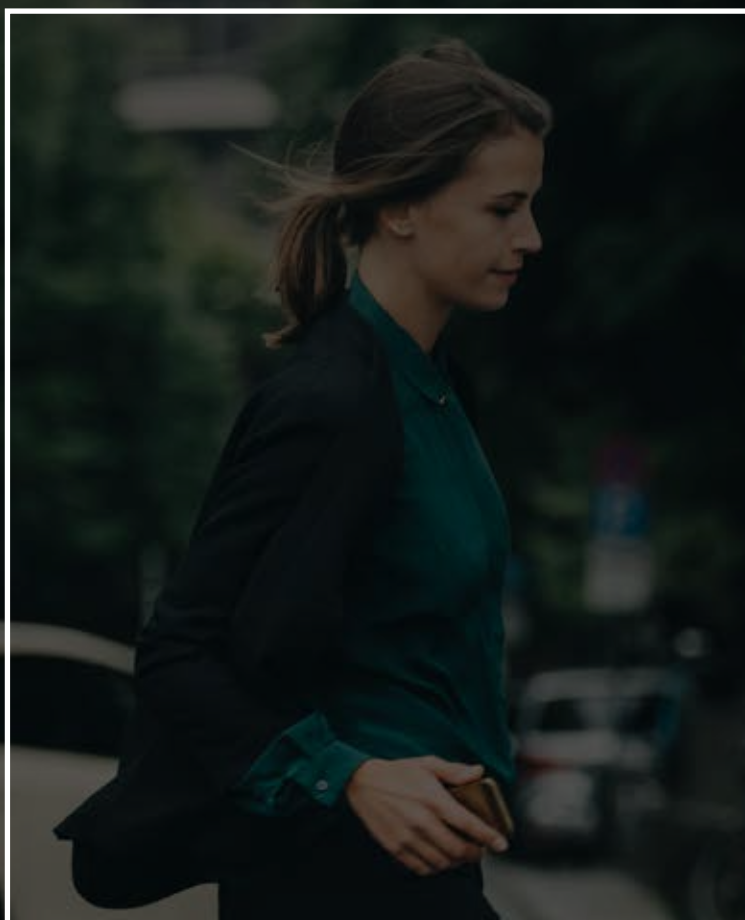




SAAB



**Keeping people
and society safe**

This is Saab

Since Saab was started, we have strived to keep people and society safe. It is a basic human need to feel safe and, as we see it, a human right. Through systems and solutions that increase security, we can make this possible. Today, we serve the global market with world-leading products, services and solutions from military defence to civil security. With operations in most continents, Saab continuously develops, adapts and improves new technology to meet customers' changing needs.



CEO comments on 2020

Read more about the achievements and how Saab executed on its strategy during the full year

→ **4**

Saab's investment story

Saab is a growth company in a growing market. Read more about how we will execute on our strategic priorities to create sustainable shareholder value

→ **9**

Business cases showing how we execute in core areas

Read more about our execution towards our long term financial and sustainability goals

→ **14**

Vision

It is a human right to feel safe.

→ 7

Global footprint and customers

Saab today has a global footprint with customers around the world. Our revenues comes from long-term customer contracts in the form of development and manufacture of complex systems, products and service assignments and maintenance.

6 ←

Innovation

Saab is continuously developing new innovations and invests about a fifth of its sales in research and development. We have close collaboration in development with customers, suppliers, academia and the public sector.

Read more on page 18

5

↑

Sustainability is an integrated part of the business to create further value

In 2020, we increased our efforts to deliver sustainable value for our society, customers, employees and shareholders

→ 32

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About this report

Sustainability priorities are integrated throughout the annual report. Pages 60-83 describe Saab's sustainability work in greater detail. The formal annual report comprises pages 44-151. Certain figures have been rounded off, so tables and calculations do not always add up exactly. A printed copy of the annual report can be ordered from annual.report@saabgroup.com.

The year in brief

In 2020, Saab strengthened its order backlog significantly, proving the competitiveness of its innovative product portfolio and recognition internationally, while securing continued future growth. Despite a dramatic year with the Covid-19 outbreak and the challenges arising from it, the Group met important milestones and generated a strong positive cash flow for the full year.

KEY HIGHLIGHTS 2020

- **Strong order growth of 56%.** Continued new contract wins with key customers in a challenging pandemic environment. Small orders were in line with last year.
- **Sales in line with previous year.** Growth in the defence business but decline continued in the civil business.
- **Resilient underlying earnings.** Operating income, excluding items affecting comparability, was MSEK 2,738, corresponding to an adjusted margin of 7.4%.
- **Positive operational cash flow.** Increased to MSEK 2,773 (-1,300) driven by good project execution.
- **Solid balance sheet.** Net financial debt position of SEK 4.3 billion, corresponding to 1.5 net debt/EBITDA.
- **Sustainability.** Saab received A- from the Carbon Disclosure Project, for the second year in a row.

KEY RATIOS

MSEK	2018	2019	2020
Sales	33,156	35,433	35,431
Organic sales growth, %	4	6	1
EBITDA	3,182	4,305	2,833
EBIT	2,266	2,937	1,315
EBIT margin, %	6.8	8.3	3.7
Adjusted EBIT margin, %	7.7	8.3	7.4
Income before taxes	1,796	2,607	1,112
Net income for the year	1,366	2,025	1,092
EPS, SEK	11.21	14.81	8.01
Free cash flow	-3,195	-2,036	3,753
Net debt to EBITDA ratio	0.46	1.64	1.51
Dividend per share, SEK	4.50	-	4.70*

* Proposed dividend

OPERATING MARGIN

3.7%

SALES

35,431 MSEK

ORDER INTAKE

42,328 MSEK

EQUITY/ASSETS
RATIO

35.7%

OPERATIONAL
CASH FLOW

**2,773
MSEK**

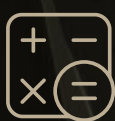
Covid-19 impact on the business

The Corona pandemic has continued to impact the world negatively and not least the global aviation industry. During the second half of 2020, Saab saw increased risk related to the effects of Covid-19, impacting parts of its businesses negatively.



BUSINESS IMPACT

The Covid-19 impact on Saab as a company has mainly been associated with uncertainties and disruptions in the supply chains. In Q3, actions were taken to mitigate increased future risks in our operations by adjusting project estimates, especially within our Aeronautics division. Our civil business was also impacted by the significant downturn in the aviation industry.



FINANCIAL IMPLICATIONS

Our assessment of the Covid-19 related risks had a negative impact on sales and earnings during the full year 2020. Total impact of project adjustments was SEK -1,779 million. The impact from lower demand in Saab's civil business affected sales and earnings, especially in the business area IPS.



ACTION TAKEN

Saab took a number of measures to mitigate the pandemic's impact on its business, in addition to actions to reduce risks in the supply chain. In businesses where demand declined, capacity, including staffing, was reassessed. Saab also introduced shorter working hours for employees in certain business areas.



SOCIAL CONSIDERATIONS/ ESG EFFECTS

During the height of the crises, Saab adapted to the needs of society by temporarily producing protective equipment for the Swedish health care system. Moreover, as Saab's customers are dependent on Saab for service and support, Saab has had to be flexible. By being prepared, Saab has been able to manage the crises, its risks and contingencies.

Focused strategy for profitable growth

For Saab, as for many others, most of 2020 was a dramatic year. We have had to adapt to the challenging times, and we have had to take substantial actions to mitigate the effects of the Covid-19 pandemic on our business. However, Saab is still on a growth journey and has seen exceptionally strong order growth throughout the year. Moreover, we managed to reach several key milestones in our large programmes. We also accelerated our international expansion, and we continued to optimise our product offering.



A CLEAR ROADMAP FOR PROFITABLE GROWTH

Saab is on an international expansion journey. Our aim is to become a truly global, multi-domestic company; a technology leader, with increased sales and strengthened profitability. In order to achieve our goals, we work strategically with market priorities and performance efficiency. The portfolio offering is optimised towards our core areas; Aeronautics, Advanced Weapons Systems, Command & Control, Sensors and Underwater Systems.

As a defence and security company, our commitment to sustainability and the UN Global Compact Principles is profound. We aim to deliver sustainable value for customers, partners, employees, owners and society as a whole. Saab's sustainability commitment serves as the basis for our long-term development and growth.

NEW WAYS OF WORKING IN CHALLENGING TIMES

2020 was a year where our agility was tested more than before. We had to find new ways of working to address the challenges posed by the pandemic and to be able to continue our journey even under these circumstances. The pandemic's impact on Saab's military business has mainly been associated with uncertainties and disruptions in the supply chains. We therefore took actions to mitigate increased future risks identified in our operations. Our business within civilian aviation has been severely impacted by the lockdowns and the subsequent downturn in travelling. Altogether, this had a negative impact on Saab's result.

