

Q3

JANUARY-SEPTEMBER 2020

Order bookings

BSEK

24.2

Sales

BSEK

22.9

Operating margin

%

2.4%

Comment by the President and CEO, Micael Johansson:

Strong orders but increased Covid-19 risks

The Corona pandemic has continued to impact the world negatively and not least the global aviation industry. For Saab, the uncertainty surrounding Covid-19 has mainly been associated with supply chain disruptions within all business areas and the market conditions for the civil business. Due to the ongoing pandemic and drawn-out global recovery, Saab now sees an increased risk related to the effects of Covid-19.

In recent assessments, the future risks have increased foremost for business area Aeronautics. The prolonged pandemic and slow recovery is primarily affecting subcontractors and material supply for the Gripen E/F programme, with consequences for development, verification and production work. The Gripen-programme is characterized by long lead times and small series where components must be certified for airworthiness, which means the assessment of future possible economic impact within Aeronautics has become increasingly uncertain. Saab has managed the increased risks by adjusting the project estimates, which affected the operating income negatively by SEK 1.1 billion in the quarter. Our view is that the risks in the supply chain for other business areas have also increased, but to a lesser extent, why an additional SEK 0.4 billion has been allocated for adjustments in other project estimates. Our assessments assumes that the effects of the pandemic will continue during 2021.

In connection with the interim report for the first quarter 2020, the outlook for organic sales growth and operating margin for the full-year could not be confirmed due to the great uncertainty caused by Covid-19. This still applies. The projection of a high delivery rate in the fourth quarter, including important milestone payments, have not changed, nor has our projection that operational cash flow for the full-year 2020 will be positive, excluding the state support package. Saab remains committed to its long-term financial goals in terms of growth and profitability.

Strong order bookings and continued internationalisation

In challenging times, Saab has continued to win important contracts. Order bookings increased by 8% in the quarter and by 27% in the first nine months of the year and amounted to SEK 24.2 billion (19.1). Small orders grew by 7% in the same period. During the first nine months, the work of developing the business in a more international direction has continued. In the United States of America, the establishment of local production capacity for the T-7 aircraft is progressing, and in connection with Australia's order for Saab's solution for deployable health modules, a global development center is being established in the country.

Stable sales and profitability affected by Covid-19

Sales in the first nine months of 2020 amounted to SEK 22.9 billion (24.9). The lower volumes in the quarter were mainly due to Covid-19 related adjustments to project estimates and weak demand in civil aviation operations. Excluding adjustments to project estimates, sales were down 2% in the year's first nine months. Operating income for the first nine months amounted to SEK 549 million (1,739). Items affecting comparability for the quarter includes capital gain from the divestment of Vicon SEK 1,0 billion, Covid-19 related adjustments to project estimates SEK 1,5 billion and provisions and write-downs SEK 0,6 billion. Excluding items affecting comparability, operating income amounted to SEK 1,657 million, equivalent to an operating margin of 6.8% (7.0).

Cash flow improvement in the quarter

Operational cash flow showed an improvement compared to the first nine months of 2019 and amounted to SEK -128 million (-4,356), thanks to several important deliveries during the year, including GlobalEye to the United Arab Emirates and Gripen E to Brazil.

OUTLOOK
STATEMENT
FOR 2020:

Due to uncertainty related to the scope and duration of COVID-19, it was stated in the first quarter interim report of 2020 that the previous forecast for the full-year 2020 could not be confirmed. Saab reiterates this assessment.

Financial highlights

MSEK	Jan-Sep 2020	Jan-Sep 2019	Change, %	Q3 2020	Q3 2019	Change, %	Full Year 2019
Order bookings	24,222	19,093	27	10,152	9,383	8	27,216
Order backlog	94,652	96,004	-1				93,293
Sales	22,940	24,855	-8	6,064	7,914	-23	35,433
Gross income	3,537	5,466	-35	-174	1,678	-110	8,035
Gross margin, %	15.4	22.0		-2.9	21.2		22.7
EBITDA	1,604	2,742	-42	-314	849	-137	4,305
EBITDA margin, %	7.0	11.0		-5.2	10.7		12.1
Operating income (EBIT)	549	1,739	-68	-663	518	-228	2,937
Operating margin, %	2.4	7.0		-10.9	6.5		8.3
Adjusted operating income ¹⁾	1,657	1,739	-5	445	518	-14	2,937
Adjusted operating margin, % ¹⁾	6.8	7.0		5.9	6.5		8.3
Net income	489	1,121	-56	-371	295	-226	2,025
of which Parent Company's shareholders' interest	475	1,100	-57	-380	269	-241	1,983
Earnings per share after dilution, SEK ²⁾	3.55	8.21		-2.83	2.01		14.81
Return on equity, % ³⁾	7.0	13.1					10.0
Operational cash flow	-128	-4,356		-363	-1,654		-1,300
Free cash flow	698	-4,991		676	-1,865		-2,036
Free cash flow per share after dilution, SEK	5.21	-37.25		5.04	-13.95		-15.20
	133,861,996	133,994,725		134,048,466	133,702,351		133,929,292

¹⁾ See note 5 for additional information regarding items affecting comparability

²⁾ Average number of shares after dilution

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

Orders

Third quarter 2020

Order bookings amounted to SEK 10,152 million (9,383) in the third quarter of 2020, an increase of 8 per cent compared to the high order bookings in the comparative period, which included an order of SEK 4.2 billion for the combat system and system integration for the Finnish Navy's Squadron 2020 programme. Bookings of small orders continued to increase during the quarter with a growth of 3 per cent.

The strong order intake in the quarter included support contracts for GlobalEye and the Swedish Helicopter 16, as well as orders for the RBS15 anti-ship missile to Germany, the TactiCall communication solution to Belgium and the Netherlands, and deployable health modules to Australia.

January-September 2020

Order bookings amounted to SEK 24,222 million (19,093) in the first nine months of 2020, corresponding to an increase of 27 per cent. Bookings of medium-sized orders grew 34 per cent. Small orders grew 7 per cent compared to 2019 and amounted to SEK 9,885 million (9,205).

In the first nine months of 2020, index and price changes had a positive effect on order bookings of SEK 556 million, compared to SEK 474 million in the same period in 2019.

The order backlog at the end of the period amounted to SEK 94,652 million, compared to SEK 93,293 million at the beginning of the year. In total, 70 per cent (69) of the order backlog is attributable to markets outside Sweden.

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

Sales

Third quarter 2020

Sales in the third quarter amounted to SEK 6,064 million (7,914). Excluding Covid-19 related adjustments to project estimates in the quarter, sales amounted to SEK 7,560 million. The business area Dynamics reported a strong increase of sales due to a high level of deliveries, especially in Ground Combat. Support and Services, Surveillance and Kockums reported lower sales mainly due to timing in project execution. The coronavirus pandemic continued during the quarter to have a negative impact on the business area IPS and the civil operations within Support and Services through lower demand and production mainly associated with the civil aviation industry.

January-September 2020

Sales amounted to SEK 22,940 million (24,855) in the first nine months of 2020. Excluding project estimate adjustments related to Covid-19 in the quarter, sales amounted to SEK 24,436 million. Dynamics reported positive sales growth thanks to strong execution and a high level of deliveries. Excluding the adjustments of project estimates, growth was negative within IPS and Support and Services due to Covid-19, while sales in the other business areas were in line with or slightly weaker than the first nine months of 2019.

Sales from markets outside Sweden decreased to SEK 14,736 million (15,592), corresponding to 64 per cent (63) of total sales. 86 per cent (85) of sales were related to the defence market.

Sales growth

Per cent	Jan-Sep 2020	Jan-Sep 2019	Q3 2020	Q3 2019	Full Year 2019
Organic sales growth	-8	11	-22	21	6
Acquisitions	-	-	-	-	-
Currency effects regarding revaluation of foreign subsidiaries	0	1	-1	2	1
Total sales growth	-8	12	-23	23	7

Sales per region

MSEK	Jan-Sep 2020	Jan-Sep 2019	Change, %
Sweden	8,204	9,263	-11
Rest of Europe	4,351	3,671	19
North America	2,710	2,648	2
Latin America	2,945	3,175	-7
Asia	3,417	4,656	-27
Africa	126	264	-52
Australia, etc.	1,187	1,178	1
Total	22,940	24,855	-8

Classification of orders

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

Order distribution

Orders exceeding MSEK 100 accounted for 59% (52) of total orders during January-September 2020.



Order backlog duration:

2020: SEK **9.6** billion
 2021: SEK **26.2** billion
 2022: SEK **20.3** billion
 2023: SEK **16.3** billion
 After 2023: SEK **22.3** billion

Defence/Civil

A total of 89% (84) of order bookings was attributable to defence-related operations during January-September 2020.

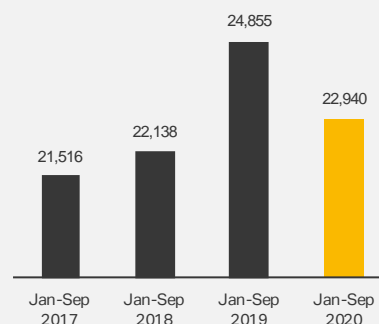


Market

A total of 68% (75) of order bookings was related to markets outside Sweden during January-September 2020.



Sales MSEK



Income

Third quarter 2020

The gross margin in the third quarter was -2.9 per cent (21.2). The lower level is mainly explained by the adjustments to project estimates due to Covid-19 and partly from the downturn in the civil business, which affected gross income negatively. During the quarter, inventory was written down by SEK 137 million, related to products which have been discontinued and as part of the product portfolio optimization work, which negatively affected the gross margin.

Operating income amounted to SEK -663 million (518) with an operating margin of -10.9 per cent (6.5). Items affecting comparability in the quarter included a capital gain of SEK 997 million for Saab's divestment of the shares in Vicon, Covid-19 related adjustments of project estimates of SEK 1,496 million and provisions for ongoing disputes and legal proceedings of SEK 300 million as well as write-down of inventory and write-down of shares in associated companies. In total, items affecting comparability amounted to SEK -1,108 million. See note 5 for more information. Excluding items affecting comparability, operating income amounted to SEK 445 million with an operating margin of 5.9 per cent. The negative impact within the civil business and higher production expenses related to delays in the supply chain were partly offset by higher sales volumes within Dynamics and cost savings.

