

Q4

YEAR-END REPORT
JANUARY-DECEMBER 2018

Order backlog

BSEK

102

Order bookings

% outside Sweden

71

Sales

BSEK

33

Comment by the President and CEO, Håkan Buskhe:

Strengthened market position provides future possibilities

2018 was a year in which Saab strengthened its market position. A number of important orders were received, one example of which is the order from Boeing related to the T-X trainer aircraft for the U.S. Air Force. The larger development projects in the order backlog progressed according to plan and a number of important milestones were reached in the development of the new generation Gripen for Sweden and Brazil, the GlobalEye Airborne Early Warning & Control system and the upgrade of the HSWS Gotland submarine with successful results.

In addition, a series of measures were identified and implemented to bolster the company long-term and raise productivity. They included operating efficiencies and a plan to adapt the product portfolio, improve marketing efficiency and increase digitisation and automation. In the third and fourth quarters, a large share of the identified efficiencies were completed.

At the same time, global security concerns increased and we are seeing a greater focus on defence and security issues in many countries. Interest in Saab's offering is high. In the fourth quarter 2018, a SEK 6 billion rights issue was carried out to support Saab's continued growth journey. The strengthened balance sheet provides possibilities and a basis from which to create additional growth ahead.

Order bookings and sales

Order bookings amounted to SEK 28 billion in 2018 with increasing medium-sized and small orders. Saab received a major order for Gripen development and operational support in Sweden worth SEK 1.4 billion in the year. During the comparative year 2017, Saab's large orders totalled SEK 10.7 billion.

Sales amounted to SEK 33.2 billion with organic growth of 4 per cent.

Operating income and non-recurring items

Operating income in 2018 amounted to SEK 2,266 million (2,250) and the operating margin was 6.8 per cent (7.1). Adjusted for non-recurring items of SEK 298 million, operating income amounted to SEK 2,564 million with an operating margin of 7.7 per cent.

Operational cash flow

Operational cash flow amounted to SEK -2,424 million (1,388) in 2018. In the fourth quarter, it amounted to SEK 2,773 million (2,146). In 2019, operational cash flow will continue to be negatively affected by timing differences in payment flows for major projects.

Dividend

The Board of Directors proposes a dividend for 2018 of SEK 4.50 per share (4.40). The dividend for 2017 has been restated for outstanding shares as of 31 December 2018.

OUTLOOK STATEMENT FOR 2019:

We estimate that sales growth in 2019 will be in line with Saab's long-term financial goal: annual organic sales growth of 5 per cent.

The operating margin in 2019, excluding material non-recurring items, is expected to improve compared to 2018, bringing Saab a step closer to its long-term financial goal: an operating margin of 10 per cent per year over a business cycle.

Financial highlights

MSEK	Full Year 2018	Full Year 2017 ¹⁾	Change, %	Q4 2018	Q4 2017 ¹⁾
Order bookings	27,975	30,841	-9	10,792	6,586
Order backlog	102,184	107,233	-5		
Sales	33,156	31,666	5	11,018	10,150
Gross income	7,764	7,543	3	2,788	2,518
Gross margin, %	23.4	23.8		25.3	24.8
EBITDA	3,182	3,089	3	1,654	1,197
EBITDA margin, %	9.6	9.8		15.0	11.8
Operating income (EBIT)	2,266	2,250	1	1,422	995
Operating margin, %	6.8	7.1		12.9	9.8
Adjusted operating income	2,564	2,250	14	1,422	995
Adjusted operating margin, %	7.7	7.1		12.9	9.8
Net income	1,366	1,508	-9	1,008	603
of which Parent Company's shareholders' interest	1,313	1,477	-11	982	601
Earnings per share after dilution, SEK ²⁾	11.21	12.70		8.23	5.16
Return on equity, % ³⁾	8.1	10.9			
Operational cash flow	-2,424	1,388		2,773	2,146
Free cash flow	-3,195	852		2,504	1,772
Free cash flow per share after dilution, SEK	-27.27	7.33		21.00	15.21

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

Number of shares excluding treasury shares as of 31 December adjusted for the rights issue.

²⁾ Average number of shares after dilution

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

133,482,880

115,685,451

117,144,915

116,310,466



SAAB

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.

The average number of shares outstanding during the period, as in previous periods reported for comparison purposes, has been adjusted in accordance with IAS 33, Earnings per share, in accordance with the terms of the rights issue.

Orders

Fourth quarter 2018

Order bookings amounted to MSEK 10,792 (6,586) in the fourth quarter 2018. Compared to 2017 order bookings rose 64 per cent. Small orders grew in all business areas and medium-sized orders rose 65 per cent.

January-December 2018

Order bookings amounted to MSEK 27,975 (30,841). During the year, Saab received a large order for Gripen development and operational support in Sweden worth MSEK 1,350. Bookings of medium-sized orders grew strongly, up 44 per cent compared to 2017 to MSEK 13,331 (9,234). Small orders amounted to MSEK 12,057 (10,873).

In 2018, index and price changes had a positive effect on order bookings of MSEK 1,237, compared to MSEK 812 in 2017.

The order backlog at year-end amounted to MSEK 102,184, compared to MSEK 107,233 at the beginning of the year. In total, 67 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

Fourth quarter 2018

Sales amounted to MSEK 11,018 (10,150) in the fourth quarter. Sales rose in the business area Aeronautics due to increased activity within the Gripen programmes to Sweden and Brazil. Surveillance saw higher activity in several business units, as did Industrial Products and Services. Kockums had strong growth in both its submarine and surface combatant businesses in the quarter.

January-December 2018

Sales amounted to MSEK 33,156 (31,666). The increase is related to a high activity level within the major development projects Gripen NG to Brazil and GlobalEye to the United Arab Emirates. In addition, Surveillance had strong growth in C4I solutions and Kockums in surface combatants.

Sales from markets outside Sweden amounted to MSEK 19,637 (18,450), corresponding to 59 per cent (58), of total sales. 85 per cent (84) of sales related to the defence market.

Sales growth

Per cent	Full Year 2018	Full Year 2017	Q4 2018	Q4 2017
Organic sales growth	4	11	7	14
Acquisitions	1	-	1	-
Currency effects regarding revaluation of foreign subsidiaries	-	-	1	-1
Total sales growth	5	11	9	13

Sales per region

MSEK	Full Year 2018	Full Year 2017	Change, %
Sweden	13,519	13,216	2
Rest of Europe	4,768	4,496	6
North America	3,155	2,778	14
Latin America	3,821	2,653	44
Asia	6,148	7,041	-13
Africa	361	449	-20
Australia, etc.	1,384	1,033	34
Total	33,156	31,666	5

Large orders, Jan-Dec 2018

	MSEK
Operational and development support Gripen	1,350

Classification of orders

	MSEK
Small orders	<100
Medium-sized orders	100-1000
Large orders	>1000

Order distribution

Orders exceeding MSEK 100 accounted for 57% (65) of total orders during the year.



Order backlog duration:

2019: SEK **28.0** billion
 2020: SEK **20.6** billion
 2021: SEK **18.1** billion
 2022: SEK **13.3** billion
 After 2022: SEK **22.2** billion

Defence/Civil

A total of 84% (86) of order bookings was attributable to defence-related operations during the year.

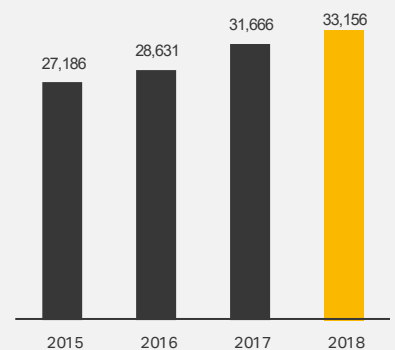


Market

A total of 71% (55) of order bookings was related to markets outside Sweden during the year.



Sales MSEK



Income

Fourth quarter 2018

The gross margin in the fourth quarter was 25.3 per cent (24.8).

Operating income amounted to MSEK 1,422 (995) with an operating margin of 12.9 per cent (9.8).

The operating margin strengthened mainly in Aeronautics, which had a higher activity level within the Gripen programmes and lower costs related to the development of the T-X trainer.

January-December 2018

The gross margin in 2018 was 23.4 per cent (23.8). Gross income was at a somewhat lower level mainly due to changes in the project mix sales within Kockums and Surveillance.

Total depreciation, amortisation and write-downs amounted to MSEK 916 (839). Depreciation of tangible fixed assets amounted to MSEK 612 (555).

Total R&D expenditures amounted to MSEK 7,562 (7,348), or about 23 per cent (23) of sales. Internally funded R&D expenditures amounted to MSEK 2,223 (2,059), of which MSEK 1,140 (871) was capitalised. Capitalised expenditures are mainly attributable to the development of Gripen E/F for future exports.

Amortisation and write-downs of intangible fixed assets amounted to MSEK 304 (284), of which amortisation and write-downs of capitalised development expenditures amounted to MSEK 184 (160). The share of income in associated companies and joint ventures amounted to MSEK -14 (-39).