We achieved some very important project milestones during the year: the historic delivery of the first Gripen E to Brazil and the delivery of the first and second GlobalEye to the United Arab Emirates. We delivered the second upgraded Gotland-class submarine to Sweden, and we completed the first Surface Ship and Submarine Firings of our new Saab Lightweight



Torpedo. Furthermore, we completed the maiden test flight of our new Fighter AESA radar. This was all thanks to a great effort by committed employees. I am very proud of how Saab as an organisation successfully navigated these challenging times and proved that we can deliver even during global lockdowns.

CONTINUOUS GROWTH AND INTERNATIONAL EXPANSION

Saab has continued to win business throughout the year. We increased our order intake by 56 per cent and a total of 70% of order bookings was related to markets outside Sweden. The demand for our capabilities and innovative solutions is high and we strengthened the order book in 2020. Adjusted for items affecting comparability including Covid-19 one-time effects, sales grew by 4% and the adjusted EBIT margin was 7.4%.

Saab has a clear and focused market approach with Sweden as the home market and we are actively increasing our presence in strategic markets, for example: the United States, Germany, United Kingdom and Australia. Here we aim to build up local production and invest in intellectual property in close partnership with local industry and defence forces.

In 2020 Saab announced the establishment of a Future Combat Air System (FCAS) Centre in the UK. We received the confidence of the Australian government to deliver Deployable Health Modules, which constitutes a major step forward in realising our growth and diversification ambitions in Australia. Construction of the T-7 production facility in USA is progressing according to plan. We are also proud to deliver the RBS15 to Germany together with our partner Diehl. The United Arab Emirates trusted us with a new order for two additional GlobalEye systems, as well as a support contract for the three systems ordered previously.

INNOVATION LEADERSHIP

Saab is an innovation powerhouse. The speed of technological development is so rapid and we as a company can never lose focus on our ambition to be in the technological forefront. To ensure our customers' future needs, we daily explore new technologies and innovate. During the year, we have taken further steps in our innovation and technology leadership by establishing Innovation Labs in five areas: Artificial Intelligence, System of Systems, Additive Manufacturing, Autonomy and Sensors. With these initiatives, we will safeguard our position as an innovation powerhouse and a thought leader in new technologies. During the year almost a quarter of our turnover was invested in research and development.

STRATEGIC WORKFORCE PLANNING

Thanks to our talented and pioneering workforce, Saab is at the very forefront of technological development. Our aim is to continue to be an attractive employer that supports our employees to grow and break new technological boundaries. Knowing that the speed of change is faster than ever before, we constantly prepare for future business needs by investing in our employees. With our Strategic Workforce Plan, we know what kind of resources and competencies we have today, what we need to have in the future and how to fill the gaps. Diversity is of importance to Saab – by bringing together different experiences and different perspectives, we reach our business objectives.

I want to thank all of Saab's employees, who with their talents, engagement and ambition – in this exceptionally special and demanding year – are instrumental to our success.

Stockholm, February 2021

Micael Johansson
CEO and President



Keeping people and society safe

When Saab was founded in 1937, our primary aim was to provide military aircraft for Sweden. Today, we serve the global market with world-leading products, services and solutions from military defence to civil security. With global operations, Saab continuously develops, adapts and improves new technology to meet customers' changing needs.

A COMMITMENT TO PEACE SINCE DAY ONE

Saab was founded in 1937, two years later the Second World War broke out with catastrophic consequences. Since the founding, Saab has been dedicated to its objective of supporting the Swedish Armed Forces in its mission to defend Sweden and the country's interests, freedom and the right of Swedes to live the way of their choices.

The commitment to Sweden remains constant. In order to fulfil the commitment over time Saab has developed into a global partner with an increased focus on international cooperation. Saab contributes to increased security and defence capabilities not only in Sweden, but in many other countries around the world.

SAAB'S GREATER TASK

Since the founding, a commitment to the needs of society has been at the core of Saab's business. Peace, security and stability are prerequisites to ensure that we manage to reach the Global Goals for Sustainable Development that we as a global community have set out. Saab's innovative and resource-efficient products and services contributes to our societies by ensuring security and sovereignty every day.

FOCUS ON TECHNOLOGY LEADERSHIP AND SUSTAINABILITY

Saab's mission is to contribute to security by pushing intellectual and technological boundaries. In a world where threats against our societies are growing increasingly diverse Saab contributes to defence and security capabilities around the world. The foundation of Saab's sustainability commitment is to create



"We are convinced that high ethical standards and responsibility in our operations are also critical to long-term profitability."

Micael Johansson, President & CEO

security and defence capabilities in a responsible and sustainable way. By acting responsibly in everything we do, complying with laws and regulation and working closely with national authorities we earn the confidence of customers, employees and society.

Sweden a strong foundation
Share of sales 2020

36%

International growth
Order intake 2020

52%

A focused strategy for growth

Saab strategy is based on four focus areas – market, portfolio, performance and innovation. This means that we stay close to our customers, we develop our portfolio continuously and we work effectively with innovation as a guiding principle in all our businesses. Sustainability is at the core of our business and affects everything we do, and our engaged employees make the company excel and are the key to our continued growth.

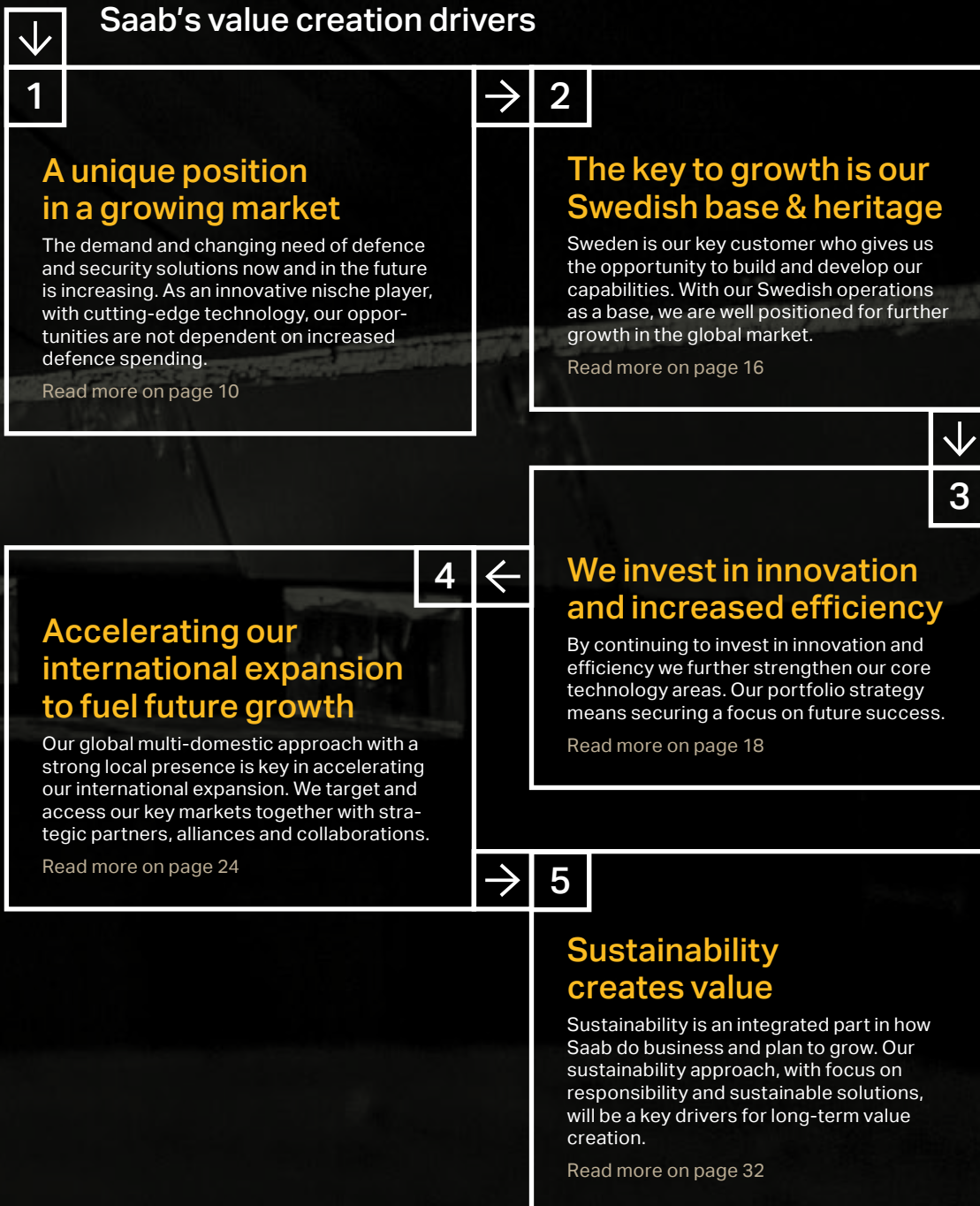


Creating value for all our stakeholders

Saab has seen substantial growth in recent years thanks to its strong base in Sweden and innovation heritage with world-leading technology assets. This has laid the foundation for a unique position in the global defence and security market. With its strong order backlog and more focused business strategy, Saab will continue on its growth journey.

