

Q4

YEAR-END REPORT

JANUARY-DECEMBER 2019

Sales

BSEK

35.4

Organic sales growth

%

6

Operating margin

%

8.3

Comment by the President and CEO, Micael Johansson:

A strong year with continued growth and improved profitability

Saab reported strong development in 2019: stable order bookings and good execution contributed to continued organic growth and improved profitability. At the end of the year, Saab also secured key milestone payments, which generated strong operational cash flow in the fourth quarter.

Demand for the company's products and solutions remains high and the market is expected to continue to grow the next coming years, as Saab is entering production and delivery stage. Saab is re-confirming its long-term financial goals of annual organic growth of 5 per cent and an operating margin of 10 per cent per year over a business cycle.

Orders

Order bookings in 2019 amounted to SEK 27.2 billion (28.0). The order backlog was SEK 93.3 billion (102.2) at the end of the year. Volumes for small orders continued and increased by 10 per cent compared to previous year. During the year, Saab received a major order from Finland's Ministry of Defence to provide and integrate the combat system and sensors for Finland's new corvettes. Key framework agreements were signed for the Carl-Gustaf weapon system. Further, the United Arab Emirates announced in the fourth quarter its intention to acquire two additional GlobalEye Airborne Early Warning & Control aircraft.

Sales and operating income

Sales increased to SEK 35.4 billion (33.2) in 2019, corresponding to a growth of 7 per cent. Organic growth was 6 per cent with five of six business areas contributing to the increase. Saab continues to invest in R&D and innovation to support future profitable growth. Sales are expected to continue to grow in 2020 in line with Saab's long-term growth goal.

Operating income amounted to SEK 2,937 million (2,564) with an operating margin of 8.3 per cent (7.7). The improved profitability benefitted mainly from the increase in volumes. The operating margin in 2020 is expected to continue to improve compared to 2019.

In the last quarter, Saab took important steps in the Gripen E programme for Sweden, where the first serially produced aircraft made its maiden flight and was delivered to the joint test flight programme. Earlier in the year, steps were taken in the delivery of Gripen E to Brazil. In addition, work progressed on Saab's new production facility for the trainer aircraft T-7A Red Hawk in West Lafayette, Indiana, in the U.S.

Operational cash flow

Operational cash flow for 2019 improved to SEK -1,300 million (-2,424). Key milestone payments in the fourth quarter generated a strong operational cash flow of SEK 3,056 million (2,773). For 2020, the aim is to have a positive operating cash flow.

Dividend

The Board of Directors is proposing a dividend for 2019 of SEK 4.70 (4.50) per share.

**OUTLOOK
STATEMENT
FOR 2020:**

Saab estimates that organic sales growth in 2020 will be in line with the long-term financial goal of 5 per cent.

The operating margin* in 2020 is expected to improve compared to 2019.

*Excluding material non-recurring items

Financial highlights

MSEK	Full Year 2019	Full Year 2018	Change, %	Q4 2019	Q4 2018
Order bookings	27,216	27,975	-3	8,123	10,792
Order backlog	93,293	102,184	-9		
Sales	35,433	33,156	7	10,578	11,018
Gross income	8,035	7,764	3	2,569	2,788
Gross margin, %	22.7	23.4		24.3	25.3
EBITDA ¹⁾	4,305	3,182	35	1,563	1,654
EBITDA margin, %	12.1	9.6		14.8	15.0
Operating income (EBIT)	2,937	2,266	30	1,198	1,422
Operating margin, %	8.3	6.8		11.3	12.9
Adjusted operating income	2,937	2,564	15	1,198	1,422
Adjusted operating margin, %	8.3	7.7		11.3	12.9
Net income	2,025	1,366	48	904	1,008
of which Parent Company's shareholders' interest	1,983	1,313	51	883	982
Earnings per share after dilution, SEK ¹⁾	14.81	11.21		6.60	8.23
Return on equity, % ²⁾	10.0	8.1			
Operational cash flow	-1,300	-2,424		3,056	2,773
Free cash flow	-2,036	-3,195		2,955	2,504
Free cash flow per share after dilution, SEK	-15.20	-27.27		22.13	21.00
	133,929,292	117,144,915		133,553,690	119,253,394

¹⁾ Average number of shares after dilution

²⁾ Return on equity is measured over a rolling 12-month period.

³⁾ EBITDA for 2019 is effected by the implementation of IFRS 16 with additional depreciations of MSEK 411. For more information, see note 16.

As of 1 January 2019, the Group applies IFRS 16 Leases, which means that some performance indicators for the Group – EBITDA, EBIT, Equity/assets ratio, Free cash flow, Operational cash flow, Net debt and Return on capital employed – have been affected for the financial year 2019. The corresponding performance indicators for comparative periods have not been restated. See also note 16 for a summary of the effects of the implementation of IFRS 16.

The Group's operating segments recognise all lease contracts as operating leases.

The average number of shares outstanding for previous periods, which is reported for comparison purposes, has been adjusted in accordance with IAS 33 Earnings per share, in accordance with the terms of the rights issue implemented in the fourth quarter of 2018.

Orders

Fourth quarter 2019

Order bookings amounted to SEK 8,123 million (10,792) in the fourth quarter of 2019. In the quarter, the United Arab Emirates announced its intention to conclude a contract amendment for the purchase of two additional GlobalEye Airborne Early Warning & Control aircraft. A contract has not yet been signed with the customer.

January-December 2019

Order bookings amounted to SEK 27,216 million (27,975). Bookings of small orders grew strongly, up 10 per cent compared to 2018 to SEK 13,288 million (12,057).

In 2019, index and price changes had a positive effect on order bookings of SEK 1,378 million, compared to SEK 1,237 million in 2018.

The order backlog at the end of the year amounted to SEK 93,293 million, compared to SEK 102,184 million at the beginning of the year. In total, 69 per cent (67) of the order backlog is attributable to markets outside Sweden.

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

Sales

Fourth quarter 2019

Sales in the fourth quarter amounted to SEK 10,578 million (11,018). The business areas Surveillance and Industrial Products and Services increased their sales while sales for other business areas declined. The sales development in the quarter was attributable to a more even distributed activity level and deliveries between quarters in 2019 than in 2018.

January-December 2019

Sales amounted to SEK 35,433 million (33,156), corresponding to an organic sales growth of 6 per cent. The increase is mainly due to a higher level of deliveries within the business area Dynamics. The business areas Support and Services and Industrial Products and Services also had strong growth due to increased activity in several business units.

Sales from markets outside Sweden amounted to SEK 22,245 million (19,637), corresponding to 63 per cent (59) of total sales. 85 per cent (85) of sales was related to the defence market.

Sales growth

Per cent	Full Year 2019	Full Year 2018	Q4 2019	Q4 2018
Organic sales growth	6	4	-5	7
Acquisitions	-	1	-	1
Currency effects regarding revaluation of foreign subsidiaries	1	-	1	1
Total sales growth	7	5	-4	9

Sales per region

MSEK	Full Year 2019	Full Year 2018	Change, %
Sweden	13,188	13,519	-2
Rest of Europe	5,677	4,768	19
North America	3,889	3,155	23
Latin America	4,314	3,821	13
Asia	6,464	6,148	5
Africa	357	361	-1
Australia, etc.	1,544	1,384	12
Total	35,433	33,156	7

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

Order distribution

Orders exceeding MSEK 100 accounted for 51% (57) of total orders during the year.



Order backlog duration:

2020: SEK **28.9** billion
 2021: SEK **22.3** billion
 2022: SEK **16.1** billion
 2023: SEK **13.2** billion
 After 2023: SEK **12.8** billion

Defence/Civil

A total of 85% (84) of order bookings was attributable to defence-related operations during the year.

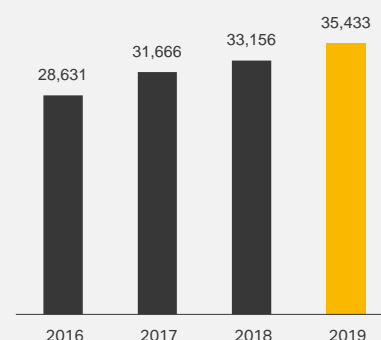


Market

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



Sales MSEK



Income

Fourth quarter 2019

The gross margin in the fourth quarter was 24.3 per cent (25.3).

Operating income amounted to SEK 1,198 million (1,422) with an operating margin of 11.3 per cent (12.9). The operating margin in the quarter should be seen in the light of a more even distributed activity level and deliveries in 2019 than in 2018.

January-December 2019

The gross margin in 2019 was 22.7 per cent (23.4).

Total depreciation, amortisation and write-downs amounted to SEK 1,368 million (916). Depreciation of tangible fixed assets amounted to SEK 1,107 million (612), of which SEK 411 million relates to additional depreciation as of 1 January 2019 in connection with the implementation of IFRS 16.

Total R&D expenditures amounted to SEK 7,643 million (7,562), or about 22 per cent (23) of sales. Internally funded R&D expenditures amounted to SEK 2,387 million (2,223), of which SEK 1,392 million (1,140) has been 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 SEK 261 million (304), of which amortisation and write-downs of capitalised development expenditures amounted to SEK 142 million (184). The share of income in associated companies and joint ventures amounted to SEK -5 million (-14).

Operating income amounted to SEK 2,937 million (2,266) with an operating margin of 8.3 per cent (6.8). The majority of the business areas achieved increases in their operating margins in 2019, partly because of higher sales and partly because contributions from efficiency improvements. The implementation of IFRS 16 positively affected operating income by SEK 47 million and the operating margin by 0.1 per cent in 2019.

Adjusted for non-recurring items, operating income in 2018 amounted to SEK 2,564 million and the operating margin was 7.7 per cent. See note 5 for further information.