Operating income amounted to MSEK 2,266 (2,250) with an operating margin of 6.8 per cent (7.1). Adjusted for non-recurring items of MSEK 298, operating income amounted to MSEK 2,564 (2,250) with an operating margin of 7.7 per cent (7.1). The operating margin strengthened mainly in Aeronautics, which had a higher activity level within the Gripen programmes and lower costs related to T-X.

The non-recurring items are related to efficiency improvements to increase productivity, the main part of which relates to workforce reductions. The measures were initiated in the third quarter and progressed as planned in the fourth quarter. For example, efficiencies were implemented in the Barracuda business unit within Dynamics, and in the business areas Surveillance and Support and Services the product portfolio has been modified. See note 5 for more information.

Financial net

MSEK	Full Year 2018	Full Year 2017
Financial net related to pensions	-67	-69
Net interest items	-96	-100
Currency gains/losses	-226	54
Other financial items	-81	-36
Total	-470	-151

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. In 2018, 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 -430 (-591), equivalent to an effective tax rate of 24 per cent (28). The announced corporate tax cut in Sweden led to a lower tax rate due to the restatement of deferred taxes.

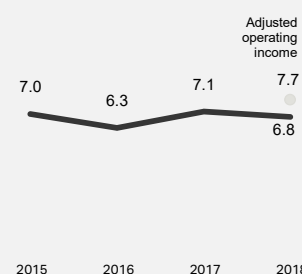
Return on capital employed and equity

The pre-tax return on capital employed was 8.7 per cent (10.5) and the after-tax return on equity was 8.1 per cent (10.9), both measured over a rolling 12-month period.

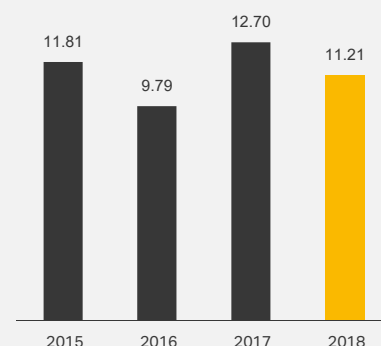
Gross margin, %



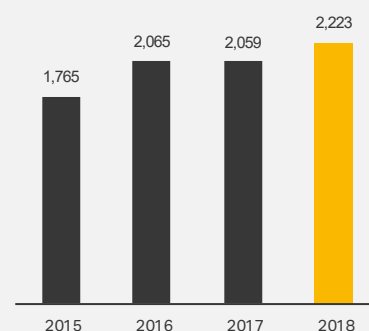
Operating margin, %



Earnings per share after dilution, SEK



Internally funded R&D expenditures, MSEK



Financial position and liquidity

At the end of December 2018, net debt was MSEK 1,460, a decrease of MSEK 374 compared to year-end 2017, when net debt amounted to MSEK 1,834.

Cash flow from operating activities amounted to MSEK -490.

Accounts receivable increased by MSEK 857 during the year as several business areas had larger deliveries late in the year.

Due to the level of completion of large projects, contract assets increased by MSEK 2,466 during the year at the same time that contract liabilities decreased by MSEK 622.

Inventories increased by MSEK 1,029 during the year. The increase mainly relates to future deliveries within Dynamics.

Net provisions for pensions, excluding the special employer's contribution, amounted to MSEK 4,099 as of 31 December 2018, compared to MSEK 2,646 at year-end 2017. The change had a negative effect on net debt of MSEK 1,453. 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 year 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 6,129 at year-end. As of 1 January 2018, investment properties are no longer recognised as a separate item but are included in tangible fixed assets.

Net investments during the year amounted to approximately MSEK 2,796 (2,132).

Investments in tangible fixed assets amounted to MSEK 1,481 (1,093). The increase is mainly related to production capacity.

Investments in intangible fixed assets amounted to MSEK 1,338 (1,064), of which MSEK 1,140 (871) related to capitalised R&D expenditures and MSEK 198 (193) to other intangible fixed assets.

Capitalised development expenditures on the balance sheet increased by MSEK 968. 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 year, 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 31 December 2018, short-term investments and liquid assets amounted to MSEK 11,454, an increase of MSEK 4,783 compared to year-end 2017. Funding of MSEK 3,820 was raised in 2018. For further information on Saab's liabilities to credit institutions, see note 8. A rights issue was carried out in the second half of 2018. For more information, see page 10.

Capital employed increased by MSEK 9,704 during the year to MSEK 33,003. In addition to the proceeds of the rights issue, the increase is mainly related to the level of completion within airborne surveillance and the Gripen programmes.

Change in net debt Jan-Dec 2018

	MSEK
Net liquidity (+) / net debt (-), 31 Dec 2017	-1,834
Cash flow from operating activities	-490
Change in net pension obligation	-1,453
Net investments	-2,796
Sale of subsidiaries and acquisitions of operations	48
Rights issue	5,967
Repurchase of shares	-203
Dividend	-588
Dividend to and transactions with non-controlling interest	-38
Currency impact and unrealised results from financial investments	-73
Net liquidity (+) / net debt (-), 31 Dec 2018	-1,460

Key indicators of financial position and liquidity

MSEK	31 Dec 2018	31 Dec 2017	Change
Net liquidity / debt ²⁾	-1,460	-1,834	374
Intangible fixed assets	9,057	7,862	1,195
Goodwill	5,310	5,177	133
Capitalised development costs	3,328	2,360	968
Other intangible fixed assets	419	325	94
Tangible fixed assets, etc ³⁾	6,478	5,663	815
Inventories	9,276	8,247	1,029
Accounts receivable	5,199	4,342	857
Contract assets ⁴⁾	10,466	8,000	2,466
Contract liabilities ⁴⁾	8,890	9,512	-622
Equity/assets ratio, %	35.0	31.7	
Return on equity, %	8.1	10.9	
Equity per share, SEK ¹⁾	145.43	121.86	

1) Number of shares excluding treasury shares

133,482,880 115,685,451

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.

Cash flow

Cash flow from operating activities, excluding taxes and other financial items, amounted to MSEK 372 (3,520), see note 11.

Operational cash flow amounted to MSEK -2,424 (1,388). 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 working capital in major projects and utilisation of previously received advances and milestone payments.

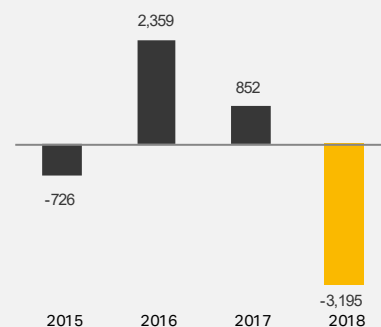
Free cash flow amounted to MSEK -3,195 (852). For more detailed information on cash flow, see note 11.

The cash flow can be very different between years as timing of milestone payments can differ much in large projects in the order backlog. Payments are dependent on how milestones are passed.

	Total Group Full Year 2018	Total Group Full Year 2017
Cash flow from operating activities before changes in working capital, excluding taxes and other financial items	4,026	3,688
Change in working capital	-3,654	-168
Cash flow from operating activities excluding taxes and other financial items	372	3,520
Cash flow from investing activities ¹⁾	-2,796	-2,132
Operational cash flow	-2,424	1,388
Taxes and other financial items	-862	-356
Sales and acquisitions	91	-180
Free cash flow	-3,195	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, 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, self-protection systems, electronic warfare systems, combat systems and C4I solutions.

Business Area Support and Services

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

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Business Area Industrial Products and Services

The business units within Industrial Products and Services are focused on mainly civilian customers. The business units Aerostructures, Avionics, Traffic Management, and the wholly owned, independent subsidiary Combitech are included in the business area.

Business Area Kockums

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

Business Area Aeronautics

Business units

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

MSEK	Full Year 2018	Full Year 2017	Change, %	Q4 2018	Q4 2017
Order bookings	5,261	3,295	60	2,581	1,419
Order backlog	47,359	50,154	-6		
Sales	8,056	7,267	11	2,654	2,373
EBITDA	736	528	39	323	197
EBITDA margin, %	9.1	7.3		12.2	8.3
Operating income (EBIT)	680	478	42	309	184
Operating margin, %	8.4	6.6		11.6	7.8
Operational cash flow	-1,096	1,264		1,521	1,567
Defence/Civil (% of sales)	100/0	99/1		100/0	99/1
No. of FTE's	3,212	3,073	5		

Orders

In September, the U.S. Air Force selected T-X as its future trainer aircraft, which will be manufactured by Boeing and Saab. In October, Saab received an initial order from Boeing related to T-X. In 2018, 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.

Sales, income and margin

Sales increased in 2018 mainly due to a higher activity level within Gripen development and production for Brazil. The operating margin improved due to the higher activity level, completion of smaller orders and lower R&D expenditures for the T-X programme compared to 2017.

Cash flow

Cash flow was negative as a result of increased capital employed and utilisation of received advances. Large milestone payments received in the fourth quarter resulted in a positive cash flow in the quarter.

