

Handläggare/Handled by

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THE 1998 REPORT

- Operating income amounted to SEK 875 m. (-5,316)
- Net income amounted to SEK 912 m. (-3,790)
- Income per share: SEK 8.55
- Sales, excluding Regional Aircraft, increased 2 percent to SEK 7,539 m. (7,379)
- Pre-tax return on capital employed was 21.4 percent
- Proposed dividend per share: SEK 2.00
- South Africa chooses Gripen as preferred supplier. Negotiations in progress to supply 28 Gripen aircraft.
- Saab shares listed on Stockholm Stock Exchange from June 18, 1998. British Aerospace becomes new major owner.
- SEK 254 m. convertible debenture loan to employees oversubscribed by SEK 62 m.

The Saab Group

Saab offers advanced products and systems based to a large degree on sophisticated information technology. The Group consists of the business areas **Military Aerospace, Space, Training Systems, Commercial Aircraft** and **Combitech**. Business area Regional Aircraft is currently being phased out and production will be terminated in mid-1999.

Saab AB has been listed on the Stockholm Stock Exchange since June 18, 1998. The principal owners are Investor AB with 20 percent of the shares, corresponding to 36 percent of the votes, and British Aerospace, with 35 percent of the shares, corresponding to 35 percent of the votes. The remaining 45 percent of the shares are traded on the Stockholm Stock Exchange.

On September 30, 1998, an extraordinary general meeting resolved to issue a convertible debenture loan to the Group's employees. The loan amounts to SEK 254 m., which, after full conversion, corresponds to a dilution of 2.55 percent of the capital and 1.67 percent of the total votes. Employee

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response was very great and the loan was oversubscribed by 24 percent or SEK 62 m. About 48 percent of the employees made use of the opportunity.



In **Military Aerospace**, the dominating business units are *Gripen*, *Dynamics* and *Avionics* (an associated company). Saab produces the Gripen, the only fourth-generation combat aircraft in operational service. Gripen is an integrated and flexible information-, command- and weapon control system which will be kept modern for a long period to come. Orders from the Defence Materiel Administration (FMV) comprise 204 aircraft for the Swedish Air Force. By year-end 1998, a total of 65 aircraft had been delivered, including 17 during the year. On November 18, the South African Government decided to enter into final negotiations with Saab and British Aerospace with the intention of signing a contract to purchase 28 Gripen aircraft for the South African Air Force.

Dynamics' operations comprise high-technology products in guided weapons, optronic systems and other equipment. During the year, *Dynamics* received an important order for development work on the IRIS-T short-range missile which is part of a European collaboration project. *Avionics* is owned jointly with Ericsson and is active in systems for electronic warfare, display and reconnaissance. The company is a major supplier of electronics for the Gripen. On January 1, 1999, Saab acquired the share majority in Avionics from Ericsson, whereby the company, which is owned to 50.1 percent by Saab, is being consolidated from the beginning of 1999. Order bookings for Military Aerospace amounted to SEK 2,544 m. (11,411) including orders for development and spare parts for the Gripen and the development order for the IRIS-T. The high level of order bookings in the preceding year includes an order from FMV for batch 3 of 64 Gripen aircraft.

Space develops and produces on-board computers, antennas and other equipment for the space industry. The company is owned to 60 percent by Saab and 40 percent by Ericsson. Order bookings amounted to SEK 667 m. (605) and include an increasing proportion of commercial orders in the telecommunications field for companies such as Hughes and Aérospatiale. An important order from the European Space Agency (ESA) during the year related to participation in the ROSETTA scientific project.

Training Systems is a world leader in the area of simulator equipment based on laser technology for direct fire weapons. Approximately 95 percent of sales go to export, the major markets being the UK, the USA and Germany. Order bookings fell to SEK 583 m. (677), reflecting a shrinking total market.

