

LOOKING TO THE FUTURE

Market development

Growing turmoil around the world continues to impact the defence market and the civil security market. We are closely following market developments and the global trend toward increased investment in defence and security. Demand is clearly growing for cost-efficient systems and solutions that quickly increase operational capabilities. At the same time, technological development continues, with evermore digitalisation and automation within the defence industry. For Saab, with a large part of its operations in software development, this creates opportunities to work even more innovatively and effectively.

Order bookings and sales

Order bookings in the first nine months were in line with 2015, excluding: the Gripen contract with Brazil, the order of type A26 submarines and a mid-life upgrade for two Gotland-class submarines to Sweden, which were received then. Order bookings for the third quarter were mainly driven by important small and medium-sized deals. Two examples are the orders for the latest version of the RBS 70 air defence system and the airport group Swedavia's continued use of SAFE as its command and control platform for the control centre at its Swedish airports.

Order bookings amounted to MSEK 14,960 (62,599).

The order backlog at the end of the period amounted to MSEK 109,521 (105,486).

Sales in the first nine months increased by 15 per cent (16 per cent organic growth) to MSEK 19,615

(17,116). The increase was again mainly due to: the Gripen programme, an order in 2015 for GlobalEye, a higher level of orders in Dynamics, the development of the A26 submarine.

Operating income

Operating income amounted to MSEK 837 (553) and the operating margin was 4.3 per cent (3.2). The operating margin strengthened in line with our expectations.

Operating income was again adversely affected by investments in the development of a new jet trainer together with Boeing (T-X program), as well as by several major projects in early stages where they normally generate lower profit.

Much of our focus is on execution of the major projects in the order backlog.

In September, Boeing and Saab revealed the first two production aircraft for the U.S. Air Force's T-X program.

Operational cash flow amounted to MSEK 1,922 (-1,153). Cash flow was affected in the third quarter by project activity related to advances and milestone payments.

Unchanged outlook for 2016

The outlook for 2016 remains unchanged. The interest in Saab's costefficient products and solutions means increased business opportunities for Saab. At the same time, defence procurements are preceded by processes, which are difficult to assess, both in terms of timing and outcome.

Q3

INTERIM REPORT JANUARY-SEPTEMBER 2016



Håkan Buskhe, President and CEO

UNCHANGED OUTLOOK STATEMENT 2016:

- In 2016, we estimate sales to be in line with Saab's long-term financial goal: annual organic sales growth of 5 per cent.
- The operating margin 2016, excluding material non-recurring items, is expected to be in line with 2015.

Financial highlights

MSEK	Jan-Sep 2016	Jan-Sep 2015	Change, %	Q3 2016	Q3 2015	Full Year 2015
Order bookings	14,960	62,599	-76	3,498	43,603	81,175
Order backlog	109,521	105,486	4			113,834
Sales	19,615	17,116	15	5,761	5,787	27,186
Gross income	4,432	3,956	12	1,352	1,282	6,486
Gross margin, %	22.6	23.1		23.5	22.2	23.9
EBITDA	1,537	1,259	22	462	429	2,859
EBITDA margin, %	7.8	7.4		8.0	7.4	10.5
Operating income (EBIT)	837	553	51	226	186	1,900
Operating margin, %	4.3	3.2		3.9	3.2	7.0
Net income	536	293	83	122	36	1,402
Earnings per share after dilution, SEK	4.76	2.45		1.06	0.24	12.79
Return on equity, % ¹⁾	13.8	7.8				11.5
Operational cash flow	1,922	-1,153		-2,271	653	-500
Free cash flow	1,740	-1,595		-2,311	487	-726
Free cash flow per share after dilution, SEK	16.28	-14.99		-21.59	4.57	-6.82

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

Significant orders, quarter 3

	MSEK
RBS70 NG VSHORAD	378



Large orders
Orders exceeding MSEK 100 accounted for 48% (87) of total orders during the period.

Order backlog duration:

2016: SEK 8.2 billion
2017: SEK 21.0 billion
2018: SEK 14.9 billion
2019: SEK 12.7 billion
After 2019: SEK 52.8 billion

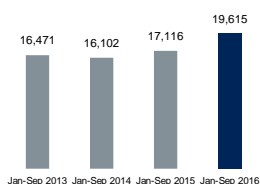


Defence/Civil
A total of 84% (96) of order bookings was attributable to defence-related operations in the period.



Market
A total of 61% (79) of order bookings was related to markets outside Sweden in the period.

Sales, MSEK



Orders

Third quarter 2016

During the third quarter Saab received an order for the new RBS 70 NG VSHORAD (Very Short Range Air Defence System), the latest version of Saab's RBS 70 advanced Air Defence Missile System, amounting to MSEK 378.

January-September 2016

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

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

An order was received from the Swedish Defence Material Administration (FMV) for the development and production of the New Lightweight Torpedo system with a total value of approximately SEK 1.5 billion. The order was received under the terms of the Letter of Intent between Saab and FMV announced on 9 June 2014 to support the Swedish Armed Forces' underwater capabilities in the period 2015-2024.

In total, Saab received orders of SEK 15 billion during the first nine months, of which SEK 7.9 billion (8.2) was attributable to orders of less than MSEK 100, a decrease of 4 per cent compared to the same period 2015.

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

In 2016, index and price changes had a positive effect on order bookings of MSEK 230 compared to MSEK 152 during the same period 2015.

The order backlog at the end of the period amounted to MSEK 109,521 compared to MSEK 113,834 at the beginning of the year.

Sales

Third quarter 2016

Sales during the third quarter of 2016 amounted to MSEK 5,761 (5,787).

January-September 2016

Sales during the first nine months amounted to MSEK 19,615 (17,116). Sales from markets outside of Sweden amounted to MSEK 11,113 (9,236), or 57 per cent (54), of total sales. 83 per cent (79) of sales was related to the defence market.

Sales growth

Per cent	Jan-Sep 2016	Jan-Sep 2015	Q3 2016	Q3 2015	Full Year 2015
Organic sales growth	16	0	0	11	11
Acquisitions	0	4	0	0	3
Currency effects regarding revaluation of foreign subsidiaries	-1	2	0	2	2
Total sales growth	15	6	0	13	16

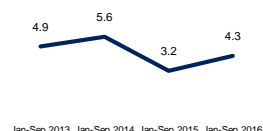
Sales per market segment

MSEK	Jan-Sep 2016	Jan-Sep 2015	Change, %
Air	8,873	7,257	22
Land	4,175	3,494	19
Naval	3,370	2,995	13
Civil Security	1,409	1,492	-6
Commercial Aeronautics	1,482	1,564	-5
Other	306	314	-3
Total	19,615	17,116	15

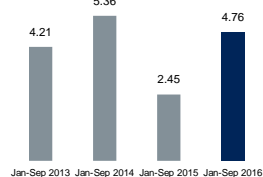
Gross margin, %



Operating margin, %



Earnings per share after dilution, SEK



Change in net debt Jan-Sep 2016

	MSEK
Net liquidity (+) / net debt (-), 31 Dec 2015	-3,217
Cash flow from operating activities	2,875
Change in net pension obligation	-1,033
Net investments	-1,188
Sale of subsidiaries and acquisitions of operations	55
Dividend	-530
Currency impact and unrealised results from financial investments	71
Net liquidity (+) / net debt (-), 30 Sep 2016	-2,967

Income

Third quarter 2016

The gross margin of 23.5 per cent (22.2) in the third quarter was slightly higher compared to 2015 due to improved margins in nearly all business areas. A change in the product mix and large project deliveries contributed to the improvement.

Operating income amounted to MSEK 226 (186) with an operating margin of 3.9 per cent (3.2).

January-September 2016

The gross margin in the first nine months of 22.6 per cent (23.1) was slightly lower than in 2015, mainly due to a lower margin within Saab Kockums and because several major projects remain in early stages where they normally generate lower profit.

Total depreciation and amortisation was MSEK 700 (706). Depreciation of tangible fixed assets amounted to MSEK 357 (329).

Internally funded expenditures in research and development (R&D) amounted to MSEK 1,475 (991), of which MSEK 550 (149) was capitalised. The increased capitalisation of development costs is related to GlobalEye. Internally funded expenditures in R&D are mainly related to radar and sensor technology and the T-X program.

Amortisation of intangible fixed assets amounted to MSEK 343 (377), of which amortisation of capitalised development expenditures amounted to MSEK 233 (242). The share of income in associated companies and joint ventures amounted to MSEK -42 (23). The loss is 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 837 (553) with an operating margin of 4.3 per cent (3.2). The business areas Dynamics and Surveillance made the biggest improvements in operating income, due to increased deliveries and a change in the product mix.