Order distribution

Orders exceeding MSEK 100 accounted for 82% (64) of total orders during the year.



Market

Sales in markets outside Sweden amounted to 44% (35) during the year.



Business Area Dynamics

Business units

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

MSEK	Full Year 2018	Full Year 2017	Change, %	Q4 2018	Q4 2017
Order bookings	7,308	8,615	-15	3,463	1,024
Order backlog	13,645	11,597	18		
Sales	5,319	5,617	-5	2,287	2,450
EBITDA	610	765	-20	442	414
EBITDA margin, %	11.5	13.6		19.3	16.9
Operating income (EBIT)	535	680	-21	422	393
Operating margin, %	10.1	12.1		18.5	16.0
Operational cash flow	-120	1,105		454	796
Defence/Civil (% of sales)	93/7	94/6		95/5	97/3
No. of FTE's	2,252	2,143	5		

Order distribution

Orders exceeding MSEK 100 accounted for 66% (73) of total orders during the year.



Market

Sales in markets outside Sweden amounted to 72% (73) during the year.



Orders

In 2018, 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). In 2018, several countries ordered the latest generation of the Carl-Gustaf M4 multi-role weapon, and at year-end a total of 10 countries had ordered the system.

In the comparative period 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.

Sales, income and margin

Sales and the operating margin decreased due to fewer deliveries in 2018 compared to 2017. A change in the product mix also contributed to a lower operating margin. In addition, a non-recurring expense of MSEK 6 was recognised for productivity enhancements in the third quarter.

Cash flow

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

Business Area Surveillance

Business units

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

MSEK	Full Year 2018	Full Year 2017	Change, %	Q4 2018	Q4 2017
Order bookings	7,370	7,048	5	1,964	1,949
Order backlog	14,731	14,764	-		
Sales	7,397	6,633	12	2,302	1,966
EBITDA	904	925	-2	442	360
EBITDA margin, %	12.2	13.9		19.2	18.3
Operating income (EBIT)	631	632	-	371	281
Operating margin, %	8.5	9.5		16.1	14.3
Operational cash flow	-1,085	-60		367	105
Defence/Civil (% of sales)	99/1	98/2		100/0	98/2
No. of FTE's	3,770	3,601	5		

Orders

In 2018, 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 FMV for among other things the Giraffe 4A multi-function radar. 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).

Sales, income and margin

Sales increased in 2018 mainly due to a higher activity level for Airborne Surveillance Systems. In the third quarter, a non-recurring expense of MSEK 42 was recognised for productivity improvements, including adjustments to part of the operations in Sweden, Norway and Germany.

Cash flow

In 2018, 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 65% (64) of total orders during the year.



Market

Sales in markets outside Sweden amounted to 78% (79) during the year.



Business Area Support and Services

Business units

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

MSEK	Full Year 2018	Full Year 2017	Change, %	Q4 2018	Q4 2017
Order bookings	3,635	6,199	-41	1,249	1,122
Order backlog	10,690	12,513	-15		
Sales	5,470	5,818	-6	1,657	1,656
EBITDA	754	721	5	325	257
EBITDA margin, %	13.8	12.4		19.6	15.5
Operating income (EBIT)	685	702	-2	320	253
Operating margin, %	12.5	12.1		19.3	15.3
Operational cash flow	369	126		227	-38
Defence/Civil (% of sales)	84/16	82/18		86/14	82/18
No. of FTE's	1,851	1,865	-1		

Order

distribution

Orders exceeding MSEK 100 accounted for 29% (67) of total orders during the year.



Market

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



Orders

Several orders were received in 2018, 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. A contract was signed with Vard Group AS to equip the Norwegian Coast Guard's vessels with Saab's TactiCall communication system.

In the comparative 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 2017 was that Saab received a major order 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 was recognised for productivity improvements related to adjustments to the business area's product portfolio.

Business Area Industrial Products and Services

Business units

Aerostructures, Avionics Systems, Traffic Management, and Combitech.

MSEK	Full Year 2018	Full Year 2017	Change, %	Q4 2018	Q4 2017
Order bookings	5,344	5,842	-9	1,768	1,425
Order backlog	11,004	11,697	-6		
Sales	6,107	5,635	8	1,879	1,623
EBITDA	290	213	36	162	100
EBITDA margin, %	4.7	3.8		8.6	6.2
Operating income (EBIT)	202	116	74	139	76
Operating margin, %	3.3	2.1		7.4	4.7
Operational cash flow	-351	-296		52	-21
Defence/Civil (% of sales)	30/70	29/71		26/74	31/69
No. of FTE's	3,566	3,488	2		

Orders

During the year, the business unit Traffic Management received an order from FMV for integrated traffic management and airport systems at all Swedish Air Force airports and air bases around the country.

In 2018, order bookings were lower than in 2017 mainly because the business unit Traffic Management received several large orders in 2017.

Sales, income and margin

Sales within several business units increased in 2018 and the operating margin rose 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 year.

Order

distribution

Orders exceeding MSEK 100 accounted for 16% (24) of total orders during the year.



Market

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



Business Area Kockums

Business units

Submarines, and Surface Ships.

MSEK	Full Year 2018	Full Year 2017	Change, %	Q4 2018	Q4 2017
Order bookings	1,123	2,129	-47	375	215
Order backlog	6,646	8,815	-25		
Sales	3,291	2,712	21	1,029	763
EBITDA	203	180	13	53	52
EBITDA margin, %	6.2	6.6		5.2	6.8
Operating income (EBIT)	173	157	10	45	47
Operating margin, %	5.3	5.8		4.4	6.2
Operational cash flow	251	206		159	186
Defence/Civil (% of sales)	100/0	100/0		100/0	100/0
No. of FTE's	1,205	1,115	8		

Order distribution

Orders exceeding MSEK 100 accounted for 10% (68) of total orders during the year.



Market

Sales in markets outside Sweden amounted to 10% (11) during the year.



Orders

In 2018, Saab signed a contract with ASC to update the Integrated Ship Control Management and Monitoring System (ISCMMS) for four of the Royal Australian Navy's Collins Class Submarines.

Sales, income and margin

Sales increased in 2018 due to high activity in surface combatants and the acquisitions of N. Sundin Dockstavarvet AB and the repair shipyard Muskövarvet AB on 29 December 2017.

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 operating income of MSEK -640 (-515) in 2018. Excluding non-recurring items of MSEK 200 recognised in the third quarter, operating income amounted to MSEK -440. The non-recurring items are mainly related to workforce reductions.

Operational cash flow attributable to Corporate amounted to MSEK -392 (-957) during the year.

Acquisitions and divestments 2018

No significant acquisitions or divestments were made during the year.

Share repurchase

Saab held 2,363,299 treasury shares as of 31 December 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.

Rights issue 2018

In the second half of 2018 Saab carried out a rights issue to support its continued growth. The net proceeds after deducting issue costs amounted to MSEK 5,984, of which MSEK 5,967 was received in 2018, the remaining part MSEK 17 was paid in January 2019. After the completion of the rights issue, the number of shares in Saab amounts to 135,845,847, of which 2,383,903 series A shares, corresponding to 23 839 030 votes, and 133,461,944 series B shares, corresponding to 133,461,944 votes, totalling 157,300,974 votes.

Proposed dividend

The Board of Directors proposes that shareholders receive a dividend of SEK 4.50 per share (5.50), totalling MSEK 601 (588). The dividend for 2018 is based on the number of shares outstanding as of 31 December 2018, amounting to 133 482 880 (106 823 782). The proposed record date to be entitled to receive the dividend is 15 April 2019 and the dividend is expected to be paid out on 18 April 2019.

Nomination Committee

In accordance with the resolution of Saab's Annual General Meeting, the members of the Nomination Committee were appointed based on the shareholder structure on 31 August 2018. The members of the Saab Nomination Committee for the Annual General Meeting 2019 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 Funds; and Anders Algotsson, AFA Insurance.

The Nomination Committee prepares proposals for the Chairman of the Annual General Meeting, the Board of Directors, the Chairman of the Board of Directors and the Auditor as well as Board remuneration and the fee to the Auditor.

The Annual General Meeting of Saab AB will be held in Linköping on Thursday, 11 April 2019.

