

Q1

INTERIM REPORT JANUARY-MARCH 2019

Sales

BSEK

8,5

Organic sales growth

%

8

Operating margin

%

7,0

Financial highlights

MSEK	Jan-Mar 2019	Jan-Mar 2018	Change, %	Full Year 2018
Order bookings	4,482	6,135	-27	27,975
Order backlog	97,401	105,712	-8	102,184
Sales	8,496	7,766	9	33,156
Gross income	1,851	1,738	7	7,764
Gross margin, %	21.8	22.4		23.4
EBITDA	919	654	41	3,182
EBITDA margin, %	10.8	8.4		9.6
Operating income (EBIT)	591	447	32	2,266
Operating margin, %	7.0	5.8		6.8
Adjusted operating income	591	447	32	2,564
Adjusted operating margin, %	7.0	5.8		7.7
Net income	397	251	58	1,366
of which Parent Company's shareholders' interest	398	242	64	1,313
Earnings per share after dilution, SEK ¹⁾	2.97	2.08		11.21
Return on equity, % ²⁾	8.6	9.6		8.1
Operational cash flow	-1,923	-2,211		-2,424
Free cash flow	-2,137	-2,411		-3,195
Free cash flow per share after dilution, SEK	-15.93	-20.68		-27.27

¹⁾ Average number of shares after dilution²⁾ Return on equity is measured over a rolling 12-month period.

Comment by the President and CEO, Håkan Buskhe:

Saab delivers strong organic growth and improved operating income

Much of the focus in the first quarter was to secure important milestones in large and medium-sized projects in the order backlog and to further increase productivity within the Group. The work to adapt the product portfolio, increase marketing efficiency and accelerate the automation and digitisation is continuing.

Orders

Order bookings amounted to SEK 4.5 billion with strong growth in small orders compared to the same period in 2018. Order bookings also consisted of a number of medium-sized orders, including for tactical training systems and command and control systems.

Sales and operating income

Sales in the first quarter amounted to SEK 8,496 million (7,766) with organic growth of 8 per cent. The business areas Dynamics and Industrial Products and Services saw strong sales increases, where Dynamics had a higher level of deliveries and Industrial Products and Services achieved sales gains in several business units.

Operating income amounted to SEK 591 million in the first quarter (447), with an operating margin of 7.0 per cent (5.8). The measures identified in 2018 to improve operating efficiencies have largely been implemented. Several business areas saw operating margin increases, partly due to a higher utilisation rate and because the above-mentioned efficiency improvements have led to increased productivity in several areas.

Operational cash flow

As a result of a high activity level in large projects, the operational cash flow amounted to SEK -1,923 million (-2,211). The business area Aeronautics had operational cash flow of SEK -1,636 million in the first quarter. Saab expects Aeronautics to continue to have negative operational cash flow in the second and third quarters while the work to prepare the first deliveries of Gripen E to Brazil and Sweden continues.

Saab expects operational cash flow to be negative for the full-year 2019, but at a better level than 2018. Operational cash flow will continue to be affected during the year by timing differences in payments for major projects.

OUTLOOK STATEMENT FOR 2019:

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

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

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 in the first quarter of 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

January-March 2019

Order bookings amounted to MSEK 4,482 (6,135). During the same period in 2018, Saab received a large order for Gripen development and operational support in Sweden worth MSEK 1,350. Bookings of small orders grew strongly, up 33 per cent compared to 2018 to MSEK 3,281 (2,476).

In the first quarter of 2019, index and price changes had a positive effect on order bookings of MSEK 70, compared to MSEK 45 in the same period in 2018.

The order backlog at the end of the period amounted to MSEK 97,401, compared to MSEK 102,184 at the beginning of the year. In total, 67 per cent of the order backlog is attributable to markets outside Sweden. In the first quarter of 2019, an adjustment was made to the order backlog related to Saab's deliveries to the Airbus A380 programme following the decision of Airbus to terminate the A380-programme in 2021.

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

Sales

January-March 2019

Sales amounted to MSEK 8,496 (7,766). The increase in sales is mainly due to a higher level of deliveries within the business area Dynamics and increased sales for several business units within the business area Industrial Products and Services.

Sales from markets outside Sweden amounted to MSEK 5,363 (4,457), corresponding to 63 per cent (57) of total sales. 85 per cent (86) of sales related to the defence market.

Sales growth

Per cent	Jan-Mar 2019	Jan-Mar 2018	Year 2018
Organic sales growth	8	2	4
Acquisitions	-	1	1
Currency effects regarding revaluation of foreign subsidiaries	1	-1	-
Total sales growth	9	2	5

Sales per region

MSEK	Jan-Mar 2019	Jan-Mar 2018	Change, %
Sweden	3,133	3,309	-5
Rest of Europe	1,261	932	35
North America	787	640	23
Latin America	1,183	884	34
Asia	1,715	1,680	2
Africa	56	108	-48
Australia, etc.	361	213	69
Total	8,496	7,766	9

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

Order distribution
Orders exceeding MSEK 100 accounted for 27% (60) of total orders during the period.



Order backlog duration:
2019: SEK **22.2** billion
2020: SEK **21.6** billion
2021: SEK **17.2** billion
2022: SEK **14.8** billion
After 2022: SEK **21.6** billion

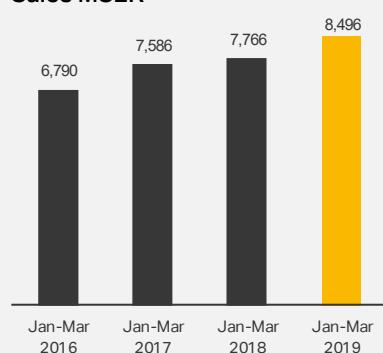
Defence/Civil
A total of 76% (86) of order bookings was attributable to defence-related operations during the period.



Market
A total of 69% (57) of order bookings was related to markets outside Sweden during the period.



Sales MSEK



Income

January-March 2019

The gross margin in the first quarter of 2019 was 21.8 per cent (22.4). The gross margin was at a somewhat lower level mainly due to changes in the product mix.

Total depreciation, amortisation and write-downs amounted to MSEK 328 (207). Depreciation of tangible fixed assets amounted to MSEK 266 (143), of which MSEK 96 relates to additional depreciation in the first quarter in connection with the implementation of IFRS 16.

Internally funded R&D expenditures amounted to MSEK 544 (499), of which MSEK 314 (218) was capitalised. Capitalised expenditures are mainly attributable to the development of Gripen E/F for future exports.

Amortisation and write-downs of intangible fixed assets amounted to MSEK 62 (64), of which amortisation and write-downs of capitalised development expenditures amounted to MSEK 33 (35). The share of income in associated companies and joint ventures amounted to MSEK -20 (-7).

Operating income amounted to MSEK 591 (447) with an operating margin of 7.0 per cent (5.8). Several business areas achieved increases in their operating margin in the first quarter of 2019, mainly because efficiency improvements led to higher operating margins in several areas. Business areas Dynamics also saw an increase in its operating margin due to a higher utilization rate. The implementation of IFRS 16 positively affected operating income by MSEK 11 and the operating margin by 0.2 per cent in the first quarter of 2019.

Financial net

MSEK	Jan-Mar 2019	Jan-Mar 2018
Financial net related to pensions	-23	-17
Net interest items	-24	-17
Currency gains/losses	-21	-72
Lease liability interest	-26	-4
Other financial items	13	-6
Total	-81	-116

The financial net related to pensions is the financial cost for net pension obligations recognised in the balance sheet. See note 13 for more information regarding defined-benefit pension plans.

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

Currency gains/losses recognised in the financial net are mainly related to hedges of the tender portfolio, which are measured at fair value through profit and loss. In the first quarters of both 2019 and 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 finance lease liabilities amounted to MSEK -26, of which MSEK -22 is an effect of the implementation of 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 MSEK -113 (-80), 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 8.5 per cent (9.4) and the after-tax return on equity was 8.6 per cent (9.6), both measured over a rolling 12-month period.