Saab has, in accordance with the temporary rules introduced in Sweden in connection with Covid-19, received compensation for all sick leave costs in the Swedish operations during parts of the quarter. The support is paid to all Swedish employers and does not require an application. The support amounts to SEK 6 million, and a total of SEK 35 million during the year, and is recognised as other operating income in each business area. Saab has during the year not applied for short-time work allowances for employees of the business units Aerostructures and Combitech within the business area Industrial Products and Services (IPS).

January-September 2020

The gross margin in the first nine months of the year was 15.4 per cent (22.0). The decline is mainly explained by the adjustments to project estimates due to Covid-19 and downturn in the civil operations.

Total depreciation, amortisation and write-downs amounted to SEK 1,055 million (1,003). Depreciation of tangible fixed assets amounted to SEK 864 million (807). Expenditures for internally funded investments in R&D amounted to SEK 1,754 million (1,707), of which SEK 969 million (1,002) has been capitalised. Capitalised expenditures are mainly attributable to the development of Gripen E/F for future exports. Amortisation and write-downs of intangible fixed assets amounted to SEK 191 million (196), of which amortisation and write-downs of capitalised development expenditures amounted to SEK 105 million (107). The share of income in associated companies and joint ventures amounted to SEK -134 million (-74).

Operating income amounted to SEK 549 million (1,739) with an operating margin of 2.4 per cent (7.0). Excluding adjustments to project estimates and other items affecting comparability, operating income amounted to SEK 1,657 million (1,739). The negative impacts from Covid-19 were compensated by improved project and resource efficiency and lower costs within the Group during the first nine months.

Financial net

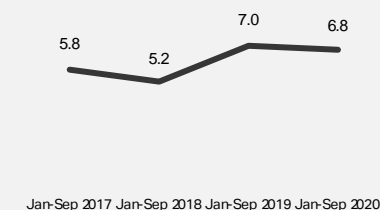
MSEK	Jan-Sep 2020	Jan-Sep 2019
Financial net related to pensions	-55	-69
Net interest items	-52	-57
Currency gains/losses	56	-55
Lease liability interest	-70	-76
Other financial items	-34	-8
Total	-155	-265

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 interest on liquid assets, short-term investments and interest expenses on short- and long-term interest-bearing liabilities and interest on interest-rate swaps. Currency gains/losses recognised in the financial net are mainly related to currency hedges of the tender portfolio, which are measured at fair value through profit and loss. In 2020, the Group has been positively affected by gains on derivatives that hedge tenders in foreign currency, while the result was negative in 2019. Lease liability interest consists of the interest portion related to lease liabilities recognised in the balance sheet. Other net financial items consist of realised and unrealised results from 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.

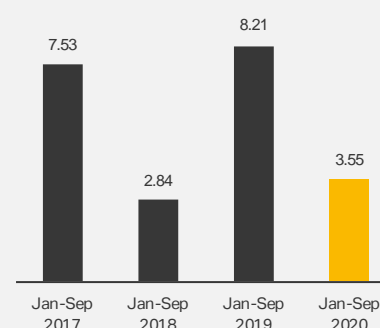
Tax

Current and deferred taxes amounted to SEK 95 million (-353). Taxes for the first nine months of the year were affected by a tax-exempt income from the divestment of the joint venture Vicon.

Adjusted operating margin, %

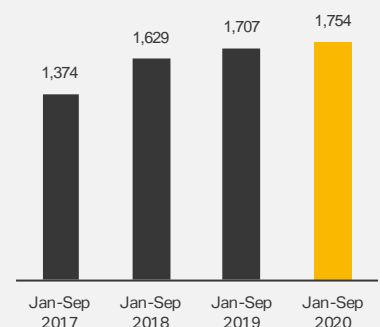


Earnings per share after dilution, SEK



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

Internally funded R&D expenditures, MSEK



Financial position and liquidity

At the end of September 2020, net debt was SEK 7,097 million, an increase of SEK 28 million compared to year-end 2019, when net debt amounted to SEK 7,069 million.

Cash flow from operating activities amounted to SEK 1,910 million (-2,651).

Due to invoicing and milestone payments in large projects as well as adjustment of project reserves related to Covid-19, contract assets decreased by SEK 1,957 million compared to year-end 2019, at the same time that contract liabilities decreased by SEK 2,129 million due to utilisation of advances.

Inventories increased by SEK 941 million during the period. The increase mainly relates to future deliveries within the business areas Dynamics and Support and Services.

Net provisions for pensions, excluding the special employer's contribution, amounted to SEK 5,277 million as of 30 September 2020, compared to SEK 4,722 million at year-end 2019. The change had a negative effect on net debt of SEK 555 million. For further information on Saab's defined-benefit pension plans, see note 13.

Tangible fixed assets amounted to SEK 6,518 (6,070) million at the end of the period.

Right-of-use assets recognised in the balance sheet amounted to SEK 2,384 (2,500) million at the end of the period.

Net investments in the first half of 2020 amounted to SEK 2,063 million (2,001). Investments in tangible fixed assets amounted to SEK 908 million (890).

Investments in intangible fixed assets amounted to SEK 1,169 million (1,141), of which SEK 969 million (1,002) related to capitalised R&D expenditures. Capitalised R&D in the balance sheet increased by SEK 864 million. The increase is mainly related to investments to develop Gripen E/F for future exports. Of the total investments in intangible fixed assets, SEK 200 million (139) related to other intangible fixed assets. The increase mainly relates to IT security.

As of 30 September 2020, short-term investments and liquid assets amounted to SEK 7,586 million, a increase of SEK 105 million compared to year-end 2019.

Capital employed decreased by SEK 210 million during the period to SEK 35,756 million.

The return on capital employed was 5.4 per cent (11.0) and the return on equity was 7.0 per cent (13.1), both measured over a rolling 12-month period.

To strengthen the company's financial flexibility and if needed refinance future loan maturities, Saab in the first quarter of 2020 signed a 24-month Revolving Credit Facility Agreement of SEK 4 billion.

Key indicators of financial position and liquidity

MSEK	30 Sep 2020	31 Dec 2019	Change	30 Sep 2019
Net liquidity / debt ²⁾	-7,097	-7,069	-28	-10,537
Intangible fixed assets	11,333	10,465	868	10,164
Goodwill	5,251	5,355	-104	5,420
Capitalised development costs	5,444	4,580	864	4,227
Other intangible fixed assets	638	530	108	517
Tangible fixed assets, etc ³⁾	6,889	6,591	298	6,422
Right of use assets ⁴⁾	2,384	2,549	-165	2,500
Inventories	11,416	10,475	941	10,485
Accounts receivable	2,826	5,198	-2,372	2,902
Contract assets	10,277	12,234	-1,957	13,564
Contract liabilities	6,770	8,899	-2,129	6,320
Equity/assets ratio, %	35.5	34.8		33.6
Return on equity, %	7.0	10.0		13.1
Equity per share, SEK ¹⁾	152.91	154.48	-1.57	142.99
1) Number of shares excluding treasury shares	133,278,501	132,926,363		132,824,280

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 special employers' contribution attributable to pensions. 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.

Change in net debt Jan-Sep 2020

	MSEK
Net liquidity (+) / net debt (-), 31 Dec 2019	-7,069
Cash flow from operating activities	1,910
Change in net pension obligation	-555
Net investments	-2,063
Sale and acquisitions of subsidiaries	67
Sale of and investments in financial assets, associates and joint ventures	1,103
Conversion of loan receivable to associated company	-197
Write-down of loan receivable to associated company	-59
Dividend to and transactions with non-controlling interest	-13
Additional lease liabilities	-197
Currency impact and unrealised results from financial investments	-24
Net liquidity (+) / net debt (-), 30 Sep 2020 ¹⁾	-7,097
¹⁾ Net debt excluding net provisions for pensions, lease liabilities and interest-bearing receivables, 30 Sep 2020	191

Cash flow

Third quarter 2020

Operational cash flow amounted to SEK -363 million (-1,654). It is defined as cash flow from operating activities and acquisitions and divestments of intangible and tangible fixed assets. Cash flow from operating activities excludes taxes and other financial items but includes amortisation of lease liabilities.

Operational cash flow in the third quarter was positively affected by compensation after a contract renegotiation with a customer within the business unit Aerostructures of SEK 558 million.

Free cash flow amounted to SEK 676 million (-1,865). For more detailed information on cash flow, see note 11.

January-September 2020

Operational cash flow amounted to SEK -128 million (-4,356). It is defined as cash flow from operating activities and acquisitions and divestments of intangible and tangible fixed assets. Cash flow from operating activities excludes taxes and other financial items but includes amortisation of lease liabilities.

Saab has an established programme to sell trade receivables in order to increase financial flexibility. As of 30 September 2020, receivables with a value of SEK 0 million (916) had been sold.

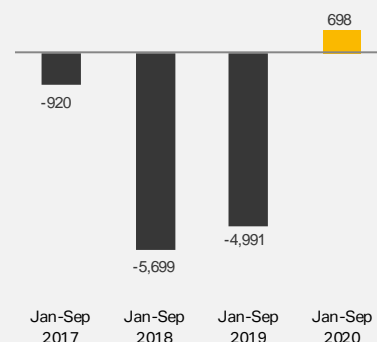
On 30 March, Sweden introduced the possibility to apply for a deferment of taxes and fees for three months as part of the state support package for Swedish companies in connection with the Covid-19 pandemic. Due to current uncertainty, Saab utilised the opportunity to strengthen its liquidity and in the second quarter 2020 received a deferment on its employer social security contributions, preliminary taxes for salaries and VAT for the Swedish part of the Group. This had a positive cash flow effect on working capital in the period of SEK 1,761 million. The deferred payments will be made within one year.

Adjusted for the tax and fee deferments, underlying operational cash corresponded to SEK -1,889 million (-4,365) for the first nine months of 2020.

Free cash flow amounted to SEK 698 million (-4,991). For more detailed information on cash flow, see note 11.

There can be big differences in cash flow between reporting periods as the timing of milestone payments in large projects greatly varies depending on when milestones are passed.

Free cash flow, MSEK



	Jan-Sep 2020	Jan-Sep 2019
Cash flow from operating activities before changes in working capital, excluding taxes and other financial items ¹⁾	1,093	2,969
Change in working capital	842	-5,324
Cash flow from operating activities excluding taxes and other financial items	1,935	-2,355
Cash flow from investing activities ²⁾	-2,063	-2,001
Operational cash flow	-128	-4,356
Taxes and other financial items	-344	-594
Sale of and investments in financial assets and operations	1,170	-41
Free cash flow	698	-4,991

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.