Financial net

MSEK	Full Year 2019	Full Year 2018
Financial net related to pensions	-91	-67
Net interest items	-78	-96
Currency gains/losses	-32	-226
Lease liability interest	-104	-16
Other financial items	-25	-65
Total	-330	-470

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 interest-rate derivative results.

Currency gains/losses recognised in the financial net are mainly related to currency 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.

Interest expenses attributable to lease liabilities amounted to SEK -104 million, of which SEK -88 million is an effect of the transition to IFRS 16.

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.

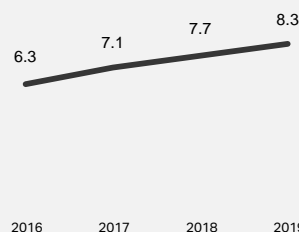
Tax

Current and deferred taxes amounted to SEK -582 million (-430), equivalent to an effective tax rate of 22 per cent (24).

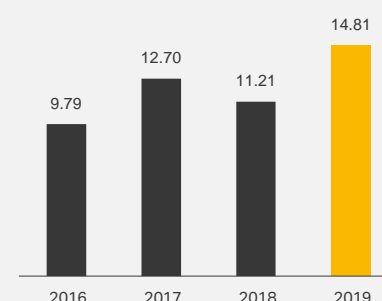
Return on capital employed and equity

The pre-tax return on capital employed was 9.1 per cent (8.7) and the after-tax return on equity was 10.0 per cent (8.1), both measured over a rolling 12-month period.

Adjusted operating margin, %

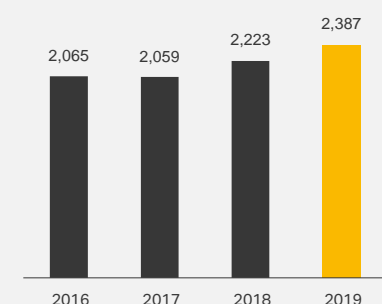


Earnings per share after dilution, SEK



Earnings per share have been adjusted in accordance with the rights issue completed in 2018.

Internally funded R&D expenditures, MSEK



Financial position and liquidity

At the end of December 2019, net debt was SEK 7,069 million, an increase of SEK 5,609 million compared to year-end 2018, when net debt amounted to SEK 1,460 million. The effects of changes in accounting principles related to IFRS 16 contributed to the increase with SEK 2,190 million.

Cash flow from operating activities amounted to SEK 1,194 million (-490).

Due to the level of completion of large projects, contract assets increased by SEK 1,768 million compared to year-end 2018. At the end of 2019, large milestone payments were received and contract assets decreased by SEK 1,330 million in the fourth quarter.

Inventories increased by SEK 1,199 million during the year. The increase mainly relates to future deliveries within the business areas Surveillance and Dynamics.

Net provisions for pensions, excluding the special employer's contribution, amounted to SEK 4,722 million as of 31 December 2019, compared to SEK 4,099 million at year-end 2018. The change had a negative effect on net debt of SEK 623 million. The increase in provision is mainly because the discount rate used to calculate the pension obligation was reduced to 1.50 per cent from 2.25 per cent during the year, though the effect was partly offset by a concurrent reduction in the inflation assumption to 1.75 per cent from 2.00 per cent. For further information on Saab's defined-benefit pension plans, see note 13.

Tangible fixed assets amounted to SEK 6,233 million at the end of the year. Finance leases on aircraft and properties that had previously been classified as tangible fixed assets have been reclassified in connection with the transition to IFRS 16 as right-of-use assets in the balance sheet, affecting the opening balance for 2019 by SEK 441 million.

Right-of-use assets of SEK 2,549 million were added during the year as a result of the transition to IFRS 16.

Net investments during the year amounted to approximately SEK 2,769 million (2,796). Investments in tangible fixed assets amounted to SEK 1,213 million (1,481). Investments in intangible fixed assets amounted to SEK 1,588 million (1,338), of which SEK 1,392 million (1,140) related to capitalised R&D expenditures. Capitalised R&D expenditures in the balance sheet increased by SEK 1,252 million. The increase is mainly related to investments to develop Gripen E/F for future exports. Of the total investments in intangible fixed assets, SEK 196 million (198) related to other intangible fixed assets.

As of 31 December 2019, short-term investments and liquid assets amounted to SEK 7,481 million, a decrease of SEK 3,973 million compared to year-end 2018.

Capital employed increased by SEK 2,963 million during the year to SEK 35,966 million. In addition to the effects of changes in accounting principles related to IFRS 16, the increase in capital employed is mainly related to the level of completion within the Gripen programmes.

During the year, series B shares were repurchased for SEK 301 million in accordance with authorisation from the Annual General Meeting. In addition, a dividend of SEK 601 million was paid to the parent company's shareholders.

Key indicators of financial position and liquidity

MSEK	31 Dec 2019	31 Dec 2018	Change
Net liquidity / debt ²⁾	-7,069	-1,460	-5,609
Intangible fixed assets	10,465	9,057	1,408
Goodwill	5,355	5,310	45
Capitalised development costs	4,580	3,328	1,252
Other intangible fixed assets	530	419	111
Tangible fixed assets, etc ³⁾	6,591	6,478	113
Right of use assets ⁴⁾	2,549	-	-
Inventories	10,475	9,276	1,199
Accounts receivable	5,198	5,199	-1
Contract assets	12,234	10,466	1,768
Contract liabilities	8,899	8,890	9
Equity/assets ratio, %	34.8	35.0	-
Return on equity, %	10.0	8.1	-
Equity per share, SEK ¹⁾	154.48	145.43	-
1) Number of shares excluding treasury shares	132,926,363	133,482,880	-556,517

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 right-of-use assets for leases according to IFRS 16 Leases.

Change in net debt Jan-Dec 2019

	MSEK
Net liquidity (+) / net debt (-), 31 Dec 2018	-1,460
Effects of change in accounting principles, IFRS 16 Leases, opening balance 2019	-2,190
Cash flow from operating activities	1,194
Change in net pension obligation	-623
Net investments	-2,769
Sale of and investments in financial assets	-46
Rights issue	11
Repurchase of shares	-301
Dividend	-601
Dividend to and transactions with non-controlling interest	-16
Additional lease liabilities	-292
Currency impact and unrealised results from financial investments	24
Net liquidity (+) / net debt (-), 31 Dec 2019 ¹⁾	-7,069
¹⁾ Net debt excluding net provisions for pensions, lease liabilities and interest-bearing receivables, 31 Dec 2019	-354

Cash flow

Fourth quarter 2019

Cash flow from operating activities excluding taxes and other financial items increased and amounted to SEK 3,824 million (3,576). Operational cash flow improved to SEK 3,056 million (2,773); see note 11. Large milestone payments were received in the fourth quarter, leading to decreased working capital as contract assets decreased.

January-December 2019

Cash flow from operating activities excluding taxes and other financial items amounted to SEK 1,469 million (372); see note 11.

Saab has an established programme to sell trade receivables in order to increase financial flexibility. As of 31 December 2019, receivables with a value of SEK 0 million (0) had been sold.

Operational cash flow amounted to SEK -1,300 million (-2,424). It is defined as cash flow from operating activities and acquisitions and divestments of intangible and tangible fixed assets. Cash flow from operating activities excludes taxes and other financial items but includes amortisation of lease liabilities. Cash flow is negative mainly as a result of increased working capital related to contract assets and inventories and also utilisation of previous advances and milestone payments.

Free cash flow amounted to SEK -2,036 million (-3,195). For more detailed information on cash flow, see note 11.

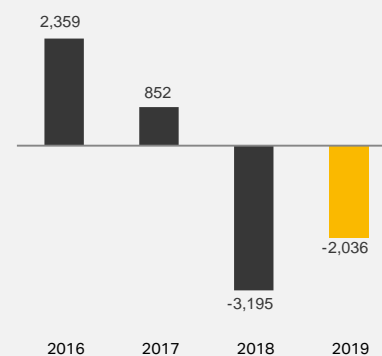
Cash flow can be very different between reporting periods as the timing of milestone payments in large projects vary greatly depending on when milestones are passed.

	Jan-Dec 2019	Jan-Dec 2018
Cash flow from operating activities before changes in working capital, excluding taxes and other financial items ¹⁾	4,626	4,026
Change in working capital	-3,157	-3,654
Cash flow from operating activities excluding taxes and other financial items	1,469	372
Cash flow from investing activities ²⁾	-2,769	-2,796
Operational cash flow	-1,300	-2,424
Taxes and other financial items	-690	-862
Sales and acquisitions	-46	91
Free cash flow	-2,036	-3,195

1) Including amortisation of lease liabilities

2) 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.

The Group's operating segments recognise all lease contracts as operating leases.

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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 2019	Full Year 2018	Change, %	Q4 2019	Q4 2018
Order bookings	2,979	5,261	-43	1,778	2,581
Order backlog	42,120	47,359	-11		
Sales	8,218	8,056	2	2,329	2,654
EBITDA	737	736	-	207	323
EBITDA margin, %	9.0	9.1		8.9	12.2
Operating income (EBIT)	677	680	-	192	309
Operating margin, %	8.2	8.4		8.2	11.6
Operational cash flow	-1,591	-1,096		2,106	1,521
Defence/Civil (% of sales)	100/0	100/0		100/0	100/0
No. of FTE's	3,421	3,212	7		

Orders

Order bookings for the full-year 2019 decreased compared to the previous year as no major contracts were signed. Smaller orders increased in 2019 compared to 2018.

Sales, income and margin

Sales for the full year increased due to a continued high activity level within the Gripen programmes. The T-7A Red Hawk project, previously called T-X, contributed as well. The business area's operating income and margin were in line with the previous year. Sales had a positive effect but was offset by higher marketing costs associated with campaigns and tender work compared to the full year 2018.