Commercial Aircraft consists of *Collaborative Programs*, *Customer Support* and *Saab Aircraft Leasing (SAL)*. Sales increased through larger deliveries for Boeing and spare parts for Regional Aircraft. Order bookings rose to SEK 1,167 m. (804) and include deliveries to **Regional Aircraft** totaling SEK 226 m. Orders received during the year from Aérospatiale for the Airbus A340-500/600 have a total contract value of approximately SEK 1,500 m, which will be delivered during a number of years. Of this, SEK 300 m. has been treated as order bookings.

Combitech's operations comprise commercial products in high technology niches. The order bookings amounted to SEK 1,001 m. (1,356). The downturn is due to the divestment of Telelogic and Image Systems and the lack of major orders of a size similar to that Traffic Systems received from Melbourne in 1997. Sales of Marine Electronics increased during the year as a result of good order bookings in 1997. Marine Electronics thereby strengthened its already firm position in a total market which is under pressure. The market for Survey Systems is very weak and measures are being taken to implement a structural solution.

Regional Aircraft delivered 25 (26) Saab 340 and 11 (9) Saab 2000 aircraft during the year. Remaining deliveries in 1999 consist of 3 Saab 340 and 4 Saab 2000.

Sales

Sales by business area

SEK m.	1998	1997	Change	4 th Q 1998
Military Aerospace	4,572	4,480	2 %	1,561
Space	607	594	2 %	192
Training Systems	621	668	-7 %	281
Commercial Aircraft	908	757	20 %	222
Combitech	1,057	1,073	-1 %	315
Internal sales	-226	-193		-64
Saab	7,539	7,379	2 %	2,507
Regional Aircraft	2,698	2,522	7 %	1,006
Internal sales	-1,989	-1,227		-553
Saab Group	8,248	8,674	-5 %	2,960

Sales of Saab, excluding Regional Aircraft, increased two percent to SEK 7,539 m. (7,379). Sales of the Group decreased five percent to SEK 8,248 m. (8,674). The fall is mainly due to a larger number of regional aircraft being financed within the Group. Of a total of 36 deliveries, 26 have been financed within the Group and are consequently not included in the external sales.

Sales of **Military Aerospace** increased 2 percent to SEK 4,572 m. (4,480). The improvement is attributed to higher sales of *Dynamics*, partly in development of the IRIS-T, deliveries of the EOS 450 fire control system to Brazil, deliveries of STRIX to the Swedish and Swiss defense and increased development orders and spare parts sales for the Gripen. During the year, 17 Gripen aircraft were invoiced, compared with 20 in 1997. However, three of the aircraft invoiced in 1997 were delivered at the end of 1996. Of sales of **Military Aerospace**, sales of *Dynamics* amounted to

SEK 853 m. (630). [Sales of *Avionics* amounted to SEK 934 m. (841), which has not been consolidated since *Avionics* is reported as an associated company in 1998.]

Sales by **Space** increased SEK 13 m. to SEK 607 m. and included an increased share of equipment for the commercial market in telecommunications satellites.

Sales of **Training Systems** decreased as a result of lower deliveries of laser simulators and other products, and totaled SEK 621 m. (668). This reflects lower order bookings in a shrinking market.

Sales of **Commercial Aircraft** increased through higher deliveries, principally to Boeing, and larger volumes of spare parts for Regional Aircraft.

Sales of **Combitech** decreased somewhat owing to the divestment of Telelogic. After adjusting for the divestments, sales increased nine percent, partly through an increase for Marine Electronics.

Sales of **Regional Aircraft** increased as a result of larger deliveries. During the year, 25 (26) Saab 340 aircraft were delivered - 22 to Mesaba, two to JAC in Japan and one Saab 340 AEW to FMV. During the same period, a total of 11 (9) Saab 2000 were delivered, including five for Crossair, two for SAS and two for Japan Civilian Aviation Bureau (JCAB).