Operating segments

For more information about the operating segments, see note 3.

The Group's operating segments recognise all lease contracts as expenses on straight-line basis over the lease term.

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Business Area Aeronautics

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

Business Area Dynamics

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

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Business Area Surveillance

Surveillance's product portfolio includes airborne, ground-based and naval radar systems, self-protection systems, electronic warfare systems, combat systems and C4I solutions.

Business Area Support and Services

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

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Business Area Industrial Products and Services

The business units within Industrial Products and Services are focused mainly on 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, Advanced Pilot Training Systems and Aeronautical Solutions.

MSEK	Jan-Sep 2020	Jan-Sep 2019	Change, %	Q3 2020	Q3 2019	Full Year 2019
Order bookings	1,240	1,201	3	167	317	2,979
Order backlog	38,646	42,670	-9			42,120
Sales	4,713	5,889	-20	688	1,794	8,218
EBITDA	-571	530	-208	-933	138	737
EBITDA margin, %	-12.1	9.0		-135.6	7.7	9.0
Operating income (EBIT)	-621	485	-228	-951	122	677
Operating margin, %	-13.2	8.2		-	6.8	8.2
Operational cash flow	-1,951	-3,697		-887	-1,257	-1,591
Defence/Civil (% of sales)	100/0	100/0		99/1	100/0	100/0
No. of FTE's	3,536	3,405	4			3,421

Sales, income and margin

To manage the assessment of an increased risk of a financial impact from disruptions in the supply chain related to Covid-19, Aeronautics has during the third quarter adjusted project estimates for future uncertainties in development and production. This has had an impact on sales and operating income of SEK 1 121 million.

Sales for the first nine months of the year, excluding the impact from the adjusted project estimates, were in line with the same period in 2019. The activity level in the Gripen programmes has remained high, at the same time as the business is in an early production stage. Operating income, excluding the impact from the adjustment of project estimates, increased compared to the same period in 2019 mainly explained by increased efficiency.

Cash flow

Cash flow for the first nine months of the year was negative as a result of a working capital build-up related to the ongoing Gripen programmes. The business area's cash flow is closely tied to key milestone payments from customers, and the focus remains on meeting planned milestones.

Order distribution

Orders exceeding MSEK 100 accounted for 53% (48) of total orders during January-September 2020.



Market

Sales in markets outside Sweden amounted to 61% (51) during January-September 2020.



Business Area Dynamics

Business units

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

MSEK	Jan-Sep 2020	Jan-Sep 2019	Change, %	Q3 2020	Q3 2019	Full Year 2019
Order bookings	7,455	4,503	66	3,508	1,357	6,706
Order backlog	17,560	14,364	22			14,264
Sales	4,218	3,889	8	1,356	960	6,140
EBITDA	498	352	41	126	42	792
EBITDA margin, %	11.8	9.1		9.3	4.4	12.9
Operating income (EBIT)	436	297	47	107	24	716
Operating margin, %	10.3	7.6		7.9	2.5	11.7
Operational cash flow	-450	-111		283	-172	158
Defence/Civil (% of sales)	91/9	94/6		85/15	93/7	94/6
No. of FTE's	2,756	2,316	19			2,353

Order distribution

Orders exceeding MSEK 100 accounted for 65% (50) of total orders during January-September 2020.



Market

Sales in markets outside Sweden amounted to 75% (76) during January-September 2020.



Orders

Order bookings saw strong growth in the first nine months of 2020 compared to the previous year. In the third quarter, the business area received several important orders, including for the RBS 15 anti-ship missile for the German Navy in collaboration with the partner Diehl Defence, support agreements within Training and Simulation, and the life extension of Torpedo 62 for Sweden.

Sales, income and margin

Sales strengthened in the first nine months and for the third quarter. A high activity level and increased delivery rate in the quarter contributed positively. The operating margin continued to improve due to the positive volume effects and increased deliveries during the quarter.

Cash flow

Operational cash flow was negative in the year's first nine months, but positive in the third quarter mainly due to more deliveries and associated payments.

Business Area Surveillance

Business units

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

MSEK	Jan-Sep 2020	Jan-Sep 2019	Change, %	Q3 2020	Q3 2019	Full Year 2019
Order bookings	4,681	7,639	-39	1,288	5,443	9,390
Order backlog	15,640	17,150	-9			16,465
Sales	5,348	5,395	-1	1,555	1,876	7,699
EBITDA	701	714	-2	167	264	1,151
EBITDA margin, %	13.1	13.2		10.7	14.1	14.9
Operating income (EBIT)	472	492	-4	91	189	853
Operating margin, %	8.8	9.1		5.9	10.1	11.1
Operational cash flow	302	-72		-133	-294	1,156
Defence/Civil (% of sales)	100/0	99/1		100/0	100/0	100/0
No. of FTE's	3,783	3,671	3			3,687

Orders

During the first nine months, Surveillance had lower order bookings compared to the previous year. The large order bookings in the comparative period are mainly due to an order for the combat system for the Finnish Squadron 2020 programme. Order bookings in the third quarter included strong growth in small orders, however.

Sales, income and margin

Sales in the first nine months of the year were in line with the same period in 2019. For the third quarter, sales decreased due to a lower activity level driven by the timing in project execution compared to the year-earlier period. Delays in new contracts and operating disruptions related to Covid-19 negatively affected operating income in the third quarter.

Cash flow

Operational cash flow for the first nine months of the year was positive. In the third quarter, however, cash flow was negative, mainly because larger milestone payments are scheduled for the latter part of the year.

Order distribution

Orders exceeding MSEK 100 accounted for 50% (77) of total orders during January-September 2020.



Market

Sales in markets outside Sweden amounted to 80% (81) during January-September 2020.



Business Area Support and Services

Business units

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

MSEK	Jan-Sep 2020	Jan-Sep 2019	Change, %	Q3 2020	Q3 2019	Full Year 2019
Order bookings	7,533	3,016	150	4,504	1,540	4,099
Order backlog	12,564	9,597	31			8,986
Sales	3,952	4,167	-5	1,289	1,526	5,821
EBITDA	406	495	-18	99	163	762
EBITDA margin, %	10.3	11.9		7.7	10.7	13.1
Operating income (EBIT)	388	480	-19	93	158	742
Operating margin, %	9.8	11.5		7.2	10.4	12.7
Operational cash flow	992	-654		-168	-597	11
Defence/Civil (% of sales)	89/11	86/14		90/10	88/12	86/14
No. of FTE's	2,031	1,898	7			1,912

Order

Order distribution

Orders exceeding MSEK 100 accounted for 82% (37) of total orders during January-September 2020.



Market

Sales in markets outside Sweden amounted to 46% (58) during January-September 2020.



Orders

The business area reported strong orders in the first nine months of the year. The third quarter included a contract for deployable health modules to Australia, a support agreement for GlobalEye to the United Arab Emirates and an order for TactiCall.

Sales, income and margin

Sales volumes for Support and Services decreased in the third quarter, mainly due to the timing in project execution, but also because of weak demand in the civil aviation business, Regional Aircraft. The lower sales volumes in the quarter negatively affected operating income compared to the same period in 2019.

Cash flow

In the first nine months of the year, operational cash flow was positive for the business area. In the third quarter, cash flow was negative but showed an improvement compared to the same quarter in 2019. The negative cash flow in the quarter is mainly because important milestone payments are scheduled for the latter part of the year.

Business Area Industrial Products and Services

Business units

Aerostructures, Avionics Systems, Traffic Management, and Combitech.

MSEK	Jan-Sep 2020	Jan-Sep 2019	Change, %	Q3 2020	Q3 2019	Full Year 2019
Order bookings	3,755	3,867	-3	921	1,326	5,515
Order backlog	8,564	9,398	-9			9,035
Sales	4,371	4,623	-5	1,400	1,377	6,556
EBITDA	-1	197	-101	14	15	324
EBITDA margin, %	0.0	4.3		1.0	1.1	4.9
Operating income (EBIT)	-58	133	-144	-4	-7	238
Operating margin, %	-1.3	2.9		-0.3	-0.5	3.6
Operational cash flow	1,017	-264		508	18	-302
Defence/Civil (% of sales)	29/71	29/71		23/77	27/73	30/70
No. of FTE's	3,412	3,668	-7			3,635

Order backlog

The civil aviation business continued to be negatively affected by Covid-19 in the quarter. The business area's order bookings in the first nine months of the year and for the third quarter were lower compared to 2019, mainly due to the business units Traffic Management, Avionics and Aerostructures, while the business unit Combitech continue to report an increase in orders in the quarter.

Sales, income and margin

Sales for the first nine months of the year decreased compared to the same period in 2019 and the business area reported a negative result due to the slowdown in demand and production in the civil aviation business. Cost reduction activities to adapt the business area's capacity to current market conditions had a positive effect on income in the quarter.

Cash flow

The business area reported positive operational cash flow in the third quarter as a result of compensation received after contract renegotiations with a customer of the business unit Aerostructures of SEK 558 million.

Order distribution

Orders exceeding MSEK 100 accounted for 4% (9) of total orders during January-September 2020.



Market

Sales in markets outside Sweden amounted to 55% (56) during January-September 2020.



Business Area Kockums

Business units

Submarines, Surface Ships and Docksta.

MSEK	Jan-Sep 2020	Jan-Sep 2019	Change, %	Q3 2020	Q3 2019	Full Year 2019
Order bookings	938	923	2	198	379	1,216
Order backlog	3,638	5,386	-32			4,852
Sales	2,151	2,192	-2	589	690	3,007
EBITDA	99	79	25	30	29	124
EBITDA margin, %	4.6	3.6		5.1	4.2	4.1
Operating income (EBIT)	73	52	40	22	21	88
Operating margin, %	3.4	2.4		3.7	3.0	2.9
Operational cash flow	297	-222		91	-422	-70
Defence/Civil (% of sales)	100/0	100/0		100/0	100/0	100/0
No. of FTE's	1,223	1,217	0			1,219

Order distribution

Orders exceeding MSEK 100 accounted for 19% (19) of total orders during January-September 2020.



Market

Sales in markets outside Sweden amounted to 4% (6) during January-September 2020.