Cash flow

Cash flow for the full year was negative as a result of the high working capital attributable to the Gripen programmes. In the fourth quarter, key milestone payments were received, which resulted in strong cash flow in the quarter.

Order

distribution

Orders exceeding MSEK 100 accounted for 67% (82) of total orders during the year.



Market

Sales in markets outside Sweden amounted to 50% (44) during the year.



Business Area Dynamics

Business units

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

MSEK	Full Year 2019	Full Year 2018	Change, %	Q4 2019	Q4 2018
Order bookings	6,706	7,308	-8	2,203	3,463
Order backlog	14,264	13,645	5		
Sales	6,140	5,319	15	2,251	2,287
EBITDA	792	610	30	440	442
EBITDA margin, %	12.9	11.5		19.5	19.3
Operating income (EBIT)	716	535	34	419	422
Operating margin, %	11.7	10.1		18.6	18.5
Operational cash flow	158	-120		269	454
Defence/Civil (% of sales)	94/6	93/7		94/6	95/5
No. of FTE's	2,353	2,252	4		

Order distribution

Orders exceeding MSEK 100 accounted for 55% (66) of total orders during the year.



Market

Sales in markets outside Sweden amounted to 78% (72) during the year.



Orders

Several key orders were secured during the year. This included continued success for the Carl-Gustaf and AT4 weapon systems with a number of orders and framework agreements. In the fourth quarter, Saab signed a contract to support the German Army's combat training centre GÜZ with an order value of SEK 870 million for the years 2020-2026. The order strengthens Saab's position in the German market. At the end of the year, the business area's order backlog was at a historically high level.

Sales, income and margin

Sales for the full year 2019 grew strongly, increasing 15%. This was due to increased deliveries compared to 2018. The sales increase contributed to a higher operating margin for the full year.

Cash flow

Operational cash flow for the full year was positive, largely due to the income improvement. At the same time, the business area's growth and order intake are generating an increased need for working capital.

Business Area Surveillance

Business units

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

MSEK	Full Year 2019	Full Year 2018	Change, %	Q4 2019	Q4 2018
Order bookings	9,390	7,370	27	1,751	1,964
Order backlog	16,465	14,731	12		
Sales	7,699	7,397	4	2,304	2,302
EBITDA	1,151	904	27	437	442
EBITDA margin, %	14.9	12.2		19.0	19.2
Operating income (EBIT)	853	631	35	361	371
Operating margin, %	11.1	8.5		15.7	16.1
Operational cash flow	1,156	-1,085		1,228	367
Defence/Civil (% of sales)	100/0	99/1		100/0	100/0
No. of FTE's	3,808	3,770	1		

Orders

In 2019, Surveillance strengthened its order backlog, primarily through a contract to provide and integrate the combat system and sensors for Finland's new corvettes. Contracts were also signed during the year for the Arthur and Sea Giraffe radar systems in the UK and the U.S., respectively. In the fourth quarter, the United Arab Emirates announced its intention to conclude a contract amendment with Saab for the purchase of two additional GlobalEye Airborne Early Warning & Control aircraft. A contract has not yet been signed with the customer.

Sales, income and margin

Sales increased in 2019 compared to the previous year. Higher activity within Combat Systems and C4I Solutions contributed positively. Operating income improved as a result of the increased activity level and focus on costs. A non-recurring expense of SEK 42 million was incurred in the third quarter 2018 for productivity improvements.

Cash flow

Operational cash flow strongly improved for the full year 2019 compared to 2018. The positive cash flow was a result of decreased working capital as key payments from customers were received in the fourth quarter.

Order

distribution

Orders exceeding MSEK 100 accounted for 71% (65) of total orders during the year.



Market

Sales in markets outside Sweden amounted to 80% (78) during the year.



Business Area Support and Services

Business units

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

MSEK	Full Year 2019	Full Year 2018	Change, %	Q4 2019	Q4 2018
Order bookings	4,099	3,635	13	1,083	1,249
Order backlog	8,986	10,690	-16		
Sales	5,821	5,470	6	1,654	1,657
EBITDA	762	754	1	267	325
EBITDA margin, %	13.1	13.8		16.1	19.6
Operating income (EBIT)	742	685	8	262	320
Operating margin, %	12.8	12.5		15.8	19.3
Operational cash flow	11	369		665	227
Defence/Civil (% of sales)	86/14	84/16		84/16	86/14
No. of FTE's	1,912	1,851	3		

Order

distribution

Orders exceeding MSEK 100 accounted for 35% (29) of total orders during the year.



Market

Sales in markets outside Sweden amounted to 55% (56) during the year.



Orders

Order bookings increased in 2019 compared to 2018, which was largely attributed to two support contracts signed for airborne surveillance systems as well as Support and Services' share of the finish contract for delivery and integration of combat system and sensors for Finland's new corvettes. An order from the Swedish Defence Materiel Administration (FMV) for Gripen support and maintenance also contributed to the increase in orders.

Sales, income and margin

Sales improved for the full year 2019 compared to the previous year, as a result of higher completion in a few larger projects. Operating income increased for the full year and corresponded to a margin of 12.8% (12, 5%). Income for the third quarter of 2018 was affected by a non-recurring expense of SEK 50 million.

Cash flow

Operational cash flow for 2019 was positive but decreased compared to the previous year. Strong cash flow in the fourth quarter, with larger milestone payments from key contracts, was offset by a higher build-up of working capital in previous quarters mainly associated with major projects.

Business Area Industrial Products and Services

Business units

Aerostructures, Avionics Systems, Traffic Management, and Combitech.

MSEK	Full Year 2019	Full Year 2018	Change, %	Q4 2019	Q4 2018
Order bookings	5,515	5,344	3	1,648	1,768
Order backlog	9,035	11,004	-18		
Sales	6,556	6,107	7	1,933	1,879
EBITDA	324	290	12	127	162
EBITDA margin, %	4.9	4.7		6.6	8.6
Operating income (EBIT)	238	202	18	105	139
Operating margin, %	3.6	3.3		5.4	7.4
Operational cash flow	-302	-351		-38	52
Defence/Civil (% of sales)	30/70	30/70		30/70	26/74
No. of FTE's	3,635	3,566	2		

Order backlog

In 2019, order bookings slightly increased compared to the previous year, which was a result of higher demand in several of the business area's units. Aerostructures received major orders from Boeing during the year for work packages for the Boeing 787.

Sales, income and margin

Sales for 2019 increased and several business units contributed. The operating margin increased slightly due to improved volumes and efficiency measures. The focus is on further strengthening the business area's profitability.

Cash flow

Operational cash flow was negative during the year due to increased working capital, mainly within the business unit Traffic Management as well as currency-hedging transactions related to projects within the business unit Aerostructures.

Order

distribution

Orders exceeding MSEK 100 accounted for 7% (16) of total orders during the year.



Market

Sales in markets outside Sweden amounted to 56% (52) during the year.



Business Area Kockums

Business units

Submarines and Surface Ships.

MSEK	Full Year 2019	Full Year 2018	Change, %	Q4 2019	Q4 2018
Order bookings	1,216	1,123	8	293	375
Order backlog	4,852	6,646	-27		
Sales	3,007	3,291	-9	815	1,029
EBITDA	124	203	-39	45	53
EBITDA margin, %	4.1	6.2		5.5	5.2
Operating income (EBIT)	88	173	-49	36	45
Operating margin, %	2.9	5.3		4.4	4.4
Operational cash flow	-70	251		152	159
Defence/Civil (% of sales)	100/0	100/0		100/0	100/0
No. of FTE's	1,197	1,205	-1		

Order distribution

Orders exceeding MSEK 100 accounted for 14% (10) of total orders during the year.



Market

Sales in markets outside Sweden amounted to 5% (10) during the year.



Order backlog

Order bookings for the full year 2019 increased compared to 2018. Saab signed a contract with the Finish Navy within the Squadron 2020 programme, increasing the order intake for Kockums, which is supplying part of the contract.

Sales, income and margin

The business area's sales for 2019 decreased compared to 2018. The decrease is largely due to the ongoing transition from development to production. The lower sales negatively affected operating income. The focus is on strengthening the business area's profitability.

Cash flow

Operational cash flow was negative in the full year 2019 due to a higher level of order completion. In the fourth quarter, cash flow was positive as a result of customer payments.

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. The minority portfolio contains Saab's interests in Vicon Inc, UMS Skeldar AG and Ventures.

Corporate reported operating income of SEK -377 million (-640) in 2019. Excluding non-recurring items of SEK 200 million in 2018, operating income amounted to SEK -440 million in 2018.

Operational cash flow attributable to Corporate amounted to SEK -662 million (-392) during the year.

Acquisitions and divestments 2019

No significant acquisitions or divestments were made in 2019.

Share repurchase

Saab held 2,919,484 treasury shares as of 31 December 2019, compared to 2,363,299 at year-end 2018. The Annual General Meeting in 2019 authorised the Board of Directors to repurchase a maximum of 1,465,000 Series B shares to secure delivery of shares to participants in Saab's incentive programme and for subsequent transfers on the stock exchange to cover certain costs associated with LTI 2020, mainly social security costs. The Annual General Meeting also decided to authorise the Board, before the next Annual General Meeting, to decide on the acquisition of Series B shares up to a maximum of 10 percent of the total number of shares in the company. The purpose of the authorisation is to be able to adjust the company's capital structure and thereby contribute to increased shareholder value as well as to enable continued use of repurchased shares in connection with potential acquisitions of companies and for the company's share-related incentive programmes. In the second and third quarters of 2019, Series B shares were repurchased for SEK 301 million.

