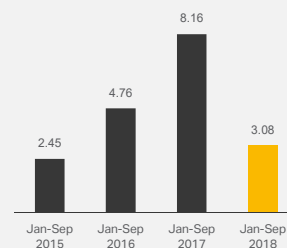
Jan-Sep 2015 Jan-Sep 2016 Jan-Sep 2017 Jan-Sep 2018

Operating margin, %

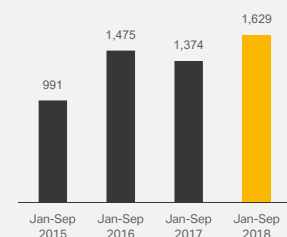


Jan-Sep 2015 Jan-Sep 2016 Jan-Sep 2017 Jan-Sep 2018

Earnings per share after dilution, SEK



Internally funded R&D expenditures, MSEK



2018: Q3

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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

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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.

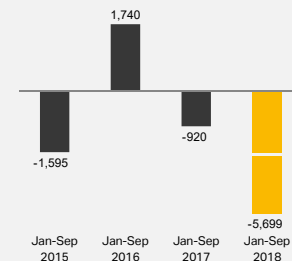
Free cash flow amounted to MSEK -5,699 (-920). For more detailed information on cash flow, see note 11.

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.

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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

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 MUS\$ 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.

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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.

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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% (7) 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

Saab interim report January–September 2018

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 www.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

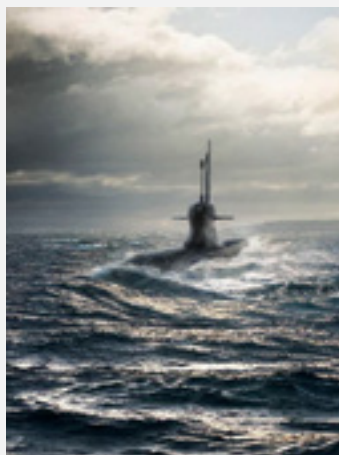
Average operating margin (EBIT) of at least 10 per cent per year over a business cycle.

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.

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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

Saab interim report January–September 2018

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

Saab interim report January–September 2018

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

Saab interim report January–September 2018

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

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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

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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.

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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

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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
<i>Gross margin, %</i>	<i>21.0</i>	<i>21.4</i>	<i>22.2</i>
Operating income and expenses	-3,265	-2,765	-4,055
Operating income (EBIT)	-285	204	355
<i>Operating margin, %</i>	<i>-2.0</i>	<i>1.5</i>	<i>1.8</i>
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	Jan-Sep	Change, %	Q3	Q3	Full Year
	2018	2017		2018	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	5,009	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	Jan-Sep	Change, %	Full Year
	2018	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

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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 12 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

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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
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

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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 1 487. 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

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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 activities¹⁾	-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

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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:

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

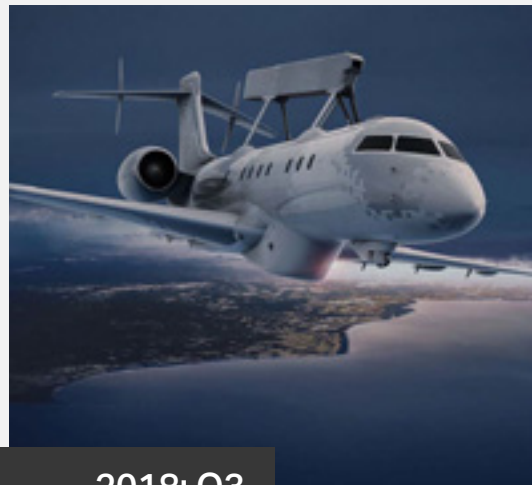
Year-end report 2018
Published 15 February 2019

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

Glossary

9LV	Combat Management System
A26	Submarine programme for the Swedish Navy
AEW&C	Airborne Early Warning & Control
Arthur	Artillery Hunting Radar
ASD	AeroSpace and Defence Industries Association of Europe
AT4	Anti-Tank weapon
AT4CS RS	Anti-Tank Weapon system (Confined Space Reduced Sensitivity)
Barracuda MCS	Mobile Camouflage System, mobile camouflage system for vehicles
BOL	Advanced countermeasure dispenser
Carl-Gustaf	Man-portable multi-role weapons system
CBRN	Chemical, Biological, Radiological, Nuclear agents
Erieye	Airborne surveillance system (AEW&C)
FMV	Försvarets Materielverk (Sw. <i>Swedish Defence and Materiel Administration</i>)
Giraffe	Surveillance radar system
GlobalEye	Airborne surveillance system (AEW&C)
GLSDB	Ground Launched Small Diameter Bomb
Gripen	Fighter system
IDAS-2	Self-defence system
ICT	Information and Communications Technology
IRIS-T	Missile for air-to-air fighting and short distances
ISP	Swedish Inspectorate of Strategic Products (Sw. <i>Inspektionen för strategiska produkter</i>)
ISR	Intelligence, surveillance and reconnaissance
Meteor	Missile for air-to-air fighting and long distances
NLAW	Next generation light anti-tank weapon, anti-tank missile system
R&D	Research and Development
RBS 56	Anti-tank missile
RBS 70	Air-defence system
RML	Military rules for aircrafts
Saab 340	Passenger aircraft
Saab 2000	Passenger aircraft
Sea Giraffe	Naval radar solution with simultaneous air and sea surveillance
Sikorsky S-92	Helicopter for transportation of civil and military operators
Sonar	Technic for navigation under sea
Stirling Engine	Submarine engine for Air-Independent Propulsion
Taurus	Missile system designed to penetrate bunkers and deeply buried targets
T-X programme	The United States procurement programme for fighter trainers

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