Order backlog

Order bookings for the first nine months of the year were in line with the same period in 2019. The lower order bookings in the third quarter compared to 2019 are mainly explained by Kockums' share of the contract for the Finnish Navy's Squadron 2020 programme, which was registered in 2019.

Sales, income and margin

Sales declined in the third quarter due to the business's transition from development to production, which had a negative impact on sales volumes. The productivity measures taken to improve the business area's profitability contributed positively and the operating margin strengthened in the quarter.

Cash flow

Operational cash flow improved in the first nine months and for the third quarter.

Corporate

Corporate comprises Group staff, Group departments and other operations outside the core operations. Since 1 January 2018, Saab's minority portfolio is also reported in Corporate. The minority portfolio contains Saab's interests in UMS Skeldar AG and Ventures. Corporate reported operating income of SEK -141 million (-200) in the first nine months of 2020. Adjusted for non-recurring items in the third quarter, operating income amounted to SEK -154 million, refer to note 5. Operational cash flow attributable to Corporate amounted to SEK -335 million (664) in the first nine months. The comparative period includes the sale of accounts receivable with a positive effect of SEK 916 million.

Acquisitions and divestments 2020

On 1 July 2020, Saab divested all its shares in the U.S.-based joint venture Vricon Inc. to Maxar Technologies. The purchase price amounted to USD 117 million and the transaction generated a capital gain of SEK 997 million and positive cash flow of SEK 1,092 million. During the period, Saab also divested the interest in the Dutch-based company QPS as part of its active portfolio work.

Share repurchase

Saab held 2,567,346 treasury shares as of 30 September 2020, compared to 2,919,484 at year-end 2019. The Annual General Meeting in 2020 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 2021, mainly social security costs. In September, the Board of Directors decided to utilise the authorisation from the Annual General Meeting to repurchase own shares. 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 and political reasons. For a general description of the risk areas, see the annual report 2019, pages 48-52.

Covid-19 update

The Corona pandemic has continued to impact Saab's operations in the third quarter. For Saab, the uncertainty surrounding Covid-19 has mainly been associated with supply chain disruptions within all business areas and the market conditions for the civil business. Due to the continuing pandemic and the drawn-out global recovery, Saab sees an increased risk related to the effects of Covid-19. In recent assessments, the future risks have increased foremost for business area Aeronautics. Risk assessments within Aeronautics have led to an adjustment of the project estimates for Gripen E/F programmes. Increased risks have also been identified in other business areas, but not to the same extent. Saab has decided to adjust project estimates in these cases as well. Total impact of the adjustments on sales was SEK -1,496 million, of which SEK -1,121 million was related to Aeronautics. The total impact of the adjustments on operating income was SEK -1,496 million, of which SEK -1,121 million related to Aeronautics. Furthermore, the pandemic has impacted production capabilities for certain businesses outside of Sweden and risks of wider impacts have been identified. Restrictions affecting deliveries to countries suffering a higher impact from the pandemic have had a negative impact on sales and cash flow.

Saab has taken a number of measures to mitigate the pandemic's impact on its business, in addition to actions to reduce risks, primarily in the supply chain, which are associated with Covid-19. In businesses where demand is down, capacity, including staffing, is being reassessed. Saab has introduced shorter working hours for employees in Aerostructures and Combitech, but has not applied for state support for these measures. To further strengthen liquidity, as a precaution at an early stage of the pandemic, Saab applied for and received a tax and fee deferment for its Swedish operations. During the year, Saab

Owners

Saab's largest shareholders as of 30 September 2020:

	% of capital	% of votes
Investor AB	30.2	40.3
Knut och Alice Wallenbergs stiftelse	8.8	7.7
Första AP-fonden	4.4	3.8
Alliance Bernstein	2.4	2.1
AFA Insurance	2.3	2.0
Vanguard	2.0	1.8
Schroders	2.0	1.7
Unionen	1.4	1.2
Swedbank Robur Fonder	1.3	1.2
Nordea Fonder	1.3	1.1

Source: Modular Finance

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

Personnel

	30 Sep 2020	31 Dec 2019
Number of employees	17,945	17,420
FTE's	17,842	17,299

Number of employees has increased by 174 and FTEs by 170 during the first quarter of 2020 related to Dynamics contract to support Germany's training center GÜZ.

signed a revolving credit facility to strengthen the company's financial flexibility. In addition, the Annual General Meeting on 1 April 2020 resolved to withdraw the dividend proposal for the full-year 2019.

Uncertainty about the future duration and impact of COVID-19 remains high, and therefore Saab has decided not to provide an outlook for the full-year 2020. However, Saab's strategy and long-term financial targets remain unchanged. Covid-19 related risks that can have a future impact on Saab are:

- Lower order bookings due to limitations on meetings, travel and restrictions by government authorities.
- Travel restrictions affecting development work, customer verification, suppliers and partners.
- Operations are dependent on access to and subcontractors' ability to supply components and subsystems. Access to material supply and risk of delays to key deliveries cannot be ruled out and may as a result impact the Group's sales and production cost.
- Operations could be affected by high sick leave and decisions by authorities that affect the ability of employees to work effectively.
- Delays from suppliers or disruptions to Saab's own operations could lead to deliveries and milestone payments of contracts not being reached on time.

Other events in January-September 2020 in brief:

- In January, Saab started assembly production of its section of the T-7A advanced trainer in Linköping. The T-7A has been developed and is being produced together with Boeing for the U.S. Air Force.
- In January, it was announced that Gunnar Wieslander is leaving his role as head of the business area Kockums and a member of Saab's Group Management.
- On 29 January, Saab appointed Lars Tossman as the new head of business area Kockums. Lars Tossman assumed his new position 1 February, at which point he also became a member of Saab's Group Management.
- On 4 March, it was announced that Saab Digital Air Traffic Solutions (SDATS) has been selected to provide a Digital Tower system as an Operational Concept Demonstrator for the Royal Air Force at their air force base by Lossiemouth in the United Kingdom.
- In March, Saab announced an order from the United Kingdom's Ministry of Defence for a mid-life extension and support for the Arthur weapon locating system.
- On March 16, Saab announced that Chief Financial Officer Magnus Örnberg is leaving his position.
- On March 26, it was announced that Saab has signed a 24-month Revolving Credit Facility Agreement of SEK 4 billion with a group of three banks.
- On 1 April, the Annual General Meeting was held in Stockholm.
- In April, Saab received an order from the Swedish Civil Contingencies Agency (MSB) for aerial firefighting capabilities.
- In April, Saab successfully completed the first air trials with its new fighter X-band Active Electronically Scanned Array (AESA) radar.
- In April, Saab delivered the first GlobalEye Swing Role Surveillance System to the United Arab Emirates (UAE).
- In May, Saab's Board of Directors appointed Christian Luiga as the new CFO and deputy CEO starting September 2020. Anders Carp was also appointed deputy CEO.
- In May, Saab signed a contract for an Airborne Early Warning and Control (AEW&C) system based on the Saab 2000 aircraft and Erieye AEW&C. The order value was SEK 1,553 million.
- In July, completed the divestment of all its shares in the U.S.-based joint venture Vricon Inc.
- Supported by Sweden, Saab in July submitted its proposal for the Future Fighter Capability Project (FFCP) to Canada. The proposal comprises 88 Gripen E fighter aircraft, with a comprehensive support and training package and an industrial and technological benefits programme
- In August, Saab divested QPS (Quality Positioning Services), a provider of hydrographic software solutions.
- On 24 September, the first Brazilian Gripen E concluded its first flight in Brazil. The aircraft flew from the airport in Navegantes to Embraer's facility in Gavião Peixoto.
- In September, Saab delivered the second GlobalEye Swing Role Surveillance System to the United Arab Emirates.

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

Events after the conclusion of the period:

- In October, Saab signed a seven-year framework contract with the U.S. Army for the Carl-Gustaf M4 multi-role weapon. The value of the contract is approximately SEK 770 million.

Second GlobalEye delivered to UAE



On September 30, Saab delivered the second GlobalEye Swing Role Surveillance System to the United Arab Emirates.

First Gripen E flight in Brazil



On September 24, the first Brazilian Gripen E concluded its first flight in Brazil. The aircraft flew from the airport in Navegantes to Embraer's facility in Gavião Peixoto.

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.

- 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 other operations outside the core operations.

To strengthen Saab's market focus and manage global sales priorities, Saab has a central marketing organisation managed by a marketing and sales manager.



Revenue model

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

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

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

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

Financial goals

Sales

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

Operating margin

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

Equity/assets ratio

The equity/assets ratio will exceed 30 per cent.

Dividend

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



Saab's strategy

Saab's strategy is based on four priority areas: working closely with customers, focusing on operational efficiency, innovation as a business critical means, and continuously optimizing our portfolio. Sustainability affects everything we do and is therefore the core of our strategy. Engaged employees who develop their skills through continuous learning makes all parts of the strategy work together and supports Saab to reach its goals.

Market

Further increase local presence and partnerships in strategic markets while maintaining position in Sweden. Focus export sales efforts to established markets.

Innovation

Explore and enable scaling of new opportunities through managing innovation as business critical, supporting our innovation performance and promoting an innovation friendly culture.

Portfolio

Improve product portfolio efficiency by concentrating product development and industrialization to core areas. Investments in product development and innovation in strategic markets.

Performance

Focus on fulfilling current commitments and continuously work to increase efficiency, not least with the help of digitisation.