For all our stakeholders we aim to create a greater value. This will we be able to do by executing on our strategy in combination with continued investments in R&D and innovation, portfolio excellence, accelerated presence in strategic markets and by driving an active sustainability agenda. Our stakeholders is our society, customers, employees and shareholders.

Saab's value creation drivers



Addressing an uncertain world in change

The world is changing rapidly and the global power is shifting. This is in light of rapid technological development, growing concerns of climate change and the ideas of globalisation and international establishments being challenged. Meanwhile, the COVID-19 pandemic has contributed to highlighting the vulnerability of societies, resulting in an increasing number of nations taking actions to keep its citizens safe. In a complex and fast changing world, Saab is well positioned with a world-class portfolio of solutions that can protect people and societies from the increasing risks and growing threats.

The pandemic has been a dramatic reminder that people and states are vulnerable and interdependent, but also able to adapt, focus and mobilise great resources in times of distress and crisis. Although the pandemic has undoubtedly had large effects in the short term, developments that are more fundamental are shaping the world in the long term.

The full extent of COVID-19's impact on global geopolitical balances cannot yet be assessed. Nevertheless, a number of trends are clearly emerging and these have already affected a number of balances that previously seemed unchangeable. COVID-19 is evidently not the cause of such changes, which had been well underway before the outbreak, but the pandemic has become a litmus test that has further thrust to these developments under the political spotlight.

1

INCREASING GEOPOLITICAL UNCERTAINTY AND SHIFTING GLOBAL POWER

Global power is shifting, politically and economically. In recent decades, globalisation has created opportunities, reduced poverty, and supported peace for billions of people. However, this is endangered by recent years of increased political tensions and trade disputes between countries. A contributing factor is the shifting power balances between the U.S and China. While the U.S. has long been the world's leading military power, its share of the global defence market is decreasing - while China is on the rise, investing heavily in its military capabilities. Meanwhile, China and the U.S. are decoupling on technology, e.g. 5 G, which is disrupting bilateral flows of technology, talent, and investment. This creates a deepening business, economic, and cultural divide that will risk casting deeper global geopolitical uncertainty. Countries are expected to continue to use economic tools in

their struggles—sanctions, export controls, and boycotts—with shorter fuses and goals that are more explicitly political.

In Europe, concerns about Russia's intentions in the region have been building up since the annexation of Crimea in 2014, underpinned by increased military activity in the Baltic Sea and the Arctic. The effect is that many European countries are stepping up their military capabilities. One example is Sweden, with the Swedish parliament in 2020 approving an extra €2.5 billion for defence spending over the next five years. Sweden has steadily been increasing its defence budget since 2014. The total increase from 2014 to 2025 could reach as high as 85%. This would correspond to 1.5 % of Sweden's GDP in 2025.

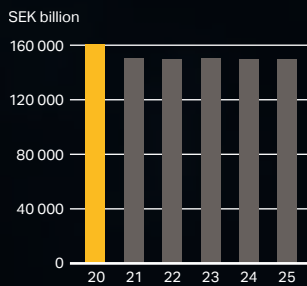
Sweden is Saab's home market where the Group has a strong market share, representing 36% of Saab's revenues in 2020. The growing needs of Sweden's defence capabilities in the coming years will create an opportunity for Saab to both strengthen its position in its home market but will also support growth in international markets along with continued investments in innovation and technology developed in close cooperation with the Swedish customer.

2

RAPID TECHNOLOGICAL DEVELOPMENT DRIVING A GROWING NEED FOR INFORMATION SECURITY

Digital technology is reshaping the nature of military defence and combat. The ability to collect, protect and exploit data is increasingly determining economical as well as political affluences. This is also true in a military conflict or on a battlefield protecting borders. Rapid developments in AI, machine learning and automation are paving the way for new systems and higher efficiency. Many of the same types of platforms for sea, land and air defence that were used a decade ago are still in demand, but the rapid development of new

North America



Latin America



Western Europe

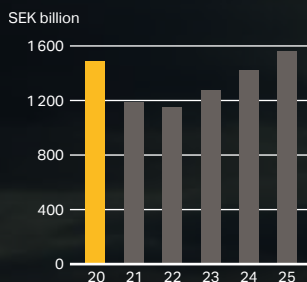


Eastern Europe



Growing global defence market

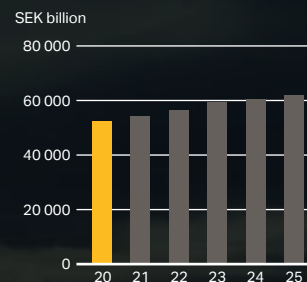
Sub-Saharan Africa



Middle East and Africa



Asia Pacific ex China



- High activity level in the industry.
- Growing needs of defence capabilities globally.
- US and EU defence procurements expected to remain at high levels despite pressures from Covid-19.
- APAC ex China and LATAM fastest growing markets, from low levels.
- Swedish defence bill, expect significant increase 2025.
- Saab involved in several tender offers and campaigns.

Source: Saab and Janes

"Climate change increases the risk of conflicts, poverty and hunger, undermines human rights and is a growing cause of forced migration."

technologies is continuously improving the capabilities of these products.

Air power did not replace land or sea power, but changed the terms of their use. In the same vein, all militaries will need to negotiate the cyber domain - not as a replacement but in addition to traditional domains. Cyber capabilities are becoming increasingly important with the Internet of Things bringing the ties even closer between the physical and online world. This also creates new security needs to develop and embrace both physical and logical mitigation. It is likely that cyber attacks will continue to increase, potentially becoming more selective and targeting sectors with a high impact, such as political elections or for corporate espionage. With a general move by society towards mobile devices, attacks could specifically target portable data and associated systems.

The almost universal dissemination of devices to capture and transmit text, image and sound is putting the old weapon of information into new hands. The increasing flow of information is a source of strength, as well as vulnerability of free societies.

Saab invests a large share of its revenues in research and development and stay in close collaboration and dialogue with customers, partners and universities to remain in the forefront of technological leadership. In 2019, Saab created a business unit for cybersecurity. New technology is continuously utilised to improve delivery efficiency.

3

CLIMATE CHANGE CAUSING SECURITY THREATS

Climate change increases the risk of conflicts, poverty and hunger, undermines human rights and is a growing cause of forced migration.

This means that the realities of climate change have a security dimension, as well as their wider impact on the world population and the environment. Extreme weather conditions affect agricultural output, resulting in people abandoning the countryside in favour of the cities. Potential food insecurity also inevitably leads to an increase in migrants seeking to move to more stable areas such as Europe and North America. Mass relocation due to geopolitical tensions has witnessed a rise in illegal immigrants and a migrant crisis that could lead to potential security threats.

Extreme weather also brings direct threats to security as damage to infrastructure from floods, bush fires and storms makes protecting vital installations even more of a challenge. During 2020, examples include the fires in California and Australia and floods in East Africa and Europe.

UN climate scientists estimate that manmade emissions have generated one degree of global warming since preindustrial times, and because the pace of climate change is fast accelerating, they predict another half a degree of warming as soon as 2030. Tropical areas will have even more extreme warming, with a correspondingly higher risk of climate-related insecurity. But millions of people around the world are already experiencing record heat waves, extreme precipitation, and rising sea levels—changes that disrupt livelihoods and spur migration, exacerbate food insecurity, water scarcity and resource competition - i.e. changes that increase the risk of deadly conflict.

4

INTERNATIONAL COOPERATION CHALLENGED

The values, norms and institutions built by western powers post WWII, reinforced after the cold war, are fundamentally undermined by revisionist and emerging powers. Rather than transitioning to a new order, the world runs the risk of political and economic fragmentation, deconstruction of established norms and increased conflict along global and regional fractures.