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 31 January 2019

	% of capital	% of votes
Investor AB	30.2	40.3
Knut and Alice Wallenberg Foundation	8.8	7.7
Swedbank Robur funds	5.6	4.9
Första AP-fonden	3.7	3.3
AFA Insurance	2.9	2.5
Vanguard	1.9	1.6
Skandia	1.7	1.5
Fidelity	1.6	1.4
Nordea funds	1.4	1.2
Norges Bank	1.4	1.2

Source: Modular Finance

The percentage of votes is calculated on the number of shares excluding treasury shares. Due to the rights issue, Saab's largest owner is shown as of January 31, 2019

Personnel

	31 Dec 2018	31 Dec 2017
Number of employees	17,096	16,427
FTE's	16,759	16,171

Other events 2018 in brief

- 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 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.
- On 27 September, the U.S. Air Force designated Boeing as the prime contractor for a new advanced pilot training system. Saab is a risk-sharing partner with Boeing in the development of the T-X aircraft, which is part of the system. On 18 October, 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 plans to raise approximately MSEK 6006 through a rights issue to support the company's continued growth. In December, the final outcome of the rights issue showed that shares corresponding to 99.3 per cent of the offered shares were subscribed for by exercise of subscription rights. Together with applications for subscription without subscription rights, this corresponded to approximately 190.4 per cent of the shares offered. Through the rights issue, Saab received proceeds of approximately MSEK 6,006 before issue costs.
- Christian Hedelin was appointed Chief Strategy Officer on 1 November 2018 and became a member of Saab's Group Management.
- On 26 November, Saab announced that Gripen E had successfully completed the first separation tests to verify the aircraft's ability to release and launch external payloads. The tests took place in October 2018 at the Vidsel Test Range in Sweden. In October, Saab also successfully completed a test flight of a Gripen E aircraft with the Meteor Beyond Visual Range Air-to-Air Missile (BVRAAM) for the first time.

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

Events after the conclusion of the period

- On 3 January, 2019, Saab completed a successful first flight with the second GlobalEye Airborne Early Warning & Control (AEW&C).
- On 18 January, 2019, Saab signed a contract with the UK Ministry of Defence for support and services related to the landbased Giraffe AMB radar systems. Saab's multi-function Giraffe AMB radars have been in operation with the UK armed forces since 2007.
- Supported by Sweden, Saab on 25 January, 2019, submitted a proposal for the Swiss New Fighter Aircraft procurement to armasuisse, the Swiss defence procurement agency. Saab offers Gripen E and a comprehensive industrial participation programme for Swiss industry corresponding to 100 per cent of the contract value.
- Supported by Sweden, Saab on 30 January, 2019, submitted a proposal for the Finnish HX fighter procurement to the Finnish defence procurement agency, the Logistics Command of the Finnish Defence Forces. The proposal comprises 64 Gripen aircraft, both single-seat Gripen E and dual-seat Gripen F, and is the formal response to the Request for Quotation (RFQ) issued in April 2018.

Australia's frigates



BAE Systems announced in November 2018 that it had selected Saab as a partner in a team including Lockheed Martin Australia to deliver Australia's Hunter class frigates. Saab will integrate the combat management system, weapons and sensors for the vessels. The selection of Saab as a systems integrator is the continuation of a long series of successful defence collaborations in Australia. This is an important first step in the work that will endure for the life of the Hunter class frigate programme. At this stage, no contract has been signed.

About Saab

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

Short facts

Saab's series B share is listed on Nasdaq Stockholm Large Cap Ticker: SAAB B.

- Saab has approximately 17,000 employees
- Local presence in approximately 35 countries
- Customers in more than 100 countries

Vision

It is a human right to feel safe.

Mission

To make people safe by pushing intellectual and technological boundaries.

Business concept

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

Organisation

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

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



Revenue model

Saab's sales are primarily generated from long-term customer contracts, service assignments and the sale of goods. Sales, income and cash flow fluctuate over the course of the year depending on the nature of the project.

Long-term customer contracts relate to the development and manufacture of complex systems that stretch over several reporting periods. Long-term customer contracts are recognised in revenue as the project is completed, while cash flows depend on the timing of deliveries, advances and milestone payments during the contract period.

Service assignments consist of consulting and support services. Examples include education and ongoing maintenance associated with previous deliveries. Revenue from service assignments is normally recognised when the services are rendered.

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

Financial goals

Sales

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

Operating margin

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

Equity/assets ratio

The equity/assets ratio will exceed 30 per cent.

Dividend

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



Saab's strategy

To stay a step ahead in an optimal way and meet our customers' needs, we have based our strategy on three priorities: market, efficiency and innovation. The aim is to create long-term value by working to achieve them. Sustainability issues affect our entire business, and engaged employees are the key to success.

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

Market

We focus on areas where we have a strong market position and on strengthening our position in areas with good growth opportunities.

Our global presence and diversity will be strengthened in part through partnerships and local collaborations. We have zero tolerance for corruption and work actively to create a thoroughly transparent defence market.

Efficiency

The focus is on making functional processes more efficient, developing an even more business-oriented culture and developing leaders and employees.

Innovation

We concentrate our product portfolio on innovations in five core areas and feel that diversity and engaged employees drive innovation. The five core areas are: aeronautics, advanced weapon systems, command and control systems, sensors and underwater systems.

Consolidated income statement

MSEK	Note	Full Year 2018	Full Year 2017	Q4 2018	Q4 2017
Sales	4	33,156	31,666	11,018	10,150
Cost of goods sold		-25,392	-24,123	-8,230	-7,632
Gross income		7,764	7,543	2,788	2,518
Gross margin, %		23.4	23.8	25.3	24.8
Other operating income		156	104	57	21
Marketing expenses		-2,644	-2,430	-735	-680
Administrative expenses		-1,466	-1,493	-378	-429
Research and development costs		-1,267	-1,348	-277	-378
Other operating expenses		-263	-87	-22	-33
Share in income of associated companies and joint ventures		-14	-39	-11	-24
Operating income (EBIT) ¹⁾	3	2,266	2,250	1,422	995
Operating margin, %		6.8	7.1	12.9	9.8
Financial income		193	121	113	-29
Financial expenses		-663	-272	-211	-77
Net financial items		-470	-151	-98	-106
Income before taxes		1,796	2,099	1,324	889
Taxes		-430	-591	-316	-286
Net income for the period		1,366	1,508	1,008	603
of which Parent Company's shareholders' interest		1,313	1,477	982	601
of which non-controlling interest		53	31	26	2
Earnings per share before dilution, SEK ²⁾		11.27	12.79	8.28	5.20
Earnings per share after dilution, SEK ³⁾		11.21	12.70	8.23	5.16
1) Includes depreciation/amortisation and write-downs		-916	-839	-232	-202
2) Average number of shares before dilution		116,467,822	115,444,916	118,568,062	115,626,887
3) Average number of shares after dilution		117,144,915	116,310,466	119,253,394	116,516,136

Consolidated statement of comprehensive income

MSEK	Full Year 2018	Full Year 2017	Q4 2018	Q4 2017
Net income for the period	1,366	1,508	1,008	603
Other comprehensive income/loss:				
Items that will not be reversed in the income statement:				
Revaluation of net pension obligations	-1,711	-190	-742	-326
Tax attributable to revaluation of net pension obligations	308	43	153	73
Total	-1,403	-147	-589	-253
Items that may be reversed in the income statement:				
Translation differences	173	-255	18	139
Cash flow hedges	-147	631	-257	10
Tax attributable to cash flow hedges	42	-137	64	-6
Total	68	239	-175	143
Other comprehensive income/loss for the period	-1,335	92	-764	-110
Net comprehensive income/loss for the period	31	1,600	244	493
of which Parent Company's shareholders' interest	-11	1,553	212	476
of which non-controlling interest	42	47	32	17

Consolidated statement of financial position

MSEK	Note	31 Dec 2018	31 Dec 2017
ASSETS			
Fixed assets:			
Intangible fixed assets	7	9,057	7,862
Tangible fixed assets		6,129	5,311
Biological assets		349	352
Shares in associated companies and joint ventures		646	700
Financial investments		27	26
Long-term receivables	13	554	662
Deferred tax assets		382	238
Total fixed assets		17,144	15,151
Current assets:			
Inventories		9,276	8,247
Derivatives		1,096	1,139
Tax receivables		67	26
Accounts receivable		5,199	4,342
Contract assets		10,466	8,000
Other receivables		507	522
Prepaid expenses and accrued income		919	900
Short-term investments		9,003	4,469
Liquid assets	11	2,451	2,202
Total current assets		38,984	29,847
TOTAL ASSETS		56,128	44,998
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity:			
Parent Company's shareholders' interest		19,412	14,097
Non-controlling interest		221	188
Total shareholders' equity		19,633	14,285
Long-term liabilities:			
Long-term interest-bearing liabilities	8	8,196	6,235
Other liabilities		190	210
Provisions for pensions	13	5,113	3,424
Other provisions		1,081	1,024
Deferred tax liabilities		16	274
Total long-term liabilities		14,596	11,167
Current liabilities:			
Short-term interest-bearing liabilities	8	1,068	92
Contract liabilities		8,890	9,512
Accounts payable		4,077	2,958
Derivatives		1,234	1,093
Tax liabilities		147	120
Other liabilities		770	805
Accrued expenses and deferred income		5,097	4,483
Provisions		616	483
Total current liabilities		21,899	19,546
Total liabilities		36,495	30,713
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		56,128	44,998