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

Financial net

MSEK	Jan-Sep 2016	Jan-Sep 2015
Financial net related to pensions	-47	-49
Net interest items	14	-50
Currency gains/losses	-11	-52
Other financial items	-84	-7
Total	-128	-158

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

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

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

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

Tax

Current and deferred taxes amounted to MSEK -173 (-102), equivalent to an effective tax rate of 24 per cent (26).

Return on capital employed and equity

The pre-tax return on capital employed was 11.8 per cent (8.1) and the after-tax return on equity was 13.8 per cent (7.8), both measured over a rolling 12 month period.

Financial position and liquidity

At the end of September 2016, the net debt amounted to MSEK 2,967, a reduction of MSEK 250 compared to MSEK 3,217 at year-end 2015.

Cash flow from operating activities was positive and amounted to MSEK 2,875.

Net provisions for pensions, excluding the special employers' contribution, amounted to MSEK 2,926 as of 30 September 2016, compared to MSEK 1,893 at year-end 2015. This had a negative impact on net debt of MSEK 1,033. The increase in provisions is mainly due to the reduction in the discount rate used in the valuation of pension obligations to 2.25 per cent from 3.25 per cent during the period. The inflation assumption for calculating the pension obligation changed to 1.50 per cent from 1.75 per cent, offsetting part of the negative effect. For more information about Saab's defined-benefit plans, see note 11.

During the period, net investments amounted to MSEK 1,188, with capitalised internally funded R&D expenditures amounting to MSEK 550.

The sale of subsidiaries and acquisition of operations reduced net debt by MSEK 55. In addition, a payment of dividend of MSEK 530 was paid to the Parent Company's shareholders.

Currency exchange rate differences in liquid assets and unrealised results from financial investments had a positive impact on net debt of MSEK 71.

As of 30 September 2016, short-term investments and liquid assets amounted to MSEK 5,283, compared to MSEK 3,845 at year-end 2015. The increase is mainly attributable to advances from customers.

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Capitalised development costs on the balance sheet amounted to MSEK 1,492 as of 30 September 2016 compared to MSEK 1,157 as of 31 December 2015. The increase is related to GlobalEye.

Inventories have increased by MSEK 1,329 in 2016, mainly due to preparations for deliveries in the last quarter and beginning of 2017.

Tangible fixed assets amounted to MSEK 4,614, which was in line with year-end 2015.

Accounts receivables amounted to MSEK 3,695 as of 30 September 2016 and to MSEK 2,913 as of 31 December 2015. Amounts due from customers amounted to MSEK 5,664 as of 30 September 2016 and MSEK 7,549 as of 31 December 2015. The decrease is primarily attributable to payments received related to orders for GlobalEye and Gripen.

Capital expenditures

The cash flow effect of capital expenditures in tangible fixed assets amounted to MSEK 495 (585).

Investments in intangible fixed assets amounted to MSEK 627 (205), of which MSEK 550 (149) was related to capitalised development costs and MSEK 77 (56) to other intangible fixed assets.

Cash flow

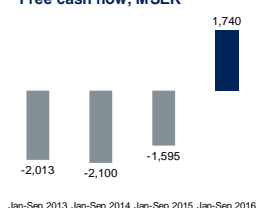
Cash flow from operating activities excluding taxes and other financial items amounted to MSEK 3,110 (-371), see note 9.

Saab has an established programme to sell trade receivables in order to strengthen its financial position and increase financial flexibility. As of 30 September 2016, net receivables of MSEK 236 were sold, compared to MSEK 1,299 as of 31 December 2015. This had a negative effect on cash flow from operating activities in 2016 of MSEK 1,063.

Operational cash flow – defined as cash flow from operating activities, excluding taxes and other financial items, and acquisitions and divestments of intangible fixed assets and tangible fixed assets – amounted to MSEK 1,922 (-1,153). The strong operational cash flow in the first nine months of 2016 compared to 2015 is mainly due to payments received from the Gripen programmes and the order for GlobalEye.

Free cash flow amounted to MSEK 1,740 (-1,595). For more detailed information about the cash flow, see note 9.

Free cash flow, MSEK



	Total Group Jan-Sep 2016	Total Group Jan-Sep 2015
Cash flow from operating activities before changes in working capital, excluding taxes and other financial items	1,772	1,019
Change in working capital	1,338	-1,390
Cash flow from operating activities excluding taxes and other financial items	3,110	-371
Cash flow from investing activities ¹⁾	-1,188	-782
Operational cash flow	1,922	-1,153
Taxes and other financial items	-235	-428
Sales and acquisitions	53	-14
Free cash flow	1,740	-1,595

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.

Key indicators of financial position and liquidity

MSEK	30 Sep 2016	31 Dec 2015	Change	30 Sep 2015
Net liquidity / debt ¹⁾	-2,967	-3,217	250	-4,327
Intangible fixed assets	6,845	6,476	369	6,250
Goodwill	5,115	5,045	70	5,072
Capitalised development costs	1,492	1,157	335	865
Other intangible fixed assets	238	274	-36	313
Tangible fixed assets, etc. ²⁾	4,941	4,796	145	4,737
Inventories	6,572	5,243	1,329	6,914
Accounts receivable	3,695	2,913	782	3,078
Other receivables	6,190	8,102	-1,912	5,034
Amounts due from customers ³⁾	5,664	7,549	-1,885	4,529
Advance payments from customers	3,522	1,098	2,424	998
Equity/assets ratio, %	32.5	36.8		35.1
Return on equity, %	13.8	11.5		7.8
Equity per share, SEK ⁴⁾	113.88	121.28	-7.40	108.36

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

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

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

⁴⁾ Number of shares excluding treasury shares; 2016 Sep: 106,287,119; 2015 Sep: 105,843,298; 2015 Dec: 105,957,065.

Operating segments

Comparative numbers for 2015 have been restated, following structural changes. Comparative numbers for 2014 and 2015 are available at saabgroup.com/investor-relations. Business area Electronic Defence Systems' name is changed to Surveillance as of April 2016. For more information, see note 3.

BUSINESS AREA AERONAUTICS

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

MSEK	Jan-Sep 2016	Jan-Sep 2015	Change, %	Q3 2016	Q3 2015	Full Year 2015
Order bookings	710	36,350	-98	217	35,689	39,349
Order backlog	55,263	58,590	-6			59,476
Sales	4,923	4,148	19	1,562	1,686	6,262
EBITDA	350	233	50	162	129	548
EBITDA margin, %	7.1	5.6		10.4	7.7	8.8
Operating income (EBIT)	320	204	57	151	120	509
Operating margin, %	6.5	4.9		9.7	7.1	8.1
Operational cash flow	88	-352		-1,032	-193	-632
Defence/Civil (% of sales)	99/1	99/1		99/1	99/1	99/1
No. of FTE's	2,864	2,699	6			2,723

Sales, income and margin

- Sales increased strongly in the first nine months of 2016 compared to the same period in 2015. The increase is mainly attributable to the Gripen NG order for Brazil received in the third quarter of 2015 and to Gripen E for Sweden.
- During the first nine months of 2016 and 2015, major investments were made in the T-X program, which had a negative impact on the operating margin. These investments will continue in the fourth quarter of 2016 and into 2017.



Large orders

Orders exceeding MSEK 100 was 5% (98%) of total order bookings in the period.

Cash flow

- Aeronautics reported negative operational cash flow in the third quarter of 2016 due to project activity related to previous advances.



Market

Sales related to markets outside Sweden was 30% (23%) in the period.

Business units

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

BUSINESS AREA DYNAMICS

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

MSEK	Jan-Sep 2016	Jan-Sep 2015	Change, %	Q3 2016	Q3 2015	Full Year 2015
Order bookings	5,173	4,163	24	1,165	976	5,273
Order backlog	8,561	6,756	27			6,284
Sales	2,891	2,454	18	775	892	4,009
EBITDA	124	-67		11	46	249
EBITDA margin, %	4.3	-2.7		1.4	5.2	6.2
Operating income (EBIT)	73	-119		-6	28	175
Operating margin, %	2.5	-4.8		-0.8	3.1	4.4
Operational cash flow	101	-613		-37	-458	-101
Defence/Civil (% of sales)	93/7	86/14		91/9	90/10	89/11
No. of FTE's	2,077	2,062	1			2,041

Orders

- During the first quarter of 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. Deliveries will take place in 2016-2019.
- During the second quarter, an order was received from FMV for the development and production of the New Lightweight Torpedo system with a total value of approximately SEK 1.5 billion. In the third quarter an order worth MSEK 378 was received for the latest version of the new RBS 70 NG VSHORAD (Very Short Range Air Defence System).



Large orders

Orders exceeding MSEK 100 was 68% (52%) of total order bookings in the period.