The return of both economic protectionism and nationalism is threatening to fracture post-world war institutions and international systems such as EU, NATO, the International Humanitarian Law, Law of the Sea, the UN Charter and the legal framework of WTO. This may result in less availability to conflict resolution mechanisms - and as a result an increased risk of conflict.



SAAB WELL POSITIONED TO RESPOND TO INCREASING SECURITY NEEDS

On the back of current global trends, Saab has never been more important for its customers and the people they serve. To build on these growing needs, Saab has made significant investments in the last decade, which combined with strategic partnerships, have enabled the company to build a strong and clear position in the export market through its technological know-how, providing security and defence capabilities to Sweden as well as other countries. The company will continue to invest in its core technologies to further strengthen its position.

INTERVIEW

"The choices we make today will be shaping the world for many decades"

"The world is facing a defining moment in history with a constellation of forces coming together with a sharpness caused by the effects of the pandemic", says Damon Wilson, Executive Vice President of the Atlantic Council, a non-partisan American think tank. "Increasing challenges from authoritarian regimes combined with democratic erosion and a dramatically changed geopolitical and technological landscape, mean that we need to step up the efforts if we want to defend our way of life in the free, democratic world in the long term", he says in this interview.

DESCRIBE THE MAIN CURRENT CHALLENGES TO THE GLOBAL SECURITY SITUATION

- First, strong stabilizing, international systems that have been in place since after World War II, like NATO and the EU, are being challenged. Secondly, we see increased competition between great powers. For the first time in many generations, we can imagine a real conflict between great nations. This is combined with the rise of authoritarian capitalism and perhaps an erosion of confidence in democratic capitalism, with a populist backlash in some countries.

- This takes place against a backdrop of fast technological development disrupting our societies, offering a great potential, but also a great peril. Finally, we're facing the forces of climate change.

- All of this come together at an accelerated pace caused by the pandemic. Meanwhile, the uncertainty about the role of leading nations willingness to, or capable of, playing in the future contributes to bringing the systemic challenges we're currently facing to a defining moment in history.

WHAT WILL THIS LEAD TO?

- What we're seeing is a clash between the free world and authoritarian states. I'm pretty optimistic, however, about where we're going. The reason is because democracies have built defense systems of self-correction, to hold our selves accountable and to address our own shortcomings. But we're going through a period of figuring out how to provide the right framework for future prosperity and security.

- To protect our democratic way of life against the threats against it, democratic nations across the globe need intensified cooperation when it comes to a number of areas, whether it's R&D, 5G, the UN, or a summit of democracies, a much discussed topic in the US at the moment. The choices we make today will be shaping the world for many decades. We've seen a full-scale assault from Kremlin using all its instruments, from disinformation, corruption and manipulation to military action like in Georgia, the Ukraine and the Arctic, which explains why countries like Sweden is stepping up its military capabilities. Also, we'd better figure out how to deal with the threat of China – and we'd better do it together.



Damon Wilson, Atlantic Council

WHICH AREAS DO YOU SEE AS MOST CRITICAL IN THE DEFENSE OF THE FREE WORLD?

- Cooperation, as I mentioned, will be essential.

That's why the role of NATO will be increasingly important. Over time, China will represent the single most significant challenge to NATO allies. Some degree of economic interdependence is inevitable and beneficial. Yet, in this new era of geoeconomic competition, NATO must learn to compete. With this approach, NATO would also step up its efforts to bolster the resilience of its members in all emerging battlefields; against cyber threats, to ensure the security of telecommunications networks and critical transportation infrastructure, to safeguard critical supply chains, boost energy independence, and help set standards for the use of artificial intelligence, quantum computing, and other new technologies.

- We need to invest both our "soft" and "hard" power. We need to leapfrog our adversaries in technology, an area in which Saab plays an important role to the U.S. But we must also use the soft power of setting a good example of inspiration, rather than intimidation. We should let our adversaries know that we have the military capabilities to both defend our people and to reach others so that we don't have to use them, while setting a good example of investing in our people. This could lead to a new democratic wave throughout the world.

The Atlantic Council is an American think tank in the field of international affairs. Founded in 1961, it provides a forum for international political, business, and intellectual leaders.

CASE

Driving growth and profitability in Ground Combat

Ground Combat is one of Saab's business units within business area Dynamics which in recent years have been a success story in the market.

Ground Combat is one of Saab's business units within business area Dynamics, which has been a success story in recent years, showing a strong track-record in sales growth, market share gains and improved margins. Saab seeks to strengthen further through its "Program of record" position in markets in US and to be the customer's first choice and preferred partner for dismounted support weapon systems. In 2020, Saab welcomed Norway as the 14th country to choose the latest generation of the Carl-Gustaf M4 for its armed forces. A key foundation for future success, as a market leader in this segment, is the possibility of building operations in Ground Combat outside of Sweden to increase capacity and drive growth and margins further.



DOUBLING SALES AND DRIVING MARGIN EXPANSION

- Strong track record of sales growth in the last five years

CONTINUED STRONG GROWTH IN 2020

- Strong profitability growth
 - double digit margins
- Strengthened market share
- Leading position in Europe, US and India within support weapons segment
- With an improved product offering and solutions, including C-G M4 and new ammunition, significant volume gains have been made since early 2010's

A HIGH QUALITY CUSTOMER BASE

- Serving more than 40 customers globally including being the US Army's Program of record since 2013
- 14 customers have chosen the latest generation Carl-Gustaf M4 including Sweden, US, India, Australia and Canada

POTENTIAL TO CAPTURE FURTHER MARKET GROWTH

- Increasingly unstable world resulting in re-focus on national defense
- Saab's proven success and track record with its niche products
- Latest generation system adapted to meet emerging threats
- Strong understanding and ability to adapt to customers' needs
- Strong focus on broadening the portfolio with partners and innovation

Ground Combat sales growth
2015 – 2020

+115%

CASE

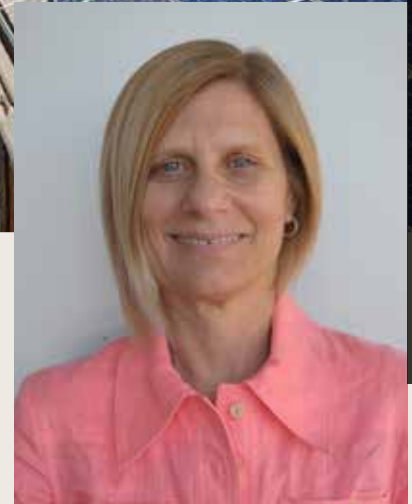
Establishing climate-adapted facilities to enable sustainable growth

Saab works actively with mitigation of risks when establishing new sites to support Saab's long-term growth plan in accordance with Saab's policies and climate goals.

Energy efficient buildings are a part of Saab's overall environmental, climate and cost saving strategy to secure sustainable business. As the number of square meters increases globally and the annual floor space grows in relation to Saab's growing business, Saab has a process in place to build according to all legal requirements, such as climate and environmental requirements in the country in question and in most cases best practice principles according to BREEAM or LEED standards.

At the start of a project, physical risks and transition risks related to climate change are assessed. Since most carbon dioxide emissions come from energy use, the simplest step in managing emissions is to reduce consumption through energy-efficient design. The next step is to replace sources of fossil energy with carbon dioxide-free renewable energy on site, and that we address our energy infrastructure. Examples are of initiatives are Saab's solar PV projects in South Africa and Australia, as well as at our Kallebäck (Gothenburg) site in Sweden. Another example is taking measures to mitigate the occurrence of physical climate risks like extreme weather such as heavy rain, storms and rising sea levels when planning new facilities around the world.

Saab also strives for achieving the best possible comfort and function for employees, within following the framework set out in by our company's goals so e.g. in Saab's establishment projects, which entails that best practice according to standards such as BREEAM are important for us to follow.



Mary Harben
Workplace Design Manager

"It's important to incorporate energy efficient design, not only to meet our company's environmental goals, but to provide a more comfortable and productive work environment for our people."

Sweden – strong heritage and continued importance

Sweden remains at the core of Saab's strategic priorities. It is Saab's home market, and supporting Sweden has been a main mission since Saab was founded in 1937. As back then, Sweden today yet again meet an increasingly unsecure and unpredictable world. Hence, the Swedish Parliament has decided substantial increase in its Armed Forces through an unprecedented increase of funding.

Serving Sweden's national interest has always been at Saab's heart, and today we supply the Swedish Armed Forces with equipment and services in a wide range of areas. Through a close collaboration, Saab has developed high-technological and cost-effective capabilities adapted to Sweden's location and preconditions.