Proposed dividend

The Board of Directors proposes that shareholders receive a dividend of SEK 4.70 per share (4.50), totalling SEK 625 million (601). The dividend for 2019 is based on the number of shares outstanding as of 31 December 2019, amounting to 132 926 363 (133 482 880). The proposed record date to be entitled to receive the dividend is 3 April 2020 and the dividend is expected to be paid out on 8 April 2020.

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 2019. The members of the Saab Nomination Committee for the Annual General Meeting 2020 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 Ossian Ekdahl, Första AP-fonden.

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 Stockholm on Wednesday, 1 April 2020.

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. Operations largely consist of major projects carried out over long periods of time, usually several years, in close cooperation with customers, suppliers, partners and institutions.

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 entail risk in various respects. The key risk areas are strategic, market and political, operating, financial and compliance. 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 entails a higher level of risk.

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

For a general description of the risk areas, see the annual report 2018, pages 48-51.

Owners

Saab's largest shareholders as of 31 December 2019

	% of capital	% of votes
Investor AB	30.2	40.4
Knut och Alice Wallenbergs stiftelse	8.8	7.8
Första AP-fonden	6.4	5.6
Swedbank Robur fonder	3.7	3.3
AFA Försäkring	3.1	2.7
Vanguard	2.0	1.8
Nordea Fonder	1.6	1.4
Unionen	1.2	1.1
BlackRock	0.9	0.8
Amundi	0.8	0.7

Source: Modular Finance

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

Personnel

	31 Dec 2019	31 Dec 2018
Number of employees	17,420	17,096
FTE's	17,299	16,759

FTE's includes part-time employees.

Other events 2019 in brief

- On 3 January 2019, Saab completed a successful first flight with the second GlobalEye Airborne Early Warning & Control (AEW&C).
- Supported by the Swedish government, Saab in January submitted a proposal for the Finnish HX fighter procurement to the Finnish defence procurement agency, the Logistics Command of the Finnish Defence Forces.
- Saab's Annual General Meeting in Linköping on 11 April decided on a dividend of SEK 4.50 per share to the shareholders with Monday, 15 April 2019 as the record date. Payment was made by Euroclear Sweden AB on Thursday, 18 April 2019.
- In May, Saab announced a new U.S. production site for its parts of the T-7A jet trainer in West Lafayette, Indiana. Saab intends to invest USD 37 million in the facility from 2020.
- In June, Saab's Board of Directors decided to repurchase own shares. The decision was based on an authorisation from Saab's Annual General Meeting 2019.
- In June, the HMS Uppland was re-launched after comprehensive mid-life upgrades (MLU) in Karlskrona. As a result, two Gotland-class submarines have concluded MLU.
- In June, Saab signed a framework agreement with FMV to provide the Swedish Armed Forces with the Carl-Gustaf M4 weapon system.
- In June, Saab signed a multi-year framework agreement with the U.S. government, which allows the U.S. Army, U.S. Marines and U.S. Special Forces to place orders for the AT4 disposable weapon system and ammunition to the Carl-Gustaf M4 recoilless rifle during a five-year period.
- On July 19, the governments of Sweden and the United Kingdom signed a Memorandum of Understanding (MoU) regarding cooperation on the development of a future combat air system. Saab views the agreement as a starting point for a long-term collaboration to promote development of existing platforms, including Gripen.
- On August 11, Saab announced that President and CEO Håkan Buskhe is stepping down from his position.
- In August, Saab announced that it had received an order from the Australian Army to extend the support of their Ground Based Air Defence and Counter Rocket, Artillery and Mortar systems.
- On August 26, Saab announced that it had successfully completed the first flight with the Brazilian Gripen E.
- In August, Saab announced that it had appointed Dean Rosenfield as Chief Marketing Officer.
- In September, Saab appointed Merton Kaplan as the new Head of Investor Relations.
- On September 4, Saab's Board of Directors appointed Micael Johansson as the new President and CEO of Saab.
- In September, Saab presented a new type of camouflage called ARCASe (Advanced Reversible Camouflage Screen emissive) at the DSEI in London.
- On September 10, an important step were taken in the delivery of the first Gripen E to Brazil.
- In accordance with the resolution by Saab's Annual General Meeting 2019, the members of the Nomination Committee for 2020 were appointed based on the shareholder structure on 31 August 2019.
- In September, the Finnish government announced that it had selected Saab as a provider of the combat system for the Finnish Navy's Squadron 2020 programme. The contract is valued at EUR 412 million.
- In October, Håkan Buskhe notified the Board of Directors that his assignment as member of the Board of Saab AB will end in conjunction with him resigning from his position as President and CEO.
- The United Arab Emirates announced in November that it intends to conclude a contract amendment with Saab for the purchase of two additional GlobalEye Airborne Early Warning & Control aircraft.
- In December, Saab announced that it had signed a contract to support the Germany Army with the Gefechtsübungszentrum Heer (GÜZ) combat training centre in 2020-2026.
- The Dutch cabinet announced in December that Saab and Damen, together with two other contenders, will continue to the next phase for the replacement of the Walrus-class submarines.
- On 21 December, Sweden inaugurated its first new airport in 20 years, in Sälén. Saab is providing the on-site camera tower and the digital air traffic control services from Saab's remote tower centre in Sundsvall.

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

- In January, Saab started assembly production of its section of the T-7A advanced trainer in Linköping. The T-7A has been developed and is being produced together with Boeing for the U.S. Air Force.
- Gunnar Wieslander leaves the role as head of the business area Kockums and a member of Saab's Group Management.
- On 29 January, Saab has appointed Lars Tossman as the new head of business area Kockums and a member of Saab's Group Management.

Saab starts production in support of U.S. Air Force T-7A Programme



T-7A aircraft is an advanced trainer developed and produced together with Boeing for the United States Air Force. Saab is responsible for the development and production of the aft fuselage section for the advanced trainer, with seven aft units being produced in Linköping, Sweden for final assembly at Boeing's U.S. facility in St. Louis, Missouri.

United Arab Emirates announces intention to procure additional GlobalEye



The United Arab Emirates announced in November, that they intend to conclude a contract amendment for the purchase of two additional GlobalEye Airborne Early Warning & Control aircraft from Saab.

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 strengthen its market focus and manage global sales priorities, Saab has established a central marketing organisation under a marketing and sales manager.



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. Revenue from long-term customer contracts are recognised 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. Revenues from service assignments are 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 control 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 consider 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 2019	Full Year 2018	Q4 2019	Q4 2018
Sales	4	35,433	33,156	10,578	11,018
Cost of goods sold		-27,398	-25,392	-8,009	-8,230
Gross income		8,035	7,764	2,569	2,788
Gross margin, %		22.7	23.4	24.3	25.3
Other operating income		217	156	81	57
Marketing expenses		-2,609	-2,644	-742	-735
Administrative expenses		-1,488	-1,466	-385	-378
Research and development costs		-1,137	-1,267	-325	-277
Other operating expenses		-76	-263	-69	-22
Share in income of associated companies and joint ventures		-5	-14	69	-11
Operating income (EBIT) ¹⁾	3	2,937	2,266	1,198	1,422
Operating margin, %		8.3	6.8	11.3	12.9
Financial income		190	193	35	113
Financial expenses		-520	-663	-100	-211
Net financial items		-330	-470	-65	-98
Income before taxes		2,607	1,796	1,133	1,324
Taxes		-582	-430	-229	-316
Net income for the period		2,025	1,366	904	1,008
of which Parent Company's shareholders' interest		1,983	1,313	883	982
of which non-controlling interest		42	53	21	26
Earnings per share before dilution, SEK ²⁾		14.88	11.27	6.63	8.28
Earnings per share after dilution, SEK ³⁾		14.81	11.21	6.60	8.23
1) Of which depreciation/amortisation and write-downs		-1,368	-916	-365	-232
2) Average number of shares before dilution		133,245,360	116,467,822	132,875,322	118,568,062
3) Average number of shares after dilution		133,929,292	117,144,915	133,553,690	119,253,394

Consolidated statement of comprehensive income

MSEK	Full Year 2019	Full Year 2018	Q4 2019	Q4 2018
Net income for the period	2,025	1,366	904	1,008
Other comprehensive income/loss:				
Items that will not be reversed in the income statement:				
Revaluation of net pension obligations	-612	-1,711	757	-742
Tax attributable to revaluation of net pension obligations	124	308	-158	153
Total	-488	-1,403	599	-589
Items that may be reversed in the income statement:				
Translation differences	215	173	-167	18
Cash flow hedges	201	-147	216	-257
Tax attributable to cash flow hedges	-43	42	-45	64
Total	373	68	4	-175
Other comprehensive income/loss for the period	-115	-1,335	603	-764
Net comprehensive income/loss for the period	1,910	31	1,507	244
of which Parent Company's shareholders' interest	1,857	-11	1,484	212
of which non-controlling interest	53	42	23	32

Consolidated statement of financial position

MSEK	Note	31 Dec 2019	31 Dec 2018
ASSETS			
Fixed assets:			
Intangible fixed assets	7	10,465	9,057
Tangible fixed assets		6,223	6,129
Biological assets		368	349
Right of use assets		2,549	-
Shares in associated companies and joint ventures		672	646
Financial investments		26	27
Long-term receivables	13	752	554
Deferred tax assets		266	382
Total fixed assets		21,321	17,144
Current assets:			
Inventories		10,475	9,276
Derivatives		1,444	1,096
Tax receivables		26	67
Accounts receivable		5,198	5,199
Contract assets		12,234	10,466
Other receivables		710	507
Prepaid expenses and accrued income		969	919
Short-term investments		5,794	9,003
Liquid assets	11	1,687	2,451
Total current assets		38,537	38,984
TOTAL ASSETS		59,858	56,128
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity:			
Parent Company's shareholders' interest		20,535	19,412
Non-controlling interest		274	221
Total shareholders' equity		20,809	19,633
Long-term liabilities:			
Long-term lease liabilities		2,138	-
Other long-term interest-bearing liabilities	8	6,513	8,196
Other liabilities		180	190
Provisions for pensions	13	6,014	5,113
Other provisions		1,344	1,081
Deferred tax liabilities		40	16
Total long-term liabilities		16,229	14,596
Current liabilities:			
Short-term lease liabilities		434	-
Other short-term interest-bearing liabilities	8	1,322	1,068
Contract liabilities		8,899	8,890
Accounts payable		3,221	4,077
Derivatives		1,706	1,234
Tax liabilities		71	147
Other liabilities		1,193	770
Accrued expenses and deferred income		5,272	5,097
Provisions		702	616
Total current liabilities		22,820	21,899
Total liabilities		39,049	36,495
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		59,858	56,128