Sales, income and margin

- Sales increased in the first nine months of 2016 compared to the same period in 2015 due to strong order bookings in 2015 and 2016.
- The operating margin improved in the first nine months of 2016 compared to the same period in 2015 as a result of increased deliveries and a change in the product mix.



Market

Sales related to markets outside Sweden was 82% (81%) in the period.

Cash flow

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

Business units

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

BUSINESS AREA SURVEILLANCE

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

MSEK	Jan-Sep 2016	Jan-Sep 2015	Change, %	Q3 2016	Q3 2015	Full Year 2015
Order bookings	3,826	7,718	-50	915	3,677	15,456
Order backlog	16,320	12,676	29			17,707
Sales	5,435	4,692	16	1,583	1,458	7,305
EBITDA	590	376	57	214	129	820
EBITDA margin, %	10.9	8.0		13.5	8.8	11.2
Operating income (EBIT)	218	2	-	90	3	320
Operating margin, %	4.0	-		5.7	0.2	4.4
Operational cash flow	1,760	-290		-195	36	-49
Defence/Civil (% of sales)	82/18	79/21		81/19	77/23	81/19
No. of FTE's	3,745	3,584	4			3,563

Orders

- During the first nine months of 2016 Surveillance and Support and Services received an order in the Airborne Early Warning and Control (AEW&C) segment amounting to about SEK 1.1 billion, of which MSEK 687 was related to Surveillance. Deliveries will take place in 2016-2018.
- During the third quarter, Saab received an order from the Australian Government regarding sustainment of the combat system on Australia's ANZAC class frigates. The order value amounts to MSEK 248.
- In August, Saab acquired Phaeros Group BVBA. Phaeros has 27 employees and offers port management and terminal operating system solutions for the global market. The acquisition is in line with Saab's strategy to grow in the maritime traffic management domain.



Large orders

Orders exceeding MSEK 100 was 41% (58% of total order bookings in the period).



Market

Sales related to markets outside Sweden was 81% (76% in the period).

Sales, income and margin

- During the first nine months of 2016, sales and the operating margin were mainly affected positively by orders in 2016 for radar systems as well as completion of major projects.

Cash flow

- Operational cash flow was positive, mainly as a result of advances and milestone payments in 2016 related to the 2015 GlobalEye order.
- During the third quarter, Surveillance had a high level of project activity related to previous advances and milestone payments.

Business units

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

BUSINESS AREA SUPPORT AND SERVICES

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

MSEK	Jan-Sep 2016	Jan-Sep 2015	Change, %	Q3 2016	Q3 2015	Full Year 2015
Order bookings	2,979	4,159	-28	749	2,882	10,557
Order backlog	12,886	9,811	31			13,393
Sales	3,577	3,217	11	967	934	6,012
EBITDA	268	148	81	25	-21	570
EBITDA margin, %	7.5	4.6		2.6	-2.2	9.5
Operating income (EBIT)	256	132	94	21	-27	549
Operating margin, %	7.2	4.1		2.2	-2.9	9.1
Operational cash flow	1,212	-332		-502	-84	-637
Defence/Civil (% of sales)	73/27	68/32		69/31	69/31	77/23
No. of FTE's	2,174	2,188	-1			2,185

Orders

- Orders were received from FMV for support and maintenance for Gripen during 2016 on behalf of the Swedish Armed Forces as well as for the continued delivery of complete support and maintenance for Helicopter 15 in the years 2018 and 2019.
- In the second quarter, Surveillance and Support and Services received an order in the Airborne Early Warning and Control (AEW&C) segment amounting to about SEK 1.1 billion, of which MSEK 418 was related to Support and Services. Deliveries will take place in 2016-2018.
- During the third quarter the business area received an order from the German company Krauss-Maffei Wegmann GmbH for the development of new vehicle electronics for the Leopard 2 tank, valued at approximately MSEK 130.
- In total, small order bookings increased by 25 per cent during the first nine months compared to the same period in 2015.



Large orders

Orders exceeding MSEK 100 was 26% (57% of total order bookings in the period).



Market

Sales related to markets outside Sweden was 46% (44% in the period).

Sales, income and margin

- Sales increased and the operating margin strengthened in the first nine months of 2016 compared to the same period in 2015, mainly as a result of activity related to the GlobalEye order.

Cash flow

- Operational cash flow was positive, mainly as a result of advances and milestone payments in 2016 related to the 2015 GlobalEye order.
- During the third quarter, Support and Services had a high level of project activity related to previous advances and milestone payments.

Business units

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

BUSINESS AREA INDUSTRIAL PRODUCTS AND SERVICES

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

MSEK	Jan-Sep 2016	Jan-Sep 2015	Change, %	Q3 2016	Q3 2015	Full Year 2015
Order bookings	2,656	2,753	-4	601	993	3,632
Order backlog	9,718	9,742	-			9,587
Sales	2,539	2,540	-	697	762	3,562
EBITDA	83	139	-40	-13	19	260
EBITDA margin, %	3.3	5.5		-1.9	2.5	7.3
Operating income (EBIT)	56	109	-49	-22	8	213
Operating margin, %	2.2	4.3		-3.2	1.0	6.0
Operational cash flow	-30	-58		11	-26	-15
Defence/Civil (% of sales)	40/60	38/62		39/61	37/63	40/60
No. of FTE's	2,454	2,374	3			2,381

Orders

- During the third quarter, Combitech and Ericsson signed an agreement on the transfer of Ericsson's development organisation with focus on radio software development. The agreement further strengthens Combitech turnkey capabilities and builds on its strong engineering expertise, at the same time that this competence is made available to a wider range of customers. Around 300 Ericsson engineers will begin working at Combitech in October, when the agreement takes effect.



Large orders

Orders exceeding MSEK 100 was 31% (31% of total order bookings in the period).

Sales, income and margin

- Sales for the first nine months of 2016 were in line with 2015, with Combitech and Avionics raising their sales and compensating for slightly lower sales in Aerostructures.
- A loss was reported in the third quarter mainly due to investments in the minority portfolio, where Saab owns shares in companies in various stages of development, as well as seasonal effects within Combitech.



Market

Sales related to markets outside Sweden was 44% (46% in the period).

Cash flow

- Operational cash flow was negative in the first nine months of 2016, mainly due to lower profit in the minority portfolio, where Saab owns shares in companies in various stages of development.

Business units

Aerostructures, Avionics Systems, Combitech and the Venture portfolio.

BUSINESS UNIT SAAB KOCKUMS

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

MSEK	Jan-Sep 2016	Jan-Sep 2015	Change, %	Q3 2016	Q3 2015	Full Year 2015
Order bookings	913	9,975	-91	101	242	10,268
Order backlog	9,177	10,235	-10			9,928
Sales	1,665	1,248	33	544	433	1,847
EBITDA	110	272	-60	34	76	262
EBITDA margin, %	6.6	21.8		6.3	17.6	14.2
Operating income (EBIT)	85	247	-66	26	68	228
Operating margin, %	5.1	19.8		4.8	15.7	12.3
Operational cash flow	253	434		26	363	808
Defence/Civil (% of sales)	100/0	100/0		100/0	100/0	100/0
No. of FTE's	840	827	2			803

Orders

- Saab received an order from FMV to modify and upgrade two Swedish Navy Koster-class mine countermeasures vessels (MCMVs). The order value amounted to MSEK 147 and the work will be undertaken in Karlskrona, Sweden during the period 2016-2017.
- The high level of order bookings in the first nine months 2015 was mainly due to orders from FMV to build two Type A26 submarines and for half-time modifications of two Gotland class submarines.



Large orders

Orders exceeding MSEK 100 was 45% (93% of total order bookings in the period).

Sales, income and margin

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



Market

Sales related to markets outside Sweden was 5% (10% in the period).

Cash flow

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

Owners

According to Modular Finance, Saab's largest shareholders as of 30 September 2016:

	% of capital	% of votes
Investor AB	30.0	40.5
Knut and Alice Wallenberg Foundation	8.7	7.7
Swedbank Robur funds	5.1	4.5
AFA Insurance	3.6	3.2
Unionen	2.7	2.3
Handelsbanken funds	2.0	1.8
Fidelity funds	1.5	1.4
DFA funds	1.4	1.2
Lannebo funds	1.2	1.1
Norges Bank	0.9	0.8

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

Personnel

	30 Sep 2016	31 Dec 2015
Number of employees	14,975	14,685
FTE's	14,980	14,519

Corporate

Corporate reported operating income of MSEK -171 (-22) in the first nine months of 2016. During the second quarter, the sale of a property contributed positively to operating income.

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

Operational cash flow attributable to Corporate amounted to MSEK -1,462 (58) in the first nine months of 2016. Sales of trade receivables had a negative effect on cash flow of MSEK 1,063.

See more information on cash flow on page 4.

Acquisitions and divestments 2016

No significant acquisitions or divestments were made in the first nine months of 2016.