Today Saab's products: the Gripen-fighters, the Erieye-sensor, the Visby Corvette at the sea and the Gotland Submarine beneath it among many others are an integral part of Sweden's defence. All under command and control of the professional Swedish Armed Forces. And these capabilities are under constant development. Having this strong position obliges and with that comes a great responsibility. Saab invests in competences and new technology in order to meet tomorrow's threat environment. Every new capability is designed in close collaboration with professionals, to safeguard that we meet the high demands set by our customer.

Sweden is Saab's main reference customer and an important launch market. When Saab was founded in 1937, its primary aim was to provide military aircrafts for Sweden. The company began launching aircrafts during World War II and has been playing an important role in Sweden's defence capabilities ever since.

The company is also behind some of the biggest defence investment projects that have been carried out in Swedish history. These include Saab 35 Draken, Saab 37 Viggen and most recently Gripen E – the next generation military aircraft. These projects have yielded great technical knowhow and new applications in a number of areas. Saab has also become a world leader in other technical areas, including advanced weapon systems, underwater technology, Control & Command systems and sensor systems.

This has been made possible by a close relationship with The Swedish Defence Materiel Administration, FMV, and the Swedish armed forces which has provided Saab with the vital opportunity to make Sweden a reference customer for its products. In parallel, Sweden has been provided with well-adapted and cost-efficient defence systems from a supplier that can deliver even in times of conflict. There have also been important spillover effects from the research and development carried out by Saab into civilian areas.

In order to be able to continue developing and delivering leading technology and systems, thus ensuring the country's defence capabilities, Saab needs to further expand its business internationally. Going forward, Saab aims to continue building on Saab's long-standing and close relations with the Swedish authorities and Armed forces.

Swedish defence spending
increase 2025 vs 2020

40%

Total value of defence funding
from 2020-2025 (billion SEK)

~500

Expected defence spending as
a percentage of GDP in 2025

1.5%



"Saab aims to continue building on Saab's long-standing and close relations with the Swedish authorities and Armed forces."



An environment that promotes innovation

Saab was born from innovation. It is also the key to Saab's future success. Constant exploring of new ideas is encouraged and promoted within the organisation, as well as in collaboration with customers and partners. A significant portion of Saab's employees are engaged in R&D work, and more than 20 per cent of the annual sales are invested in innovation together with customers. Focus is on Saab's core areas – but also in new technologies to improve both the existing and future product offering.

AN INNOVATION STRATEGY THAT SECURES THE FUTURE

Innovation has been key to the global success that Saab has achieved over the decades and to the world leading position it has attained in its core areas. Saab is one of the Swedish tech companies that invest most heavily in R&D. An increasing number of employees – in 2020 over 20 per cent of the work force worldwide – are dedicated to R&D work.

Saab's approach to innovation is based on managing innovation as business critical. An important part of this is based on promoting an innovation friendly corporate culture, where new ideas are encouraged. It is also to create arenas for innovation, both internally and externally in collaboration with customers and various partners to broaden the supply of innovative thinking.

One of Saab's strengths is the fact that the company is relatively small from a global perspective, with a flat organisation and short lead times. Another advantage is that Saab's engineers are encouraged to move between its different core areas when it comes to technologies such as AI and automation, identifying potential synergies between the areas. This, in turn, can lead to new solutions or combinations of product areas.

FOCUS ON DRIVING R&D EFFICIENCY

Saab concentrates product development to its five core areas – Aeronautics, Advanced Weapon systems, Command and Control systems and Sensors and Underwater systems – in order to predict and meet the customers' long-term needs. Products that recently have required considerable R&D resources include the development of the fighter aircraft Gripen E, the surveillance system GlobalEye and the submarine A26.

In 2020, Saab continued the work initiated in 2019 to consolidate its portfolio. The long term aim is to

significantly increase R&D efficiency by reducing the number of unique or special-order system and to increase the number of shared components as well as software.

EVALUATING NEW TECHNOLOGIES

The rapid technological development offers new opportunities to improve existing products, as well as potentially extending Saab's operations into new areas. Saab is investing in disruptive technologies such as AI, autonomy, 3D printing, sensors, cyber, cloud and space, which could potentially be used for a wide range of products, spanning from fighter aircrafts to cloud storage, from facilitating complicated decision making to fire fighting.

The company continuously evaluates new business models to capitalise on these new technologies, potentially with partners. Saab has already made major investments in digitisation, software defined systems and virtualisation and has a world leading position in both sensor and 3D printing technology. The company aims to further develop its portfolio in a way that creates value for the customer. The opportunities that are identified will be scaled up from demonstration in the Innovation Labs, through development and industrial adaption and ultimately, to final delivery.

SAAB'S INNOVATION LABS

Saab's five Innovation Labs, which cover strategic technology areas, are the company's way of achieving a faster introduction of new technology. The key focus for these is to demonstrate new technology to customers and partners. A prioritised project is typically given a small amount of funding and has a short development lifespan with the motto of 'fail fast', to avoid being self-indulgent.



SAAB INNOVATION GREENHOUSE

In 2020, Saab continued to build its “greenhouse”, aimed at encouraging new ideas within the company. Employees who have insights, ideas and innovation opportunities can apply for the support of the Saab Innovation Greenhouse. The Greenhouse provides selected projects with support in testing and developing the idea with a view to scaling it up as a prospect for wider business. In order to promote any potentially interesting opportunities Saab looks at the desirability first and then the feasibility and viability of the project.

Saab had initially planned to take the Innovation Greenhouse on a roadshow in 2020 to a number of Saab facilities to further encourage employees to apply for support of their ideas, but this had to be postponed due to the pandemic.



Total R&D spending
% of sales

21%

Increase in own-financed
R&D 2020

3%

Share of R&D in
new product development

2/3

"Saab is working continuously on optimizing its product portfolio, reviewing and evaluating what products and solutions to invest in to stay competitive."

START-UP COLLABORATIONS

The Start-Up team at Saab continuously meets with Swedish and international start-up companies to identify promising collaborations. The team also works with many of Saab's business units to identify needs and challenges that could be addressed in start-up collaborations.

SAAB VENTURES

Occasionally, Saab's development projects also result in potential applications that fall outside the core business. These projects are managed by Saab Ventures, which further develops them and, if possible, together with external investors. In this way, technologies developed by Saab can create long-term value even outside the company's core markets. Saab Ventures also collaborates with start-ups and other small and medium-size companies. In 2015, Saab entered into a 50/50 joint venture - Vicon Inc. - with Maxar to

produce and develop photo-realistic 3D products and digital elevation models globally. As part of the Group's strategy to create value through innovation, Saab divested its shares in Vicon in 2020 for 117 MUSD.

AN INNOVATIVE WORKPLACE

Saab offers an inclusive, safe and healthy workplace. The company is also characterised by its innovative spirit. Diversity gives the organisation access to different perspectives and stimulates innovation. This means that diversity among employees is encouraged and an important parameter in Saab's global recruiting process and leadership training.

Gender equality is a high priority and Saab's goal by 2025 is to increase the share of female managers to 30 per cent globally and 35 per cent in Sweden.

Equal treatment and non-discrimination are also aligned with human rights. Everyone who works with recruiting at Saab receives regular information on diversity issues, and diversity is a parameter in leadership training and the recruiting process. The company has a number of networks for women and for diversity in a broader sense. By working actively with occupational health and safety, Saab reduces the risk of accidents, illnesses and on-the-job injuries in the short and long term. Read more about how Saab takes responsibility as an employer on page 71.

OPTIMIZING THE PORTFOLIO

Saab is working continuously on optimizing its product portfolio, reviewing and evaluating what products and solutions to invest in to stay competitive and profitable in the long term. By reviewing the portfolio, synergies can be identified between product areas, which can lead to new solutions or combinations of product areas. It also allows Saab to identify products that should be exchanged – or divested. In 2020, Saab's product portfolio has been reduced by around 30 products.

RESOURCE EFFICIENT PRODUCTS

Saab's products are designed for a long operating life. By using resources efficiently through the entire lifecycle, the company creates products with less environmental impact and low lifecycle costs, something that distinguishes Saab's products. One of the fighter aircraft Gripen's competitive advantages, apart from an optimised design with light materials for low fuel consumption, is a unique maintenance concept that extends its lifecycle. For more information on how Saab's products help to reduce environmental impact, see page 40-41.

At the moment, a major part of the R&D work is performed in Sweden, but the strategy is to increase





its R&D capabilities in selected markets. The aim is to build up the company's intellectual property, extend its industrial partnerships, e.g. with Boeing in the US, increase collaborations with universities. At the Imperial College in London, for example, Saab has opened an innovation hub to tap British expertise in various areas. Initially, focus is on radar technology. Focus on creating virtual innovation hubs in order to promote cross-border cooperation between Saab's operations in different locations worldwide is also increasing.