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 2018	1,746		543	-302	270	11	11,829	14,097	188	14,285
Effects of change in accounting principles, IFRS 9				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
Opening balance, 1 January 2019	1,746	428	6,099	-386	447	11	11,067	19,412	221	19,633
Net comprehensive income/loss for the year				158	204		1,495	1,857	53	1,910
Transactions with shareholders:										
Rights issue	428	-428								
Repurchase of shares							-301	-301		-301
Share matching plan							185	185		185
Dividend							-601	-601	-4	-605
Acquisition and sale of non-controlling interest							-17	-17	4	-13
Closing balance, 31 December 2019	2,174	-	6,099	-228	651	11	11,828	20,535	274	20,809

Consolidated statement of cash flows

MSEK	Note	Full Year 2019	Full Year 2018
Operating activities:			
Income after financial items		2,607	1,796
Adjustments for items not affecting cash flows		2,132	1,808
Dividend from associated companies and joint ventures		20	39
Income tax paid		-408	-479
Cash flow from operating activities before changes in working capital		4,351	3,164
Cash flow from changes in working capital:			
Contract assets and liabilities		-1,649	-3,039
Inventories		-1,141	-1,057
Other current receivables		176	-1,044
Other current liabilities		-218	1,965
Provisions		-325	-479
Cash flow from operating activities		1,194	-490
Investing activities:			
Investments in intangible fixed assets		-196	-198
Capitalised development costs		-1,392	-1,140
Investments in tangible fixed assets		-1,213	-1,481
Sales and disposals of tangible fixed assets		32	23
Investments in and sale of short-term investments		3,219	-4,554
Investments in financial assets		-171	-48
Sale of financial assets		35	62
Investments in operations	12	-	15
Sale of subsidiaries		-	33
Cash flow from investing activities		314	-7,288
Financing activities:			
Repayments of loans		-990	-967
Amortisation of lease liabilities		-415	-
Raising of loans		8	3,820
Rights issue		11	5,967
Repurchase of shares		-301	-203
Dividend paid to Parent Company's shareholders		-601	-588
Dividend paid to non-controlling interest		-24	-24
Transactions with non-controlling interest		8	-14
Cash flow from financing activities		-2,304	7,991
Cash flow for the period		-796	213
Liquid assets at the beginning of the period		2,451	2,202
Exchange rate difference in liquid assets		32	36
Liquid assets at end of period	11	1,687	2,451

Quarterly consolidated income statement

MSEK	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Sales	10,578	7,914	8,445	8,496	11,018	6,419	7,953	7,766
Cost of goods sold	-8,009	-6,236	-6,508	-6,645	-8,230	-4,980	-6,154	-6,028
Gross income	2,569	1,678	1,937	1,851	2,788	1,439	1,799	1,738
Gross margin, %	24.3	21.2	22.9	21.8	25.3	22.4	22.6	22.4
Other operating income	81	24	94	18	57	10	66	23
Marketing expenses	-742	-589	-658	-620	-735	-611	-700	-598
Administrative expenses	-385	-338	-391	-374	-378	-365	-352	-371
Research and development costs	-325	-248	-300	-264	-277	-326	-348	-316
Other operating expenses	-69	11	-18	-	-22	-224	5	-22
Share of income in associated companies and joint ventures	69	-20	-34	-20	-11	16	-12	-7
Operating income (EBIT) ¹⁾	1,198	518	630	591	1,422	-61	458	447
Operating margin, %	11.3	6.5	7.5	7.0	12.9	-1.0	5.8	5.8
Financial income	35	77	32	46	113	48	18	14
Financial expenses	-100	-195	-98	-127	-211	-90	-232	-130
Net financial items	-65	-118	-66	-81	-98	-42	-214	-116
Income before taxes	1,133	400	564	510	1,324	-103	244	331
Taxes	-229	-105	-135	-113	-316	11	-45	-80
Net income for the period	904	295	429	397	1,008	-92	199	251
of which Parent Company's shareholders' interest	883	269	433	398	982	-94	183	242
of which non-controlling interest	21	26	-4	-1	26	2	16	9
Earnings per share before dilution, SEK ²⁾	6.63	2.02	3.24	2.98	8.28	-0.81	1.58	2.09
Earnings per share after dilution, SEK ³⁾	6.60	2.01	3.23	2.97	8.23	-0.81	1.57	2.08
1) Of which depreciation/amortisation and write-downs	-365	-331	-344	-328	-232	-266	-211	-207
2) Average number of shares before dilution	132,875,322	133,103,705	133,476,269	133,526,144	118,568,062	115,728,074	115,849,107	115,726,045
3) Average number of shares after dilution	133,553,690	133,702,351	134,039,937	134,137,373	119,253,394	116,499,013	116,610,780	116,581,489

Quarterly consolidated statement of comprehensive income

MSEK	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Net income for the period	904	295	429	397	1,008	-92	199	251
Other comprehensive income/loss:								
Items that will not be reversed in the income statement:								
Revaluation of net pension obligations	757	-649	-1,130	410	-742	-28	-901	-40
Tax attributable to revaluation of net pension obligations	-158	134	232	-84	153	6	139	10
Total	599	-515	-898	326	-589	-22	-762	-30
Items that may be reversed in the income statement:								
Translation differences	-167	177	29	176	18	-110	141	124
Net gain/loss on cash flow hedges	216	-110	133	-38	-257	67	-152	195
Tax attributable to net gain/loss on cash flow hedges	-45	23	-31	10	64	-11	25	-36
Total	4	90	131	148	-175	-54	14	283
Other comprehensive income/loss for the period	603	-425	-767	474	-764	-76	-748	253
Net comprehensive income/loss for the period	1,507	-130	-338	871	244	-168	-549	504
of which Parent Company's shareholders' interest	1,484	-158	-342	873	212	-159	-547	483
of which non-controlling interest	23	28	4	-2	32	-9	-2	21

Key ratios by quarter

MSEK	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Equity/assets ratio, (%)	34.8	33.6	34.0	35.4	35.0	29.0	28.7	31.5
Return on capital employed, % ³⁾	9.1	11.0	9.1	8.5	8.7	7.7	9.6	9.4
Return on equity, % ³⁾	10.0	13.1	10.5	8.6	8.1	7.1	9.7	9.6
Equity per share, SEK ^{1) 3)}	154.48	142.99	144.44	152.12	145.43	114.05	116.51	126.18
Free cash flow, MSEK ³⁾	2,955	-1,865	-989	-2,137	2,504	-2,507	-781	-2,411
Free cash flow per share after dilution, SEK ^{2) 3)}	22.13	-13.95	-7.38	-15.93	21.00	-21.52	-6.70	-20.68

1) Number of shares excluding treasury shares

132,926,363 132,824,280 133,383,129 133,569,408 133,482,880 115,524,571 115,931,576 115,766,638

2) Average number of shares after dilution

133,553,690 133,702,351 134,039,937 134,137,373 119,253,394 116,499,013 116,610,780 116,581,489

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 2019	Operating margin	Q3 2019	Operating margin	Q2 2019	Operating margin	Q1 2019	Operating margin
Sales								
Aeronautics	2,329		1,794		1,971		2,124	
Dynamics	2,251		960		1,537		1,392	
Surveillance	2,304		1,876		1,795		1,724	
Support and Services	1,654		1,526		1,292		1,349	
Industrial Products and Services	1,933		1,377		1,672		1,574	
Kockums	815		690		705		797	
Internal sales	-708		-309		-527		-464	
Total	10,578		7,914		8,445		8,496	
Operating income/loss								
Aeronautics	192	8.2%	122	6.8%	166	8.4%	197	9.3%
Dynamics	419	18.6%	24	2.5%	160	10.4%	113	8.1%
Surveillance	361	15.7%	189	10.1%	213	11.9%	90	5.2%
Support and Services	262	15.8%	158	10.4%	140	10.8%	182	13.5%
Industrial Products and Services	105	5.4%	-7	-0.5%	71	4.2%	69	4.4%
Kockums	36	4.4%	21	3.0%	-3	-0.4%	34	4.3%
Corporate	-177		11		-117		-94	
Total	1,198	11.3%	518	6.5%	630	7.5%	591	7.0%
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%