Share repurchase

Saab held 2,863,225 treasury shares as of 30 September 2016, compared to 3,193,279 at year-end 2015. The Annual General Meeting on 14 April 2016 authorised the Board of Directors to repurchase up to 10 per cent of Saab's shares to hedge Saab's Share Matching Plan and Performance Share Plan.

Risks and uncertainties

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

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

Operations can entail various degrees of risk. The key risk areas are political, operating and financial. Various policies and instructions govern the management of material risks. Today Saab undertakes more and larger development projects than previously. These projects are inherently complex, resulting in higher risk levels, in several regards.

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

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



SAFE – security system for Swedavia's airports

Saab signed a seven-year agreement in September with the airport group Swedavia for continued use of SAFE (Situation Awareness for Enhanced Security) as its command & control platform for the security department at its airports. SAFE is presently used as the command and operations system in the command centres at the Arlanda at Bromma airports.

Other significant events January-September 2016

- In February, Saab introduced GlobalEye, a new multi-role airborne surveillance system (AEW&C). GlobalEye combines Saab's all-new Erieye ER (Extended Range) radar and mission system with the high-end Global 6000 jet aircraft from Bombardier.
- The Annual General Meeting (AGM) on 14 April 2016 resolved to pay shareholders a dividend of SEK 5.00 per share (total MSEK 530). The dividend payment date was 21 April 2016.
- The AGM resolved to elect Bert Nordberg and re-elect Håkan Buskhe, Johan Forssell, Sten Jakobsson, Sara Mazur, Per-Arne Sandström, Cecilia Stegö Chilò, Lena Treschow Torell, Marcus Wallenberg and Joakim Westh. Marcus Wallenberg was re-elected as Chairman of the Board.
- The Gripen E was rolled out on May 18. Users of Gripen E can operate longer in the air. Improved sensors and electronic warfare will provide better intelligence on the enemy, and Gripen E will carry more and better weapons. At the same time, Gripen E is highly cost-efficient. Deliveries of the next-generation Gripen to Sweden and Brazil will begin in 2019.
- On September 13, Boeing och Saab revealed the first two aircraft for the U.S. Air Force's T-X program. Boeing and Saab will use the two T-X aircraft to show the U.S. Air Force the performance, affordability and maintainability advantages of their approach. Boeing T-X is an all-new aircraft, designed specifically for the U.S. Air Force training mission for future pilots and takes advantage of the latest technologies and the most modern manufacturing techniques.
- On September 22, Saab announced the appointment of the members of the Nomination Committee based on the ownership structure as of 31 August 2016. The members of the Saab Nomination Committee for the Annual General Meeting 2017 are: Marcus Wallenberg, Chairman of the Board of Saab AB; Petra Hedengran, Investor AB; Peter Wallenberg Jr, Knut and Alice Wallenberg Foundation; Jan Andersson, Swedbank Robur Fonder; and Anders Algotsson, AFA Försäkring.

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

Significant events after the conclusion of the period

- Saab was awarded a contract by the Defense Advanced Research Projects Agency (DARPA) to perform research for the latter's Massive Overmatch Assault Round (MOAR). The research, to be conducted by Saab's business area Dynamics, will focus on the development of a precision-engagement capability for shoulder-fired weapons. Saab will analyse possible concepts and propose solutions, or highlight areas where future investigations are needed. Saab will conduct studies on its own Carl-Gustaf and AT4 shoulder-fired weapons, both of which are current U.S. Army Programs of Record in service with the U.S. Army.
- Saab has signed a teaming agreement with the Polish defence company MESKO, a member of Polish Armament Group (PGZ), on the long-term maintenance and support of the Polish Navy's RBS15 Mk3 surface-to-surface missile system.
- Saab acquired the Danish naval company Nordic Defence Industries (NDI). NDI, designs and manufactures mine disposal charge systems for the naval defence industry and the acquisition strengthens Saab's market leadership and regional reach in the unmanned underwater domain.



ABOUT SAAB

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

Short facts

- Saab's series B share is listed on Nasdaq Stockholm Large Cap. Ticker: SAAB B.
- Saab has approximately 15,000 employees
- Local presence in 34 countries
- Customers in more than 100 countries

Vision

It is a human right to feel safe.

Mission

To make people safe by pushing intellectual and technological boundaries.

Business concept

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

ORGANISATION

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

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

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

REVENUE MODEL

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

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

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

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

SAAB'S STRATEGY

Saab's strategy is built on four priority areas. Our aim is to create long-term value by accomplishing these strategic priorities.

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

Profitable growth

Effective project execution, focused marketing investments and winning new orders.

Performance

Efficient, functional processes, strong leadership, global research and development.

Portfolio

Focus on core areas, market-driven renewal, international focus and sustainable innovations.

People

Talent recruitment, skills development, increased diversity and performance-driven culture.

FINANCIAL GOALS

Sales

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

Operating margin

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

Equity/assets ratio

The equity/assets ratio will exceed 30 per cent.

Dividend

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

CONSOLIDATED INCOME STATEMENT

MSEK	Note	Jan-Sep 2016	Jan-Sep 2015	Rolling 12 Months	Full Year 2015
Sales	3	19,615	17,116	29,685	27,186
Cost of goods sold		-15,183	-13,160	-22,723	-20,700
Gross income		4,432	3,956	6,962	6,486
<i>Gross margin, %</i>		22.6	23.1	23.5	23.9
Other operating income		176	99	448	371
Marketing expenses		-1,563	-1,492	-2,132	-2,061
Administrative expenses		-960	-931	-1,352	-1,323
Research and development costs		-1,157	-1,084	-1,638	-1,565
Other operating expenses		-49	-18	-79	-48
Share in income of associated companies and joint ventures		-42	23	-25	40
Operating income (EBIT) ¹⁾	3	837	553	2,184	1,900
<i>Operating margin, %</i>		4.3	3.2	7.4	7.0
Financial income		60	37	192	169
Financial expenses		-188	-195	-331	-338
Net financial items		-128	-158	-139	-169
Income before taxes		709	395	2,045	1,731
Taxes		-173	-102	-400	-329
Net income for the period		536	293	1,645	1,402
of which Parent Company's shareholders' interest		509	261	1,610	1,362
of which non-controlling interest		27	32	35	40
Earnings per share before dilution, SEK ²⁾		4.80	2.47	15.18	12.88
Earnings per share after dilution, SEK ³⁾		4.76	2.45	15.07	12.79
1) Includes depreciation/amortisation and write-downs		-700	-706	-953	-959
2) Average number of shares before dilution		106,103,426	105,653,013	106,052,615	105,714,805
3) Average number of shares after dilution		106,875,192	106,401,289	106,870,001	106,450,263

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

MSEK	Jan-Sep 2016	Jan-Sep 2015	Rolling 12 Months	Full Year 2015
Net income for the period	536	293	1,645	1,402
Other comprehensive income/loss:				
Items that will not be reversed in the income statement:				
Revaluation of net pension obligations	-1,273	500	-934	839
Tax attributable to revaluation of net pension obligations	280	-110	207	-183
Total	-993	390	-727	656
Items that may be reversed in the income statement:				
Translation differences	218	46	152	-20
Available-for-sale financial assets	-	63	-90	-27
Cash flow hedges	95	-210	285	-20
Tax attributable to cash flow hedges	-41	50	-80	11
Total	272	-51	267	-56
Other comprehensive income/loss for the period	-721	339	-460	600
Net comprehensive income/loss for the period	-185	632	1,185	2,002
of which Parent Company's shareholders' interest	-248	632	1,127	2,007
of which non-controlling interest	63	-	58	-5

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MSEK	Note	30 Sep 2016	31 Dec 2015	30 Sep 2015
ASSETS				
Fixed assets:				
Intangible fixed assets	5	6,845	6,476	6,250
Tangible fixed assets		4,614	4,472	4,414
Biological assets		293	290	290
Investment properties		34	34	33
Shares in associated companies and joint ventures		674	602	422
Financial investments		186	190	376
Long-term receivables	11	496	444	179
Deferred tax assets		463	351	505
Total fixed assets		13,605	12,859	12,469
Current assets:				
Inventories		6,572	5,243	6,914
Derivatives		904	1,058	858
Tax receivables		270	106	280
Accounts receivable		3,695	2,913	3,078
Other receivables		6,190	8,102	5,034
Prepaid expenses and accrued income		1,128	962	1,258
Short-term investments		3,566	2,995	1,627
Liquid assets	9	1,717	850	1,386
Total current assets		24,042	22,229	20,435
TOTAL ASSETS		37,647	35,088	32,904
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity:				
Parent Company's shareholders' interest		12,104	12,851	11,469
Non-controlling interest		130	61	82
Total shareholders' equity		12,234	12,912	11,551
Long-term liabilities:				
Long-term interest-bearing liabilities	6	5,613	4,872	3,523
Other liabilities		169	136	134
Provisions for pensions	11	3,672	2,373	2,669
Other provisions		1,018	1,097	894
Deferred tax liabilities		24	34	41
Total long-term liabilities		10,496	8,512	7,261
Current liabilities:				
Short-term interest-bearing liabilities	6	286	853	1,964
Advance payments from customers		3,522	1,098	998
Accounts payable		1,889	2,340	1,675
Derivatives		1,494	1,614	1,674
Tax liabilities		25	37	31
Other liabilities		614	725	756
Accrued expenses and deferred income		6,722	6,549	6,529
Provisions		365	448	465
Total current liabilities		14,917	13,664	14,092
Total liabilities		25,413	22,176	21,353
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		37,647	35,088	32,904