Gross margin, %

22.3 23.5 22.4 21.8

Jan-Mar 2016 Jan-Mar 2017 Jan-Mar 2018 Jan-Mar 2019

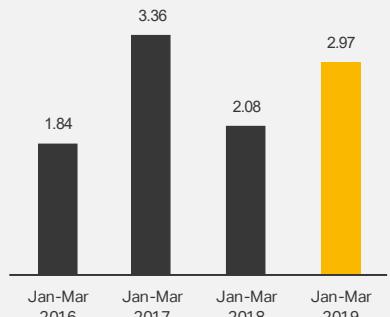
Operating margin, %

Adjusted operating income

4.3 7.1 5.8 7.0

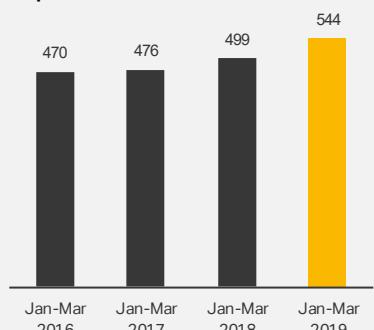
Jan-Mar 2016 Jan-Mar 2017 Jan-Mar 2018 Jan-Mar 2019

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 March 2019, net debt was MSEK 5,382, an increase of MSEK 3,922 compared to year-end 2018, when net debt amounted to MSEK 1,460. The increase in net debt is mainly due to the transition effect in connection with the implementation of IFRS 16 and negative cash flow from operating activities.

Cash flow from operating activities amounted to MSEK -1,366.

Accounts receivable decreased by MSEK 663 in the first quarter as several business areas had major deliveries at the end of last year.

Due to the level of completion of large projects, contract assets increased by MSEK 1,262 during the period at the same time that contract liabilities decreased by MSEK 1,082.

Inventories increased by MSEK 265 during the period. The increase mainly relates to future deliveries within Support and Services and Surveillance.

Net provisions for pensions, excluding the special employer's contribution, amounted to MSEK 3,799 as of 31 March 2019, compared to MSEK 4,099 at year-end 2018. The change had a positive effect on net debt of MSEK 300. Provisions were lower mainly because the return on assets under management exceeded the increase in the pension liability. The discount rate used to calculate the pension obligation was reduced to 2.00 per cent from 2.25 per cent during the period, but the effect was 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 MSEK 5,785 at the end of the period. 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 MSEK 441.

Right-of-use assets of MSEK 2,654 were added in the quarter as a result of the transition to IFRS 16.

In the first quarter, net investments amounted to approximately MSEK 630 (595) and investments in tangible fixed assets amounted to MSEK 277 (326). Larger investments were made in real estate and IT in the first quarter of 2018 than the same period in 2019.

Investments in intangible fixed assets amounted to MSEK 358 (271), of which MSEK 314 (218) related to capitalised R&D expenditures and MSEK 44 (53) to other intangible fixed assets.

Capitalised development expenditures on the balance sheet increased by MSEK 283. The increase is mainly related to investments to develop Gripen E/F for future exports.

As of 31 March 2019, short-term investments and liquid assets amounted to MSEK 9,362, a decrease of MSEK 2,092 compared to year-end 2018.

Capital employed increased by MSEK 2,816 during the period to MSEK 35,819. 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.

Key indicators of financial position and liquidity

MSEK	31 Mar 2019	31 Dec 2018	Change	31 Mar 2018
Net liquidity / debt ²⁾	-5,382	-1,460	-3,922	-4,339
Intangible fixed assets	9,444	9,057	387	8,082
Goodwill	5,363	5,310	53	5,227
Capitalised development costs	3,611	3,328	283	2,502
Other intangible fixed assets	471	419	52	353
Tangible fixed assets, etc ³⁾	6,134	6,478	-344	5,864
Right of use assets ⁴⁾	2,654	-	-	-
Inventories	9,541	9,276	265	8,759
Accounts receivable	4,536	5,199	-663	3,779
Contract assets	11,728	10,466	1,262	9,575
Contract liabilities	7,808	8,890	-1,082	8,448
Equity/assets ratio, %	35.4	35.0	0.4	31.5
Return on equity, %	8.6	8.1	0.5	9.6
Equity per share, SEK ¹⁾	152.12	145.43	6.69	126.18
1) Number of shares excluding treasury shares	133,569,408	133,482,880	8,528	115,766,638

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-Mar 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	-1,366
Change in net pension obligation	300
Net investments	-630
Sale of and investments in financial assets	-41
Rights issue	11
Dividend to and transactions with non-controlling interest	3
Additional lease liabilities	-50
Currency impact and unrealised results from financial investments	41
Net liquidity (+) / net debt (-), 31 Mar 2019	-5,382

Cash flow

Cash flow from operating activities excluding taxes and other financial items amounted to MSEK -1,293 (-1,616), see note 11.

Operational cash flow amounted to MSEK -1,923 (-2,211). It is defined as cash flow from operating activities excluding taxes and other financial items, amortisation of lease liabilities as well as acquisitions and divestments of intangible and tangible fixed assets. Cash flow is negative mainly as a result of increased working capital in major projects within business area Aeronautics and utilisation of previous advances and milestone payments.

Free cash flow amounted to MSEK -2,137 (-2,411). For more detailed information on cash flow, see note 11.

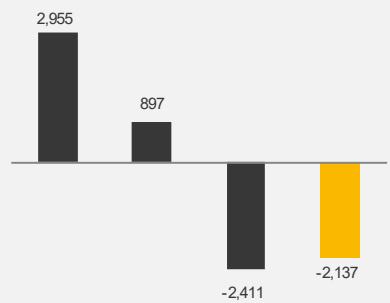
Cash flow can be very different between years as timing of milestone payments in large projects in the order backlog vary greatly depending on how milestones are passed.

	Jan-Mar 2019	Jan-Mar 2018
Cash flow from operating activities before changes in working capital, excluding taxes and other financial items ¹⁾	1,127	948
Change in working capital	-2,420	-2,564
Cash flow from operating activities excluding taxes and other financial items	-1,293	-1,616
Cash flow from investing activities ²⁾	-630	-595
Operational cash flow	-1,923	-2,211
Taxes and other financial items	-173	-194
Sales and acquisitions	-41	-6
Free cash flow	-2,137	-2,411

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.

Page

7

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.

8

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.

9

Business Area Industrial Products and Services

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

Business Area Kockums

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

Business Area Aeronautics

Business units

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

MSEK	Jan-Mar 2019	Jan-Mar 2018	Change, %	Full Year 2018
Order bookings	150	1,389	-89	5,261
Order backlog	45,384	49,501	-8	47,359
Sales	2,124	2,042	4	8,056
EBITDA	212	177	20	736
EBITDA margin, %	10.0	8.7		9.1
Operating income (EBIT)	197	163	21	680
Operating margin, %	9.3	8.0		8.4
Operational cash flow	-1,636	-1,549		-1,096
Defence/Civil (% of sales)	100/0	100/0		100/0
No. of FTE's	3,303	3,087	7	3,212

Orders

In the first quarter of the previous year, 2018, Saab received an order from FMV valued at MSEK 1,350 of which MSEK 1,161 related to Aeronautics to provide operational and development support for Gripen during a period of three years from 2018 to 2020.

Sales, income and margin

Sales increased in the first quarter of 2019 mainly due to a higher activity level within Gripen development and production for Brazil. The operating margin improved due to the higher activity level and lower R&D expenditures for the T-X programme compared to the first quarter of 2018.

Cash flow

Operational cash flow was negative as a result of increased capital employed and utilisation of received advances. Saab expects Aeronautics to continue to have negative operational cash flow in the second and third quarters as the preparations for the first Gripen E deliveries to Brazil and Sweden continue.

Order distribution

Orders exceeding MSEK 100 accounted for 0% (84) of total orders during the period.



Market

Sales in markets outside Sweden amounted to 54% (42) during the period.



Business Area Dynamics

Business units

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

MSEK	Jan-Mar 2019	Jan-Mar 2018	Change, %	Full Year 2018
Order bookings	1,105	1,355	-18	7,308
Order backlog	13,398	11,914	12	13,645
Sales	1,392	1,056	32	5,319
EBITDA	132	64	106	610
EBITDA margin, %	9.5	6.1		11.5
Operating income (EBIT)	113	46	146	535
Operating margin, %	8.1	4.4		10.1
Operational cash flow	135	29		-120
Defence/Civil (% of sales)	94/6	93/7		93/7
No. of FTE's	2,304	2,166	6	2,252

Order distribution

Orders exceeding MSEK 100 accounted for 28% (68) of total orders during the period.