Consolidated income statement

MSEK	Note	Jan-Sep 2020	Jan-Sep 2019	Rolling 12 Months	Full Year 2019
Sales	4	22,940	24,855	33,518	35,433
Cost of goods sold	5	-19,403	-19,389	-27,412	-27,398
Gross income		3,537	5,466	6,106	8,035
Gross margin, %		15.4	22.0	18.2	22.7
Other operating income	5	1,189	136	1,270	217
Marketing expenses		-1,710	-1,867	-2,452	-2,609
Administrative expenses		-1,073	-1,103	-1,458	-1,488
Research and development costs		-890	-812	-1,215	-1,137
Other operating expenses	5	-370	-7	-439	-76
Share in income of associated companies and joint ventures	5	-134	-74	-65	-5
Operating income (EBIT) ¹⁾	3	549	1,739	1,747	2,937
Operating margin, %		2.4	7.0	5.2	8.3
Financial income		136	155	171	190
Financial expenses		-291	-420	-391	-520
Net financial items		-155	-265	-220	-330
Income before taxes		394	1,474	1,527	2,607
Taxes		95	-353	-134	-582
Net income for the period		489	1,121	1,393	2,025
of which Parent Company's shareholders' interest		475	1,100	1,358	1,983
of which non-controlling interest		14	21	35	42
Earnings per share before dilution, SEK ²⁾		3.57	8.25	10.21	14.88
Earnings per share after dilution, SEK ³⁾		3.55	8.21	10.15	14.81
1) Of which depreciation/amortisation and write-downs		-1,055	-1,003	-1,420	-1,368
2) Average number of shares before dilution		133,092,386	133,368,706	133,038,120	133,245,360
3) Average number of shares after dilution		133,861,996	133,994,725	133,732,292	133,929,292

Consolidated statement of comprehensive income

MSEK	Jan-Sep 2020	Jan-Sep 2019	Rolling 12 Months	Full Year 2019
Net income for the period	489	1,121	1,393	2,025
Other comprehensive income/loss:				
Items that will not be reversed in the income statement:				
Revaluation of net pension obligations	-578	-1,369	179	-612
Tax attributable to revaluation of net pension obligations	119	282	-39	124
Total	-459	-1,087	140	-488
Items that may be reversed in the income statement:				
Translation differences	-370	382	-537	215
Cash flow hedges	49	-15	265	201
Tax attributable to cash flow hedges	-14	2	-59	-43
Total	-335	369	-331	373
Other comprehensive income/loss for the period	-794	-718	-191	-115
Net comprehensive income/loss for the period	-305	403	1,202	1,910
of which Parent Company's shareholders' interest	-287	373	1,197	1,857
of which non-controlling interest	-18	30	5	53

Consolidated statement of financial position

MSEK	Note	30 Sep 2020	31 Dec 2019	30 Sep 2019
ASSETS				
Fixed assets:				
Intangible fixed assets	7	11,333	10,465	10,164
Tangible fixed assets		6,518	6,223	6,070
Biological assets		371	368	352
Right of use assets		2,384	2,549	2,500
Shares in associated companies and joint ventures		543	672	611
Financial investments	13	29	26	27
Long-term receivables		564	752	721
Deferred tax assets		593	266	590
Total fixed assets		22,335	21,321	21,035
Current assets:				
Inventories		11,416	10,475	10,485
Derivatives		1,231	1,444	2,054
Tax receivables		211	26	256
Accounts receivable		2,826	5,198	2,902
Contract assets		10,277	12,234	13,564
Other receivables		858	710	599
Prepaid expenses and accrued income		1,302	969	1,074
Short-term investments		5,205	5,794	3,860
Liquid assets	11	2,381	1,687	1,498
Total current assets		35,707	38,537	36,292
TOTAL ASSETS		58,042	59,858	57,327
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity:				
Parent Company's shareholders' interest		20,380	20,535	18,993
Non-controlling interest		251	274	246
Total shareholders' equity		20,631	20,809	19,239
Long-term liabilities:				
Long-term lease liabilities		2,008	2,138	2,131
Other long-term interest-bearing liabilities	8	5,556	6,513	6,545
Other liabilities		159	180	178
Provisions for pensions	13	6,684	6,014	6,677
Other provisions		1,667	1,344	1,293
Deferred tax liabilities		23	40	29
Total long-term liabilities		16,097	16,229	16,853
Current liabilities:				
Short-term lease liabilities		417	434	400
Other short-term interest-bearing liabilities	8	1,839	1,322	2,110
Contract liabilities		6,770	8,899	6,320
Accounts payable		2,305	3,221	2,738
Derivatives		1,199	1,706	2,713
Tax liabilities		121	71	206
Other liabilities		2,443	1,193	709
Accrued expenses and deferred income		5,545	5,272	5,380
Provisions		675	702	659
Total current liabilities		21,314	22,820	21,235
Total liabilities		37,411	39,049	38,088
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		58,042	59,858	57,327

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 2019	1,746	428	6,099	-386	447	11	11,067	19,412	221	19,633
Net comprehensive income/loss for the period January-September 2019				-11	371		13	373	30	403
Transactions with shareholders:										
Rights issue	428	-428								
Repurchase of shares							-301	-301		-301
Share matching plan							123	123		123
Dividend							-601	-601	-	-601
Acquisition and sale of non-controlling interest							-13	-13	-5	-18
Closing balance, 30 September 2019	2,174	-	6,099	-397	818	11	10,288	18,993	246	19,239
Net comprehensive income/loss for the period October-December 2019				169	-167		1,482	1,484	23	1,507
Transactions with shareholders:										
Share matching plan							62	62		62
Dividend							-	-	-4	-4
Acquisition and sale of non-controlling interest							-4	-4	9	5
Closing balance, 31 December 2019	2,174	-	6,099	-228	651	11	11,828	20,535	274	20,809
Opening balance, 1 January 2020	2,174	-	6,099	-228	651	11	11,828	20,535	274	20,809
Net comprehensive income/loss for the period				41	-344		16	-287	-18	-305
Transactions with shareholders:										
Share matching plan							139	139		139
Dividend							-	-	-10	-10
Acquisition and sale of non-controlling interest							-7	-7	5	-2
Closing balance, 30 September 2020	2,174	-	6,099	-187	307	11	11,976	20,380	251	20,631

Consolidated statement of cash flows

MSEK	Note	Jan-Sep 2020	Jan-Sep 2019	Full Year 2019
Operating activities:				
Income after financial items		394	1,474	2,607
Adjustments for items not affecting cash flows		897	1,569	2,132
Dividend from associated companies and joint ventures		58	19	20
Income tax paid		-281	-389	-408
Cash flow from operating activities before changes in working capital		1,068	2,673	4,351
Cash flow from changes in working capital:				
Contract assets and liabilities		-157	-5,585	-1,649
Inventories		-1,031	-1,134	-1,141
Other current receivables		1,998	2,512	176
Other current liabilities		322	-967	-218
Provisions		-290	-150	-325
Cash flow from operating activities		1,910	-2,651	1,194
Investing activities:				
Capitalised development costs		-969	-1,002	-1,392
Investments in other intangible fixed assets		-200	-139	-196
Investments in tangible fixed assets		-908	-890	-1,213
Sales and disposals of tangible fixed assets		14	30	32
Investments in and sale of short-term investments		589	5,173	3,219
Investments in financial assets, associated companies and joint ventures		-91	-168	-171
Sale of financial assets, associated companies and joint ventures		1,113	35	35
Investments in operations	12	-4	-	-
Sale of subsidiaries		71	-	-
Cash flow from investing activities		-385	3,039	314
Financing activities:				
Repayments of loans		-2,787	-201	-990
Amortisation of lease liabilities		-319	-298	-415
Raising of loans		2,328	8	8
Rights issue		-	11	11
Repurchase of shares		-	-301	-301
Dividend paid to Parent Company's shareholders		-	-601	-601
Dividend paid to non-controlling interest		-12	-19	-24
Transactions with non-controlling interest		-1	6	8
Cash flow from financing activities		-791	-1,395	-2,304
Cash flow for the period		734	-1,007	-796
Liquid assets at the beginning of the period		1,687	2,451	2,451
Exchange rate difference in liquid assets		-40	54	32
Liquid assets at end of period	11	2,381	1,498	1,687

Quarterly consolidated income statement

MSEK	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Sales	6,064	8,836	8,040	10,578	7,914	8,445	8,496	11,018
Cost of goods sold	-6,238	-7,005	-6,160	-8,009	-6,236	-6,508	-6,645	-8,230
Gross income	-174	1,831	1,880	2,569	1,678	1,937	1,851	2,788
Gross margin, %	-2.9	20.7	23.4	24.3	21.2	22.9	21.8	25.3
Other operating income	1,103	67	19	81	24	94	18	57
Marketing expenses	-492	-579	-639	-742	-589	-658	-620	-735
Administrative expenses	-348	-360	-365	-385	-338	-391	-374	-378
Research and development costs	-264	-317	-309	-325	-248	-300	-264	-277
Other operating expenses and joint ventures	-359	5	-16	-69	11	-18	-	-22
	-129	5	-10	69	-20	-34	-20	-11
Operating income (EBIT) ¹⁾	-663	652	560	1,198	518	630	591	1,422
Operating margin, %	-10.9	7.4	7.0	11.3	6.5	7.5	7.0	12.9
Financial income	37	39	60	35	77	32	46	113
Financial expenses	-94	-19	-178	-100	-195	-98	-127	-211
Net financial items	-57	20	-118	-65	-118	-66	-81	-98
Income before taxes	-720	672	442	1,133	400	564	510	1,324
Taxes	349	-154	-100	-229	-105	-135	-113	-316
Net income for the period	-371	518	342	904	295	429	397	1,008
of which Parent Company's shareholders' interest	-380	521	334	883	269	433	398	982
of which non-controlling interest	9	-3	8	21	26	-4	-1	26
Earnings per share before dilution, SEK ²⁾	-2.85	3.91	2.51	6.63	2.02	3.24	2.98	8.28
Earnings per share after dilution, SEK ³⁾	-2.83	3.90	2.50	6.60	2.01	3.23	2.97	8.23
1) Of which depreciation/amortisation and write-downs	-349	-352	-354	-365	-331	-344	-328	-232
2) Average number of shares before dilution	133,226,313	133,087,362	132,963,482	132,875,322	133,103,705	133,476,269	133,526,144	118,568,062
3) Average number of shares after dilution	134,048,466	133,625,118	133,701,893	133,553,690	133,702,351	134,039,937	134,137,373	119,253,394

Quarterly consolidated statement of comprehensive income

MSEK	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Net income for the period	-371	518	342	904	295	429	397	1,008
Other comprehensive income/loss:								
Items that will not be reversed in the income statement:								
Revaluation of net pension obligations	-514	-706	642	757	-649	-1,130	410	-742
Tax attributable to revaluation of net pension obligations	106	145	-132	-158	134	232	-84	153
Total	-408	-561	510	599	-515	-898	326	-589
Items that may be reversed in the income statement:								
Translation differences	-141	-301	72	-167	177	29	176	18
Net gain/loss on cash flow hedges	-54	254	-151	216	-110	133	-38	-257
Tax attributable to net gain/loss on cash flow hedges	4	-52	34	-45	23	-31	10	64
Total	-191	-99	-45	4	90	131	148	-175
Other comprehensive income/loss for the period	-599	-660	465	603	-425	-767	474	-764
Net comprehensive income/loss for the period	-970	-142	807	1,507	-130	-338	871	244
of which Parent Company's shareholders' interest	-976	-131	820	1,484	-158	-342	873	212
of which non-controlling interest	6	-11	-13	23	28	4	-2	32

Key ratios by quarter

MSEK	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Equity/assets ratio, (%)	35.5	36.2	35.3	34.8	33.6	34.0	35.4	35.0
Return on capital employed, % ³⁾	5.4	8.7	8.5	9.1	11.0	9.1	8.5	8.7
Return on equity, % ³⁾	7.0	10.0	9.3	10.0	13.1	10.5	8.6	8.1
Equity per share, SEK ^{1) 3)}	152.91	160.03	160.89	154.48	142.99	144.44	152.12	145.43
Free cash flow, MSEK ³⁾	676	1,722	-1,700	2,955	-1,865	-989	-2,137	2,504
Free cash flow per share after dilution, SEK ^{2) 3)}	5.04	12.89	-12.71	22.13	-13.95	-7.38	-15.93	21.00
1) Number of shares excluding treasury shares	133,278,501	133,174,124	133,000,600	132,926,363	132,824,280	133,383,129	133,569,408	133,482,880
2) Average number of shares after dilution	134,048,466	133,625,118	133,701,893	133,553,690	133,702,351	134,039,937	134,137,373	119,253,394
3) For more information and explanations regarding the usage of these key ratios, please see saabgroup.com, investor, financial data, key ratios.								