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

MSEK	Capital stock	Other capital contributions	Net result of cash flow hedges	Translation reserve	Available-for-sale and revaluation reserve	Retained earnings	Total parent company's shareholders' interest	Non-controlling interest	Total shareholders' equity
Opening balance, 1 January 2015	1,746	543	-562	161	38	9,365	11,291	82	11,373
Net comprehensive income/loss for the period January-September 2015			-134	52	63	651	632	-	632
Transactions with shareholders:									
Share matching plan						47	47		47
Dividend						-501	-501		-501
Closing balance, 30 September 2015	1,746	543	-696	213	101	9,562	11,469	82	11,551
Net comprehensive income/loss for the period October-December 2015			158	-60	-90	1,367	1,375	-5	1,370
Transactions with shareholders:									
Share matching plan						19	19		19
Dividend								-10	-10
Acquisition and sale of non-controlling interest						-12	-12	-6	-18
Closing balance, 31 December 2015	1,746	543	-538	153	11	10,936	12,851	61	12,912
Opening balance, 1 January 2016	1,746	543	-538	153	11	10,936	12,851	61	12,912
Net comprehensive income/loss for the period			26	210		-484	-248	63	-185
Transactions with shareholders:									
Share matching plan						60	60		60
Dividend						-530	-530	-4	-534
Acquisition and sale of non-controlling interest						-29	-29	10	-19
Closing balance, 30 September 2016	1,746	543	-512	363	11	9,953	12,104	130	12,234

CONSOLIDATED STATEMENT OF CASH FLOWS

MSEK	Note	Jan-Sep 2016	Jan-Sep 2015	Full Year 2015
Operating activities:				
Income after financial items		709	395	1,731
Adjustments for items not affecting cash flows		1,031	417	688
Dividend from associated companies and joint ventures		14	23	25
Income tax paid		-217	-244	-266
Cash flow from operating activities before changes in working capital		1,537	591	2,178
Cash flow from changes in working capital:				
Increase(-)/Decrease(+) in inventories		-1,289	-1,162	349
Increase(-)/Decrease(+) in current receivables		1,252	-742	-3,573
Increase(+)/Decrease(-) in advance payments from customers		2,398	162	284
Increase(+)/Decrease(-) in other current liabilities		-836	647	1,426
Increase(+)/Decrease(-) in provisions		-187	-295	-306
Cash flow from operating activities		2,875	-799	358
Investing activities:				
Investments in intangible fixed assets		-77	-56	-70
Capitalised development costs		-550	-149	-524
Investments in tangible fixed assets		-495	-585	-799
Sales and disposals of tangible fixed assets		17	8	7
Investments in and sale of short-term investments		-531	-359	-1,722
Investments in financial assets		-112	-103	-368
Sale of financial assets		9	4	226
Investments in operations, net effect on liquidity	10	-22	-4	-221
Sale of subsidiaries, net effect on liquidity		77	-	312
Cash flow from investing activities		-1,684	-1,244	-3,159
Financing activities:				
Repayments of loans		-575	-746	-1,865
Raising of loans		732	3,398	4,758
Dividend paid to Parent Company's shareholders		-530	-501	-501
Dividend paid to non-controlling interest		-4	-	-10
Transactions with non-controlling interests		15	-	-
Cash flow from financing activities		-362	2,151	2,382
Cash flow for the period		829	108	-419
Liquid assets at the beginning of the period		850	1,284	1,284
Exchange rate difference in liquid assets		38	-6	-15
Liquid assets at end of period	9	1,717	1,386	850

QUARTERLY CONSOLIDATED INCOME STATEMENT

MSEK	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
Sales	5,761	7,064	6,790	10,070	5,787	5,940	5,389	7,425
Cost of goods sold	-4,409	-5,495	-5,279	-7,540	-4,505	-4,582	-4,073	-5,574
Gross income	1,352	1,569	1,511	2,530	1,282	1,358	1,316	1,851
Gross margin, %	23.5	22.2	22.3	25.1	22.2	22.9	24.4	24.9
Other operating income	37	100	39	272	23	54	22	261
Marketing expenses	-524	-543	-496	-569	-460	-553	-479	-629
Administrative expenses	-294	-337	-329	-392	-305	-329	-297	-333
Research and development costs	-327	-436	-394	-481	-346	-380	-358	-416
Other operating expenses	-10	-14	-25	-30	-8	-6	-4	3
Share of income in associated companies and joint ventures	-8	-22	-12	17	-	13	10	21
Operating income (EBIT) ¹⁾	226	317	294	1,347	186	157	210	758
Operating margin, %	3.9	4.5	4.3	13.4	3.2	2.6	3.9	10.2
Financial income	19	-9	50	132	-36	46	27	52
Financial expenses	-69	-66	-53	-143	-89	9	-115	-70
Net financial items	-50	-75	-3	-11	-125	55	-88	-18
Income before taxes	176	242	291	1,336	61	212	122	740
Taxes	-54	-51	-68	-227	-25	-45	-32	-154
Net income for the period	122	191	223	1,109	36	167	90	586
of which Parent Company's shareholders' interest	113	183	213	1,101	26	151	84	579
of which non-controlling interest	9	8	10	8	10	16	6	7
Earnings per share before dilution, SEK ²⁾	1.06	1.72	2.01	10.40	0.25	1.43	0.80	5.49
Earnings per share after dilution, SEK ³⁾	1.06	1.71	1.99	10.32	0.24	1.42	0.79	5.45
1) Includes depreciation/amortisation and write-downs of which depreciation of leasing aircraft	-236	-234	-230	-253	-243	-235	-228	-230
	-	-	-	-	-	-	-	-1
2) Average number of shares before dilution	106,223,750	106,094,093	105,992,435	105,900,182	105,781,884	105,643,700	105,533,455	105,438,516
3) Average number of shares after dilution	107,024,906	106,912,764	106,853,562	106,688,771	106,529,247	106,442,012	106,402,040	106,239,161

QUARTERLY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

MSEK	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
Net income for the period	122	191	223	1,109	36	167	90	586
Other comprehensive income/loss:								
Items that will not be reversed in the income statement:								
Revaluation of net pension obligations	-327	-433	-513	339	-233	1,257	-524	-173
Tax attributable to revaluation of net pension obligations	72	95	113	-73	51	-276	115	36
Total	-255	-338	-400	266	-182	981	-409	-137
Items that may be reversed in the income statement:								
Translation differences	125	134	-41	-66	-63	-156	265	174
Net gain/loss on available-for-sale financial assets	-	-	-	-90	-6	-3	72	10
Net gain/loss on cash flow hedges	130	-179	144	190	-187	56	-79	-315
Tax attributable to net gain/loss on cash flow hedges	-39	34	-36	-39	49	-14	15	67
Total	216	-11	67	-5	-207	-117	273	-64
Other comprehensive income/loss for the period	-39	-349	-333	261	-389	864	-136	-201
Net comprehensive income/loss for the period	83	-158	-110	1,370	-353	1,031	-46	385
of which Parent Company's shareholders' interest	60	-181	-127	1,375	-335	1,024	-57	381
of which non-controlling interest	23	23	17	-5	-18	7	11	4

KEY RATIOS BY QUARTER

MSEK	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
Equity/assets ratio, (%)	32.5	31.9	33.9	36.8	35.1	37.2	37.0	38.5
Return on capital employed, % ³⁾	11.8	11.3	11.3	11.2	8.1	8.7	10.6	11.1
Return on equity, % ³⁾	13.8	13.0	12.7	11.5	7.8	8.6	9.3	9.9
Equity per share, SEK ^{1) 3)}	113.88	113.25	120.17	121.28	108.36	111.48	106.54	107.02
Free cash flow, MSEK ³⁾	-2,311	1,096	2,955	869	487	-1,141	-941	1,006
Free cash flow per share after dilution, SEK ^{2) 3)}	-21.59	10.25	27.65	8.15	4.57	-10.72	-8.84	9.47
1) Number of shares excluding treasury shares	106,287,119	106,160,381	106,027,804	105,957,065	105,843,298	105,720,470	105,566,929	105,499,980
2) Average number of shares after dilution	107,024,906	106,912,764	106,853,562	106,688,771	106,529,247	106,442,012	106,402,040	106,239,161