Orders

In the first quarter, Saab received an order to deliver the MkII missile for RBS70 to the Army of the Czech Republic and an order from the Finnish Defence Forces for virtual simulators for marksmanship and basic combat training with associated maintenance. Saab and the U.S. Army signed a multi-year framework agreement for delivery of the Carl-Gustaf M4 weapon system. In connection with the signing, Saab received the first delivery order. Another customer also ordered the Carl-Gustaf M4, bringing the total number of countries to have ordered the system to 11.

Market

Sales in markets outside Sweden amounted to 80% (74) during the period.



Sales, income and margin

Sales and the operating margin increased due to a higher level of deliveries in the first quarter of 2019 compared to the same period in 2018. Together with increased productivity and changes in the product mix, this led to an increase in the operating margin in the first quarter of 2019.

Cash flow

Operational cash flow was at a higher level year-over-year due to higher value on deliveries to customers.

Business Area Surveillance

Business units

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

MSEK	Jan-Mar 2019	Jan-Mar 2018	Change, %	Full Year 2018
Order bookings	1,313	1,731	-24	7,370
Order backlog	14,464	14,765	-2	14,731
Sales	1,724	1,778	-3	7,397
EBITDA	161	136	18	904
EBITDA margin, %	9.3	7.6		12.2
Operating income (EBIT)	90	69	30	631
Operating margin, %	5.2	3.9		8.5
Operational cash flow	-102	-476		-1,085
Defence/Civil (% of sales)	99/1	99/1		99/1
No. of FTE's	3,791	3,685	3	3,770

Orders

In the first quarter of 2019, Surveillance received several medium-sized and small orders, including for the Sea Giraffe AMB naval radar from Lockheed Martin Canada and the U.S. Navy. Saab also received an order from Vard Group A/S for the 9LV Fire Control System (FCS), including the Ceros 200 fire control director, to the Norwegian Coast Guard's Jan Mayen class vessels.

Sales, income and margin

In the first quarter of 2019, operating income improved in several areas thanks to efficiency improvements and changes in the project mix. In the comparative period in 2018, the project margin changed in a few smaller projects, which negatively affected the operating margin.

Cash flow

In the first quarter of 2019, the level of completion was high in large parts of the business, which resulted in a negative operational cash flow.

Order distribution

Orders exceeding MSEK 100 accounted for 51% (67) of total orders during the period.



Market

Sales in markets outside Sweden amounted to 81% (78) during the period.



Business Area Support and Services

Business units

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

MSEK	Jan-Mar 2019	Jan-Mar 2018	Change, %	Full Year 2018
Order bookings	678	723	-6	3,635
Order backlog	10,036	11,928	-16	10,690
Sales	1,349	1,336	1	5,470
EBITDA	187	178	5	754
EBITDA margin, %	13.9	13.3		13.8
Operating income (EBIT)	182	174	5	685
Operating margin, %	13.5	13.0		12.5
Operational cash flow	-217	-159		369
Defence/Civil (% of sales)	86/14	84/16		84/16
No. of FTE's	1,884	1,869	1	1,851

Order distribution

Orders exceeding MSEK 100 accounted for 0% (24) of total orders during the period.



Orders

In the first quarter of 2019, smaller orders increased by 24 per cent compared to the same period in 2018.

Sales, income and margin

Operating income and the operating margin improved due to efficiency improvements in several parts of the business.

Cash flow

Operational cash flow was negative due to increase in capital employed related to preparations for future deliveries mainly in the airborne surveillance business.

Market

Sales in markets outside Sweden amounted to 57% (56) during the period.



Business Area Industrial Products and Services

Business units

Aerostructures, Avionics Systems, Traffic Management, and Combitech.

MSEK	Jan-Mar 2019	Jan-Mar 2018	Change, %	Full Year 2018
Order bookings	1,306	1,102	19	5,344
Order backlog	9,808	11,448	-14	11,004
Sales	1,574	1,391	13	6,107
EBITDA	90	50	80	290
EBITDA margin, %	5.7	3.6		4.7
Operating income (EBIT)	69	27	156	202
Operating margin, %	4.4	1.9		3.3
Operational cash flow	-128	48		-351
Defence/Civil (% of sales)	30/70	32/68		30/70
No. of FTE's	3,600	3,449	4	3,566

Order backlog

In the first quarter of 2019, an adjustment was made to the order backlog related to the business unit Aerostructures' deliveries to the Airbus A380 programme as a consequence of Airbus decision to terminate the A380-programme in 2021.

Sales, income and margin

Sales increased mainly within the business unit Aerostructures, which reached a high delivery rate in the quarter. The operating margin strengthened due to efficiency improvements and a higher activity level in several areas.

Cash flow

Operational cash flow was negative due to currency transactions related to projects in the business unit Aerostructures in the first quarter of 2019.

Order distribution

Orders exceeding MSEK 100 accounted for 17% (12) of total orders during the period.



Market

Sales in markets outside Sweden amounted to 55% (49) during the period.



Business Area Kockums

Business units

Submarines, and Surface Ships.

MSEK	Jan-Mar 2019	Jan-Mar 2018	Change, %	Full Year 2018
Order bookings	245	381	-36	1,123
Order backlog	6,096	8,451	-28	6,646
Sales	797	745	7	3,291
EBITDA	44	49	-10	203
EBITDA margin, %	5.5	6.6		6.2
Operating income (EBIT)	34	42	-19	173
Operating margin, %	4.3	5.6		5.3
Operational cash flow	166	-11		251
Defence/Civil (% of sales)	100/0	100/0		100/0
No. of FTE's	1,208	1,135	6	1,205

Order distribution

Orders exceeding MSEK 100 accounted for 0% (29) of total orders during the period.



Sales, income and margin

In the first quarter of 2019, sales increased due to high activity within both the submarine and surface ship businesses. Operating income was at a lower level due to a modified project mix.

Cash flow

Operational cash flow was positive due to large milestone payments during the period within major projects.

Market

Sales in markets outside Sweden amounted to 6% (6) during the period.



Corporate

Corporate comprises Group staff, Group departments and other operations outside the core operations. Since 1 January 2018, Saab's minority portfolio is also reported in Corporate. This portfolio contains the interests in Vricon Inc, UMS Skeldar AG and Ventures.

Corporate reported operating income of MSEK -94 (-74) in the period. Operational cash flow attributable to Corporate amounted to MSEK -141 (-93) in the period.

Acquisitions and divestments 2019

No significant acquisitions or divestments were made in the first quarter of 2019.

Share repurchase

Saab held 2,276,439 treasury shares as of 31 March 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.

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 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 March 2019

	% of capital	% of votes
Investor AB	30.2	40.3
Knut and Alice Wallenberg Foundation	8.8	7.7
Swedbank Robur funds	5.7	5.0
Första AP-fonden	5.2	4.6
AFA Insurance	2.9	2.5
Vanguard	1.9	1.7
Gladiator	1.5	1.3
Fidelity	1.5	1.3
Nordea funds	1.4	1.2
Eleva Capital LLP	1.2	1.0

Source: Modular Finance

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

Personnel

31 Mar 2019 31 Dec 2018

Number of employees	17,017	17,096
FTE's	17,015	16,759

FTE's includes part-time employees.