Quarterly information per operating segment

MSEK	Q3 2020	Operating margin	Q2 2020	Operating margin	Q1 2020	Operating margin	Q4 2019	Operating margin
Sales								
Aeronautics	688		2,054		1,971		2,329	
Dynamics	1,356		1,744		1,118		2,251	
Surveillance	1,555		2,065		1,728		2,304	
Support and Services	1,289		1,353		1,310		1,654	
Industrial Products and Services	1,400		1,372		1,599		1,933	
Kockums	589		756		806		815	
Corporate/elimination	-813		-508		-492		-708	
Total	6,064		8,836		8,040		10,578	
Operating income/loss								
Aeronautics	-951	-	172	8.4%	158	8.0%	192	8.2%
Dynamics	107	7.9%	242	13.9%	87	7.8%	419	18.6%
Surveillance	91	5.9%	160	7.7%	221	12.8%	361	15.7%
Support and Services	93	7.2%	164	12.1%	131	10.0%	262	15.8%
Industrial Products and Services	-4	-0.3%	-81	-5.9%	27	1.7%	105	5.4%
Kockums	22	3.7%	25	3.3%	26	3.2%	36	4.4%
Corporate	-21		-30		-90		-177	
Total	-663	-10.9%	652	7.4%	560	7.0%	1,198	11.3%
MSEK	Q3 2019	Operating margin	Q2 2019	Operating margin	Q1 2019	Operating margin	Q4 2018	Operating margin
Sales								
Aeronautics	1,794		1,971		2,124		2,654	
Dynamics	960		1,537		1,392		2,287	
Surveillance	1,876		1,795		1,724		2,302	
Support and Services	1,526		1,292		1,349		1,657	
Industrial Products and Services	1,377		1,672		1,574		1,879	
Kockums	690		705		797		1,029	
Corporate/elimination	-309		-527		-464		-790	
Total	7,914		8,445		8,496		11,018	
Operating income/loss								
Aeronautics	122	6.8%	166	8.4%	197	9.3%	309	11.6%
Dynamics	24	2.5%	160	10.4%	113	8.1%	422	18.5%
Surveillance	189	10.1%	213	11.9%	90	5.2%	371	16.1%
Support and Services	158	10.4%	140	10.8%	182	13.5%	320	19.3%
Industrial Products and Services	-7	-0.5%	71	4.2%	69	4.4%	139	7.4%
Kockums	21	3.0%	-3	-0.4%	34	4.3%	45	4.4%
Corporate	11		-117		-94		-184	
Total	518	6.5%	630	7.5%	591	7.0%	1,422	12.9%

Multi-year overview

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

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

2) The average number of shares outstanding have for the comparative periods 2018-2015 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-Sep 2020	Jan-Sep 2019	Full Year 2019
Organic sales growth, %	5	-8	11	6
Operating margin, %	10	2.4	7.0	8.3
Equity/assets ratio, %	30	35.5	33.6	34.8

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-Sep 2020	Jan-Sep 2019	Full Year 2019
Sales	13,929	15,485	21,960
Cost of goods sold	-12,676	-12,252	-17,341
Gross income	1,253	3,233	4,619
Gross margin, %	9.0	20.9	21.0
Operating income and expenses	-3,354	-3,170	-4,437
Operating income (EBIT)	-2,101	63	182
Operating margin, %	-15.1	0.4	0.8
Financial income and expenses	894	148	962
Income after financial items	-1,207	211	1,144
Appropriations	-	-	-103
Income before taxes	-1,207	211	1,041
Taxes	465	-69	-248
Net income for the period	-742	142	793

Parent company balance sheet

MSEK	Note	30 Sep 2020	31 Dec 2019	30 Sep 2019
ASSETS				
Fixed assets:				
Intangible fixed assets		783	658	649
Tangible fixed assets		4,103	3,967	3,886
Financial fixed assets		7,773	7,275	7,308
Total fixed assets		12,659	11,900	11,843
Current assets:				
Inventories		7,809	6,996	6,937
Current receivables		14,496	18,366	16,937
Short term investments		5,186	5,783	3,834
Liquid assets		1,828	1,007	849
Total current assets		29,319	32,152	28,557
TOTAL ASSETS		41,978	44,052	40,400
SHAREHOLDERS' EQUITY AND LIABILITIES				
Equity:				
Restricted equity		3,380	3,380	3,386
Unrestricted equity		10,329	10,931	10,213
Total shareholders' equity		13,709	14,311	13,599
Untaxed reserves, provisions and liabilities:				
Untaxed reserves		2,508	2,508	2,405
Provisions		1,951	1,582	1,517
Liabilities	8	23,810	25,651	22,879
Total untaxed reserves, provisions and liabilities		28,269	29,741	26,801
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		41,978	44,052	40,400

Liquidity, financing, capital expenditures and number of employees

The Parent Company's net debt amounted to SEK 2,902 million as of 30 September 2020 compared to SEK 2,777 million as of 31 December 2019.

Investments in tangible fixed assets amounted to SEK 577 million (534). Investments in intangible assets amounted to SEK 106 million (75). At the end of the period, the Parent Company had 10,140 employees compared to 9,885 at the beginning of the year.

Notes

To the financial statements

NOTE 1 Corporate information

Saab AB (publ.), corporate identity no. 556036-0793, has its registered office in Linköping, Sweden. The company's head office is located at Olof Palmes gata 17, 5tr, SE-111 22 Stockholm, Sweden, 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 2019.

NOTE 2 Accounting principles

The consolidated accounts for the first nine months of 2020 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 and Parent Company's accounting principles are described on pages 96-97, and concerning significant income statement and balance sheet items in each note disclosure in the annual report 2019.

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 2019. All the information on pages 1-28 constitutes the interim report for the period 1 January to 30 September 2020.

The Group and the Parent Company use the accounting principles and calculation methods as described in the annual report 2019.

Important estimates and assumptions are disclosed in note 2 in the annual report 2019. As a consequence of Covid-19 Saab in the quarter analysed whether to revise the estimates and assumptions for these areas as well as measurements of financial instruments including impairment of accounts receivable and contract assets. This has not resulted in any significant adjustments apart from the adjustments to project estimates, provisions and write-downs described in the Comment by the President and CEO, sections on income and note 5. No other changes have been made to estimates and assumptions.

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 U.S., 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-Sep 2020	Jan-Sep 2019	Change, %	Q3 2020	Q3 2019	Full Year 2019
Aeronautics	1,240	1,201	3	167	317	2,979
Dynamics	7,455	4,503	66	3,508	1,357	6,706
Surveillance	4,681	7,639	-39	1,288	5,443	9,390
Support and Services	7,533	3,016	150	4,504	1,540	4,099
Industrial Products and Services	3,755	3,867	-3	921	1,326	5,515
Kockums	938	923	2	198	379	1,216
Corporate/elimination	-1,380	-2,056		-434	-979	-2,689
Total	24,222	19,093	27	10,152	9,383	27,216

Order bookings per region

MSEK	Jan-Sep 2020	Jan-Sep 2019	Change, %	Full Year 2019
Sweden	7,770	4,827	61	7,901
Rest of Europe	5,772	7,371	-22	10,039
North America	3,605	3,136	15	3,646
Latin America	186	180	3	1,012
Asia	3,899	2,459	59	2,849
Africa	9	241	-96	324
Australia, etc.	2,981	879	239	1,445
Total	24,222	19,093	27	27,216

Order backlog per operating segment

MSEK	30 Sep 2020	31 Dec 2019	30 Sep 2019
Aeronautics	38,646	42,120	42,670
Dynamics	17,560	14,264	14,364
Surveillance	15,640	16,465	17,150
Support and Services	12,564	8,986	9,597
Industrial Products and Services	8,564	9,035	9,398
Kockums	3,638	4,852	5,386
Corporate/elimination	-1,960	-2,429	-2,561
Total	94,652	93,293	96,004

Order backlog per region

MSEK	30 Sep 2020	31 Dec 2019	30 Sep 2019
Sweden	28,244	28,661	29,549
Rest of Europe	17,546	15,911	15,252
North America	7,459	6,644	7,483
Latin America	28,839	31,619	31,925
Asia	7,212	6,697	8,180
Africa	410	553	561
Australia etc.	4,942	3,208	3,054
Total	94,652	93,293	96,004

Sales per operating segment

MSEK	Jan-Sep 2020	Jan-Sep 2019	Q3 2020	Q3 2019	Rolling Months	Full Year 2019
Aeronautics	4,713	5,889	688	1,794	7,042	8,218
Dynamics	4,218	3,889	1,356	960	6,469	6,140
Surveillance	5,348	5,395	1,555	1,876	7,652	7,699
Support and Services	3,952	4,167	1,289	1,526	5,606	5,821
Industrial Products and Services	4,371	4,623	1,400	1,377	6,304	6,556
Kockums	2,151	2,192	589	690	2,966	3,007
Corporate/elimination ¹⁾	-1,813	-1,300	-813	-309	-2,521	-2,008
Total	22,940	24,855	6,064	7,914	33,518	35,433

¹⁾ Items affecting comparability during the third quarter 2020 has had a negative impact on sales for Corporate with SEK 375 million, refer to note 5.