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 2016	Operating margin	Q2 2016	Operating margin	Q1 2016	Operating margin	Q4 2015	Operating margin
Sales								
Aeronautics	1,562		1,739		1,622		2,114	
Dynamics	775		1,044		1,072		1,555	
Surveillance	1,583		2,051		1,801		2,613	
Support and Services	967		1,326		1,284		2,795	
Industrial Products and Services	697		969		873		1,022	
Saab Kockums	544		489		632		599	
Internal sales	-367		-554		-494		-628	
Total	5,761		7,064		6,790		10,070	
Operating income/loss								
Aeronautics	151	9.7%	102	5.9%	67	4.1%	305	14.4%
Dynamics	-6	-0.8%	39	3.7%	40	3.7%	294	18.9%
Surveillance	90	5.7%	73	3.6%	55	3.1%	318	12.2%
Support and Services	21	2.2%	137	10.3%	98	7.6%	417	14.9%
Industrial Products and Services	-22	-3.2%	25	2.6%	53	6.1%	104	10.2%
Saab Kockums	26	4.8%	25	5.1%	34	5.4%	-19	-3.2%
Corporate	-34		-84		-53		-72	
Total	226	3.9%	317	4.5%	294	4.3%	1,347	13.4%

MSEK	Q3 2015	Operating margin	Q2 2015	Operating margin	Q1 2015	Operating margin
Sales						
Aeronautics	1,686		1,364		1,098	
Dynamics	892		794		768	
Surveillance	1,458		1,712		1,522	
Support and Services	934		1,183		1,100	
Industrial Products and Services	762		912		866	
Saab Kockums	433		476		339	
Internal sales	-378		-501		-304	
Total	5,787		5,940		5,389	
Operating income/loss						
Aeronautics	120	7.1%	30	2.2%	54	4.9%
Dynamics	28	3.1%	-106	-13.4%	-41	-5.3%
Surveillance	3	0.2%	-39	-2.3%	38	2.5%
Support and Services	-27	-2.9%	72	6.1%	87	7.9%
Industrial Products and Services	8	1.0%	67	7.3%	34	3.9%
Saab Kockums	68	15.7%	124	26.1%	55	16.2%
Corporate	-14		9		-17	
Total	186	3.2%	157	2.6%	210	3.9%

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

MULTI-YEAR OVERVIEW

MSEK	2015	2014	2013	2012	2011
Order bookings	81,175	22,602	49,809	20,683	18,907
Order backlog at 31 December	113,834	60,128	59,870	34,151	37,172
Sales	27,186	23,527	23,750	24,010	23,498
Sales in Sweden, %	42	45	41	36	37
Sales in Europe excluding Sweden, %	18	19	20	21	20
Sales in North America, %	9	10	11	11	8
Sales in Latin America, %	6	2	2	1	-
Sales in Rest of the world, %	25	24	26	31	35
Operating income (EBIT)	1,900	1,659	1,345	2,050	2,941
Operating margin, %	7.0	7.1	5.7	8.5	12.5
Depreciation/amortisation less depreciation/amortisation of lease aircraft	959	864	1,022	1,136	1,147
EBITDA	2,859	2,523	2,367	3,186	4,088
EBITDA margin, %	10.5	10.7	10.0	13.3	17.4
Income after financial items	1,731	1,523	979	2,003	2,783
Net income for the year	1,402	1,168	742	1,560	2,217
Total assets	35,088	29,556	27,789	28,938	31,799
Equity	12,912	11,373	12,227	11,280	13,069
Free cash flow ¹⁾	-726	-1,094	-1,460	-396	2,477
Return on capital employed, % ¹⁾	11.2	11.1	9.1	14.6	22.2
Return on equity, % ¹⁾	11.5	9.9	6.3	12.8	18.1
Equity/assets ratio, %	36.8	38.5	44.0	39.0	41.1
Earnings per share before dilution, SEK ¹⁾	12.88	10.86	6.98	15.00	21.19
Earnings per share after dilution, SEK ¹⁾	12.79	10.78	6.79	14.52	20.38
Dividend per share, SEK	5.00	4.75	4.50	4.50	4.50
Equity per share, SEK ¹⁾	121.28	107.02	114.04	105.43	122.94
Number of employees at year-end	14,685	14,716	14,140	13,968	13,068
Number of shares excluding treasury shares as of 31 December	105,957,065	105,499,980	106,414,144	105,930,829	105,331,958
Average number of shares before dilution	105,714,805	106,125,666	106,125,107	105,632,911	104,982,315
Average number of shares after dilution	106,450,263	106,916,255	109,150,344	109,150,344	109,150,344

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

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

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

Financials for 2011 are not restated.

KEY RATIOS AND GOALS

	Long-term target	Jan-Sep 2016	Jan-Sep 2015	Full Year 2015
Organic sales growth, %	5	16	0	11
Operating margin, %	10	4.3	3.2	7.0
Equity/assets ratio, %	30	32.5	35.1	36.8

PARENT COMPANY INCOME STATEMENT

MSEK	Jan-Sep 2016	Jan-Sep 2015	Full Year 2015
Sales	12,498	10,979	18,022
Cost of goods sold	-9,962	-8,776	-14,209
Gross income	2,536	2,203	3,813
<i>Gross margin, %</i>	20.3	20.1	21.2
Operating income and expenses	-2,724	-2,307	-3,605
Operating income (EBIT)	-188	-104	208
<i>Operating margin, %</i>	-1.5	-0.9	1.2
Financial income and expenses	-44	77	68
Income after financial items	-232	-27	276
Appropriations	-	-	-160
Income before taxes	-232	-27	116
Taxes	-2	-59	-153
Net income for the period	-234	-86	-37

Parent Company

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

PARENT COMPANY BALANCE SHEET

MSEK	Note	30 Sep 2016	31 Dec 2015	30 Sep 2015
ASSETS				
Fixed assets:				
Intangible fixed assets		616	803	892
Tangible fixed assets		2,949	2,882	2,842
Financial fixed assets		7,692	7,474	7,767
Total fixed assets		11,257	11,159	11,501
Current assets:				
Inventories		4,635	3,668	5,090
Current receivables		9,677	10,133	8,137
Short term investments		3,535	2,994	1,627
Liquid assets		1,098	211	716
Total current assets		18,945	17,006	15,570
TOTAL ASSETS		30,202	28,165	27,071
SHAREHOLDERS' EQUITY AND LIABILITIES				
Equity:				
Restricted equity		2,977	2,977	2,983
Unrestricted equity		4,316	5,020	4,946
Total shareholders' equity		7,293	7,997	7,929
Untaxed reserves, provisions and liabilities:				
Untaxed reserves		2,139	2,139	1,979
Provisions		871	755	532
Liabilities	6	19,899	17,274	16,631
Total untaxed reserves, provisions and liabilities		22,909	20,168	19,142
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		30,202	28,165	27,071
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TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		30,202	28,165	27,071

Liquidity, financing, capital expenditures and number of employees
The Parent Company's net debt amounted to MSEK 4,586 at 30 September 2016 compared to MSEK 5,154 at 31 December 2015.

Investments in tangible fixed assets amounted to MSEK 294 (265). Investments in intangible assets amounted to MSEK 73 (34). At the end of the period, the Parent Company had 8,834 employees, compared to 8,632 at the beginning of the year.

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 Corporate information

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

NOTE 2 Accounting principles

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

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

The interim report is abbreviated and does not contain all the information and disclosures available in the annual report and as such should be read together with the annual report 2015. The interim report information on pages 1 to 29 constitutes an integrated part of this financial report.