Other events in January-March 2018 in brief

- On 3 January, 2019, Saab completed a successful first flight with the second GlobalEye Airborne Early Warning & Control (AEW&C).
- Supported by Sweden, Saab in January submitted a proposal for the Swiss New Fighter Aircraft procurement to armasuisse, the Swiss defence procurement agency. Saab is offering Gripen E and a comprehensive industrial participation programme for Swiss industry corresponding to 100 per cent of the contract value.
- Supported by Sweden, Saab submitted a proposal for the Finnish HX fighter procurement to the Finnish defence procurement agency, the Logistics Command of the Finnish Defence Forces. The proposal comprises 64 Gripen aircraft, both single-seat Gripen E and dual-seat Gripen F, and is the formal response to the Request for Quotation (RFQ) issued in April 2018.
- In January, Saab announced that the 173,975 Series B shares in the rights issue implemented in 2018 with subsidiary preferential rights were registered by the Swedish Companies Registration Office (Bolagsverket) in January 2019. As a result, the number of shares in Saab increased by 173,975. As of 31 January, there were a total of 135,845,847 shares in Saab, of which 2,383,903 are Series A shares, corresponding to 23,839,030 votes, and 133,461,944 are Series B shares, corresponding to 133,461,944 votes, i.e. a total of 157,300,974 votes.
- In February, Saab partnered with Universeum, a Göteborg-based science centre, in its new venture to spark an interest in digital technology among children and young people. A new learning environment called The Hub focuses on exciting technology such as sensors, virtual reality (VR) and artificial intelligence (AI).

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

- Saab was awarded a contract on 3 April to produce multispectral static camouflage systems for the Canadian Army. Deliveries will take place in 2019.
- Finland's Ministry of Defence announced on 9 April that Saab is shortlisted as combat system provider and integrator for the Finnish Navy's four new Pohjanmaa-class corvettes within the Squadron 2020 programme. All of the Finnish Navy's current vessels feature at least one system from Saab, with the majority of vessels operating several systems from Saab.
- Saab held its Annual General Meeting in Linköping on 11 April. The Annual General Meeting decided on a dividend of SEK 4.50 per share to the shareholders. The record date was Monday, 15 April 2019. Payment of the dividend was made by Euroclear Sweden AB on Thursday, 18 April 2019.
- In accordance with the Nomination Committees proposal, Johan Menckel was elected as new member of the Board and the Annual General Meeting decided to re-elect Håkan Buskhe, Sten Jakobsson, Danica Kragic Jensfelt, Sara Mazur, Daniel Nodhäll, Bert Nordberg, Cecilia Stegö Chilò, Erika Söderberg Johnson, and Joakim Westh and to re-elect Marcus Wallenberg as Chairman of the Board. At the board meeting following election Sten Jakobsson was re-elected to Deputy Chairman.

Finnish Defence Forces ordered virtual simulators



Saab and the Finnish Defence Forces Logistics Command signed a contract in March for deliveries of virtual simulators for marksmanship and basic combat training with associated maintenance. The contract contains models of the weapons used in Finland, computers with software that creates the virtual environment and provides the basis for analysis after training. Saab will also be responsible for maintaining the systems.

About Saab

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

Short facts

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

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

Vision

It is a human right to feel safe.

Mission

To make people safe by pushing intellectual and technological boundaries.

Business concept

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

Organisation

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

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



Revenue model

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

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

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

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

Financial goals

Sales

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

Operating margin

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

Equity/assets ratio

The equity/assets ratio will exceed 30 per cent.

Dividend

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



Saab's strategy

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

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

Market

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

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

Efficiency

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

Innovation

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

Consolidated income statement

MSEK	Note	Jan-Mar 2019	Jan-Mar 2018	Rolling 12 Months	Full Year 2018
Sales	4	8,496	7,766	33,886	33,156
Cost of goods sold		-6,645	-6,028	-26,009	-25,392
Gross income		1,851	1,738	7,877	7,764
Gross margin, %		21.8	22.4	23.2	23.4
Other operating income		18	23	151	156
Marketing expenses		-620	-598	-2,666	-2,644
Administrative expenses		-374	-371	-1,469	-1,466
Research and development costs		-264	-316	-1,215	-1,267
Other operating expenses		-	-22	-241	-263
Share in income of associated companies and joint ventures		-20	-7	-27	-14
Operating income (EBIT) ¹⁾	3	591	447	2,410	2,266
Operating margin, %		7.0	5.8	7.1	6.8
Financial income		46	14	225	193
Financial expenses		-127	-130	-660	-663
Net financial items		-81	-116	-435	-470
Income before taxes		510	331	1,975	1,796
Taxes		-113	-80	-463	-430
Net income for the period		397	251	1,512	1,366
of which Parent Company's shareholders' interest		398	242	1,469	1,313
of which non-controlling interest		-1	9	43	53
Earnings per share before dilution, SEK ²⁾		2.98	2.09	12.15	11.27
Earnings per share after dilution, SEK ³⁾		2.97	2.08	12.08	11.21
1) Includes depreciation/amortisation and write-downs		-328	-207	-1,037	-916
2) Average number of shares before dilution		133,526,144	115,726,044	120,917,847	116,467,822
3) Average number of shares after dilution		134,137,373	116,581,489	121,624,263	117,144,915

Consolidated statement of comprehensive income

MSEK		Jan-Mar 2019	Jan-Mar 2018	Rolling 12 Months	Full Year 2018
Net income for the period		397	251	1,512	1,366
Other comprehensive income/loss:					
Items that will not be reversed in the income statement:					
Revaluation of net pension obligations		410	-40	-1,261	-1,711
Tax attributable to revaluation of net pension obligations		-84	10	214	308
Total		326	-30	-1,047	-1,403
Items that may be reversed in the income statement:					
Translation differences		176	124	225	173
Cash flow hedges		-38	195	-380	-147
Tax attributable to cash flow hedges		10	-36	88	42
Total		148	283	-67	68
Other comprehensive income/loss for the period		474	253	-1,114	-1,335
Net comprehensive income/loss for the period		871	504	398	31
of which Parent Company's shareholders' interest		873	483	379	-11
of which non-controlling interest		-2	21	19	42

Consolidated statement of financial position

MSEK	Note	31 Mar 2019	31 Dec 2018	31 Mar 2018
ASSETS				
Fixed assets:				
Intangible fixed assets	7	9,444	9,057	8,082
Tangible fixed assets		5,785	6,129	5,513
Biological assets		349	349	351
Right of use assets		2,654	-	-
Shares in associated companies and joint ventures		658	646	718
Financial investments		28	27	27
Long-term receivables	13	632	554	650
Deferred tax assets		299	382	242
Total fixed assets		19,849	17,144	15,583
Current assets:				
Inventories		9,541	9,276	8,759
Derivatives		1,413	1,096	1,177
Tax receivables		156	67	189
Accounts receivable		4,536	5,199	3,779
Contract assets		11,728	10,466	9,575
Other receivables		513	507	520
Prepaid expenses and accrued income		888	919	993
Short-term investments		6,802	9,003	4,295
Liquid assets	11	2,560	2,451	2,184
Total current assets		38,137	38,984	31,471
TOTAL ASSETS		57,986	56,128	47,054
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity:				
Parent Company's shareholders' interest		20,318	19,412	14,607
Non-controlling interest		226	221	209
Total shareholders' equity		20,544	19,633	14,816
Long-term liabilities:				
Long-term lease liabilities		2,232	-	-
Other long-term interest-bearing liabilities	8	6,939	8,196	8,211
Other liabilities		191	190	215
Provisions for pensions	13	4,785	5,113	3,452
Other provisions		1,198	1,081	1,103
Deferred tax liabilities		14	16	283
Total long-term liabilities		15,359	14,596	13,264
Current liabilities:				
Long-term lease liabilities		413	-	-
Other short-term interest-bearing liabilities	8	1,886	1,068	400
Contract liabilities		7,808	8,890	8,448
Accounts payable		3,366	4,077	2,587
Derivatives		1,723	1,234	1,161
Tax liabilities		243	147	206
Other liabilities		767	770	620
Accrued expenses and deferred income		5,244	5,097	5,038
Provisions		633	616	514
Total current liabilities		22,083	21,899	18,974
Total liabilities		37,442	36,495	32,238
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		57,986	56,128	47,054

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 period January-March 2018				153	124		206	483	21	504
Transactions with shareholders:							31	31		31
Share matching plan										
Closing balance, 31 March 2018	1,746		543	-135	394	11	12,048	14,607	209	14,816
Net comprehensive income/loss for the period April-December 2018				-251	53		-296	-494	21	-473
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							112	112		112
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 period				-23	172		724	873	-2	871
Transactions with shareholders:										
Rights issue		428	-428				37	37		37
Share matching plan										
Acquisition and sale of non-controlling interest							-4	-4	7	3
Closing balance, 31 March 2019	2,174	-	6,099	-409	619	11	11,824	20,318	226	20,544