JOINT INITIATIVES

Saab is a member of a number of cross-industry initiatives on industrial transformation and innovation such as Combient and AMEXCI. An important part of product efficiency is participating in and utilising the results of these partnerships. AMEXCI is Saab's R&D partner in additive manufacturing.



Products in portfolio
~450

Phased-out products in 2020
~30

Divestments since 2019
3

CASE

Innovation that drive our customers security strategies

LEADING THE DIGITAL TRANSFORMATION OF SENSOR SYSTEMS



New doctrines evolve with technology development



Hypersonic



Counter-
"A2/AD"



"A2/AD"
Anti Access
Area Denial

Ever-changing market demands mean our design teams need to respond quicker than ever. The new answer to yesterday's solution with expensive and time-consuming midlife upgrades is software-defined capabilities.



Requirements on systems for joint level



All domain integration



Awareness



Command & control



Swift operations

Saab is in a perfect position to utilise its fully digital AESA-antennas, which are software-defined and flexibly configured. Continuing the road to all domain multi-functional systems with force projection – digital transformation.



Rapidly emerging technologies

Taking advantage of them requires digitalisation



Early warning networks



Data fusion



Quantum computing



Open data
Big data



Robotics

Core technology areas are: software defined radar and radio frequency receivers, digital and analogue radio frequency design, antenna technology and signal processing. The system design benefits from digitalisation through larger scalability, modularity, data usage, continuous learning and development, and more.



The system needs to withstand new threats. Adversaries develop their traditional military effectors. But they also use cyber warfare to take advantage of any software weaknesses and use electronic warfare to disrupt sensors.



Cyber warfare



Electronic Warfare

By exploring the power of software defined capabilities with continuous deployment of new functionality (the DevOps-loop), the customer solutions will benefit from significantly shorter lead times, i.e. innovation time to market. By meeting emerging threats with updated functionality, the systems' operational capability stays relevant at all times.

CASE

How we are optimizing our product portfolio for increased efficiency

Our long-term aspiration is to increase sales combined with a strengthened margin by serving our defence and security customers better than our competitors. As part of this strategy, Saab is driving a portfolio efficiency initiative that will continue over the coming years.

A foundation of our strategy is to support our customers' existing and future defense capabilities by delivering world-class and profitable products in our core areas; Aeronautics, Underwater Systems, Command and Control, Sensors and Advanced Weapon Systems. These represent areas where we have a world leading position and where significant growth is expected.

As part of this strategy we have been driving a portfolio efficiency initiative geared at focusing our overall R&D efforts into future capabilities within our core areas.

Over the year we have phased out more than 30 products, divested one product area QPS (Quality Positioning Services) releasing more than 100 MSEK that have been re-invested into our core platform R&D programs. The majority of products that have been phased-out are products where we have new and more modern alternatives, e.g. earlier versions as well as old ammunition types of our Carl-Gustaf weapon system. Furthermore we have stopped development

of projects, which are non-core and where significant investments were needed to create first contracts, e.g. some civil avionics products. Our efforts to further focus R&D and innovation into differentiating parts of our core portfolio started beginning of 2019, and has so far resulted in three divestments: QPS, NVH (Noise Vibration Harshness) and Vricon totaling 1.2 BSEK in divested value.

Reduction of our overall product portfolio with approximately 20 per cent. The program will continue over the coming years, with the ambition to generate significant improvement of R&D productivity.



Petter Bedoire, Chief Technology Officer

"A foundation of our strategy is to support our customers' existing and future defense capabilities"

Accelerating our international expansion

Saab's future success will be determined by its ability to expand internationally. Its strategy for global growth is based on offering its world-leading expertise in five core areas while continuing to invest in innovation to retain and strengthen its position. Focus is on strategic markets, such as the US, the UK and Australia - where the goal is to increase Saab's presence by establishing a global multi domestic base with strong local position to become a natural part of these countries' national defence capabilities, similar to the role the company has attained in Sweden.

STRENGTHENING SAAB'S POSITION IN STRATEGIC MARKETS

The company aims to create autonomous entities with development and production capabilities in key markets; such as the US, the UK and Australia. These markets have been chosen based on the fact that they are democracies with a low degree of corruption. They are also attractive because of the volume, maturity and business conditions of their domestic defence markets.

Saab has an established local operational presence in these countries, and to some extent an installed base, where future business opportunities has been identified. Growth will be achieved through increased domestic sales, R&D, investments and export with support from partnerships as well as industrial and university collaborations to build platforms for further growth. The aim is to attain national industry status in selected niche areas.

The goal is to achieve a global and multi-domestic cluster, where Saab's operations become a natural part of these countries' defence capabilities. One reason is that development of high-tech defence systems is regarded as of national interest in many countries, which make them unwilling to import this type of technology. One example is the US. With a market share of 40 per cent, it is the world's largest defence market – but it only accounts for 1 per cent of the total global import.

Saab is currently establishing competence hubs in different areas in these markets, including Control & Command systems in Australia and radar systems in the US. The aim is that competence will be shared with other regions and that these operational entities will

be able to export what they develop and produce to other countries.

During the year, the establishment of local production capacity for the T-7 aircraft was progressing in the US, while in Australia's order for Saab's solution for deployable health modules, a global development centre, was established in the country. Saab also announced a decision to create a new FCAS (Future Combat Air System) centre in the UK, in order to further develop the close working relationship with the other FCAS industrial partners and the UK Ministry of Defence.

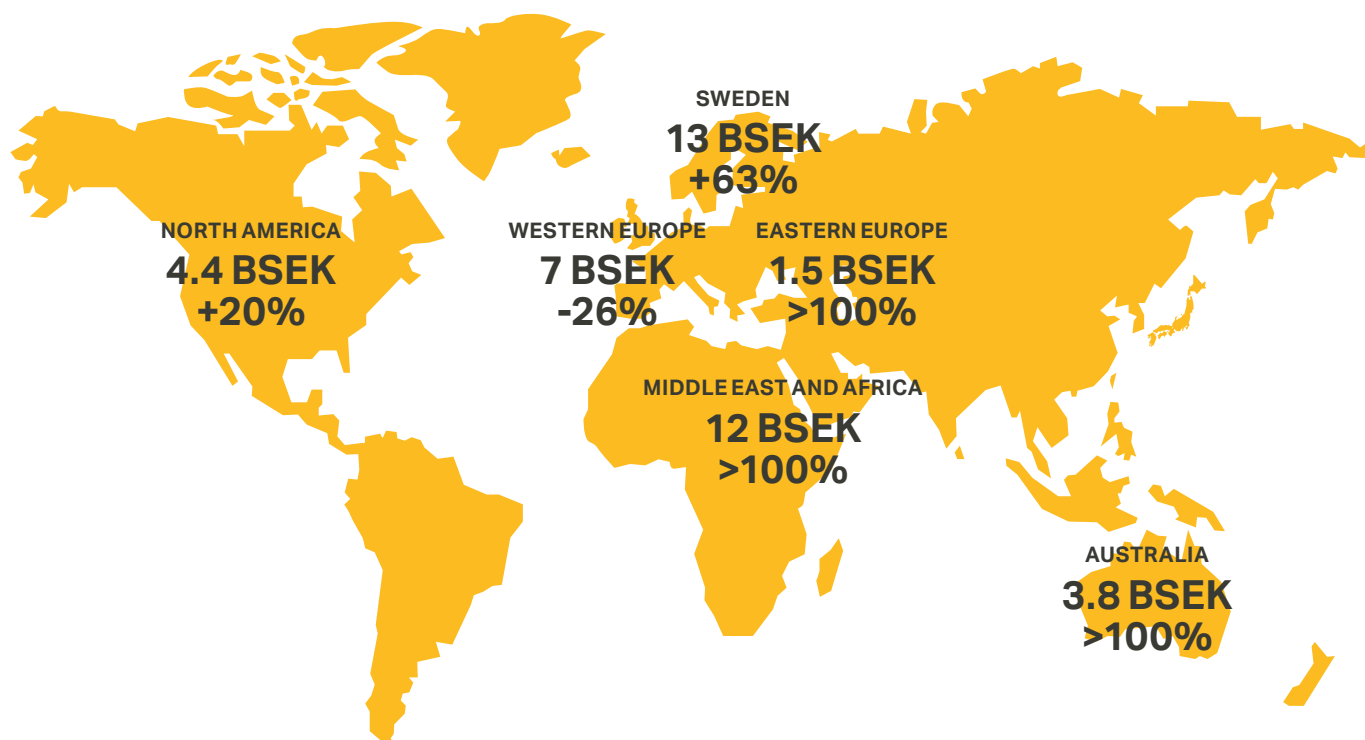
LEVERAGING OUR EXPERTISE AND INSTALLED BASE IN ESTABLISHED MARKETS

Saab has well established business in some 20 markets, which has been identified as having a good potential to grow. Growth will be achieved through leveraging on local presence and the existing installed base. One example is Germany, where Saab in 2020 received an order from its German partner Diehl Defence for the RBS15 anti-ship missile for provision to the German Navy. The order value is approximately 1.7 BSEK with deliveries between 2022 and 2026. Saab also continuously evaluates opportunities to grow in strategic markets through mergers & acquisitions.