Multi-year overview

MSEK	2019	2018	2017	2016	2015
Order bookings	27,216	27,975	30,841	21,828	81,175
Order backlog at 31 December	93,293	102,184	107,233	107,606	113,834
Sales	35,433	33,156	31,666	28,631	27,186
<i>Sales in Sweden, %</i>	37	41	42	43	42
<i>Sales in Europe excluding Sweden, %</i>	16	14	14	17	18
<i>Sales in North America, %</i>	11	10	9	10	9
<i>Sales in Latin America, %</i>	12	12	8	7	6
<i>Sales in Rest of the World, %</i>	24	24	27	23	25
Operating income (EBIT)	2,937	2,266	2,250	1,797	1,900
<i>Operating margin, %</i>	8.3	6.8	7.1	6.3	7.0
Depreciation/amortisation and write-downs less depreciation/ amortisation and write-downs of lease aircraft	1,368	916	839	946	959
EBITDA	4,305	3,182	3,089	2,743	2,859
<i>EBITDA margin, %</i>	12.1	9.6	9.8	9.6	10.5
Income after financial items	2,607	1,796	2,099	1,611	1,731
Net income for the year	2,025	1,366	1,508	1,175	1,402
Total assets	59,858	56,128	44,998	41,211	35,088
Equity	20,809	19,633	14,285	13,301	12,912
Free cash flow ¹⁾	-2,036	-3,195	852	2,359	-726
<i>Return on capital employed, % ¹⁾</i>	9.1	8.7	10.5	8.9	11.2
<i>Return on equity, % ¹⁾</i>	10.0	8.1	10.9	9.0	11.5
<i>Equity/assets ratio, %</i>	34.8	35.0	31.7	32.3	36.8
Earnings per share before dilution, SEK ¹⁾²⁾	14.88	11.27	12.79	9.85	11.90
Earnings per share after dilution, SEK ¹⁾²⁾	14.81	11.21	12.70	9.79	11.81
Dividend per share, SEK	4.70 ³⁾	4.50	5.50	5.25	5.00
Equity per share, SEK ¹⁾²⁾	154.48	145.43	121.86	114.17	111.99
Number of employees at year-end	17,420	17,096	16,427	15,465	14,685
Number of shares excluding treasury shares as of 31 December ²⁾	132,926,363	133,482,880	115,685,451	115,232,495	114,746,834
Average number of shares before dilution ²⁾	133,245,360	116,467,822	115,444,915	114,971,098	114,484,478
Average number of shares after dilution ²⁾	133,929,292	117,144,915	116,310,466	115,775,275	115,280,946

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

2) The average number of shares outstanding have for all comparative periods reported been adjusted in accordance with IAS 33, Earnings per share, in accordance with the terms of the rights issue completed in 2018.

3) Board of Directors' proposal

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

Key ratios and goals

	Long-term target	Full Year 2019	Full Year 2018
Organic sales growth, %	5	6	4
Operating margin, %	10	8.3	6.8
Equity/assets ratio, %	30	34.8	35.0

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.

Parent company income statement

MSEK	Full Year 2019	Full Year 2018	Q4 2019	Q4 2018
Sales	21,960	20,998	6,475	6,774
Cost of goods sold	-17,341	-16,287	-5,089	-5,043
Gross income	4,619	4,711	1,386	1,731
Gross margin, %	21.0	22.4	21.4	25.6
Operating income and expenses	-4,438	-4,432	-1,268	-1,168
Operating income (EBIT)	182	279	118	563
Operating margin, %	0.8	1.3	1.8	8.3
Financial income and expenses	962	1,210	814	1,056
Income after financial items	1,144	1,489	933	1,619
Appropriations	-103	-114	-103	-114
Income before taxes	1,041	1,375	830	1,505
Taxes	-248	-300	-179	-341
Net income for the period	793	1,075	651	1,164

Parent company balance sheet

MSEK	Note	31 Dec 2019	31 Dec 2018
ASSETS			
Fixed assets:			
Intangible fixed assets		658	617
Tangible fixed assets		3,967	3,709
Financial fixed assets		7,275	7,197
Total fixed assets		11,900	11,523
Current assets:			
Inventories		6,996	6,159
Current receivables		18,366	16,812
Short term investments		5,783	9,000
Liquid assets		1,007	1,623
Total current assets		32,152	33,594
TOTAL ASSETS		44,052	45,117
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity:			
Restricted equity		3,380	3,386
Unrestricted equity		10,931	10,849
Total shareholders' equity		14,311	14,235
Untaxed reserves, provisions and liabilities:			
Untaxed reserves		2,508	2,405
Provisions		1,582	1,327
Liabilities	8	25,651	27,150
Total untaxed reserves, provisions and liabilities		29,741	30,882
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		44,052	45,117

Liquidity, financing, capital expenditures and number of employees

The Parent Company's net debt amounted to SEK 2,777 million as of 31 December 2019 compared to SEK 564 million as of 31 December 2018.

Investments in tangible fixed assets amounted to SEK 686 million (857). Investments in intangible assets amounted to SEK 156 million (187). At the end of the year, the Parent Company had 9,885 employees compared to 9,672 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 2018.

NOTE 2 Accounting principles

The consolidated accounts of 2019 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 90-91, and concerning significant income statement and balance sheet items in each note disclosure in the annual report 2018.

The interim report is condensed and does not contain all the information and disclosures in the annual report and should therefore be read together with the annual report 2018. All the information on pages 1-29 constitutes the year-end report for 2019.

The Group and the Parent Company use the accounting principles and calculation methods as described in the annual report 2018 with the exception that one new standard has entered into force for financial year beginning 1 January 2019: IFRS 16 Leases and that the Group has chosen early application of the amendments to IFRS 9, IAS 39 and IFRS 7 regarding the interest rate benchmark reform. For effects of changes in accounting principle related to IFRS 16 has IAS 8 and the transition rules in the standard been applied.

IFRS 16 Leases

The IASB's new standard for lease recognition, IFRS 16 Leases, replaces IAS 17 Leases and is applied as of 1 January 2019.

For new accounting principles associated with IFRS 16 Leases, refer to note 46 in the annual report 2018.

For transition effects in connection with the implementation of IFRS 16, refer to note 16 in this report.

The Parent Company will not recognise leases in the balance sheet. Instead leasing fees will continue to be expensed on a straight-line basis over the lease term in accordance with the exemption from IFRS 16 in RFR 2, Accounting for Legal Entities.

Amendments to IFRS 9, IAS 39 and IFRS17: Interest Rate Benchmark Reform

The reform was adopted by the EU in January 2020 and applies as of 1 January 2020 with the option of early application. It provides reliefs for companies that apply hedge accounting where the hedged risk is linked to a benchmark interest rate in order to avoid discontinuing hedge accounting. Upon application, in Saab's judgment, there is uncertainty regarding STIBOR, which is the only benchmark interest rate in scope of hedge accounting in the Saab Group. The nominal amount of interest rate swaps that hedge the MTNs with 3-month STIBOR as the base rate is SEK 4,275 million.

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. The Group's operating segments recognise all lease contracts as operating leases.

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 2019	Full Year 2018	Change, %	Q4 2019	Q4 2018
Aeronautics	2,979	5,261	-43	1,778	2,581
Dynamics	6,706	7,308	-8	2,203	3,463
Surveillance	9,390	7,370	27	1,751	1,964
Support and Services	4,099	3,635	13	1,083	1,249
Industrial Products and Services	5,515	5,344	3	1,648	1,768
Kockums	1,216	1,123	8	293	375
Internal	-2,689	-2,066		-633	-608
Total	27,216	27,975	-3	8,123	10,792

Order bookings per region

MSEK	Full Year 2019	Full Year 2018	Change, %
Sweden	7,901	8,203	-4
Rest of Europe	10,039	6,936	45
North America	3,646	5,134	-29
Latin America	1,012	1,562	-35
Asia	2,849	3,474	-18
Africa	324	265	22
Australia, etc.	1,445	2,401	-40
Total	27,216	27,975	-3

Order backlog per operating segment

MSEK	31 Dec 2019	31 Dec 2018
Aeronautics	42,120	47,359
Dynamics	14,264	13,645
Surveillance	16,465	14,731
Support and Services	8,986	10,690
Industrial Products and Services	9,035	11,004
Kockums	4,852	6,646
Internal	-2,429	-1,891
Total	93,293	102,184

Order backlog per region

MSEK	31 Dec 2019	31 Dec 2018
Sweden	28,661	33,942
Rest of Europe	15,911	12,304
North America	6,644	6,923
Latin America	31,619	34,909
Asia	6,697	10,206
Africa	553	682
Australia etc.	3,208	3,218
Total	93,293	102,184

Sales per operating segment

MSEK	Full Year 2019	Full Year 2018	Change, %	Q4 2019	Q4 2018	Change, %
Aeronautics	8,218	8,056	2	2,329	2,654	-12
Dynamics	6,140	5,319	15	2,251	2,287	-2
Surveillance	7,699	7,397	4	2,304	2,302	-
Support and Services	5,821	5,470	6	1,654	1,657	-
Industrial Products and Services	6,556	6,107	7	1,933	1,879	3
Kockums	3,007	3,291	-9	815	1,029	-21
Internal	-2,008	-2,484		-708	-790	
Total	35,433	33,156	7	10,578	11,018	-4

Sales per region

MSEK	Full Year 2019	% of sales	Full Year 2018	% of sales
Sweden	13,188	37	13,519	41
Rest of Europe	5,677	16	4,768	14
North America	3,889	11	3,155	10
Latin America	4,314	12	3,821	12
Asia	6,464	18	6,148	19
Africa	357	1	361	1
Australia, etc.	1,544	4	1,384	4
Total	35,433	100	33,156	100

Information on large customers

During 2019, Saab had two customers that separately accounted for 10 per cent or more of the Group's sales. The Swedish Defence Materiel Administration (FMV) is a customer of all business areas and total sales amounted to MSEK 9,152 (10,521). The Brazilian State is a customer primarily to business area Aeronautics and total sales amounted to MSEK 3,291 (3,514).