Sales by market area

SEK m.	1998	1997	Change
Sweden	4,845	4,225	15 %
Other EU countries	1,301	1,437	-9 %
Other European countries	470	534	-12 %
Total Europe	6,616	6,196	7 %
North America	658	1,819	-64 %
Asia	862	524	65 %
Australia, etc.	66	74	-11 %
Other markets	46	61	
Saab Group	8,248	8,674	-5 %

The decrease in sales in North America is largely due to internal financing of 22 (10) Saab 340 delivered to operators in the USA and are consequently not included in the external sales.

Income and Profitability

Income statement

SEK m.	1998	1997	4 th Q 1998
Sales	8,248	8,674	2,960
Cost of goods sold	-6,105	-6,400	-2,232
Gross margin	2,143	2,274	728
Marketing expenses	-795	-824	-219
Administrative expenses	-532	-622	-144
Research and development costs	-378	-495	-127
Items affecting comparability	200	-5,421	200
Other operating income	206	133	6
Other operating expenses	-34	-364	9
Share in income of associated companies	65	3	22
Operating income ¹⁾	875	-5,316	475
Financial income and expenses	343	471	128
Income after financial items	1,218	-4,845	603
Tax	-279	1,075	-107
Minority interest	-27	-20	-11
Net income	912	-3,790	485
Earnings per share ²⁾	8.55		4.54
¹⁾ Includes depreciation of	-773	-749	-211
of which depreciation on leasing assets	-439	-383	-113

²⁾ Number of shares as per December 31, 1998: 106,459,675

Operating income amounted to SEK 875 m. (-5,316). Losses in **Regional Aircraft** and SAL including provisions burdened the preceding year with SEK 6,186 m. During 1998, reversal of the loss risk reserve concerning the base contract for the Gripen amounting to SEK 100 m. (313) and reversal of the loss risk reserve for phasing out **Regional Aircraft** by SEK 200 m. improved the income. The year's loss in **Regional Aircraft** of SEK -477 m. has been charged against the termination reserve. Thus, operating income of Saab, excluding **Regional Aircraft**, SAL and changes in the loss risk reserves, amounted to SEK 575 m. (557). Other operating income consists mainly of a capital gain from the sale of Telelogic, SEK 75 m., reversal of provision corresponding to the loss in *Customer Support*, SEK 60 m. and trading income from Treasury business and exchange rate gains etc. of SEK 206 m. (133). Other operating expenses amounted to SEK -34 m. (-364), of which SAL accounted for SEK 0 m. (-212). Income of SAL before reversal of the loss risk reserve amounted to SEK -55 m. Project interest on non-utilized advance payments amounted to SEK 263 m.



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Net financial income and expenses amounted to SEK 343 m. (471), of which *Saab Aircraft Leasing* accounted for SEK 91 m. The deterioration is mainly due to a lower interest level and an accrued interest cost of SEK 46 m. resulting from the fiscal outcome of an investor lease transaction during 1989. The average return on liquid funds was 5.7 percent (6.2). The average liquidity was SEK 13,300 m. (12,800). Income after financial income and expenses amounted to SEK 1,218 m. (-4,845). Of income, SEK 300 m. (-5,108) consists of reversal of loss risk reserves and items affecting comparability.

Paid and deferred taxes amounted to SEK -279 m. (1,075), corresponding to tax of 23 percent on income after financial income and expenses.

Net income for the year was SEK 912 m. (-3,790), corresponding to income per share of SEK 8.55.

Pre-tax return on capital employed was 21.4 percent (negative in 1997). Return on capital employed before items affecting comparability was 18.2 percent (2.4). Return on shareholders' equity was 25.6 percent (negative in 1997).