FOCUSING ON MEGA DEAL OPPORTUNITIES

Mega deals refer to major platform sales, e.g. Gripen, GlobalEye and submarines. These deals provide Saab with multiple business opportunities; i.e. initial sales, recurring business and aftermarket services. In 2020, Saab delivered its first and second GlobalEye early-warning aircraft to the United Arab Emirates. The initial contract between the UAE and Saab included

MAJOR PART OF SAAB'S ORDER INTAKE 2020



SAAB'S MARKET STRATEGY

<p>↓</p> <p>USA Expand Saab's business as a key supplier in established niches such as Ground Combat, Command and Control and Radar, as well as in major national sensor and aeronautics programs based on partnerships.</p>	<p>↓</p> <p>GERMANY Partnerships and/or M&A with local industry in order to increase presence and market position within key technology areas that encompass Saab's core areas C2, Sensors, UW and Missile Systems.</p>	<p>↓</p> <p>UK Partnerships and organic growth to increase Saab's workshare and efforts in the FCAS project, as well as looking into opportunities to strengthen position in Ground Combat, Sensors, Autonomy and AI.</p>	<p>↓</p> <p>AUSTRALIA Focus to expand current strong position in Command and Control towards sensors and expansion into other segments to diversify Saab's offering in the domestic-eco system.</p>	<p>↓</p> <p>BRAZIL Positioning Saab and deepening the partnership with Brazilian companies to support development, operational introduction and support of Gripen, as well as winning new large orders.</p>
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three aircrafts equipped with long-range radar and other surveillance sensors. During the year a support contract was signed with the UAE and at the end of the year, Saab signed a follow-on contract for two additional GlobalEye aircrafts to the customer, proving the strength of Saab's defence system capabilities. The aim is to offer GlobalEye to more customers.

EXPORT COMPLIANCE

The security and defence equipment market is highly regulated and Saab is committed to complying with all export control regulations applicable to its business. To enable compliance Saab employs a competent

organization, stringent processes, internal audits and specially adapted IT tools, in addition to regular training of key personnel. Read more about export compliance on page 74.

ZERO TOLERANCE FOR CORRUPTION

Saab has zero tolerance for corruption and is guided by its fundamental values, code of conduct, current laws, industry codes of conduct and clearly defined internal processes to prevent corruption risks. These efforts are in line with the Saab group's sustainability efforts. Read more about the work on anti-corruption on page 66-67.

Core technologies enabling international growth

Saab is investing in technology to remain a market leader. Our core areas comprises aeronautics, advanced weapon systems, command and control systems, sensors and underwater systems. They constitute areas where Saab has a world leading position, strong support from customers and where the company expects significant growth going forward. Saab will continue to focus its R&D investments to these areas in order to secure excellence in competence and future capabilities.



Aeronautics

Saab's Aeronautical competence encompasses Gripen, a world-class fighter systems, but also research, development and production of other aircraft systems. This includes future manned and unmanned systems, as well as further development of existing products. Collaborations with other world-leading entities are an important success factor.

The development and export success of Gripen has paved the way for partnerships with other industries and nations, with Saab experiencing strong international demand for its leading technology and competence in the area. An example is the new Advanced Pilot Training system T-7, which has been designed and developed together with Boeing primarily for U.S. Air force.

Another example is that the UK and Sweden has signed a memorandum of understanding regarding the development of the next generation combat air systems (FCAS – Future Combat Air Systems). Saab is leading Sweden's FCAS industrial participation in close co-operation with Sweden's Ministry of Defence.

A number of other nations and industries are currently showing interest in taking part of Saab's expertise in the aeronautical area.



Advanced Weapons systems

The company offers a market-leading product portfolio comprising ground combat weapons, missile systems and torpedoes for all branches of armed forces.

With its all-encompassing capabilities, ranging from complete system integration to subsystems and component expertise, Saab has a flexible business model utilizing international partnerships to fulfil customer requirements on security of supply and local production.

The product range features the man-portable, multi-role weapon system Carl-Gustaf, which allows dismounted soldiers to deal with multiple challenges on the modern battlefield.

Orders in 2020 included a multi-year framework contract with the U.S. Army for the latest version of the Carl-Gustaf, known as the M3E1 in U.S. Army service and M4 globally.

Products also include missiles in the Meteor programme, which sees the UK, Sweden, France, Germany, Italy and Spain unite to provide access to technology and expertise across Europe.



Sensors

Saab's sensors solutions provide situational awareness for customers in all domains through state-of-the-art surveillance, decision support, engagement guidance and threat detection, localisation and protection.

Saab is world leading in sensor, microwave and antenna technology for radars and electronic warfare solutions, ranging from airborne early warning systems, and combat air solutions to land and naval applications. The sensor portfolio provides Saab's core products with unique capabilities and supports our partners as Tier-2 providers.

GlobalEye is Saab's latest airborne early warning and control system. It is the only system of its kind on the market to offer multi-domain capabilities and air, maritime and ground surveillance in a single solution. In 2020 Saab delivered the first two GlobalEye aircraft to the United Arab Emirates and received a follow-on order for two additional systems.

The sensor portfolio also includes the world-class multi-mission Giraffe radar family with its wide range of applications, from naval surveillance to ground based air defence and weapon locating capabilities. The radars can be configured for a wide range of missions, from protecting troops and important infrastructure, major events and top-secret facilities. The naval Sea Giraffe radars provide naval vessels with air and sea surveillance. Sea Giraffe has been a success on the US market, with different configurations selected or installed on six classes of US ships. Saab signed multiple contracts during 2020 to further develop the system for US requirements, with the development and supply chain at Saab in the US.

The electronic warfare products provide Gripen with unique capabilities to increase survivability and protection of the aircraft. They also add offensive jamming and electronic attack capabilities. The Gripen EW program is one of the world's most advanced electronic warfare programmes giving Saab unique and advanced capabilities to be used across the whole EW portfolio. The EW solutions are compatible with other Saab and third-party platforms in the land and naval domains.



Command and Control systems

Command and control solutions are key part of Saab's overall offer, providing customers with superior situational awareness and critical decision support. Saab provides complete command and control solutions as well as solutions that form parts of large, complex system-of-systems.

The offer ranges from fire control to complete integrated combat systems, including multiple sensors, effectors and missiles for the naval, air and land domains. Being a competitive lead system integrator requires a strong command and control offer. This is crucial in order to provide capabilities that support national sovereignty on our key markets. Interoperability and information assurance are also increasingly important to further strengthen the command and control area.

The command and control solutions are the brains behind Saab products and solutions including our platform solutions. This includes the civil and security market such as civil traffic management and high-value asset protection. During 2020, Saab signed large naval command and control contracts, a Swedish integrated ground base air defence programme, and multiple civil and security contracts, for example to provide the Irish Police Service with the SAFE unified command, control and communications platform.



Underwater systems

Saab is an innovative supplier of world-class naval systems, specializing in low observable surface vessels, advanced underwater weapon systems and submarines.

The company bases its position on platforms with high survivability and a high level of systems integration meeting demanding customer requirements in difficult operational environments. Saab is especially strong in underwater systems.

The area includes manned and unmanned naval systems, with completely new designs as well as further development of existing products. Military products are developed in Sweden, while products for the commercial market are developed in the UK.

With the growig Torpedoes are still a very effective weapon in today's naval warfare, and more advanced, intelligent and adaptable than ever before. Saab's new lightweight torpedo system, now under development for one of the toughest environment in the world, i.e. the Baltic Sea, lives up to the requirements for the future.

Through the acquisition of Kockums in 2014, Saab can rely on more than 100 years of shipbuilding expertise with continuous injections of world leading innovations and technologies. This experience combined with technology leadership is now manifested in the development and production of two Blekinge-class submarines for the Swedish Navy. Besides the orders from the Swedish Navy other nations also have shown interest in the system. Meanwhile, Saab has teamed with Dutch shipbuilder Damen Shipyards Group to explore future opportunities in the international submarine market.