Consolidated statement of changes in equity

MSEK	Capital stock	Ongoing rights issue	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 year				477	-255		1,331	1,553	47	1,600
Transactions with shareholders:										
Share matching plan							111	111		111
Dividend							-559	-559	-4	-563
Closing balance, 31 December 2017	1,746		543	-302	270	11	11,829	14,097	188	14,285
Opening balance, 1 January 2018	1,746		543	-302	270	11	11,829	14,097	188	14,285
Effects of change in accounting principles, IFRS9				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 year				-98	177		-90	-11	42	31
Transactions with shareholders:										
Rights issue		428	5,578					6,006		6,006
Issue costs			-22					-22		-22
Repurchase of shares							-203	-203		-203
Share matching plan							143	143		143
Dividend							-588	-588	-13	-601
Acquisition and sale of non-controlling interest							-6	-6	4	-2
Closing balance, 31 December 2018	1,746	428	6,099	-386	447	11	11,067	19,412	221	19,633

Consolidated statement of cash flows

MSEK	Note	Full Year 2018	Full Year 2017
Operating activities:			
Income after financial items		1,796	2,099
Adjustments for items not affecting cash flows		1,808	1,479
Dividend from associated companies and joint ventures		39	26
Income tax paid		-479	-272
Cash flow from operating activities before changes in working capital		3,164	3,332
Cash flow from changes in working capital:			
Contract assets and liabilities		-3,039	-718
Inventories		-1,057	-972
Other current receivables		-1,044	925
Other current liabilities		1,965	704
Provisions		-479	-107
Cash flow from operating activities		-490	3,164
Investing activities:			
Investments in intangible fixed assets		-198	-193
Capitalised development costs		-1,140	-871
Investments in tangible fixed assets		-1,481	-1,093
Sales and disposals of tangible fixed assets		23	25
Investments in and sale of short-term investments		-4,554	63
Investments in financial assets		-48	-30
Sale of financial assets		62	104
Investments in operations	12	15	-170
Sale of subsidiaries		33	-
Cash flow from investing activities		-7,288	-2,165
Financing activities:			
Repayments of loans		-967	-1,301
Raising of loans		3,820	1,700
Rights issue		5,967	-
Repurchase of shares		-203	-
Dividend paid to Parent Company's shareholders		-588	-559
Dividend paid to non-controlling interest		-24	-4
Transactions with non-controlling interest		-14	-
Cash flow from financing activities		7,991	-164
Cash flow for the period		213	835
Liquid assets at the beginning of the period		2,202	1,402
Exchange rate difference in liquid assets		36	-35
Liquid assets at end of period	11	2,451	2,202

Quarterly consolidated income statement

MSEK	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Sales	11,018	6,419	7,953	7,766	10,150	6,158	7,772	7,586
Cost of goods sold	-8,230	-4,980	-6,154	-6,028	-7,632	-4,602	-6,086	-5,803
Gross income	2,788	1,439	1,799	1,738	2,518	1,556	1,686	1,783
Gross margin, %	25.3	22.4	22.6	22.4	24.8	25.3	21.7	23.5
Other operating income	57	10	66	23	21	17	47	19
Marketing expenses	-735	-611	-700	-598	-680	-558	-629	-563
Administrative expenses	-378	-365	-352	-371	-429	-333	-379	-352
Research and development costs	-277	-326	-348	-316	-378	-288	-354	-328
Other operating expenses	-22	-224	5	-22	-33	-17	-16	-21
Share of income in associated companies and joint ventures	-11	16	-12	-7	-24	-8	-8	1
Operating income (EBIT) ¹⁾	1,422	-61	458	447	995	369	347	539
Operating margin, %	12.9	-1.0	5.8	5.8	9.8	6.0	4.5	7.1
Financial income	113	48	18	14	-29	37	76	37
Financial expenses	-211	-90	-232	-130	-77	-73	-68	-54
Net financial items	-98	-42	-214	-116	-106	-36	8	-17
Income before taxes	1,324	-103	244	331	889	333	355	522
Taxes	-316	11	-45	-80	-286	-88	-91	-126
Net income for the period	1,008	-92	199	251	603	245	264	396
of which Parent Company's shareholders' interest	982	-94	183	242	601	233	253	390
of which non-controlling interest	26	2	16	9	2	12	11	6
Earnings per share before dilution, SEK ²⁾	8.28	-0.81	1.58	2.09	5.20	2.02	2.19	3.38
Earnings per share after dilution, SEK ³⁾	8.23	-0.81	1.57	2.08	5.16	2.00	2.17	3.36
1) Includes depreciation/amortisation and write-downs	-232	-266	-211	-207	-202	-209	-221	-207
2) Average number of shares before dilution	118,568,062	115,728,074	115,849,107	115,726,045	115,626,887	115,508,581	115,376,183	115,268,012
3) Average number of shares after dilution	119,253,394	116,499,014	116,610,780	116,581,489	116,516,136	116,385,765	116,335,132	116,223,778

Quarterly consolidated statement of comprehensive income

MSEK	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Net income for the period	1,008	-92	199	251	603	245	264	396
Other comprehensive income/loss:								
Items that will not be reversed in the income statement:								
Revaluation of net pension obligations	-742	-28	-901	-40	-326	440	-378	74
Tax attributable to revaluation of net pension obligations	153	6	139	10	73	-97	83	-16
Total	-589	-22	-762	-30	-253	343	-295	58
Items that may be reversed in the income statement:								
Translation differences	18	-110	141	124	139	-176	-208	-10
Net gain/loss on cash flow hedges	-257	67	-152	195	10	154	300	167
Tax attributable to net gain/loss on cash flow hedges	64	-11	25	-36	-6	-27	-62	-42
Total	-175	-54	14	283	143	-49	30	115
Other comprehensive income/loss for the period	-764	-76	-748	253	-110	294	-265	173
Net comprehensive income/loss for the period	244	-168	-549	504	493	539	-1	569
of which Parent Company's shareholders' interest	212	-159	-547	483	476	535	-6	548
of which non-controlling interest	32	-9	-2	21	17	4	5	21

Key ratios by quarter

MSEK	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Equity/assets ratio, (%)	35.0	29.0	28.7	31.5	31.7	33.0	32.3	32.8
Return on capital employed, % ³⁾	8.7	7.7	9.6	9.4	10.5	11.0	10.5	9.8
Return on equity, % ³⁾	8.1	7.1	9.7	9.6	10.9	11.9	11.2	10.2
Equity per share, SEK ^{1) 3)}	145.43	114.05	116.51	126.18	121.86	117.58	112.79	117.62
Free cash flow, MSEK ³⁾	2,504	-2,507	-781	-2,411	1,772	-388	-1,429	897
Free cash flow per share after dilution, SEK ^{2) 3)}	21.00	-21.52	-6.70	-20.68	15.21	-3.33	-12.28	7.72

1) Number of shares excluding treasury shares

133,482,880 115,524,571 115,931,576 115,766,638 115,685,451 115,568,324 115,448,838 115,303,529

2) Average number of shares after dilution

119,253,394 116,499,014 116,610,780 116,581,489 116,516,136 116,385,765 116,335,132 116,223,778

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

Quarterly information per operating segment

MSEK	Q4 2018	Operating margin	Q3 2018	Operating margin	Q2 2018	Operating margin	Q1 2018	Operating margin
Sales								
Aeronautics	2,654		1,489		1,871		2,042	
Dynamics	2,287		912		1,064		1,056	
Surveillance	2,302		1,518		1,799		1,778	
Support and Services	1,657		1,077		1,400		1,336	
Industrial Products and Services	1,879		1,278		1,559		1,391	
Kockums	1,029		637		880		745	
Internal sales	-790		-492		-620		-582	
Total	11,018		6,419		7,953		7,766	
Operating income/loss								
Aeronautics	309	11.6%	113	7.6%	95	5.1%	163	8.0%
Dynamics	422	18.5%	23	2.5%	44	4.1%	46	4.4%
Surveillance	371	16.1%	41	2.7%	150	8.3%	69	3.9%
Support and Services	320	19.3%	32	3.0%	159	11.4%	174	13.0%
Industrial Products and Services	139	7.4%	-18	-1.4%	54	3.5%	27	1.9%
Kockums	45	4.4%	44	6.9%	42	4.8%	42	5.6%
Corporate	-184		-296		-86		-74	
Total	1,422	12.9%	-61	-1.0%	458	5.8%	447	5.8%
MSEK	Q4 2017	Operating margin	Q3 2017	Operating margin	Q2 2017	Operating margin	Q1 2017	Operating margin
Sales								
Aeronautics	2,373		1,351		1,865		1,678	
Dynamics	2,450		786		1,235		1,146	
Surveillance	1,966		1,515		1,720		1,432	
Support and Services	1,656		1,120		1,347		1,695	
Industrial Products and Services	1,623		1,178		1,450		1,384	
Kockums	763		565		706		678	
Internal sales	-681		-357		-551		-427	
Total	10,150		6,158		7,772		7,586	
Operating income/loss								
Aeronautics	184	7.8%	108	8.0%	106	5.7%	80	4.8%
Dynamics	393	16.0%	61	7.8%	92	7.4%	134	11.7%
Surveillance	281	14.3%	140	9.2%	107	6.2%	104	7.3%
Support and Services	253	15.3%	134	12.0%	151	11.2%	164	9.7%
Industrial Products and Services	76	4.7%	-16	-1.4%	-	0.0%	56	4.0%
Kockums	47	6.2%	35	6.2%	40	5.7%	35	5.2%
Corporate	-239		-93		-149		-34	
Total	995	9.8%	369	6.0%	347	4.5%	539	7.1%