Subdivided summary of income statement

SEK m.	Saab	Regional Aircraft	SAL	Elimi- nations	Saab Group
Sales	7,539	2,698		-1,989	8,248
Cost of goods sold	-5,496	-3,038		2,429	-6,105
Gross margin	2,043	-340		440	2,143
Operating expenses	-1,533	-137	-55	92	-1,633
Share in income of associated companies	65				-65
Use of loss risk reserve		477	55	-532	0
Total	575	0	0	0	575
Reversal of loss risk reserve	100	200			300
Operating income	675	200	0	0	875
Income from financial items	252		91		343
Income after financial items	927	200	91	0	1,218
Tax					-279
Minority interest					-27
Net income					912

Operating income by business area

SEK m.	1998	1997	4 th Q 1998
Military Aerospace	528	586	179
Space	59	47	21
Training Systems	167	156	124
Commercial Aircraft ¹⁾	-15	3	-2
Combitech	-166	-338	-140
Corporate	2	103	-7
Saab excl regional aircraft	575	557	175
Reversal of loss risk reserve	100	313	100
Saab excl regional aircraft	675	870	275
Regional Aircraft	0	-553	0
Saab Aircraft Leasing	0	-212	0
Total	675	105	275
Items affecting comparability	200	-5,421	200
Saab Group	875	-5,316	475

¹⁾ Whole year 1997 includes only Collaborative Programs. Customer Support has no effect on income for the year owing to the provisions made in the financial statements for 1997.

Operating income of **Military Aerospace** decreased to SEK 528 m. (586), mainly due to higher marketing and development costs for the export version of Gripen. Risks and guarantee commitments in the base contract for the Gripen have been reduced and the loss risk reserve has thus been reduced by SEK 100 m. (313). Operating income includes project interest on non-utilized advance payments amounting to SEK 252 m. (235).

Operating income of **Space** improved to SEK 59 m. (47), due to higher margins and somewhat higher sales.

Operating income of **Training Systems** improved to SEK 167 m. (156), mainly through higher deliveries with large margins during the last quarter.

Income of **Commercial Aircraft** amounted to SEK -15 m. (3) and consists of the external income of *Collaborative Programs*, which was negatively affected by investments in new activities connected with Airbus, Boeing and other projects. Development for *Customer Support* and *Saab Aircraft Leasing* is following the plans set up in 1997, when a write-down was made in the leasing portfolio together with provisions for future negative income in *Customer Support*.

Operating income of **Combitech** was negative at SEK -166 m. (-338). The improvement was mainly due to gains from divesting operations, while considerable losses incurred through the divestments made in 1997. Operating income for Marine Electronics, Software, Network and Pronesto also developed favorably. Income of Traffic Systems continues to be severely negative and includes considerable reserves for expected losses following the conclusion of the Melbourne project. Difficulties with start-up of a new production facility led to profitability problems at Electronics. Operations in **Combitech** are subject to continued restructuring.

Corporate income decreased since there was no counterpart to the non-recurrent items in 1997.

Sales and income by quarter

SEK m.	1998				1997			
	1 st Q	2 nd Q	3 rd Q	4 th Q	1 st Q	2 nd Q	3 rd Q	4 th Q
Sales								
Saab, excl regional aircraft	1,817	1,856	1,359	2,507	1,586	2,021	1,257	2,515
Regional Aircraft	572	743	377	1,006	770	1,069	375	310
Internal sales	-572	-495	-369	-553	-360	-447	-68	-352
	1,817	2,104	1,367	2,960	1,996	2,641	1,564	2,473
Operating income								
Saab, excl regional aircraft	281	63	56	175	37	31	75	414
Reversal of loss risk reserve	0	0	0	100	0	75	75	163
Regional Aircraft	0	0	0	0	-134	18	-144	-293
Saab Aircraft Leasing	0	0	0	0	-31	-34	24	-171
Items affecting comparability	0	0	0	200	0	0	0	-5,421
	281	63	56	475	-128	90	30	-5,308
Operating margin for Saab, excl regional aircraft and reversal of loss risk reserve								
before depreciation, %	19.8	7.6	9.9	10.9	7.6	7.5	12.3	21.4
after depreciation, %	15.5	3.4	4.1	7.0	2.3	1.5	6.0	16.5
Net financial income	68	63	84	128	104	111	129	127
Income after financial items	349	126	140	603	-24	201	159	-5,181
Net income	245	87	95	485	-27	146	113	-4,022
Earnings per share ¹⁾	2.30	0.81	0.90	4.54				