Consolidated statement of cash flows

MSEK	Note	Jan-Mar 2019	Jan-Mar 2018	Full Year 2018
Operating activities:				
Income after financial items		510	330	1,796
Adjustments for items not affecting cash flows		652	601	1,808
Dividend from associated companies and joint ventures		-	-	39
Income tax paid		-109	-177	-479
Cash flow from operating activities before changes in working capital		1,053	754	3,164
Cash flow from changes in working capital:				
Contract assets and liabilities		-2,333	-2,588	-3,039
Inventories		-230	-474	-1,057
Other current receivables		760	561	-1,044
Other current liabilities		-566	-15	1,965
Provisions		-50	-48	-479
Cash flow from operating activities		-1,366	-1,810	-490
Investing activities:				
Investments in intangible fixed assets		-44	-53	-198
Capitalised development costs		-314	-218	-1,140
Investments in tangible fixed assets		-277	-326	-1,481
Sales and disposals of tangible fixed assets		5	2	23
Investments in and sale of short-term investments		2,229	171	-4,554
Investments in financial assets		-100	-33	-48
Sale of financial assets		28	-	62
Investments in operations	12	-	-	15
Sale of subsidiaries		-	-	33
Cash flow from investing activities		1,527	-457	-7,288
Financing activities:				
Repayments of loans		-	-20	-967
Amortisation of lease liabilities		-100	-	-
Raising of loans		9	2,250	3,820
Rights issue		11	-	5,967
Repurchase of shares		-	-	-203
Dividend paid to Parent Company's shareholders		-	-	-588
Dividend paid to non-controlling interest		-	-	-24
Transactions with non-controlling interest		3	-	-14
Cash flow from financing activities		-77	2,230	7,991
Cash flow for the period		84	-37	213
Liquid assets at the beginning of the period		2,451	2,202	2,202
Exchange rate difference in liquid assets		25	19	36
Liquid assets at end of period		11	2,560	2,184
				2,451

Quarterly consolidated income statement

MSEK	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017
Sales	8,496	11,018	6,419	7,953	7,766	10,150	6,158	7,772
Cost of goods sold	-6,645	-8,230	-4,980	-6,154	-6,028	-7,632	-4,602	-6,086
Gross income	1,851	2,788	1,439	1,799	1,738	2,518	1,556	1,686
Gross margin, %	21.8	25.3	22.4	22.6	22.4	24.8	25.3	21.7
Other operating income	18	57	10	66	23	21	17	47
Marketing expenses	-620	-735	-611	-700	-598	-680	-558	-629
Administrative expenses	-374	-378	-365	-352	-371	-429	-333	-379
Research and development costs	-264	-277	-326	-348	-316	-378	-288	-354
Other operating expenses	-	-22	-224	5	-22	-33	-17	-16
Share of income in associated companies and joint ventures	-20	-11	16	-12	-7	-24	-8	-8
Operating income (EBIT) ¹⁾	591	1,422	-61	458	447	995	369	347
Operating margin, %	7.0	12.9	-1.0	5.8	5.8	9.8	6.0	4.5
Financial income	46	113	48	18	14	-29	37	76
Financial expenses	-127	-211	-90	-232	-130	-77	-73	-68
Net financial items	-81	-98	-42	-214	-116	-106	-36	8
Income before taxes	510	1,324	-103	244	331	889	333	355
Taxes	-113	-316	11	-45	-80	-286	-88	-91
Net income for the period	397	1,008	-92	199	251	603	245	264
of which Parent Company's shareholders' interest	398	982	-94	183	242	601	233	253
of which non-controlling interest	-1	26	2	16	9	2	12	11
Earnings per share before dilution, SEK ²⁾	2.98	8.28	-0.81	1.58	2.09	5.20	2.02	2.19
Earnings per share after dilution, SEK ³⁾	2.97	8.23	-0.81	1.57	2.08	5.16	2.00	2.17
1) Includes depreciation/amortisation and write-downs	-328	-232	-266	-211	-207	-202	-209	-221
2) Average number of shares before dilution	133,526,144	118,568,062	115,728,074	115,849,107	115,726,045	115,626,887	115,508,581	115,376,183
3) Average number of shares after dilution	134,137,373	119,253,394	116,499,014	116,610,780	116,581,489	116,516,136	116,385,765	116,335,132

Quarterly consolidated statement of comprehensive income

MSEK	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017
Net income for the period	397	1,008	-92	199	251	603	245	264
Other comprehensive income/loss:								
Items that will not be reversed in the income statement:								
Revaluation of net pension obligations	410	-742	-28	-901	-40	-326	440	-378
Tax attributable to revaluation of net pension obligations	-84	153	6	139	10	73	-97	83
Total	326	-589	-22	-762	-30	-253	343	-295
Items that may be reversed in the income statement:								
Translation differences	176	18	-110	141	124	139	-176	-208
Net gain/loss on cash flow hedges	-38	-257	67	-152	195	10	154	300
Tax attributable to net gain/loss on cash flow hedges	10	64	-11	25	-36	-6	-27	-62
Total	148	-175	-54	14	283	143	-49	30
Other comprehensive income/loss for the period	474	-764	-76	-748	253	-110	294	-265
Net comprehensive income/loss for the period	871	244	-168	-549	504	493	539	-1
of which Parent Company's shareholders' interest	873	212	-159	-547	483	476	535	-6
of which non-controlling interest	-2	32	-9	-2	21	17	4	5

Key ratios by quarter

MSEK	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017
Equity/assets ratio, (%)	35.4	35.0	29.0	28.7	31.5	31.7	33.0	32.3
Return on capital employed, % ³⁾	8.5	8.7	7.7	9.6	9.4	10.5	11.0	10.5
Return on equity, % ³⁾	8.6	8.1	7.1	9.7	9.6	10.9	11.9	11.2
Equity per share, SEK ^{1) 3)}	152.12	145.43	114.05	116.51	126.18	121.86	117.58	112.79
Free cash flow, MSEK ³⁾	-2,137	2,504	-2,507	-781	-2,411	1,772	-388	-1,429
Free cash flow per share after dilution, SEK ^{2) 3)}	-15.93	21.00	-21.52	-6.70	-20.68	15.21	-3.33	-12.28
1) Number of shares excluding treasury shares	133,569,408	133,482,880	115,524,571	115,931,576	115,766,638	115,685,451	115,568,324	115,448,838
2) Average number of shares after dilution	134,137,373	119,253,394	116,499,014	116,610,780	116,581,489	116,516,136	116,385,765	116,335,132
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	Q1 2019	Operating margin	Q4 2018	Operating margin	Q3 2018	Operating margin	Q2 2018	Operating margin
Sales								
Aeronautics	2,124		2,654		1,489		1,871	
Dynamics	1,392		2,287		912		1,064	
Surveillance	1,724		2,302		1,518		1,799	
Support and Services	1,349		1,657		1,077		1,400	
Industrial Products and Services	1,574		1,879		1,278		1,559	
Kockums	797		1,029		637		880	
Internal sales	-464		-790		-492		-620	
Total	8,496		11,018		6,419		7,953	
Operating income/loss								
Aeronautics	197	9.3%	309	11.6%	113	7.6%	95	5.1%
Dynamics	113	8.1%	422	18.5%	23	2.5%	44	4.1%
Surveillance	90	5.2%	371	16.1%	41	2.7%	150	8.3%
Support and Services	182	13.5%	320	19.3%	32	3.0%	159	11.4%
Industrial Products and Services	69	4.4%	139	7.4%	-18	-1.4%	54	3.5%
Kockums	34	4.3%	45	4.4%	44	6.9%	42	4.8%
Corporate	-94		-184		-296		-86	
Total	591	7.0%	1,422	12.9%	-61	-1.0%	458	5.8%
MSEK	Q1 2018	Operating margin	Q4 2017	Operating margin	Q3 2017	Operating margin	Q2 2017	Operating margin
Sales								
Aeronautics	2,042		2,373		1,351		1,865	
Dynamics	1,056		2,450		786		1,235	
Surveillance	1,778		1,966		1,515		1,720	
Support and Services	1,336		1,656		1,120		1,347	
Industrial Products and Services	1,391		1,623		1,178		1,450	
Kockums	745		763		565		706	
Internal sales	-582		-681		-357		-551	
Total	7,766		10,150		6,158		7,772	
Operating income/loss								
Aeronautics	163	8.0%	184	7.8%	108	8.0%	106	5.7%
Dynamics	46	4.4%	393	16.0%	61	7.8%	92	7.4%
Surveillance	69	3.9%	281	14.3%	140	9.2%	107	6.2%
Support and Services	174	13.0%	253	15.3%	134	12.0%	151	11.2%
Industrial Products and Services	27	1.9%	76	4.7%	-16	-1.4%	-	0.0%
Kockums	42	5.6%	47	6.2%	35	6.2%	40	5.7%
Corporate	-74		-239		-93		-149	
Total	447	5.8%	995	9.8%	369	6.0%	347	4.5%