Sales per region

MSEK	Jan-Sep 2020	% of sales	Jan-Sep 2019	% of sales	Full Year 2019	% of sales
Sweden	8,204	36	9,263	37	13,188	37
Rest of Europe	4,351	19	3,671	15	5,677	16
North America	2,710	12	2,648	11	3,889	11
Latin America	2,945	13	3,175	13	4,314	12
Asia	3,417	15	4,656	19	6,464	18
Africa	126	1	264	1	357	1
Australia, etc.	1,187	5	1,178	5	1,544	4
Total	22,940	100	24,855	100	35,433	100

Information on large customers

During the first nine months of 2020, Saab had two customers that separately accounted for 10 per cent or more of the Group's sales. The Swedish Defence is a customer of all business areas and total sales amounted to SEK 7,047 million (7,514). The Brazilian State is a customer primarily to business area Aeronautics and total sales amounted to SEK 2,740 million (2,882).

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-Sep 2020	% of sales	Jan-Sep 2019	% of sales	Q3 2020	Q3 2019	Rolling 12 Months	Full Year 2019
Aeronautics	-621	-13.2	485	8.2	-951	122	-429	677
Dynamics	436	10.3	297	7.6	107	24	855	716
Surveillance	472	8.8	492	9.1	91	189	833	853
Support and Services	388	9.8	480	11.5	93	158	650	742
Industrial Products and Services	-58	-1.3	133	2.9	-4	-7	47	238
Kockums	73	3.4	52	2.4	22	21	109	88
The operating segments' operating income	690	2.9	1,939	7.9	-642	507	2,065	3,314
Corporate	-141		-200		-21	11	-318	-377
Total	549	2.4	1,739	7.0	-663	518	1,747	2,937

Depreciation/amortisation and write-downs per operating segment

MSEK	Jan-Sep 2020	Jan-Sep 2019	Change, %	Q3 2020	Q3 2019	Rolling 12 Months	Full Year 2019
Aeronautics	50	45	11	18	16	65	60
Dynamics	62	55	13	19	18	83	76
Surveillance	229	222	3	76	75	305	298
Support and Services	18	15	20	6	5	23	20
Industrial Products and Services	57	64	-11	18	22	79	86
Kockums	26	27	-4	8	8	35	36
Corporate	613	575	7	204	187	830	792
Total	1,055	1,003	5	349	331	1,420	1,368

Operational cash flow per operating segment

MSEK	Jan-Sep 2020	Jan-Sep 2019	Q3 2020	Q3 2019	Rolling 12 Months	Full Year 2019
Aeronautics	-1,951	-3,697	-887	-1,257	155	-1,591
Dynamics	-450	-111	283	-172	-181	158
Surveillance	302	-72	-133	-294	1,530	1,156
Support and Services	992	-654	-168	-597	1,657	11
Industrial Products and Services	1,017	-264	508	18	979	-302
Kockums	297	-222	91	-422	449	-70
Corporate	-335	664	-57	1,070	-1,661	-662
Total	-128	-4,356	-363	-1,654	2,928	-1,300

Capital employed per operating segment

MSEK	30 Sep 2020	31 Dec 2019	30 Sep 2019
Aeronautics	7,118	5,237	7,199
Dynamics	4,879	4,182	3,938
Surveillance	8,107	7,813	8,554
Support and Services	4,007	4,255	4,316
Industrial Products and Services	4,474	5,064	4,938
Kockums	1,271	1,236	1,246
Corporate/elimination	5,900	8,179	5,529
Total	35,756	35,966	35,720

Full time equivalents (FTE's) per operating segment

Number at end of the period	30 Sep 2020	31 Dec 2019	30 Sep 2019
Aeronautics	3,536	3,421	3,405
Dynamics	2,756	2,353	2,316
Surveillance	3,783	3,687	3,671
Support and Services	2,031	1,912	1,898
Industrial Products and Services	3,412	3,635	3,668
Kockums	1,223	1,219	1,217
Corporate	1,101	1,072	1,080
Total	17,842	17,299	17,255

NOTE 4 Distribution of sales

	Aeronautics		Dynamics		Surveillance		Support and Services		Industrial Products and Services		Kockums		Corporate/elimination		Group	
MSEK	Jan-Sep 2020	Jan-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Sep 2020	Jan-Sep 2019
External sales	4,580	5,695	3,948	3,766	5,146	5,233	3,864	4,078	3,505	3,665	2,139	2,179	-242	239	22,940	24,855
Internal sales	133	194	270	123	202	162	88	89	866	958	12	13	-1,571	-1,539	-	-
Total sales	4,713	5,889	4,218	3,889	5,348	5,395	3,952	4,167	4,371	4,623	2,151	2,192	-1,813	-1,300	22,940	24,855
Sales by customer:																
Military customers	4,577	5,695	3,767	3,553	5,137	5,203	3,445	3,508	869	814	2,139	2,179	-259	226	19,675	21,178
Civilian customers	3	-	181	213	9	30	419	570	2,636	2,851	-	-	17	13	3,265	3,677
Total external sales	4,580	5,695	3,948	3,766	5,146	5,233	3,864	4,078	3,505	3,665	2,139	2,179	-242	239	22,940	24,855
Sales by significant source:																
Long-term customer contracts	3,912	5,090	1,171	1,574	3,799	3,640	1,625	1,756	1,815	2,128	1,656	1,624	-305	225	13,673	16,037
Services	646	601	572	508	1,009	1,190	1,887	1,833	1,472	1,379	470	529	46	14	6,102	6,054
Products	22	4	2,205	1,684	338	403	352	489	218	158	13	26	17	-	3,165	2,764
Total external sales	4,580	5,695	3,948	3,766	5,146	5,233	3,864	4,078	3,505	3,665	2,139	2,179	-242	239	22,940	24,855
Sales by domain:																
Air	4,574	5,695	225	377	2,423	2,529	2,783	2,834	211	240	-	-	54	114	10,270	11,789
Land	6	-	2,834	2,410	892	852	610	632	366	406	-	-	12	-	4,720	4,300
Naval	-	-	874	836	1,749	1,746	119	155	8	10	2,139	2,179	53	125	4,942	5,051
Civil Security	-	-	5	139	3	19	141	113	1,381	1,414	-	-	5	-	1,535	1,685
Commercial Aeronautics	-	-	-	-	-	-	211	344	972	1,095	-	-	5	-	1,188	1,439
Other/not distributed	-	-	10	4	79	87	-	-	567	500	-	-	-371	-	285	591
Total external sales	4,580	5,695	3,948	3,766	5,146	5,233	3,864	4,078	3,505	3,665	2,139	2,179	-242	239	22,940	24,855
Sales recognition method:																
Over time	4,546	5,684	1,589	2,037	4,565	4,474	3,173	3,218	2,220	2,183	2,038	2,152	-264	225	17,867	19,973
Point in time	34	11	2,359	1,729	581	759	691	860	1,285	1,482	101	27	22	14	5,073	4,882
Total external sales	4,580	5,695	3,948	3,766	5,146	5,233	3,864	4,078	3,505	3,665	2,139	2,179	-242	239	22,940	24,855

NOTE 5 Items affecting comparability

Items affecting comparability in the third quarter 2020 comprise the following items:

- Decreased sales from adjustments of project reserves in Aeronautics, SEK 1 121 million, and other business areas, SEK 375 million, due to Covid-19
- Capital gain from the divestment of shares in the joint venture company Vricon Inc., SEK 997 million
- Write-down of inventory related to products which have been discontinued and as part of the changes to the product portfolio, SEK 137 million
- Write-down of shares in associated companies and impairment of long-term receivable from associated companies, in total SEK 172 million
- Provision related to new assessment of ongoing disputes and legal proceedings for the Group, SEK 300 million

These items are, except for decreased sales from adjustments of project reserves in Aeronautics due to Covid-19, recognised in Corporate in the income statement by functional line item as follows and in note 3 and 4:

MSEK	Jan-Sep 2020	Jan-Sep 2019	Q3 2020	Q3 2019
Sales	-1,496	-	-1,496	-
Cost of goods sold	-137	-	-137	-
Other operating income	997	-	997	-
Other operating expenses	-358	-	-358	-
Share in income of associated companies	-114	-	-114	-
Total	-1,108	-	-1,108	-

NOTE 6 Dividend to Parent Company's shareholders

The Annual General Meeting 2020 held on 1 April decided that no dividend will be paid to the Parent Company's shareholders. This is due to current circumstances related to Covid-19. The Saab Board of Directors still confirms its assessment of the company's dividend capacity for the financial year 2019, but due to the uncertainty the Covid-19 outbreak is creating in the world, the Board decided to withdraw its dividend proposal to the Annual General Meeting of SEK 4.70 per share. When the situation can be better analysed, the Board will assess the possibility of a new dividend proposal for 2019.

NOTE 7 Intangible fixed assets

MSEK	30 Sep 2020	31 Dec 2019	30 Sep 2019
Goodwill	5,251	5,355	5,420
Capitalised development costs	5,444	4,580	4,227
Other intangible assets	638	530	517
Total	11,333	10,465	10,164

NOTE 8 Net liquidity/debt

MSEK	30 Sep 2020	31 Dec 2019	30 Sep 2019
Assets:			
Liquid assets	2,381	1,687	1,498
Short-term investments	5,205	5,794	3,860
Total liquid investments	7,586	7,481	5,358
Short-term interest-bearing receivables	63	58	52
Long-term interest-bearing receivables	351	521	528
Long-term receivables attributable to pensions	28	28	6
Total interest-bearing assets	8,028	8,088	5,944
Liabilities:			
Lease liabilities	2,425	2,572	2,531
Liabilities to credit institutions	7,348	7,789	8,603
Liabilities to associated companies and joint ventures	43	45	47
Other interest-bearing liabilities	4	1	5
Provisions for pensions ¹⁾	5,305	4,750	5,295
Total interest-bearing liabilities and provisions for pensions	15,125	15,157	16,481
Net liquidity (+) / net debt (-)	-7,097	-7,069	-10,537

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

Committed credit lines

MSEK	Facilities	Drawings	Available
Revolving credit facility (Maturity 2022)	10,000	-	10,000
Overdraft facility (Maturity 2020)	67	-	67
Total	10,067	-	10,067

Parent Company

MSEK	30 Sep 2020	31 Dec 2019	30 Sep 2019
Long-term liabilities to credit institutions	5,555	6,512	6,543
Short-term liabilities to credit institutions	1,792	1,276	2,060
Total	7,347	7,788	8,603

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

Under the terms of this programme, Saab has issued fixed rate bonds as well as Floating Rate Notes (FRN). During March 2020, bonds amounting to SEK 850 million matured. Furthermore, loans amounting to SEK 425 million expiring May 2020 were repurchased. Three new bonds expiring 2028, 2029 and 2030 were issued for a total of SEK 825 million. Altogether, loans outstanding under the MTN programme amounted to SEK 6,295 million at the end of the reporting period. In December 2015, Saab signed Schuldschein loan agreements amounting to EUR 100 million.