NOTE 3 Segment reporting

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

Aeronautics

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

Dynamics

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

Surveillance

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

Support and Services

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

Industrial Products and Services

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

Saab Kockums

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

Order bookings per operating segment

MSEK	Jan-Sep	Jan-Sep	Change, %	Q3	Q3	Full Year
	2016	2015		2016	2015	
Aeronautics	710	36,350	-98	217	35,689	39,349
Dynamics	5,173	4,163	24	1,165	976	5,273
Surveillance	3,826	7,718	-50	915	3,677	15,456
Support and Services	2,979	4,159	-28	749	2,882	10,557
Industrial Products and Services	2,656	2,753	-4	601	993	3,632
Saab Kockums	913	9,975	-91	101	242	10,268
Internal	-1,297	-2,519	-49	-250	-856	-3,360
Total	14,960	62,599	-76	3,498	43,603	81,175

Order bookings per region

MSEK	Jan-Sep	Jan-Sep	Change, %
	2016	2015	
Sweden	5,837	13,326	-56
Rest of Europe	2,904	4,495	-35
North America	1,064	1,420	-25
Latin America	-84	39,366	-
Asia	3,986	3,007	33
Africa	351	388	-10
Australia, etc.	902	597	51
Total	14,960	62,599	-76

Order backlog per operating segment

MSEK	30 Sep 2016	31 Dec 2015	30 Sep 2015
Aeronautics	55,263	59,476	58,590
Dynamics	8,561	6,284	6,756
Surveillance	16,320	17,707	12,676
Support and Services	12,886	13,393	9,811
Industrial Products and Services	9,718	9,587	9,742
Saab Kockums	9,177	9,928	10,235
Internal	-2,404	-2,541	-2,324
Total	109,521	113,834	105,486
MSEK	30 Sep 2016	31 Dec 2015	30 Sep 2015
Aeronautics	55,263	59,476	58,590
Dynamics	8,561	6,286	6,756
Surveillance	16,320	17,707	12,676
Support and Services	12,886	13,393	9,811
Industrial Products and Services	9,718	9,587	9,742
Saab Kockums	9,177	9,928	10,235
Internal	-2,404	-2,543	-2,324
Total	109,521	113,834	105,486

NOTE 3 Continued

Order backlog per region				Significant orders received	
MSEK	30 Sep 2016	31 Dec 2015	30 Sep 2015	(approx. values MSEK)	Order value
Sweden	38,784	41,276	41,750	New Lightweight Torpedo system	1,533
Rest of Europe	10,295	10,688	11,117	Ammunition for the Carl-Gustaf man-portable weapon system	1,443
North America	4,896	5,699	5,442	Airborne Early Warning and Control (AEW&C)	1,105
Latin America	39,333	40,732	39,258	RBS70 NG VSHORAD	378
Asia	14,341	13,679	5,958		
Africa	731	886	986		
Australia etc.	1,141	874	975		
Total	109,521	113,834	105,486		

Sales per operating segment

MSEK	Jan-Sep 2016	Jan-Sep 2015	Change, %	Q3 2016	Q3 2015	Rolling 12 Months	Full Year 2015
Aeronautics	4,923	4,148	19	1,562	1,686	7,037	6,262
of which external sales	4,643	3,936	18	1,480	1,616	6,641	5,934
of which internal sales	280	212	32	82	70	396	328
Dynamics	2,891	2,454	18	775	892	4,446	4,009
of which external sales	2,809	2,356	19	742	870	4,337	3,884
of which internal sales	82	98	-16	33	22	109	125
Surveillance	5,435	4,692	16	1,583	1,458	8,048	7,305
of which external sales	5,261	4,530	16	1,531	1,400	7,762	7,031
of which internal sales	174	162	7	52	58	286	274
Support and Services	3,577	3,217	11	967	934	6,372	6,012
of which external sales	3,440	3,089	11	946	891	6,163	5,812
of which internal sales	137	128	7	21	43	209	200
Industrial Products and Services	2,539	2,540	-	697	762	3,561	3,562
of which external sales	1,780	1,912	-7	510	571	2,481	2,613
of which internal sales	759	628	21	187	191	1,080	949
Saab Kockums	1,665	1,248	33	544	433	2,264	1,847
of which external sales	1,661	1,246	33	542	432	2,260	1,845
of which internal sales	4	2	-	2	1	4	2
Corporate/eliminations	-1,415	-1,183	-367	-367	-378	-2,043	-1,811
of which external sales	21	47	10	7	7	40	66
of which internal sales	-1,436	-1,230	-377	-377	-385	-2,083	-1,877
Total	19,615	17,116	15	5,761	5,787	29,685	27,186

Sales per region

MSEK	Jan-Sep 2016	% of sales	Jan-Sep 2015	% of sales	Full Year 2015	% of sales
Sweden	8,502	43	7,880	46	11,399	42
Rest of Europe	3,287	17	3,355	20	4,933	18
North America	1,923	10	1,645	10	2,477	9
Latin America	1,327	7	925	5	1,584	6
Asia	3,524	18	2,267	13	5,370	20
Africa	354	2	357	2	541	2
Australia, etc.	698	4	687	4	882	3
Total	19,615	100	17,116	100	27,186	100

Information on large customers

In the first nine months 2016, Saab had one customer that accounted for 10 per cent or more of the Group's sales: the Swedish Defence Materiel Administration (FMV). FMV is a customer of all business areas and total sales amounted to MSEK 6,907 (6,317).

Seasonal variation

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

NOTE 3 Continued

Operating income per operating segment

MSEK	Jan-Sep 2016	% of sales	Jan-Sep 2015	% of sales	Rolling 12 Months	Full Year 2015
Aeronautics	320	6.5	204	4.9	625	509
Dynamics	73	2.5	-119	-4.8	367	175
Surveillance	218	4.0	2	-	536	320
Support and Services	256	7.2	132	4.1	673	549
Industrial Products and Services	56	2.2	109	4.3	160	213
Saab Kockums	85	5.1	247	19.8	66	228
The operating segments' operating income	1,008	5.1	575	3.4	2,427	1,994
Corporate	-171		-22		-243	-94
Total	837	4.3	553	3.2	2,184	1,900

Depreciation/amortisation and write-downs per operating segment

MSEK	Jan-Sep 2016	Jan-Sep 2015	Change, %	Q3 2016	Q3 2015	Rolling 12 Months	Full Year 2015
Aeronautics	30	29	3	11	9	40	39
Dynamics	51	52	-2	17	18	73	74
Surveillance	372	374	-1	124	126	498	500
Support and Services	12	16	-25	4	6	17	21
Industrial Products and Services	27	30	-10	9	11	44	47
Saab Kockums	25	25	-	8	8	34	34
Corporate	183	180	2	63	65	247	244
Total	700	706	-1	236	243	953	959

Operational cash flow per operating segment

MSEK	Jan-Sep 2016	Jan-Sep 2015	Q3 2016	Q3 2015	Rolling 12 Months	Full Year 2015
Aeronautics	88	-352	-1,032	-193	-192	-632
Dynamics	101	-613	-37	-458	613	-101
Surveillance	1,760	-290	-195	36	2,001	-49
Support and Services	1,212	-332	-502	-84	907	-637
Industrial Products and Services	-30	-58	11	-26	13	-15
Saab Kockums	253	434	26	363	627	808
Corporate	-1,462	58	-542	1,015	-1,394	126
Total	1,922	-1,153	-2,271	653	2,575	-500

Capital employed per operating segment

MSEK	30 Sep 2016	31 Dec 2015	30 Sep 2015
Aeronautics	2,371	2,186	2,049
Dynamics	3,095	3,243	3,362
Surveillance	6,847	7,445	7,339
Support and Services	2,454	3,389	2,923
Industrial Products and Services	2,151	2,028	1,787
Saab Kockums	713	647	654
Corporate	3,477	1,641	1,128
Total	21,108	20,579	19,242

Full time equivalents (FTE's) per operating segment

Number at end of the period	30 Sep 2016	31 Dec 2015	30 Sep 2015
Aeronautics	2,864	2,723	2,699
Dynamics	2,077	2,041	2,062
Surveillance	3,745	3,563	3,584
Support and Services	2,174	2,185	2,188
Industrial Products and Services	2,454	2,381	2,374
Saab Kockums	840	803	827
Corporate	826	823	822
Total	14,980	14,519	14,556

NOTE 4 Dividend to Parent Company's shareholders

At the Annual General Meeting 2016 on 14 April, it was decided that the Parent Company's shareholders should receive a dividend of SEK 5.00 per share, totalling MSEK 530.

The record date for the dividend was 18 April 2016 and payment was made on 21 April 2016.