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

Multi-year overview

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

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

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

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

Key ratios and goals

	Long-term target	Jan-Mar 2019	Jan-Mar 2018	Full Year 2018
Organic sales growth, %	5	8	2	4
Operating margin, %	10	7.0	5.8	6.8
Equity/assets ratio, %	30	35.4	31.5	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	Jan-Mar 2019	Jan-Mar 2018	Full Year 2018
Sales	5,425	5,145	20,998
Cost of goods sold	-4,180	-3,996	-16,287
Gross income	1,245	1,149	4,711
<i>Gross margin, %</i>	22.9	22.3	22.4
Operating income and expenses	-1,040	-923	-4,432
Operating income (EBIT)	205	226	279
<i>Operating margin, %</i>	3.8	4.4	1.3
Financial income and expenses	35	-12	1,210
Income after financial items	240	214	1,489
Appropriations	-	-	-114
Income before taxes	240	214	1,375
Taxes	-54	-55	-300
Net income for the period	186	159	1,075

Parent company balance sheet

MSEK	Note	31 Mar 2019	31 Dec 2018	31 Mar 2018
ASSETS				
Fixed assets:				
Intangible fixed assets		633	617	563
Tangible fixed assets		3,777	3,709	3,353
Financial fixed assets		7,258	7,197	6,985
Total fixed assets		11,668	11,523	10,901
Current assets:				
Inventories		6,605	6,159	6,151
Current receivables		16,393	16,812	13,523
Short term investments		6,788	9,000	4,286
Liquid assets		1,847	1,623	1,393
Total current assets		31,633	33,594	25,353
TOTAL ASSETS		43,301	45,117	36,254
SHAREHOLDERS' EQUITY AND LIABILITIES				
Equity:				
Restricted equity		3,386	3,386	2,964
Unrestricted equity		11,072	10,849	5,058
Total shareholders' equity		14,458	14,235	8,022
Untaxed reserves, provisions and liabilities:				
Untaxed reserves		2,405	2,405	2,291
Provisions		1,456	1,327	1,212
Liabilities	8	24,982	27,150	24,729
Total untaxed reserves, provisions and liabilities		28,843	30,882	28,232
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		43,301	45,117	36,254

Liquidity, financing, capital expenditures and number of employees

The Parent Company's net debt amounted to MSEK 2,842 as of 31 March 2019 compared to MSEK 564 as of 31 December 2018.

Investments in tangible fixed assets amounted to MSEK 197 (251). Investments in intangible assets amounted to MSEK 17 (10). At the end of the period, the Parent Company had 9,539 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 for the first three months 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 interim report for the period 1 January to 31 March 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. For effects of changes in accounting principle, IAS 8 and the transition rules in the standard have 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 switch to 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.

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	Jan-Mar	Jan-Mar	Change,	Rolling	Full Year
	2019	2018	%	12 Months	2018
Aeronautics	150	1,389	-89	4,022	5,261
Dynamics	1,105	1,355	-18	7,058	7,308
Surveillance	1,313	1,731	-24	6,952	7,370
Support and Services	678	723	-6	3,590	3,635
Industrial Products and Services	1,306	1,102	19	5,548	5,344
Kockums	245	381	-36	987	1,123
Internal	-315	-546		-1,835	-2,066
Total	4,482	6,135	-27	26,322	27,975

Order bookings per region

MSEK	Jan-Mar	Jan-Mar	Change,	Full Year
	2019	2018	%	2018
Sweden	1,398	2,634	-47	8,203
Rest of Europe	1,408	1,895	-26	6,936
North America	785	411	91	5,134
Latin America	56	10	460	1,562
Asia	435	454	-4	3,474
Africa	102	22	364	265
Australia, etc.	298	709	-58	2,401
Total	4,482	6,135	-27	27,975

Order backlog per operating segment

MSEK	31 Mar 2019	31 Dec 2018	31 Mar 2018
Aeronautics	45,384	47,359	49,501
Dynamics	13,398	13,645	11,914
Surveillance	14,464	14,731	14,765
Support and Services	10,036	10,690	11,928
Industrial Products and Services	9,808	11,004	11,448
Kockums	6,096	6,646	8,451
Internal	-1,785	-1,891	-2,295
Total	97,401	102,184	105,712

Order backlog per region

MSEK	31 Mar 2019	31 Dec 2018	31 Mar 2018
Sweden	32,197	33,942	38,589
Rest of Europe	11,638	12,304	11,098
North America	6,838	6,923	4,593
Latin America	33,787	34,909	36,307
Asia	8,979	10,206	11,570
Africa	695	682	818
Australia etc.	3,267	3,218	2,737
Total	97,401	102,184	105,712

Sales per operating segment

MSEK	Jan-Mar 2019	Jan-Mar 2018	Change, %	Rolling 12 Months	Full Year 2018
Aeronautics	2,124	2,042	4	8,138	8,056
Dynamics	1,392	1,056	32	5,655	5,319
Surveillance	1,724	1,778	-3	7,343	7,397
Support and Services	1,349	1,336	1	5,483	5,470
Industrial Products and Services	1,574	1,391	13	6,290	6,107
Kockums	797	745	7	3,343	3,291
Internal	-464	-582		-2,366	-2,484
Total	8,496	7,766	9	33,886	33,156

Sales per region

MSEK	Jan-Mar 2019	% of sales	Jan-Mar 2018	% of sales	Full Year 2018	% of sales
Sweden	3,133	37	3,309	43	13,519	41
Rest of Europe	1,261	15	932	12	4,768	14
North America	787	9	640	8	3,155	10
Latin America	1,183	14	884	11	3,821	12
Asia	1,715	20	1,680	22	6,148	19
Africa	56	1	108	1	361	1
Australia, etc.	361	4	213	3	1,384	4
Total	8,496	100	7,766	100	33,156	100

Information on large customers

During the first three months 2019, Saab had one customer that accounted for 10 per cent or more of the Group's sales: the Swedish Defence Materiel Administration (FMV). FMV is a customer of all business areas and total sales amounted to MSEK 2,315 (2,538).