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

Multi-year overview

MSEK	2018	2017	2016	2015	2014
Order bookings	27,975	30,841	21,828	81,175	22,602
Order backlog at 31 December	102,184	107,233	107,606	113,834	60,128
Sales	33,156	31,666	28,631	27,186	23,527
<i>Sales in Sweden, %</i>	41	42	43	42	45
<i>Sales in Europe excluding Sweden, %</i>	14	14	17	18	19
<i>Sales in North America, %</i>	10	9	10	9	10
<i>Sales in Latin America, %</i>	12	8	7	6	2
<i>Sales in Rest of the World, %</i>	24	27	23	25	24
Operating income (EBIT)	2,266	2,250	1,797	1,900	1,659
<i>Operating margin, %</i>	6.8	7.1	6.3	7.0	7.1
Depreciation/amortisation and write-downs less depreciation/ amortisation and write-downs of lease aircraft	916	839	946	959	864
EBITDA	3,182	3,089	2,743	2,859	2,523
<i>EBITDA margin, %</i>	9.6	9.8	9.6	10.5	10.7
Income after financial items	1,796	2,099	1,611	1,731	1,523
Net income for the year	1,366	1,508	1,175	1,402	1,168
Total assets	56,128	44,998	41,211	35,088	29,556
Equity	19,633	14,285	13,301	12,912	11,373
Free cash flow ¹⁾	-3,195	852	2,359	-726	-1,094
<i>Return on capital employed, % ¹⁾</i>	8.7	10.5	8.9	11.2	11.1
<i>Return on equity, % ¹⁾</i>	8.1	10.9	9.0	11.5	9.9
<i>Equity/assets ratio, %</i>	35.0	31.7	32.3	36.8	38.5
Earnings per share before dilution, SEK ¹⁾³⁾	11.27	12.79	9.85	11.90	10.03
Earnings per share after dilution, SEK ¹⁾³⁾	11.21	12.70	9.79	11.81	9.96
Dividend per share, SEK	4.50 ²⁾	5.50	5.25	5.00	4.75
Equity per share, SEK ¹⁾³⁾	145.43	121.86	114.17	111.99	98.83
Number of employees at year-end	17,096	16,427	15,465	14,685	14,716
Number of shares excluding treasury shares as of 31 December ³⁾	133,482,880	115,685,451	115,232,495	114,746,834	114,251,832
Average number of shares before dilution ³⁾	116,467,822	115,444,915	114,971,098	114,484,478	114,929,422
Average number of shares after dilution ³⁾	117,144,915	116,310,466	115,775,275	115,280,946	115,785,595

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

2) Board of Directors' proposal

3) The average number of shares outstanding during the period, as in previous periods reported for comparison purposes, has been adjusted in accordance with IAS 33, Earnings per share, in accordance with the terms of the rights issue

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

Key ratios and goals

	Long-term target	Full Year 2018	Full Year 2017
Organic sales growth, %	5	4	11
Operating margin, %	10	6.8	7.1
Equity/assets ratio, %	30	35.0	31.7

Parent company

The Parent Company includes units within the business areas Aeronautics, Surveillance, Support and Services, and Industrial Products and Services as well as one unit within Dynamics. Group staff and Group support are also included. A major part of the Group's operations is included in the Parent Company. Separate notes to the Parent Company's financial statements and a separate description of risks and uncertainties for the Parent Company have therefore not been included in this interim report. The comparative year 2017 has been restated due to the new accounting principle for revenue recognition, IFRS 15, *Revenue from Contracts with Customers*, which took effect in 2018. For further information, see note 2.

Parent company income statement

MSEK	Full Year 2018	Full Year 2017	Q4 2018	Q4 2017
Sales	20,998	19,890	6,774	6,025
Cost of goods sold	-16,287	-15,480	-5,043	-4,584
Gross income	4,711	4,410	1,731	1,441
Gross margin, %	22.4	22.2	25.6	23.9
Operating income and expenses	-4,432	-4,055	-1,168	-1,290
Operating income (EBIT)	279	355	563	151
Operating margin, %	1.3	1.8	8.3	2.5
Financial income and expenses	1,210	519	1,056	459
Income after financial items	1,489	874	1,619	610
Appropriations	-114	-11	-114	-11
Income before taxes	1,375	863	1,505	599
Taxes	-300	-216	-341	-121
Net income for the period	1,075	647	1,164	478

Parent company balance sheet

MSEK	Note	31 Dec 2018	31 Dec 2017
ASSETS			
Fixed assets:			
Intangible fixed assets		617	542
Tangible fixed assets		3,709	3,228
Financial fixed assets		7,197	7,033
Total fixed assets		11,523	10,803
Current assets:			
Inventories		6,159	5,581
Current receivables		16,812	12,460
Short term investments		9,000	4,459
Liquid assets		1,623	1,181
Total current assets		33,594	23,681
TOTAL ASSETS		45,117	34,484
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity:			
Restricted equity		3,386	2,964
Unrestricted equity		10,849	4,868
Total shareholders' equity		14,235	7,832
Untaxed reserves, provisions and liabilities:			
Untaxed reserves		2,405	2,291
Provisions		1,327	1,089
Liabilities	8	27,150	23,272
Total untaxed reserves, provisions and liabilities		30,882	26,652
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		45,117	34,484

Liquidity, financing, capital expenditures and number of employees

The Parent Company's net debt amounted to MSEK 564 as of 31 December 2018 compared to MSEK 3,418 as of 31 December 2017.

Investments in tangible fixed assets amounted to MSEK 857 (549). Investments in intangible assets amounted to MSEK 187 (170). At the end of the year, the Parent Company had 9,672 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 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 year-end 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 year-end report for 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. 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. Net income for the period was affected by MSEK -2 for the full-year 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. For more information, see note 16.

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	Full Year	Full Year	Change, %	Q4	Q4
	2018	2017		2018	2017
Aeronautics	5,261	3,295	60	2,581	1,419
Dynamics	7,308	8,615	-15	3,463	1,024
Surveillance	7,370	7,048	5	1,964	1,949
Support and Services	3,635	6,199	-41	1,249	1,122
Industrial Products and Services	5,344	5,842	-9	1,768	1,425
Kockums	1,123	2,129	-47	375	215
Internal	-2,066	-2,287		-608	-568
Total	27,975	30,841	-9	10,792	6,586

Order bookings per region

MSEK	Full Year	Full Year	Change, %
	2018	2017	
Sweden	8,203	13,963	-41
Rest of Europe	6,936	5,116	36
North America	5,134	2,712	89
Latin America	1,562	898	74
Asia	3,474	5,721	-39
Africa	265	529	-49
Australia, etc.	2,401	1,902	26
Total	27,975	30,841	-9

Order backlog per operating segment

MSEK	31 Dec 2018	31 Dec 2017
Aeronautics	47,359	50,154
Dynamics	13,645	11,597
Surveillance	14,731	14,764
Support and Services	10,690	12,513
Industrial Products and Services	11,004	11,697
Kockums	6,646	8,815
Internal	-1,891	-2,307
Total	102,184	107,233

Order backlog per region

MSEK	31 Dec 2018	31 Dec 2017
Sweden	33,942	39,258
Rest of Europe	12,304	10,098
North America	6,923	4,810
Latin America	34,909	37,174
Asia	10,206	12,872
Africa	682	794
Australia etc.	3,218	2,227
Total	102,184	107,233

Sales per operating segment

MSEK	Full Year			Q4		
	2018	2017	Change, %	2018	2017	Change, %
Aeronautics	8,056	7,267	11	2,654	2,373	12
Dynamics	5,319	5,617	-5	2,287	2,450	-7
Surveillance	7,397	6,633	12	2,302	1,966	17
Support and Services	5,470	5,818	-6	1,657	1,656	-
Industrial Products and Services	6,107	5,635	8	1,879	1,623	16
Kockums	3,291	2,712	21	1,029	763	35
Internal	-2,484	-2,016		-790	-681	
Total	33,156	31,666	5	11,018	10,150	9

Sales per region

MSEK	Full Year 2018		Full Year 2017	
	% of sales	% of sales	% of sales	% of sales
Sweden	13,519	41	13,216	42
Rest of Europe	4,768	14	4,496	14
North America	3,155	10	2,778	9
Latin America	3,821	12	2,653	8
Asia	6,148	19	7,041	22
Africa	361	1	449	1
Australia, etc.	1,384	4	1,033	3
Total	33,156	100	31,666	100

Information on large customers

During 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 10,521 (10,695).