NOTE 5 Intangible fixed assets

MSEK	30 Sep 2016	31 Dec 2015	30 Sep 2015
Goodwill	5,115	5,045	5,072
Capitalised development costs	1,492	1,157	865
Other intangible assets	238	274	313
Total	6,845	6,476	6,250

NOTE 6 Net liquidity/debt

MSEK	30 Sep 2016	31 Dec 2015	30 Sep 2015
Assets:			
Liquid assets	1,717	850	1,386
Short-term investments	3,566	2,995	1,627
Total liquid investments	5,283	3,845	3,013
Short-term interest-bearing receivables	31	48	44
Long-term interest-bearing receivables	405	367	107
Long-term receivables attributable to pensions	49	49	59
Long-term interest-bearing financial investments	139	141	141
Total interest-bearing assets	5,907	4,450	3,364
Liabilities:			
Liabilities to credit institutions	5,114	4,762	4,649
Liabilities to associated companies and joint ventures	239	251	224
Other interest-bearing liabilities	546	712	614
Provisions for pensions ¹⁾	2,975	1,942	2,204
Total interest-bearing liabilities and provisions for pensions	8,874	7,667	7,691
Net liquidity (+) / net debt (-)	-2,967	-3,217	-4,327

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

NOTE 6 Continued

Committed credit lines

MSEK	Facilities	Drawings	Available
Revolving credit facility (Maturity 2021)	6,000	-	6,000
Overdraft facility (Maturity 2017)	97	-	97
Total	6,097	-	6,097

Parent Company

MSEK	30 Sep 2016	31 Dec 2015	30 Sep 2015
Long-term liabilities to credit institutions	5,113	4,360	3,000
Short-term liabilities to credit institutions	-	402	1,648
Total	5,113	4,762	4,648

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

NOTE 7 Capital employed

MSEK	30 Sep 2016	31 Dec 2015	30 Sep 2015
Total assets	37,647	35,088	32,904
Less non-interest bearing liabilities	16,539	14,509	13,662
Capital employed	21,108	20,579	19,242

NOTE 8 Financial instruments

Classification and categorisation of financial assets and liabilities ¹⁾

Carrying amount	30 Sep 2016	31 Dec 2015
Financial assets:		
Financial investments at fair value through profit and loss	47	49
Financial investments held to maturity ²⁾	139	141
Long-term receivables	496	444
Derivatives identified as hedges	870	972
Derivatives at fair value through profit and loss for trading	34	86
Accounts receivable and other receivables	10,479	11,540
Short-term investments at fair value	3,566	2,995
Liquid assets	1,717	850
Total financial assets	17,348	17,077
Financial liabilities:		
Interest-bearing liabilities ³⁾	5,899	5,725
Derivatives identified as hedges	1,442	1,561
Derivatives at fair value through profit and loss for trading	52	53
Other liabilities	5,161	5,486
Total financial liabilities	12,554	12,825

¹⁾ Derivatives with positive values are recognised as assets and derivatives with negative values are recognised as liabilities. Derivatives with a legal right of offset amount to MSEK 786.

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

³⁾ Fair value 2016 Sep: MSEK 6,054; 2015 Dec: MSEK 5,749.

Valuation methods for financial assets and liabilities

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

Level 1

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

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

Level 2

According to accepted valuation models based on observable market data:

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

Level 3

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

- Unlisted shares and participations

As of 30 September 2016 the Group had the following financial assets and liabilities at fair value:

Assets at fair value

MSEK	30 Sep 2016	Level 1	Level 2	Level 3
Bonds and interest-bearing securities	3,566	3,566	-	-
Forward exchange contracts	848	-	848	-
Currency options	10	-	10	-
Cross currency basis swaps	37	-	37	-
Electricity derivatives	9	9	-	-
Shares and participations	47	-	-	47
Total	4,517	3,575	895	47

Liabilities at fair value

MSEK	30 Sep 2016	Level 1	Level 2	Level 3
Forward exchange contracts	1,315	-	1,315	-
Currency options	7	-	7	-
Interest rate swaps	165	-	165	-
Cross currency basis swaps	-	-	-	-
Electricity derivatives	7	7	-	-
Total	1,494	7	1,487	-

NOTE 9 Supplemental information on Statement of cash flows

Liquid assets

MSEK	30 Sep 2016	31 Dec 2015	30 Sep 2015
The following components are included in liquid assets:			
Cash and bank balances	1,117	850	986
Bank deposits	600	-	400
Total according to balance sheet	1,717	850	1,386
Total according to statement of cash flows	1,717	850	1,386

Free cash flow vs. statement of cash flows

MSEK	Jan-Sep 2016	Jan-Sep 2015	Q3 2016	Q3 2015	Full Year 2015
Free cash flow	1,740	-1,595	-2,311	487	-726
Investing activities – interest-bearing:					
Short-term investments	-531	-359	2,169	155	-1,722
Other financial investments and receivables	-18	-89	8	-29	-353
Financing activities:					
Repayments of loans	-575	-746	-11	-746	-1,865
Raising of loans	732	3,398	-	561	4,758
Dividend paid to the Parent Company's shareholders	-530	-501	-	-	-501
Dividend paid to non-controlling interest	-4	-	-4	-	-10
Dividend paid to non-controlling interest	15	-	15	-	-
Cash flow for the period	829	108	-134	428	-419

Free cash flow

MSEK	Total Group Jan-Sep 2016	Total Group Jan-Sep 2015	Q3 2016	Q3 2015	Total Group Full year 2015
Cash flow from operating activities before changes in working capital, excluding taxes and other financial items	1,772	1,019	545	406	2,706
Cash flow from changes in working capital:					
Inventories	-1,289	-1,162	-780	-92	349
Current receivables	1,252	-742	-621	-576	-3,573
Advance payments from customers	2,398	162	-55	41	284
Other current liabilities	-836	647	-916	1,209	1,426
Provisions	-187	-295	-73	-39	-306
Change in working capital	1,338	-1,390	-2,445	543	-1,820
Cash flow from operating activities excluding taxes and other financial items	3,110	-371	-1,900	949	886
Investing activities:					
Investments in intangible fixed assets	-627	-205	-151	-66	-594
Investments in tangible fixed assets	-495	-585	-194	-235	-799
Sales and disposals of tangible fixed assets	17	8	-5	5	7
Investments in financial fixed assets	-83	-	-21	-	-
Cash flow from investing activities ¹⁾	-1,188	-782	-371	-296	-1,386
Operational cash flow	1,922	-1,153	-2,271	653	-500
Taxes and other financial items	-235	-428	-16	-166	-528
Sale of and investments in shares etc.	-2	-10	-2	-	211
Acquisitions of operations	-22	-4	-22	-	-221
Sale of subsidiaries	77	-	-	-	312
Free cash flow	1,740	-1,595	-2,311	487	-726

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

NOTE 10 Business combinations

No significant acquisitions were made during the first nine months of 2016.

NOTE 11 Defined-benefit plans

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

Pension obligation according to IAS 19

MSEK	30 Sep 2016	30 Sep 2015
Defined-benefit obligation	8,907	7,826
Special employers' contribution	697	465
Less plan assets	5,981	5,681
Total provisions for pensions	3,623	2,610
of which reported as long-term receivable	49	59

NOTE 12 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 13 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 2015, note 40.

NOTE 14 Definitions

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

Capital employed

Total assets less non-interest-bearing liabilities.

Earnings per share

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

EBITDA

Operating income before depreciation/amortisation and write-downs less depreciation/amortisation and write-downs of lease aircraft.

EBITDA margin

Operating income before depreciation/amortisation and write-downs less depreciation/amortisation and write-downs of lease aircraft as a percentage of sales.

Effective tax rate

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

Equity/assets ratio

Equity in relation to total assets.

Equity per share

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

Free cash flow

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

Free cash flow per share

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

Gross margin

Gross income as a percentage of sales.

Net investments

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

Net liquidity/net debt

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

Operating margin

Operating income (EBIT) as a percentage of sales.

Operational cash flow

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

Order backlog

Total value of orders at the end of the period.

Order bookings

Total value of orders received during the period.

Organic sales growth

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

Return on capital employed

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

Return on equity

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

GLOSSARY

EKN
The Swedish Export Credits Guarantee Board

FMV
Swedish Defence Materiel Administration

FRN
Floating Rate Note

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

IAS
International Accounting Standards

IFRS
International Financial Reporting Standards

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

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

Linköping, 25 October 2016

Håkan Buskhe
President and CEO

REVIEW REPORT

Introduction

We have reviewed the condensed interim financial information of Saab AB for the period from 1 January to 30 September 2016. The board of directors and the president are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim financial information 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 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, the conclusion expressed based on a review does not give the same level of assurance as conclusion expressed based on an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts act for the Group, and with the Swedish Annual Accounts act for the parent company.

Stockholm 25 October 2016
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 and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above, on 25 October 2016 at 07:30 (CET).

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Press and financial analyst conference

25 October 2016 at 10.00 (CET)
Grand Hôtel, Venue: New York, Blasieholmshamnen 8, Stockholm

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

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

Live webcast:

saab-interimreport.creo.se/161025

Conference call:

Please, dial in using one of the numbers below.

UK: +44 20 300 89 813

US: +1 855 753 2235

SE: +46 8 566 427 00

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

CALENDAR

YEAR-END REPORT 2016
PUBLISHED 15 FEBRUARY 2017

INTERIM REPORT JANUARY–MARCH 2017
PUBLISHED 26 APRIL 2017

INTERIM REPORT JANUARY–JUNE 2017
PUBLISHED 20 JULY 2017

INTERIM REPORT JANUARY–SEPTEMBER 2017
PUBLISHED 24 OCTOBER 2017