Seasonal variation

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

Operating income per operating segment

MSEK	Jan-Mar 2019	% of sales	Jan-Mar 2018	% of sales	Rolling 12 Months	Full Year 2018
Aeronautics	197	9.3	163	8.0	714	680
Dynamics	113	8.1	46	4.4	602	535
Surveillance	90	5.2	69	3.9	652	631
Support and Services	182	13.5	174	13.0	693	685
Industrial Products and Services	69	4.4	27	1.9	244	202
Kockums	34	4.3	42	5.6	165	173
The operating segments' operating income	685	8.1	521	6.7	3,070	2,906
Corporate	-94		-74		-660	-640
Total	591	7.0	447	5.8	2,410	2,266

Depreciation/amortisation and write-downs per operating segment

MSEK	Jan-Mar 2019	Jan-Mar 2018	Rolling 12 Months	Full Year 2018
Aeronautics	15	14	57	56
Dynamics	19	18	76	75
Surveillance	71	67	277	273
Support and Services	5	4	70	69
Industrial Products and Services	21	23	86	88
Kockums	10	7	33	30
Corporate	187	74	438	325
Total	328	207	1,037	916

Operational cash flow per operating segment

MSEK	Jan-Mar 2019	Jan-Mar 2018	Rolling 12 Months	Full Year 2018
Aeronautics	-1,636	-1,549	-1,183	-1,096
Dynamics	135	29	-14	-120
Surveillance	-102	-476	-711	-1,085
Support and Services	-217	-159	311	369
Industrial Products and Services	-128	48	-527	-351
Kockums	166	-11	428	251
Corporate	-141	-93	-440	-392
Total	-1,923	-2,211	-2,136	-2,424

Capital employed per operating segment

MSEK	31 Mar 2019	31 Dec 2018	31 Mar 2018
Aeronautics	4,968	3,110	3,165
Dynamics	3,524	3,774	2,935
Surveillance	8,057	7,781	6,402
Support and Services	3,687	3,307	3,208
Industrial Products and Services	4,682	4,515	3,914
Kockums	1,180	1,181	1,081
Corporate	9,721	9,335	5,458
Total	35,819	33,003	26,163

Full time equivalents (FTE's) per operating segment

Number at end of the period	31 Mar 2019	31 Dec 2018	31 Mar 2018
Aeronautics	3,303	3,212	3,087
Dynamics	2,304	2,252	2,166
Surveillance	3,791	3,770	3,685
Support and Services	1,884	1,851	1,869
Industrial Products and Services	3,600	3,566	3,449
Kockums	1,208	1,205	1,135
Corporate	925	903	901
Total	17,015	16,759	16,292

NOTE 4 Distribution of sales

MSEK	Aeronautics		Dynamics		Surveillance		Support and Services		Industrial Products and Services		Kockums		Corporate/elimination		Group	
	Jan-Mar 2019	Jan-Mar 2018	Jan-Mar 2019	Jan-Mar 2018	Jan-Mar 2019	Jan-Mar 2018	Jan-Mar 2019	Jan-Mar 2018	Jan-Mar 2019	Jan-Mar 2018	Jan-Mar 2019	Jan-Mar 2018	Jan-Mar 2019	Jan-Mar 2018	Jan-Mar 2019	Jan-Mar 2018
External sales	2,052	1,931	1,359	991	1,667	1,718	1,325	1,308	1,276	1,073	794	744	23	1	8,496	7,766
Internal sales	72	111	33	65	57	60	24	28	298	318	3	1	-487	-583	-	-
Total sales	2,124	2,042	1,392	1,056	1,724	1,778	1,349	1,336	1,574	1,391	797	745	-464	-582	8,496	7,766
Sales by customer:																
Military customers	2,052	1,931	1,289	930	1,653	1,700	1,141	1,101	301	250	794	744	14	1	7,244	6,656
Civilian customers	-	-	70	61	14	18	184	207	975	823	-	-	9	-	1,252	1,110
Total external sales	2,052	1,931	1,359	991	1,667	1,718	1,325	1,308	1,276	1,073	794	744	23	1	8,496	7,766
Sales by significant source:																
Long-term customer contracts	1,852	1,756	589	261	1,206	1,186	624	484	744	529	567	575	14	1	5,596	4,794
Services	199	171	168	181	328	384	514	677	491	501	214	169	9	-	1,923	2,082
Products	1	4	602	549	133	148	187	147	41	43	13	-	-	-	977	890
Total external sales	2,052	1,931	1,359	991	1,667	1,718	1,325	1,308	1,276	1,073	794	744	23	1	8,496	7,766
Sales by domain:																
Air	2,052	1,930	81	69	905	952	884	893	89	68	-	-	6	-	4,017	3,910
Land	-	1	943	719	239	336	249	215	164	162	-	-	-	-	1,595	1,434
Naval	-	-	290	170	506	412	49	29	2	2	794	744	17	1	1,658	1,359
Civil Security	-	-	44	29	14	5	42	46	422	386	-	-	-	-	522	467
Commercial Aeronautics	-	-	-	-	1	101	125	399	277	-	-	-	-	-	500	403
Other	-	-	1	4	3	12	-	-	200	178	-	-	-	-	204	193
Total external sales	2,052	1,931	1,359	991	1,667	1,718	1,325	1,308	1,276	1,073	794	744	23	1	8,496	7,766
Sales recognition method:																
Over time	2,049	1,925	767	407	1,410	1,479	1,016	1,060	748	693	791	718	13	1	6,794	6,283
Point in time	3	6	592	584	257	239	309	248	528	380	3	26	10	-	1,702	1,483
Total external sales	2,052	1,931	1,359	991	1,667	1,718	1,325	1,308	1,276	1,073	794	744	23	1	8,496	7,766

NOTE 5 Non-recurring items

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

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

NOTE 6 Dividend to Parent Company's shareholders

The Annual General Meeting 2019, held on 11 April, decided on a dividend to the Parent Company's shareholders of SEK 4.50 per share, corresponding to a total dividend of MSEK 601.

The record date for the dividend was 15 April 2019 and the dividend was paid out on 18 April 2019.

NOTE 7 Intangible fixed assets

MSEK	31 Mar 2019	31 Dec 2018	31 Mar 2018
Goodwill	5,363	5,310	5,227
Capitalised development costs	3,611	3,328	2,502
Other intangible assets	471	419	353
Total	9,444	9,057	8,082

NOTE 8 Net liquidity/debt

MSEK	31 Mar 2019	31 Dec 2018	31 Mar 2018
Assets:			
Liquid assets	2,560	2,451	2,184
Short-term investments	6,802	9,003	4,295
Total liquid investments	9,362	11,454	6,479
Short-term interest-bearing receivables	43	-	14
Long-term interest-bearing receivables	481	449	475
Long-term receivables attributable to pensions	6	6	40
Total interest-bearing assets	9,892	11,909	7,008
Liabilities:			
Lease liabilities	2,645	-	-
Liabilities to credit institutions	8,773	8,759	8,093
Liabilities to associated companies and joint ventures	44	43	44
Other interest-bearing liabilities	7	462	474
Provisions for pensions ¹⁾	3,805	4,105	2,736
Total interest-bearing liabilities and provisions for pensions	15,274	13,369	11,347
Net liquidity (+) / net debt (-)	-5,382	-1,460	-4,339

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

Committed credit lines

MSEK	Facilities	Drawings	Available
Revolving credit facility (Maturity 2022)	6,000	-	6,000
Overdraft facility (Maturity 2019)	77	-	77
Total	6,077	-	6,077

Parent Company

MSEK	31 Mar 2019	31 Dec 2018	31 Mar 2018
Long-term liabilities to credit institutions	6,937	7,773	7,781
Short-term liabilities to credit institutions	1,836	986	312
Total	8,773	8,759	8,093

Since 2009, Saab has a Medium Term Note programme (MTN) to enable the issuance of long-term loans on the capital market. During the first quarter 2018, the MTN programme was increased from MSEK 6,000 to MSEK 10,000.

Under the terms of this programme, Saab has issued fixed rate bonds as well as Floating Rate Notes (FRN). There were no further activities in 2019, which means that outstanding loans under the MTN programme together amount to MSEK 7,731. In December 2015, Schuldschein loans with a value of MEUR 100 were signed.

NOTE 9 Capital employed

MSEK	31 Mar 2019	31 Dec 2018	31 Mar 2018
Total assets	57,986	56,128	47,054
Less non-interest bearing liabilities	22,167	23,125	20,891
Capital employed	35,819	33,003	26,163

NOTE 10 Financial instruments

Classification and categorisation of financial assets and liabilities ²⁾

Carrying amount	31 Mar 2019	31 Dec 2018	31 Mar 2018
Financial assets:			
Valued at amortised cost ⁴⁾ :			
Accounts receivable, contract assets and other receivables	16,932	16,254	14,192
Liquid assets	2,560	2,451	2,184
Long-term receivables	625	548	475
Valued at fair value through profit and loss ³⁾ :			
Short-term investments	6,802	9,003	4,295
Derivatives for trading	117	148	133
Long-term receivables	-	-	28
Financial investments	28	27	27
Derivatives identified as hedges	1,296	948	1,044
Total financial liabilities	28,360	29,379	22,378
Financial liabilities:			
Valued at amortised cost:			
Interest-bearing liabilities ¹⁾	11,469	9,264	8,611
Other liabilities ⁴⁾	7,741	8,626	7,000
Valued at fair value through profit and loss ³⁾ :			
Derivatives for trading	27	74	106
Derivatives identified as hedges	1,696	1,160	1,055
Total financial liabilities	20,933	19,124	16,772

¹⁾ Fair value
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 1268.