During the first quarter of 2020, Saab has signed a 24-month Revolving Credit Facility Agreement of SEK 4 billion to strengthen the company's financial flexibility, and if needed to be utilised to refinance upcoming and future loan maturities. The facility has not been utilised in the third quarter.

NOTE 9 Capital employed

MSEK	30 Sep 2020	31 Dec 2019	30 Sep 2019
Total assets	58,042	59,858	57,327
Less non-interest bearing liabilities	22,286	23,892	21,607
Capital employed	35,756	35,966	35,720

NOTE 10 Financial instruments

Classification and categorisation of financial assets and liabilities ²⁾

Carrying amount	30 Sep 2020	31 Dec 2019	30 Sep 2019
Financial assets:			
Valued at amortised cost ⁴⁾ :			
Accounts receivable, contract assets and other receivables	14,866	18,542	17,543
Liquid assets	2,381	1,687	1,498
Long-term receivables	536	724	715
Valued at fair value through profit and loss ³⁾ :			
Short-term investments	5,205	5,794	3,860
Derivatives for trading	154	146	166
Financial investments	29	26	27
Derivatives identified as hedges	1,077	1,298	1,888
Total financial liabilities	24,248	28,217	25,697
Financial liabilities:			
Valued at amortised cost:			
Interest-bearing liabilities ¹⁾	9,818	10,407	11,185
Other liabilities ⁴⁾	6,781	7,960	7,287
Valued at fair value through profit and loss ³⁾ :			
Derivatives for trading	43	15	25
Derivatives identified as hedges	1,156	1,691	2,688
Total financial liabilities	17,798	20,073	21,185
¹⁾ Fair value	9,819	10,485	11,253

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 879.

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.

The Group has used the same valuation methods as in the year-end closing for 2019, as described in the annual report 2019 on page 127, note 36. As of 30 September 2020, the Group had the following financial assets and liabilities at fair value:

Assets at fair value

MSEK	30 Sep 2020	Level 1	Level 2	Level 3
Bonds and interest-bearing securities	5,205	5,205	-	-
Forward exchange contracts	1,088	-	1,088	-
Currency options	18	-	18	-
Interest rate swaps	2	-	2	-
Cross currency basis swaps	123	-	123	-
Shares, participations and long-term receivables	29	-	-	29
Total	6,465	5,205	1,231	29

Liabilities at fair value

MSEK	30 Sep 2020	Level 1	Level 2	Level 3
Forward exchange contracts	1,064	-	1,064	-
Currency options	15	-	15	-
Interest rate swaps	110	-	110	-
Electricity derivatives	10	10	-	-
Total	1,199	10	1,189	-

NOTE 11 Supplemental information on statement of cash flows

Free cash flow

MSEK	Jan-Sep 2020	Jan-Sep 2019	Q3 2020	Q3 2019	Full Year 2019
Cash flow from operating activities before changes in working capital, excluding taxes and other financial items ¹⁾	1,093	2,969	-906	839	4,626
Cash flow from changes in working capital:					
Contract assets and liabilities	-157	-5,585	386	-2,525	-1,649
Inventories	-1,031	-1,134	291	-296	-1,141
Other current receivables	1,998	2,512	1,376	1,099	176
Other current liabilities	322	-967	-923	-128	-218
Provisions	-290	-150	-78	-54	-325
Change in working capital	842	-5,324	1,052	-1,904	-3,157
Cash flow from operating activities excluding taxes and other financial items	1,935	-2,355	146	-1,065	1,469
Investing activities:					
Investments in intangible fixed assets	-1,169	-1,141	-287	-351	-1,588
Investments in tangible fixed assets	-908	-890	-221	-242	-1,213
Sales and disposals of tangible fixed assets	14	30	-1	4	32
Cash flow from investing activities ²⁾	-2,063	-2,001	-509	-589	-2,769
Operational cash flow	-128	-4,356	-363	-1,654	-1,300
Taxes and other financial items	-344	-594	-115	-208	-690
Sale of and investments in financial assets, associates and joint ventures	1,103	-41	1,085	-3	-46
Investments in operations	-4	-	-2	-	-
Sale of subsidiaries	71	-	71	-	-
Free cash flow	698	-4,991	676	-1,865	-2,036

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-Sep 2020	Jan-Sep 2019	Q3 2020	Q3 2019	Full Year 2019
Free cash flow	698	-4,991	676	-1,865	-2,036
Investing activities – interest-bearing:					
Short-term investments	589	5,173	-163	2,402	3,219
Other financial investments and receivables	-81	-92	-10	-52	-90
Financing activities:					
Repayments of loans	-2,787	-201	-2	-201	-990
Raising of loans	2,328	8	-	3	8
Rights issue	-	11	-	-	11
Repurchase of shares	-	-301	-	-150	-301
Dividend paid to the Parent Company's shareholders	-	-601	-	-	-601
Dividend paid to non-controlling interest	-12	-19	-	-19	-24
Transactions with non-controlling interest	-1	6	-	2	8
Cash flow for the period	734	-1,007	501	120	-796

Liquid assets

MSEK	30 Sep 2020	31 Dec 2019	30 Sep 2019
The following components are included in liquid assets:			
Cash and bank balances	885	891	898
Bank deposits	1,496	796	600
Total according to balance sheet	2,381	1,687	1,498
Total according to statement of cash flows	2,381	1,687	1,498

NOTE 12 Business combinations

No significant acquisitions through business combinations were made in the first nine months of 2020.

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. Defined-benefit plans mainly relate to the Swedish operations, where the ITP2 plan accounts for more than 90 per cent of the total obligation.

Pension obligation according to IAS 19

MSEK	30 Sep 2020	31 Dec 2019	30 Sep 2019
Defined-benefit obligation	12,761	12,132	12,514
Special employers' contribution	1,379	1,264	1,382
Less assets under management	7,484	7,410	7,225
Total provisions for pensions	6,656	5,986	6,671
of which reported as long-term receivable	28	28	6

Actuarial gains and losses are recognised in other comprehensive income. Actuarial loss related to pensions for the Swedish operations amounted to SEK -578 million net in the first nine months of 2020 primarily due to the following:

The assumed discount rate has been reduced by 50 basis points, from 1.50% to 1.00%, compared to the beginning of the year. The inflation assumption has been reduced by 25 basis points, from 1.75% to 1.50%. The net of revised assumptions related to the discount rate and inflation amounted to a loss of SEK -591 million.

Positive experience adjustment has resulted in an actuarial gain of SEK 117 million.

The actuarial loss related to the special employer's contribution amounted to SEK -113 million.

The return on assets under management was higher than expected, which led to an actuarial gain of SEK 9 million.

NOTE 14 Contingent liabilities

No additional significant commitments have arisen during the first nine months of 2020. 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 first nine months of 2020.

Related parties with which the Group has transactions are described in the annual report 2019, note 38.

NOTE 16 Definitions

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

Capital employed

Total assets less non-interest-bearing liabilities.

Earnings per share

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

EBITDA

Operating income before depreciation/amortisation and write-downs.

EBITDA margin

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

Effective tax rate

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

Equity/assets ratio

Equity in relation to total assets.

Equity per share

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

Free cash flow

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

Free cash flow per share

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

Gross margin

Gross income as a percentage of sales.

Net investments

Investments, sales and disposals of intangible and tangible fixed assets.

Net liquidity/net debt

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

Items affecting comparability

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

Operating income

Income before financial items and tax.

Operating income adjusted for items affecting comparability

Operating income (EBIT) adjusted for items classified as affecting comparability.

Operating margin adjusted for items affecting comparability

Operating income adjusted for items affecting comparability as a percentage of sales.

Operating margin

Operating income (EBIT) as a percentage of sales.

Operational cash flow

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

Order backlog

Total value of orders at the end of the period.

Order bookings

Total value of orders received during the period.

Organic sales growth

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

Research and development

Research and development costs are recognised separately in the income statement and comprise the cost of self-financed new and continued product development as well as amortisation and any write-down of capitalised development costs.

Research and development expenses comprise both expenses incurred as costs excluding amortization and write-downs, and expenses capitalised as development costs in the statement of financial position.

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.

Sales adjusted for items affecting comparability

Sales adjusted for items classified as affecting comparability

Glossary

C4I Command, Control, Communications, Computers, and Intelligence

FMV Swedish Defence Materiel Administration

FRN Floating Rate Note

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

IAS International Accounting Standards

IFRS International Financial Reporting Standards

ISR Intelligence, Surveillance and Reconnaissance systems

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

Linköping 19 October 2020

Micael Johansson
President and CEO and Board member

Review report

Saab AB (publ.), corporate identity number 556036-0793.

Introduction

We have reviewed the condensed interim financial information (interim report) of Saab AB as of 30 September 2020 and the nine-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Stockholm 19 October 2020
PricewaterhouseCoopers AB

Peter Nyllinge
Authorised Public Accountant, Auditor in charge

Bo Hjalmarsson
Authorised Public Accountant

Important information

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

This information is such that Saab AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out below, on 21 October 2020 at 07.30 (CET).

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Press and financial analyst conference

19 October 2020 at 13.00 (CET)

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

Live webcast:

<http://saab-interimreport.creo.se/201021>

Conference call:

Please, dial in using one of the numbers below:
Sweden: +46 8 505 583 66
UK: +44 333 330 09030
US: +1 833 249 8406

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

Calendar

Year-end report 2020
Published 11 February 2021

Annual General Meeting 2021
13 April, 2021 in Linköping

Interim report January–March 2021
Published 23 April 2021

Interim report January–June 2021
Published 21 July 2021

Interim report January–September 2021
Published 22 October 2021