¹⁾ Number of shares as per December 31, 1998: 106.459.675

Sales were high during the last quarter owing to large deliveries by *Gripen*, *Dynamics*, **Space** and **Training Systems**. High gross margins, particularly in **Training Systems**, were boosted by volume effects, resulting in high operating income for the fourth quarter, despite the burden incurred by Traffic Systems. Reversal of the loss risk reserves for Gripen and Regional Aircraft strengthened income. Net financial income also rose during the last quarter owing to non-recurrent adjustments.

Order bookings

Group order bookings amounted to SEK 5,797 m. (16,612). The order backlog at year end amounted to SEK 23,132 m. (27,122) and includes military orders worth SEK 20,900 m. (23,000).

Order bookings were lower than in the previous year since the order for batch 3 of 64 Gripen aircraft was received in 1997.

Future development

Business areas

The order backlog of Gripen constitutes an important platform for the future business within ***Military Aerospace***. Deliveries to the Swedish Air Force are at present being made at the rate of 18 aircraft a year, to which be added further development of the aircraft system and maintenance and add-on orders. Export activities concerning the Gripen are continuing. In addition to final negotiations with South Africa, the Gripen is being marketed jointly with British Aerospace in South America, Central Europe and other areas. Marketing and sales activities may cover a period of several years and are characterized by a long-term approach which, if successful, will lead to collaboration over several decades. During the year, significant marketing activities have been carried out, including among other participation with Gripen in air shows in both South America, South Africa and Europe. Development efforts referring to the export version of Gripen have been intensified during the year. The development includes adaptation to world wide climate, equipment for air to air refueling and implementation of NATO standard. *Dynamics* and *Avionics* have close connections with the Gripen, but also develop high-technology products for use in other systems. One example is *Dynamics'* participation in international missile projects. ***Space*** will continue to develop with the growing commercial market for telecommunications satellites. ***Training Systems*** will use its leading position in the market as a basis for developing its products to meet a shrinking total market. ***Commercial Aircraft*** aims at continuing to build up new activities within the business unit *Collaborative Programs* oriented towards collaboration with Airbus and Boeing. The work of restructuring ***Combitech*** and realize the values will continue. Activities in *Saab Aircraft Leasing (SAL)* and *Customer Support* are aimed at serving the fleet of Saab 340 and Saab 2000 aircraft.

Restructuring

In December 1997, Saab made the decision to end production of regional aircraft and allocated reserves totaling SEK 4,079 m. for restructuring the industrial operation. The reserves concern production costs for the remaining order backlog, redeployment or retirement of personnel, commitments to suppliers and customers, continued support activities for the aircraft fleet, and underabsorption of shared costs and overheads. The restructuring is proceeding according to plan and regular checks are being made against reserves. During 1999, a number of structuring measures will be completed and a more reliable assessment of the costs will be possible later in the year. However, it has been observed at the beginning of 1999 that actions taken permit a different assessment of the underabsorption calculated earlier, and a decision has thus been made to reverse the reserves in the 1998 financial statements by SEK 200 m.

Finance and liquidity

Balance sheet

SEK m.	Dec. 31, 1998	Dec. 31, 1997
Assets		
Goodwill and other intangible assets	108	134
Property, plant and equipment, etc.	2,620	2,583
Lease assets	8,664	6,919
Shares	103	66
Inventories etc.	4,285	4,996
Receivables	3,062	2,970
Receivables on Investor AB	0	9,104
Cash and marketable securities	12,946	6,008
Total assets	31,788	32,780
Shareholders' equity and liabilities		
Shareholders' equity	4,033	3,091
Minority interest in subsidiaries	92	158
Provision for pensions	1,948	2,243
Other provisions	6,226	6,868
Liabilities to credit institutions	69	948
Convertible debenture loan	210	
Lease obligations	4,953	5,207
Advance payments from customers ¹⁾	6,989	7,538
Other liabilities	7,268	6,727
Total shareholders' equity and liabilities	31,788	32,780
¹⁾ of which portion used	2,108	2,460