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	Full Year		Full Year		Q4	
	2018	% of sales	2017	% of sales	2018	2017
Aeronautics	680	8.4	478	6.6	309	184
Dynamics	535	10.1	680	12.1	422	393
Surveillance	631	8.5	632	9.5	371	281
Support and Services	685	12.5	702	12.1	320	253
Industrial Products and Services	202	3.3	116	2.1	139	76
Kockums	173	5.3	157	5.8	45	47
The operating segments' operating income	2,906	8.8	2,765	8.8	1,606	1,234
Corporate	-640		-515		-184	-239
Total	2,266	6.8	2,250	7.1	1,422	995

Depreciation/amortisation and write-downs per operating segment

MSEK	Full Year		Change, %	Q4	
	2018	2017		2018	2017
Aeronautics	56	50	12	14	13
Dynamics	75	85	-12	20	21
Surveillance	273	293	-7	71	79
Support and Services	69	19	263	5	4
Industrial Products and Services	88	97	-9	23	24
Kockums	30	23	30	8	5
Corporate	325	272	19	91	56
Total	916	839	9	232	202

Operational cash flow per operating segment

MSEK	Full Year		Q4	
	2018	2017	2018	2017
Aeronautics	-1,096	1,264	1,521	1,567
Dynamics	-120	1,105	454	796
Surveillance	-1,085	-60	367	105
Support and Services	369	126	227	-38
Industrial Products and Services	-351	-296	52	-21
Kockums	251	206	159	186
Corporate	-392	-957	-7	-449
Total	-2,424	1,388	2,773	2,146

Capital employed per operating segment

MSEK	31 Dec 2018	31 Dec 2017
Aeronautics	3,110	2,191
Dynamics	3,774	3,232
Surveillance	7,781	6,103
Support and Services	3,307	3,222
Industrial Products and Services	4,515	4,178
Kockums	1,181	1,016
Corporate	9,335	3,357
Total	33,003	23,299

Full time equivalents (FTE's) per operating segment

Number at end of the period	31 Dec 2018	31 Dec 2017
Aeronautics	3,212	3,073
Dynamics	2,252	2,143
Surveillance	3,770	3,601
Support and Services	1,851	1,865
Industrial Products and Services	3,566	3,488
Kockums	1,205	1,115
Corporate	903	886
Total	16,759	16,171

NOTE 4 Distribution of sales

MSEK	Aeronautics		Dynamics		Surveillance		Support and Services		Industrial Products and Services		Kockums		Corporate/ elimination		Group	
	Full Year 2018	Full Year 2017	Full Year 2018	Full Year 2017	Full Year 2018	Full Year 2017	Full Year 2018	Full Year 2017	Full Year 2018	Full Year 2017	Full Year 2018	Full Year 2017	Full Year 2018	Full Year 2017	Full Year 2018	Full Year 2017
External sales	7,684	6,830	5,042	5,458	7,082	6,366	5,336	5,680	4,654	4,497	3,275	2,704	83	131	33,156	31,666
Internal sales	372	437	277	159	315	267	134	138	1,453	1,138	16	8	-2,567	-2,147	-	-
Total sales	8,056	7,267	5,319	5,617	7,397	6,633	5,470	5,818	6,107	5,635	3,291	2,712	-2,484	-2,016	33,156	31,666
Sales by customer:																
Military customers	7,679	6,824	4,723	5,182	7,018	6,256	4,458	4,653	886	887	3,275	2,704	80	126	28,119	26,632
Civilian customers	5	6	319	276	64	110	878	1,027	3,768	3,610	-	-	3	5	5,037	5,034
Total external sales	7,684	6,830	5,042	5,458	7,082	6,366	5,336	5,680	4,654	4,497	3,275	2,704	83	131	33,156	31,666
Sales by significant source:																
Long-term customer contracts	6,967	6,219	1,935	2,044	4,926	4,699	2,237	2,411	2,513	2,329	2,512	2,375	81	131	21,171	20,208
Services	701	602	613	646	1,443	1,277	2,535	2,740	1,937	1,817	731	329	-	-	7,960	7,411
Products	16	9	2,494	2,768	713	390	564	529	204	351	32	-	2	-	4,025	4,047
Total external sales	7,684	6,830	5,042	5,458	7,082	6,366	5,336	5,680	4,654	4,497	3,275	2,704	83	131	33,156	31,666
Sales by domain:																
Air	7,684	6,824	289	341	3,757	3,255	3,624	3,941	367	338	-	-	55	88	15,776	14,787
Land	-	6	3,313	3,908	1,083	1,494	808	788	386	539	-	-	-	-	5,590	6,735
Naval	-	-	1,239	1,032	2,153	1,527	207	150	8	10	3,275	2,704	28	43	6,910	5,466
Civil Security	-	-	192	177	42	32	188	158	1,841	1,732	-	-	-	-	2,263	2,099
Commercial Aeronautics	-	-	-	-	1	-	486	643	1,202	1,122	-	-	-	-	1,689	1,765
Other	-	-	9	-	46	58	23	-	850	756	-	-	-	-	928	814
Total external sales	7,684	6,830	5,042	5,458	7,082	6,366	5,336	5,680	4,654	4,497	3,275	2,704	83	131	33,156	31,666
Sales recognition method:																
Over time	7,667	6,777	2,397	1,987	6,058	5,117	4,146	4,448	2,822	2,689	3,222	2,657	81	131	26,393	23,806
Point in time	17	53	2,645	3,471	1,024	1,249	1,190	1,232	1,832	1,808	53	47	2	-	6,763	7,860
Total external sales	7,684	6,830	5,042	5,458	7,082	6,366	5,336	5,680	4,654	4,497	3,275	2,704	83	131	33,156	31,666

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	Full Year 2018	Full Year 2017	Q4 2018	Q4 2017
Cost of goods sold	-41	-	-	-
Administrative expenses	-3	-	-	-
Research and development costs	-54	-	-	-
Other operating expenses	-200	-	-	-
Total	-298	-	-	-

NOTE 6 Dividend to Parent Company's shareholders

At its meeting on 14 February 2019, the Board of Directors decided to propose to the Annual General Meeting that the Parent Company's shareholders receive a dividend of SEK 4.50 per share, totalling MSEK 601. Proposed record date for the dividend is 15 April 2019 with expected payment on 18 April 2019.

NOTE 7 Intangible fixed assets

MSEK	31 Dec 2018	31 Dec 2017
Goodwill	5,310	5,177
Capitalised development costs	3,328	2,360
Other intangible assets	419	325
Total	9,057	7,862

NOTE 8 Net liquidity/debt

MSEK	31 Dec 2018	31 Dec 2017
Assets:		
Liquid assets	2,451	2,202
Short-term investments	9,003	4,469
Total liquid investments	11,454	6,671
Short-term interest-bearing receivables	-	14
Long-term interest-bearing receivables	449	454
Long-term receivables attributable to pensions	6	40
Total interest-bearing assets	11,909	7,179
Liabilities:		
Liabilities to credit institutions	8,759	5,798
Liabilities to associated companies and joint ventures	43	45
Other interest-bearing liabilities	462	484
Provisions for pensions ¹⁾	4,105	2,686
Total interest-bearing liabilities and provisions for pensions	13,369	9,013
Net liquidity (+) / net debt (-)	-1,460	-1,834

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 2019)	43	-	43
Total	6,043	-	6,043

Parent Company

MSEK	31 Dec 2018	31 Dec 2017
Long-term liabilities to credit institutions	7,773	5,798
Short-term liabilities to credit institutions	986	-
Total	8,759	5,798

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). After partly repurchased two loans and at the same time issued two new loans, no new activities has been made. During December loans were maturing to an amount of MSEK 210. As a result, outstanding loans under the MTN programme totalled MSEK 7,731. In December 2015, Saab signed Schuldschein loan agreements amounting to MEUR 100.

NOTE 9 Capital employed

MSEK	31 Dec 2018	31 Dec 2017
Total assets	56,128	44,998
Less non-interest bearing liabilities	23,125	21,699
Capital employed	33,003	23,299

NOTE 10 Financial instruments

Classification and categorisation of financial assets and liabilities ²⁾

Carrying amount	31 Dec 2018	31 Dec 2017
Financial assets:		
Valued at amortised cost:		
Accounts receivable, contract assets and other receivables	16,254	13,133
Liquid assets	2,451	2,202
Long-term receivables	548	481
Valued at fair value through profit and loss:		
Short-term investments	9,003	4,469
Derivatives for trading	148	109
Financial investments	27	26
Valued at fair value through other comprehensive income:		
Derivatives identified as hedges	948	1,030
Total financial liabilities	29,379	21,450
Financial liabilities:		
Valued at amortised cost:		
Interest-bearing liabilities ¹⁾	9,264	6,327
Other liabilities	8,626	6,934
Valued at fair value through profit and loss:		
Derivatives for trading	74	86
Valued at fair value through other comprehensive income:		
Derivatives identified as hedges	1,160	1,007
Total financial liabilities	19,124	14,354

¹⁾ Fair value 9,437 6,412

²⁾ 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 947.