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

Assets at fair value

MSEK	31 Mar 2019	31 Mar		
		Level 1	Level 2	Level 3
Bonds and interest-bearing securities	6,802	6,802	-	-
Forward exchange contracts	1,289	-	1,289	-
Cross currency basis swaps	110	-	110	-
Electricity derivatives	14	14	-	-
Shares, participations and long-term receivables	28	-	-	28
Total	8,243	6,816	1,399	28

Liabilities at fair value

MSEK	31 Mar 2019	31 Mar		
		Level 1	Level 2	Level 3
Forward exchange contracts	1,618	-	1,618	-
Currency options	6	-	6	-
Interest rate swaps	99	-	99	-
Total	1,723	-	1,723	-

NOTE 11 Supplemental information on statement of cash flows

Free cash flow

MSEK		Jan-Mar	Jan-Mar	Total Group
		2019	2018	Full Year 2018
Cash flow from operating activities before changes in working capital, excluding taxes and other financial items¹⁾		1,127	948	4,026
Cash flow from changes in working capital:				
Contract assets and liabilities		-2,333	-2,588	-3,039
Inventories		-230	-474	-1,057
Other current receivables		760	561	-1,044
Other current liabilities		-567	-15	1,965
Provisions		-50	-48	-479
Change in working capital		-2,420	-2,564	-3,654
Cash flow from operating activities excluding taxes and other financial items		-1,293	-1,616	372
Investing activities:				
Investments in intangible fixed assets		-358	-271	-1,338
Investments in tangible fixed assets		-277	-326	-1,481
Sales and disposals of tangible fixed assets		5	2	23
Cash flow from investing activities²⁾		-630	-595	-2,796
Operational cash flow		-1,923	-2,211	-2,424
Taxes and other financial items		-173	-194	-862
Sale of and investments in financial assets		-41	-6	43
Investments in operations		-	-	15
Sale of subsidiaries		-	-	33
Free cash flow		-2,137	-2,411	-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 vs. statement of cash flows

MSEK	Jan-Mar	Jan-Mar	Full Year
	2019	2018	2018
Free cash flow	-2,137	-2,411	-3,195
Investing activities – interest-bearing:			
Short-term investments	2,229	171	-4,554
Other financial investments and receivables	-31	-27	-29
Financing activities:			
Repayments of loans	-	-20	-967
Raising of loans	9	2,250	3,820
Rights issue	11	-	5,967
Repurchase of shares	-	-	-203
Dividend paid to the Parent Company's shareholders	-	-	-588
Dividend paid to non-controlling interest	-	-	-24
Transactions with non-controlling interest	3	-	-14
Cash flow for the period	84	-37	213

Liquid assets

MSEK	31 Mar	31 Dec	31 Mar
	2019	2018	2018
The following components are included in liquid assets:			
Cash and bank balances	1,058	1,300	1,174
Bank deposits	1,502	1,151	1,010
Total according to balance sheet	2,560	2,451	2,184
Total according to statement of cash flows	2,560	2,451	2,184

NOTE 12 Business combinations

No significant acquisitions through business combinations were made in the first quarter 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 Mar 2019	31 Dec 2018	31 Mar 2018
Defined-benefit obligation	10,797	10,752	9,402
Special employers' contribution	980	1,008	716
Less plan assets	6,998	6,653	6,706
Total provisions for pensions	4,779	5,107	3,412
of which reported as long-term receivable	6	6	40

NOTE 14 Contingent liabilities

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

NOTE 15 Transactions with related parties

No significant transactions have occurred during the period.

Related parties with which the Group has transactions are described in the annual report 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 in the first quarter of 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
Financial lease liabilities as of 31 December 2018
Short-term leases (expensed in income statement)
Leases of low value (expensed in income statement)
Effect of discounting
Carrying lease liabilities, 1 January 2019

Effects on consolidated income statement, consolidated statement of financial position and key ratios for the first quarter 2019

Consolidated income statement	Jan-Mar 2019 incl. IFRS 16	Jan-mar 2019 IFRS 16 effect	Jan-Mar 2019 excl. IFRS 16
MSEK			
Sales and other operating income	8,514	-	8,514
Cost of goods sold and operating expenses	-7,595	107	-7,702
Depreciation and amortisation	-328	-96	-232
Operating income (EBIT)	591	11	580
Net financial items	-81	-22	-59
Income before taxes	510	-11	521
Taxes	-113	2	-115
Net income for the period	397	-9	406

Consolidated statement of financial position	31 Mar 2019 incl. IFRS 16	31 Mar 2019 IFRS 16	31 Mar 2019 excl. IFRS 16
MSEK			
ASSETS			
Right of use assets	2,654	2,654	-
Other fixed assets	17,195	-433	17,628
Total fixed assets	19,849	2,221	17,628
Total current assets	38,137	-21	38,158
TOTAL ASSETS	57,986	2,200	55,786
EQUITY AND LIABILITIES			
Total equity	20,544	-9	20,553
Interest bearing liabilities	15,274	2,177	13,097
Non-interest bearing liabilities	22,168	32	22,136
Total liabilities	37,442	2,209	35,233
TOTAL EQUITY AND LIABILITIES	57,986	2,200	55,786

Key ratios	Jan-Mar 2019 incl. IFRS 16	Jan-Mar 2019 excl. IFRS 16
MSEK		
EBITDA, MSEK	919	812
EBITDA margin, %	10.8	9.6
Operating income, MSEK	591	580
Operating margin, %	7.0	6.8
Net income for the period, MSEK	397	406
Earnings per share before dilution, SEK	2.98	3.05
Earnings per share after dilution, SEK	2.97	3.03
Net liquidity(+)/Net debt(-)	-5,382	-3,248
Equity/assets ratio, %	35.4	36.8
Return on capital employed, %	8.5	8.8
Return on equity, %	8.6	8.6
Equity per share, SEK	152.12	152.18
Operational cash flow, MSEK	-1,923	-1,934
Free cash flow, MSEK	-2,137	-2,126
Free cash flow per share after dilution, SEK	-15.93	-15.85

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

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

Net liquidity/net debt

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

Non-recurring items

Non-recurring items of profit with a significant impact on the results and which are important for understanding the underlying business development.

Operating margin

Operating income (EBIT) as a percentage of sales.

Operational cash flow

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

Order backlog

Total value of orders at the end of the period.

Order bookings

Total value of orders received during the period.

Organic sales growth

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

R&D expenditures

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

Return on capital employed

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

Return on equity

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

Glossary

C4I	Command, Control, Communications, Computers, and Intelligence	IFRS	International Financial Reporting Standards
FMV	Swedish Defence Materiel Administration	IFRIC	International Financial Reporting Interpretations Committee
FRN	Floating Rate Note	ISR	Intelligence, Surveillance and Reconnaissance systems
FTE	Full Time Equivalent, corresponds to one employee working full-time for one year	MTN	Medium Term Note, bonds with a duration of 1-15 years
IAS	International Accounting Standards		

Linköping 26 April 2019

Håkan Buskhe

President and CEO

This interim report has not been subject to review by the company's auditors.

This information is such that Saab AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out below, on 26 April 2019 at 07.30 (CET).

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.

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Press and financial analyst conference

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

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

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

Live webcast:

<http://saab-interimreport.creo.se/190426/>

Conference call:

Please, dial in using one of the numbers below:

Sweden: +46 8 566 427 07
UK: +44 333 300 9031
US: +1 833 526 8382

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

Calendar

Interim report January–June 2019

Published 19 July 2019

Interim report January–September 2019

Published 22 October 2019

Year-end report 2019

Published 7 February 2020



2019: Q1