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 2019	% of sales	Full Year 2018	% of sales	Q4 2019	Q4 2018
Aeronautics	677	8.2	680	8.4	192	309
Dynamics	716	11.7	535	10.1	419	422
Surveillance	853	11.1	631	8.5	361	371
Support and Services	742	12.7	685	12.5	262	320
Industrial Products and Services	238	3.6	202	3.3	105	139
Kockums	88	2.9	173	5.3	36	45

The operating segments' operating income	3,314	9.4	2,906	8.8	1,375	1,606
Corporate	-377		-640		-177	-184
Total	2,937	8.3	2,266	6.8	1,198	1,422

Depreciation/amortisation and write-downs per operating segment

MSEK	Full Year 2019	Full Year 2018	Change, %	Q4 2019	Q4 2018
Aeronautics	60	56	7	15	14
Dynamics	76	75	1	21	20
Surveillance	298	273	9	76	71
Support and Services	20	69	-71	5	5
Industrial Products and Services	86	88	-2	22	23
Kockums	36	30	20	9	8
Corporate	792	325	143	217	91
Total	1,368	916	49	365	232

Operational cash flow per operating segment

MSEK	Full Year 2019	Full Year 2018	Q4 2019	Q4 2018
Aeronautics	-1,591	-1,096	2,106	1,521
Dynamics	158	-120	269	454
Surveillance	1,156	-1,085	1,228	367
Support and Services	11	369	665	227
Industrial Products and Services	-302	-351	-38	52
Kockums	-70	251	152	159
Corporate	-662	-392	-1,326	-7
Total	-1,300	-2,424	3,056	2,773

Capital employed per operating segment

MSEK	31 Dec 2019	31 Dec 2018
Aeronautics	5,237	3,110
Dynamics	4,182	3,774
Surveillance	7,813	7,781
Support and Services	4,255	3,307
Industrial Products and Services	5,064	4,515
Kockums	1,236	1,181
Corporate	8,179	9,335
Total	35,966	33,003

Full time equivalents (FTE's) per operating segment

Number at end of the period	31 Dec 2019	31 Dec 2018
Aeronautics	3,421	3,212
Dynamics	2,353	2,252
Surveillance	3,808	3,770
Support and Services	1,912	1,851
Industrial Products and Services	3,635	3,566
Kockums	1,197	1,205
Corporate	973	903
Total	17,299	16,759

NOTE 4 Distribution of sales

MSEK	Aeronautics		Dynamics		Surveillance		Support and Services		Industrial Products and Services		Kockums		Corporate/elimination		Group	
	Full Year 2019	Full Year 2018	Full Year 2019	Full Year 2018	Full Year 2019	Full Year 2018	Full Year 2019	Full Year 2018	Full Year 2019	Full Year 2018	Full Year 2019	Full Year 2018	Full Year 2019	Full Year 2018	Full Year 2019	Full Year 2018
External sales	7,949	7,684	5,931	5,042	7,471	7,082	5,685	5,336	5,118	4,654	2,984	3,275	295	83	35,433	33,156
Internal sales	269	372	209	277	228	315	136	134	1,438	1,453	23	16	-2,303	-2,567	-	-
Total sales	8,218	8,056	6,140	5,319	7,699	7,397	5,821	5,470	6,556	6,107	3,007	3,291	-2,008	-2,484	35,433	33,156
Sales by customer:																
Military customers	7,948	7,679	5,607	4,723	7,435	7,018	4,859	4,458	1,114	886	2,984	3,275	279	80	30,226	28,119
Civilian customers	1	5	324	319	36	64	826	878	4,004	3,768	-	-	16	3	5,207	5,037
Total external sales	7,949	7,684	5,931	5,042	7,471	7,082	5,685	5,336	5,118	4,654	2,984	3,275	295	83	35,433	33,156
Sales by significant source:																
Long-term customer contracts	6,840	6,967	2,258	1,935	5,083	4,926	2,376	2,237	2,954	2,513	2,216	2,512	279	81	22,006	21,171
Services	897	701	699	613	1,646	1,443	2,556	2,535	1,891	1,937	734	731	15	-	8,438	7,960
Products	212	16	2,974	2,494	742	713	753	564	273	204	34	32	1	2	4,989	4,025
Total external sales	7,949	7,684	5,931	5,042	7,471	7,082	5,685	5,336	5,118	4,654	2,984	3,275	295	83	35,433	33,156
Sales by domain:																
Air	7,949	7,684	543	289	3,449	3,757	3,888	3,624	364	367	-	-	121	55	16,314	15,776
Land	-	-	3,977	3,313	1,256	1,083	931	808	493	386	-	-	-	-	6,657	5,590
Naval	-	-	1,192	1,239	2,516	2,153	230	207	13	8	2,984	3,275	174	28	7,109	6,910
Civil Security	-	-	210	192	8	42	159	188	2,024	1,841	-	-	-	-	2,401	2,263
Commercial Aeronautics	-	-	-	-	-	1	477	486	1,478	1,202	-	-	-	-	1,955	1,689
Other	-	-	9	9	242	46	-	23	746	850	-	-	-	-	997	928
Total external sales	7,949	7,684	5,931	5,042	7,471	7,082	5,685	5,336	5,118	4,654	2,984	3,275	295	83	35,433	33,156
Sales recognition method:																
Over time	7,716	7,667	2,931	2,397	6,321	6,058	4,455	4,146	3,050	2,822	2,813	3,222	279	81	27,565	26,393
Point in time	233	17	3,000	2,645	1,150	1,024	1,230	1,190	2,068	1,832	171	53	16	2	7,868	6,763
Total external sales	7,949	7,684	5,931	5,042	7,471	7,082	5,685	5,336	5,118	4,654	2,984	3,275	295	83	35,433	33,156

NOTE 5 Non-recurring items

The non-recurring items for 2018 are related to identified efficiency improvements to increase productivity and are reported in the income statement per function as shown below.

MSEK	Full Year 2019	Full Year 2018
Cost of goods sold	-	-41
Administrative expenses	-	-3
Research and development costs	-	-54
Other operating expenses	-	-200
Total	-	-298

NOTE 7 Intangible fixed assets

MSEK	31 Dec 2019	31 Dec 2018
Goodwill	5,355	5,310
Capitalised development costs	4,580	3,328
Other intangible assets	530	419
Total	10,465	9,057

NOTE 6 Dividend to Parent Company's shareholders

At its meeting on 6 February 2020, the board of Directors decided to propose to the Annual General Meeting that the Parent company's shareholders receive a dividend of SEK 4.70 per share, totaling MSEK 625. Proposed record date for the dividend is 3 April 2020 with expected payment on 8 April 2020.

NOTE 8 Net liquidity/debt

MSEK	31 Dec 2019	31 Dec 2018
Assets:		
Liquid assets	1,687	2,451
Short-term investments	5,794	9,003
Total liquid investments	7,481	11,454
Short-term interest-bearing receivables	58	-
Long-term interest-bearing receivables	521	449
Long-term receivables attributable to pensions	28	6
Total interest-bearing assets	8,088	11,909
Liabilities:		
Lease liabilities	2,572	-
Liabilities to credit institutions	7,789	8,759
Liabilities to associated companies and joint ventures	45	43
Other interest-bearing liabilities	1	462
Provisions for pensions ¹⁾	4,750	4,105
Total interest-bearing liabilities and provisions for pensions	15,157	13,369
Net liquidity (+) / net debt (-)	-7,069	-1,460

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

Committed credit lines

MSEK	Facilities	Drawings	Available
Revolving credit facility (Maturity 2022)	6,000	-	6,000
Overdraft facility (Maturity 2020)	79	1	78
Total	6,079	1	6,078

Parent Company

MSEK	31 Dec 2019	31 Dec 2018
Long-term liabilities to credit institutions	6,512	7,773
Short-term liabilities to credit institutions	1,276	986
Total	7,788	8,759

Since 2009, Saab has a Medium Term Note programme (MTN) to enable the issuance of long-term loans on the capital market. During 2018, the MTN programme was increased up to MSEK 10,000.

Under the terms of this programme, Saab has issued fixed rate bonds as well as Floating Rate Notes (FRN). During December 2019 bonds to a value of MSEK 785 matured, meaning that outstanding loans under the MTN programme amounts to MSEK 6,745. In December 2015, Schuldschein loans with a value of MEUR 100 were signed.

NOTE 9 Capital employed

MSEK	31 Dec 2019	31 Dec 2018
Total assets	59,858	56,128
Less non-interest bearing liabilities	23,892	23,125
Capital employed	35,966	33,003

NOTE 10 Financial instruments

Classification and categorisation of financial assets and liabilities ²⁾

Carrying amount	31 Dec 2019	31 Dec 2018
Financial assets:		
Valued at amortised cost ⁴⁾ :		
Accounts receivable, contract assets and other receivables	18,542	16,254
Liquid assets	1,687	2,451
Long-term receivables	724	548
Valued at fair value through profit and loss ³⁾ :		
Short-term investments	5,794	9,003
Derivatives for trading	146	148
Financial investments	26	27
Derivatives identified as hedges	1,298	948
Total financial liabilities	28,217	29,379
Financial liabilities:		
Valued at amortised cost:		
Interest-bearing liabilities ¹⁾	10,407	9,264
Other liabilities ⁴⁾	7,960	8,626
Valued at fair value through profit and loss ³⁾ :		
Derivatives for trading	15	74
Derivatives identified as hedges	1,691	1,160
Total financial liabilities	20,073	19,124
¹⁾ Fair value	10,485	9,437

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 1,243.

³⁾ The impact of credit risk on these instruments is considered low given the limits in the current investment policy

⁴⁾ Carrying amount, in Saab's assessment, essentially corresponds to fair value.