Valuation methods for financial assets and liabilities

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

Level 1

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

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

Level 2

According to accepted valuation models based on observable market data:

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

Level 3

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

- Unlisted shares and participations

As of 31 December 2018, the Group had the following financial assets and liabilities at fair value:

Assets at fair value

MSEK	31 Dec			
	2018	Level 1	Level 2	Level 3
Bonds and interest-bearing securities	9,003	9,003	-	-
Forward exchange contracts	961	-	961	-
Currency options	4	-	4	-
Cross currency basis swaps	97	-	97	-
Electricity derivatives and long-term receivables	34	34	-	-
	27	-	-	27
Total	10,126	9,037	1,062	27

Liabilities at fair value

MSEK	31 Dec			
	2018	Level 1	Level 2	Level 3
Forward exchange contracts	1,151	-	1,151	-
Currency options	4	-	4	-
Interest rate swaps	79	-	79	-
Electricity derivatives	-	-	-	-
Total	1,234	-	1,234	-

NOTE 11 Supplemental information on statement of cash flows

Free cash flow

MSEK	Total Group		Total Group	
	Full Year 2018	Full Year 2017	Q4 2018	Q4 2017
Cash flow from operating activities before changes in working capital, excluding taxes and other financial items	4,026	3,688	1,860	1,490
Cash flow from changes in working capital:				
Contract assets and liabilities	-3,039	-718	1,106	776
Inventories	-1,057	-972	255	482
Other current receivables	-1,044	925	-1,587	-835
Other current liabilities	1,965	704	2,099	984
Provisions	-479	-107	-157	-46
Change in working capital	-3,654	-168	1,716	1,361
Cash flow from operating activities excluding taxes and other financial items	372	3,520	3,576	2,851
Investing activities:				
Investments in intangible fixed assets	-1,338	-1,064	-418	-437
Investments in tangible fixed assets	-1,481	-1,093	-402	-270
Sales and disposals of tangible fixed assets	23	25	17	2
Cash flow from investing activities ¹⁾	-2,796	-2,132	-803	-705
Operational cash flow	-2,424	1,388	2,773	2,146
Taxes and other financial items	-862	-356	-302	-185
Sale of and investments in financial assets	43	-10	-7	-19
Investments in operations	15	-170	10	-170
Sale of subsidiaries	33	-	30	-
Free cash flow	-3,195	852	2,504	1,772

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

Free cash flow vs. statement of cash flows

MSEK	Full Year		Q4	
	2018	2017	2018	2017
Free cash flow	-3,195	852	2,504	1,772
Investing activities – interest-bearing:				
Short-term investments	-4,554	63	-7,266	-1,794
Other financial investments and receivables	-29	84	6	127
Financing activities:				
Repayments of loans	-967	-1,301	-217	-36
Raising of loans	3,820	1,700	-	-
Rights issue	5,967	-	5,967	-
Repurchase of shares	-203	-	-	-
Dividend paid to the Parent Company's shareholders	-588	-559	-	-
Dividend paid to non-controlling interest	-24	-4	-	-1
Transactions with non-controlling interest	-14	-	-	-
Cash flow for the period	213	835	994	68

Liquid assets

MSEK	31 Dec 2018	31 Dec 2017
The following components are included in liquid assets:		
Cash and bank balances	1,300	1,463
Bank deposits	1,151	739
Total according to balance sheet	2,451	2,202
Total according to statement of cash flows	2,451	2,202

NOTE 12 Business combinations

No significant acquisitions through business combinations were made during the year.

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	31 Dec 2018	31 Dec 2017
Defined-benefit obligation	10,752	9,341
Special employers' contribution	1,008	738
Less plan assets	6,653	6,695
Total provisions for pensions	5,107	3,384
of which reported as long-term receivable	6	40

Actuarial gains and losses are reported in other comprehensive income. Actuarial losses related to pensions amounted to MSEK 1 383 in 2018 primarily due to the following.

The return on assets under management was lower than expected, which produced an actuarial loss of MSEK 221.

The actuarial loss on pension obligations amounted to MSEK 1 162, of which MSEK 908 related to 25 basis points lower discount rate and 25 basis points higher inflation assumptions. Remaining actuarial loss of MSEK 254 relate to experience adjustments.

Changes in demographic assumptions have not had a significant effect. The actuarial loss related to special employer's contribution amounted to MSEK 328 in 2018.

NOTE 14 Contingent liabilities

No additional significant commitments have arisen during the year. With regard to the Group's so-called performance guarantees for commitments to customers, the likelihood of an outflow of resources is estimated as remote and, as a result, no value is recognised.

NOTE 15 Transactions with related parties

No significant transactions have occurred during the year.

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

NOTE 16 Transition effects due to new accounting rules that apply as of 2019

The IASB standard IFRS 16 Leases is applied as of 2019. IFRS 16 is a new standard for reporting leases and replaces IAS 17 Leasing. In brief, the new standard means for the lessee that the current classification of operating and finance leases disappears and is replaced by a model where assets and liabilities for all leases are recognised in the balance sheet.

As of 1 January 2019, Saab will apply the new standard to all leases where the Group is the lessee with the exception of the leases described below. The Group has no significant leases as a lessor.

Saab intends to apply the simplified transition approach and will not restate comparative amounts. The Group intends to apply the exemptions in the standard for short-term leases as well as leases where the underlying asset is of low value, i.e. leases where the term is not more than 12 months as well as leases where the underlying asset is of low value will not apply the new accounting principle and instead be recognised in the same way as before as a cost on a straight-line basis over the lease term.

IFRS 16 has been applied to all leases previously classified as operating leases. In accordance with the practical expedients in IFRS 16 p.C3b,

the Group has not assessed any lease components in contracts that were not already classified as leases according to IAS 17 and IFRIC 4.

Right-of-use assets for leases recognised in the balance sheet will be measured initially, as of 1 January 2019, at an amount corresponding to the lease liability with adjustments for prepaid or accrued lease fees attributable to the contract as of 31 December 2018. The lease liability has been calculated by discounting remaining future contractual lease fees by the Group's weighted marginal loan rate as of 1 January 2019.

Finance leases on aircraft and properties that were already classified as tangible fixed assets have been reclassified to right-of-use assets in the balance sheet.

The transition to IFRS 16 will not affect future financial reports in terms of reporting, performance indicators or alternative performance indicators for the Group's operating segments. Adjustments in accordance with IFRS 16 will be made at an overarching Group level.

See the following table for expected effects on the financial position owing to the transition to IFRS 16.

Statement of financial position MSEK	31 Dec 2018 Actual	Adjustment IFRS 16	01 Jan 2019 Restated
ASSETS			
Tangible fixed assets	6,129	-441	5,688
Right of use assets	-	2,725	2,725
Other fixed assets	11,015	-	11,015
Total fixed assets	17,144	2,284	19,428
Other receivables	507	44	551
Prepaid expenses and accrued income	919	-63	856
Other current assets	37,558	-	37,558
Total current assets	38,984	-19	38,965
TOTAL ASSETS	56,128	2,265	58,393
SHAREHOLDERS' EQUITY AND LIABILITIES			
Parent Company's shareholders' interest	19,412	-	19,412
Non-controlling interest	221	-	221
Total shareholders' equity	19,633	-	19,633
Long-term interest-bearing liabilities	8,196	-421	7,775
Long-term lease liabilities	-	2,296	2,296
Other provisions	1,081	32	1,113
Other long-term liabilities	5,319	-	5,319
Total long-term liabilities	14,596	1,907	16,503
Short-term interest-bearing liabilities	1,068	-41	1,027
Short-term lease liabilities	-	399	399
Other short-term liabilities	20,831	-	20,831
Total current liabilities	21,899	358	22,257
Total liabilities	36,495	2,265	38,760
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	56,128	2,265	58,393

NOTE 17 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.

R&D expenditures

Research and development costs are recognised separately and comprise the cost of self-financed new and continued product development as well as amortisation of capitalised development costs. Total research and development expenses also include the part of Saab's research and development that is conducted in cooperation with customers, which is reported as cost of goods sold.

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

C4I	Command, Control, Communications, Computers, and Intelligence
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
ISR	Intelligence, Surveillance and Reconnaissance systems
MTN	Medium Term Note, bonds with a duration of 1-15 years

Linköping 15 February 2019

Saab AB (publ)

The Board of Directors

This year-end report has not been subject to review by the company's auditors.

This information is such that Saab AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out below, on 15 February 2019 at 07.30 (CET).

Important information

This year-end 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

15 February 2019 at 10.00 (CET),
Saab AB, floor 5
Olof Palmes gata 17, 111 22 Stockholm

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

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

Live webcast:

<http://saab-interimreport.creo.se/190215/>

Conference call:

Please, dial in using one of the numbers below:
Sweden: +46856642707
UK: +443333009272
US: +16467224956

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

Calendar

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

Year-end report 2019
Published 7 February 2020



2018: Q4