Cash and marketable securities including receivables on Investor AB, less external borrowing, decreased by SEK 1,497 m. to SEK 12,667 m. (14,164). The decrease is the result of investments in leasing aircraft and lower advance payments from customers. Net liquidity after deduction for provision for pensions decreased by SEK 1,202 m. to SEK 10,719 m. (11,921). Provision for pensions decreased during the year since certain parts of the debt to FPG/PRI have been repaid.

Equity/assets ratio of the Group was 13.6 (10.2) percent and the interest coverage ratio, before items affecting comparability, was 7.88 (6.76). Equity/assets ratio excluding **Regional Aircraft** and *Saab Aircraft Leasing* amounted to 26.5 (21.9) percent.

Subdivided summary of balance sheet

SEK m.	Saab	Regional Aircraft	SAL	Eliminations	Saab Group
Fixed assets	4,325	4	2	-1,500	2,831
Lease assets			8,664		8,664
Deferred tax receivables	271	953		-490	734
Inventories, etc.	3,520	765			4,285
Receivables	1,206	209	913		2,328
Cash and marketable securities	8,013	3,403	1,530		12,946
Total assets	17,335	5,334	11,109	-1,990	31,788
Shareholders' equity	4,033	0	1,500	-1,500	4,033
Minority interest in subsidiaries	81		11		92
Provision for pensions	1,948				1,948
Other provisions	140	3,402	3,174	-490	6,226
Liabilities to credit institutions	69				69
Convertible debenture loan	210				210
Lease obligations	55		4,898		4,953
Advance payments from customers	6,858	131			6,989
Other liabilities	3,941	1,801	1,526		7,268
Total shareholders' equity and liabilities	17,335	5,334	11,109	-1,990	31,788

Cash flow

The cash flow from operating activities, excluding **Regional Aircraft** and SAL, amounted to SEK 1,706 m. (79). Group cash flow from operating activities amounted to SEK 1,604 m. (-348). Working capital increased by SEK 28 m. (1,424). Higher utilization of payments for the Gripen and lower advance payments for **Regional Aircraft** led to a decrease of SEK 549 m. in advance payments from customers. Provisions have, in accordance with plans, decreased by SEK 442 m., of which the year's losses in **Regional Aircraft** and SAL have led to a decrease in provisions of SEK 532 m. Inventories decreased by SEK 711 m., mainly attributable to **Regional Aircraft**. The cash flow from investments amounted to SEK -2,709 m. (-1,881), of which SAL accounted for SEK -2,392 m. (-1,382). The operating cash flow amounted to SEK -1,105 m. (-2,229), of which Saab accounted for SEK 1,389 m. (-393), **Regional Aircraft** SEK -681 m. (-343) and SAL SEK -1,813 m. (-1,494).

Summary of cash flow statement

SEK m.	1998	1997
Cash flow from operating activities		
Income after financial items excl share in		
income of associated companies	1,153	-4,847
Depreciation and write-down charged to income	773	789
Items affecting comparability	-200	5,421
Tax	-94	-287
Cash flow from operating activities before changes in working capital	1,632	1,076
Working capital		
Inventories etc.	711	-31
Receivables	-35	-173
Advance payments from customers	-549	-479
Other liabilities	541	195
Lease obligations	-254	-534
Provisions	-442	-402
Change in working capital	-28	-1,424
Cash flow from operating activities	1,604	-348
Investments in fixed assets	-336	-515
Increase in long-term receivables	-189	-1
Investments in lease assets	-2,184	-1,365
Cash flow from investments	-2,709	-1,881
Operating cash flow	-1,105	-2,229

Subdivided summary of cash flow statement

SEK m.	Saab	Regional Aircraft	SAL	Saab Group
Cash flow from operating activities				
before working capital	1,077	0	555	1,632
Change in working capital	629	-681	24	-28
Cash flow from operating activities	1,706	-681	579	1,604
Investment activities	-317	0	-2,392	-2,709
Operating cash flow	1,389	-681	-1,813	-1,105

Capital expenditures

The year's capital expenditures in property, plant and equipment, excluding leasing assets, amounted to SEK 521 m. (396). Net investments including leasing assets and intangible fixed assets amounted to SEK 2,529 m. (1,881), of which leasing assets accounted for SEK 2,184 m. (1,365).