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 from Reuters Datascope:

- 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 2019, the Group had the following financial assets and liabilities at fair value:

Assets at fair value

MSEK	31 Dec 2019	Level 1	Level 2	Level 3
Bonds and interest-bearing securities	5,794	5,794	-	-
Forward exchange contracts	1,317	-	1,317	-
Currency options	5	-	5	-
Interest rate swaps	4	-	4	-
Cross currency basis swaps	115	-	115	-
Electricity derivatives	3	3	-	-
Shares, participations and long-term receivables	26	-	-	26
Total	7,264	5,797	1,441	26

Liabilities at fair value

MSEK	31 Dec 2019	Level 1	Level 2	Level 3
Forward exchange contracts	1,614	-	1,614	-
Currency options	1	-	1	-
Interest rate swaps	87	-	87	-
Electricity derivatives	4	4	-	-
Total	1,706	4	1,702	-

NOTE 11 Supplemental information on statement of cash flows

Free cash flow

MSEK	Jan-Dec 2019	Jan-Dec 2018	Q4 2019	Q4 2018
Cash flow from operating activities before changes in working capital, excluding taxes and other financial items ¹⁾	4,626	4,026	1,657	1,860
Cash flow from changes in working capital:				
Contract assets and liabilities	-1,649	-3,039	3,936	1,106
Inventories	-1,141	-1,057	-7	255
Other current receivables	176	-1,044	-2,336	-1,587
Other current liabilities	-218	1,965	749	2,099
Provisions	-325	-479	-175	-157
Change in working capital	-3,157	-3,654	2,167	1,716
Cash flow from operating activities excluding taxes and other financial items	1,469	372	3,824	3,576
Investing activities:				
Investments in intangible fixed assets	-1,588	-1,338	-447	-418
Investments in tangible fixed assets	-1,213	-1,481	-323	-402
Sales and disposals of tangible fixed assets	32	23	2	17
Cash flow from investing activities ²⁾	-2,769	-2,796	-768	-803
Operational cash flow	-1,300	-2,424	3,056	2,773
Taxes and other financial items	-690	-862	-96	-302
Sale of and investments in financial assets	-46	43	-5	-7
Investments in operations	-	15	-	10
Sale of subsidiaries	-	33	-	30
Free cash flow	-2,036	-3,195	2,955	2,504

1) Including amortisation of lease liabilities

2) 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 2019	Full Year 2018	Q4 2019	Q4 2018
Free cash flow	-2,036	-3,195	2,955	2,504
Investing activities – interest-bearing:				
Short-term investments	3,219	-4,554	-1,954	-7,266
Other financial investments and receivables	-90	-29	2	6
Financing activities:				
Repayments of loans	-990	-967	-789	-217
Raising of loans	8	3,820	-	-
Rights issue	11	5,967	-	5,967
Repurchase of shares	-301	-203	-	-
Dividend paid to the Parent Company's shareholders	-601	-588	-	-
Dividend paid to non-controlling interest	-24	-24	-5	-
Transactions with non-controlling interest	8	-14	2	-
Cash flow for the period	-796	213	211	994

Liquid assets

MSEK	31 Dec 2019	31 Dec 2018
The following components are included in liquid assets:		
Cash and bank balances	891	1,300
Bank deposits	796	1,151
Total according to balance sheet	1,687	2,451
Total according to statement of cash flows	1,687	2,451

NOTE 12 Business combinations

No significant acquisitions through business combinations were made during 2019.

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 2019	31 Dec 2018
Defined-benefit obligation	12,132	10,752
Special employers' contribution	1,264	1,008
Less assets under management	7,410	6,653
Total provisions for pensions	5,986	5,107
of which reported as long-term receivable	28	6

Actuarial gains and losses are recognised in other comprehensive income. Actuarial losses related to pensions amounted to SEK -612 million net in 2019 primarily due to the following:

The assumed discount rate has been reduced by 75 basis points, from 2.25% to 1.50%, compared to the beginning of the year, which has resulted in an actuarial loss. The inflation assumption has been reduced by 25 basis points, from 2.0% to 1.75%, during the year, which has resulted in an actuarial gain. The net of revised assumptions related to the discount rate and inflation amounted to SEK -1,085 million.

Negative experience adjustments has resulted in an actuarial loss of SEK -11 million.

The actuarial loss related to the special employer's contribution amounted to SEK -124 million.

The return on assets under management was higher than expected, which produced an actuarial gain of SEK 608 million.

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 2018, note 38.

NOTE 16 Implementation of IFRS 16 Leases

As of 1 January 2019, Saab has applied the new standard IFRS 16 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.

The Group has applied the simplified approach in the transition to IFRS 16, due to which comparative amounts are not restated. The Group has also applied the exemptions in the standard for short-term leases as well as leases where the underlying asset is of low value, which means that leases where the term is not more than 12 months, as well as leases where the underlying asset is of low value, are not covered by the new accounting principle and instead are expensed in the same way as before 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 have been 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, which amounted to 4.1%.

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 does not affect reporting, performance indicators or alternative performance indicators for the Group's operating segments. Adjustments in accordance with IFRS 16 are made at an overarching Group level.

See the following tables for transition effects during 2019 in connection with the implementation of IFRS 16.

Effects on opening balance as of 1 January 2019

Statement of financial position MSEK	31 Dec 2018 Actual	Adjustment IFRS 16	1 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 ¹⁾	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 ¹⁾	8,196	-421	7,775
Long-term lease liabilities ¹⁾	-	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⁾	1,068	-41	1,027
Short-term lease liabilities ¹⁾	-	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

¹⁾ Adjustments effecting net liquidity/-debt as of 1 January 2019

Reconciliation between operating leases (according to IAS 17) and recognised lease liabilities (according to IFRS 16)

MSEK	
Obligations for operating leases as of 31 december 2018	2,805
Financial lease liabilities as of 31 december 2018	462
Short-term leases (expensed in income statement)	-71
Leases of low value (expensed in income statement)	-29
Effect of discounting	-472
Carrying lease liabilities, 1 January 2019	2,695

Effects on consolidated income statement, consolidated statement of financial position and key ratios in 2019

Consolidated income statement	Jan-Dec 2019 incl. IFRS 16	Jan-Dec 2019 IFRS 16 effect	Jan-Dec 2019 excl. IFRS 16
MSEK			
Sales and other operating income	35,650	-	35,650
Cost of goods sold and operating expenses	-31,345	458	-31,803
Depreciation and amortisation	-1,368	-411	-957
Operating income (EBIT)	2,937	47	2,890
Net financial items	-330	-88	-242
Income before taxes	2,607	-41	2,648
Taxes	-582	9	-591
Net income for the period	2,025	-32	2,057

Consolidated statement of financial position	31 Dec 2019 incl. IFRS 16	31 Dec 2019 IFRS 16 effect	31 Dec 2019 excl. IFRS 16
MSEK			
ASSETS			
Right of use assets	2,549	2,549	-
Other fixed assets	18,772	-405	19,177
Total fixed assets	21,321	2,144	19,177
Total current assets	38,537	-10	38,547
TOTAL ASSETS	59,858	2,134	57,724
EQUITY AND LIABILITIES			
Total equity	20,809	-32	20,841
Interest bearing liabilities	15,157	2,133	13,024
Non-interest bearing liabilities	23,892	33	23,859
Total liabilities	39,049	2,166	36,883
TOTAL EQUITY AND LIABILITIES	59,858	2,134	57,724

Key ratios	Jan-Dec 2019 incl. IFRS 16	Jan-Dec 2019 excl. IFRS 16
MSEK		
EBITDA, MSEK	4,305	3,847
EBITDA margin, %	12.1	10.9
Operating income, MSEK	2,937	2,890
Operating margin, %	8.3	8.2
Net income for the period, MSEK	2,025	2,057
Earnings per share before dilution, SEK	14.88	15.12
Earnings per share after dilution, SEK	14.81	15.05
Net liquidity(+)/Net debt(-)	-7,069	-4,985
Equity/assets ratio, %	34.8	36.1
Return on capital employed, %	9.1	9.2
Return on equity, %	10.0	10.2
Equity per share, SEK	154.48	154.73
Operational cash flow, MSEK	-1,300	-1,346
Free cash flow, MSEK	-2,036	-1,994
Free cash flow per share after dilution, SEK	-15.20	-14.89

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 including amortisation of lease liabilities and cash flow 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

Investments, sales and disposals of intangible and tangible fixed 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 comprise the financial effects from events or transactions with material impact that are relevant to understand the result when comparing periods. Such events or transactions can relate to restructuring programs, costs related to disputes and legal proceedings, impairment charges and gains and losses from divestments of group companies, joint ventures or associated companies.

Operating income adjusted for non-recurring items

Operating income (EBIT) adjusted for items classified as non-recurring.

Operating margin adjusted for non-recurring items

Operating income adjusted for non-recurring items as a percentage of sales.

Operating margin

Operating income (EBIT) as a percentage of sales.

Operational cash flow

Cash flow from operating activities, excluding taxes and other financial items, amortisation of lease liabilities and investments, sales and disposals 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.

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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

IFRIC International Financial Reporting Interpretations Committee

ISR Intelligence, Surveillance and Reconnaissance systems

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

Linköping 7 February 2020

Saab AB (publ)

The Board of Directors

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

Important information

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

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 7 February 2020 at 07.30 (CET).

Contact

Media:

Saab press center
ph +46 734 18 00 18

Financial market:

Merton Kaplan, Head of Investor Relations
ph +46 734 18 20 71
Karl Förander, Manager Investor Relations
ph +46 734 18 51 66

Press and financial analyst conference

7 February 2020 at 10.00 (CET),

You are welcome to participate by the live webcast or dial in to the conference call. It is possible to post questions both over the web and in the conference call.

Live webcast:

<http://saab-interimreport.creo.se/200207/>

Conference call:

Please, dial in using one of the numbers below:

Sweden: +46 8 505 583 57

UK: +44 333 300 9269

US: +1 833 526 8381

The year-end report, the presentation material and the webcast will be available on saabgroup.com.

Calendar

Annual General Meeting 2020
1 April 2020 in Stockholm

Interim report January–March 2020
Published 24 April 2020

Interim report January–June 2020
Published 17 July 2020

Interim report January–September 2020
Published 21 October 2020

Year-end report 2020
Published 11 February 2021



2019: Q4