Research and development

The Group allocates considerable resources to research and development in order to maintain its position as a leading producer of military aircraft and defense materiel. Over 2,000 people are employed in research and development. Investments in research and development are undertaken primarily for customers of business area **Military Aerospace**. Research and development are also taken place in the fields of laser simulation, radar-based level-gauging, space, and development of military technology for commercial applications.

The year's expenditure on research and development amounted to SEK 2,128 m. (1,792), corresponding to 25.8 (20.7) percent of Group sales. During the year, Saab's costs for developing the export version of the Gripen amounted to SEK 119 m. (63).

The New Millennium

Extensive work has been in progress since autumn 1996 to safeguard the transition to the year 2000. The Board of Directors is currently informed about the work. This work is being carried out in project form led by project owners appointed by Group management. The projects are: IS/IT applications, IS/IT infrastructure, embedded software in the Group's products, and embedded software in plant and equipment. The time schedule is aimed at completing all the necessary preparations in good time before year-end 1999.

The Group's financial systems have been adapted to the new millennium and by that accurate information to the stock market for the year 2000 is safeguarded.

The year's expenditures amounted to SEK 22 m. and remaining costs have been calculated at SEK 35 m. During the year, investments in plant amounted to SEK 2 m. and remaining investments are calculated at SEK 10 m. The total costs from the beginning of the project to its completion are estimated at SEK 61 m. and the total investments at SEK 12 m.

Personnel

At year-end, the Group had 7,891 (8,110) employees.

Number	1998	1997	Change
Military Aerospace	3,991	3,879	112
Space	600	575	25
Training Systems	257	258	-1
Commercial Aircraft	1,575	1,439	136
Combitech	858	878	-20
Regional Aircraft	610	1,081	-471
Saab Group	7,891	8,110	-219

Parent Company

Sales of the parent company amounted to SEK 6,857 m. (6,845). Operating income amounted to SEK 677 m. (-3,682), of which costs for terminating regional aircraft during the previous year amounted to SEK -4,079 m.

Net financial income and expenses amounted to SEK 798 m. (637) and income after financial income and expenses was SEK 1,475 m. (-3,045).

After appropriations of SEK -79 m. (43) and tax of SEK -319 m. (1,205), net income for the year amounted to SEK 1,077 m. (-1,797).

Proposed dividend

The Board of Directors long-term dividend policy is for 20-40 percent of the Group's net income to be distributed. The Board of Directors and the President propose to distribute SEK 2.00 per share or a total of SEK 213 m. to the shareholders for 1998. April 30, 1999 has been proposed as the record date and the dividend is expected to be distributed, May 7, 1999.

Annual General Meeting

The Annual General Meeting will be held at Saab, Linköping on Tuesday, 27 April 1999 at 18.00. Saab's revised annual report will be available at the company's head office in Linköping. The printed Annual report will be distributed upon request to shareholders from April 6, 1999.

Accounting principles

This document, "The 1998 Report", has been drawn up in accordance with earlier accounting principles.

Financial information

Interim Report for January - March will be published on April 27, 1999
Interim Report for January - June will be published on August 12, 1999
Interim Report for January - September will be published on October 27, 1999

Linköping, February 23, 1999

Bengt Halse

President and Chief Executive Officer

The 1998 Report has not been subject to special examination by the Company's auditors.

For further information, please contact:

President Bengt Halse will be available for questions by phone today between 2.30 and 16 pm.

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