The companies have an exclusive agreement to work together in pursuit of the potential Walrus-class submarine replacement programme for the Netherlands. In addition to this project, Saab and Damen will also explore ways in which they might bid jointly on other submarine procurement programmes.

CASE

Strong growth potential in our U.S. operations

The United States is the largest market in the world for defence equipment, systems and services. It is also an important engine for Saab's future growth.

Operations were initially focused on channelling products designed in Sweden to the U.S. market, including the Giraffe radar and Carl-Gustaf. But in recent years, Saab has redefined its position and now maintains a solid foothold as Saab Inc. Operations in the U.S. gained strong momentum with the 2018 agreement with Boeing on developing the T-7A advanced pilot training system for the U.S. Air Force.

Today, Saab Inc. develops, modifies and delivers Saab's portfolio to U.S. customers, based on technology developed both in the US and in Sweden. The company actively transfers technology from Sweden where appropriate, while utilizing a supplier base across 24 U.S. states. With roughly \$400M USD in annual U.S. sales, Saab has about 650 employees, and operates out of seven U.S. locations. Technology developed by Saab Inc. is also available for export outside the U.S.

Saab's growth strategy in the U.S. is based on building a strong, unified brand, while gaining a position as an "embedded" supplier; i.e. a member of the national defence industry contributing to job opportunities, tax revenue, political constituents and generating military technology focused on US requirements. Establishing Saab as "embedded" further enables the pursuit and capture of funded research and development. The target is high priority U.S. customer needs and missions that are currently underserved by US suppliers. Recent contracts include orders in the Threat Simulator domain.



SAAB STARTS CONSTRUCTION OF NEW "SMART" U.S. PRODUCTION FACILITY

In 2020, Saab started construction of a new, highly automated U.S. facility for advanced manufacturing and production in West Lafayette, Indiana. The facility is an important part of Saab's growth strategy in the United States, creating strong organic capabilities for the development, manufacturing and sales of its products. The site will be located at the Purdue University-affiliated Discovery Park District. Saab has entered into a partnership with the Purdue University, and through this intends to expand its U.S. based Research and Development with focus on cutting edge technology in areas such as sensor systems, artificial intelligence and autonomous systems. Initially, the facility will be producing major structural sections and perform the final assembly of the Saab parts of the T-7 advanced jet trainer, developed by Boeing and Saab for the United States Air Force. The location was chosen based on the support of the State of Indiana, the cooperation opportunities with the world-leading Purdue University and its strategic position geographically.

Sales (MUSD)

~400

Employees

~650

CASE

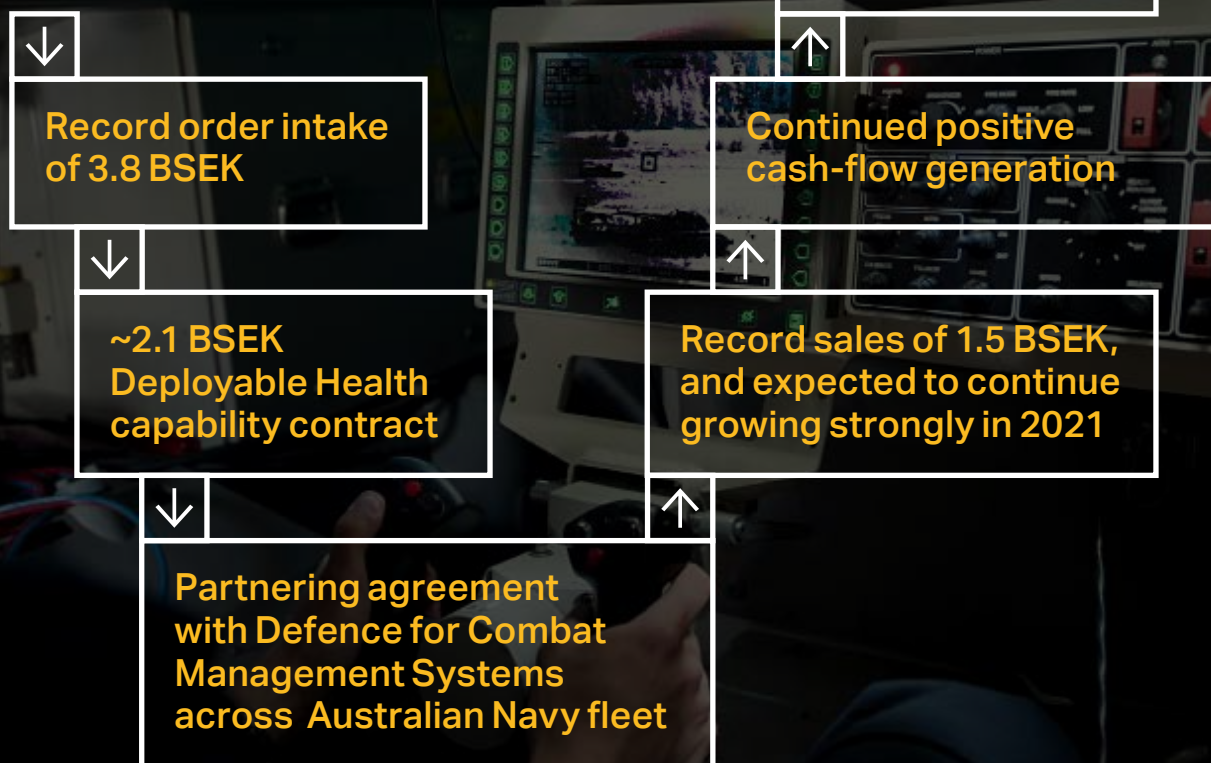
Strengthening our position in Australia

Australia is one of Saab's strategic markets with significant potential for strengthening the current strong position and capturing further growth. The ambition is to become a natural part of the country's defence capabilities.

There are several reasons for the importance of Australia as a strategic market. These include a long-term government commitment to increasing the defence budget (+70 per cent to 2030) and to focus its investments on the local defence industry capabilities. Meanwhile, Saab has a long history of successfully partnering with the Australian Defence Force,

well-established operations, a highly skilled workforce and a growing product portfolio in the country. In 2020, Saab achieved order bookings of over 160% compared to 2019 and organic sales grew by 4% for the full year.

Saab's achievement in Australia in 2020:



INTERVIEW

UK as a strategic defence market with future growth potential

Nigel Maddox is the Senior Military Advisor for the Defence sector at the Department for International Trade's Defence and Security Exports that supports British companies in the defence, security and cyber sectors overseas. Below is a summary of an interview with Nigel regarding the importance of the British defence sector and its potential for Saab as a strategic partner.

The UK and many of its trading partners share a common goal of a safe and secure world. Increasing exports enables industry to invest in developing new technologies and innovation, providing the UK's armed forces and security agencies with access to leading-edge technology, training and support. Collaboration with allies and partners helps develop valuable new technologies and capabilities further.

While this need to access external resources is common to countries in many sectors, the need to collaborate with like-minded countries is ever more apparent in the technological sectors. More must be done with limited R&D budgets. Countries and their technology companies are innovating at ever faster rates to maintain competitiveness and therefore see technical or R&D alliances not as an option but as a strategic need.

The British Government's new investment of an additional £5.8bn in defence R&D will accelerate the development of next generation technology and capabilities for British Armed Forces, enabling them to better defend the UK and its interests. The investment will also develop a pipeline of future capabilities by developing generation-after-next technologies for our Armed Forces of tomorrow.

Team Tempest has attracted £800m of private sector co-investment, driving cutting edge research in areas such as big data and Artificial Intelligence. Long term, the project will help to retain the UK's strategic ability to develop future combat air systems; maintain the UK's defence aerospace export market and sustain jobs; and we are pleased to have Saab as a partner in this area.

The UK will remain a committed partner and ally to its friends, not simply because we face the same threats and interests, but because the UK has a deep, historic belief in the same values that Europe stands for: peace, democracy, freedom and the rule of law, in our continent and beyond. Promoting our shared values, tackling our shared threats, and maintaining a strong and prosperous economy will require a deep and special partnership in defence, security and development engagement.



Nigel Maddox, Senior Military Advisor,
Department of International Trade

"The UK and many of its trading partners share a common goal of a safe and secure world."



KEY FACTS ABOUT THE UK DEFENCE MARKET:

- In 2018-19, the Ministry of Defence (MOD) spent a total of £38bn on acquisition, support and personnel and the recent Spending Review Settlement over 4 years should increase that figure by £16.5bn.
- The UK share of the global defence export market was estimated at 16% in 2019 and the UK's largest defence export markets have been the Middle East, Europe and North America.
- On a rolling 10-year basis, the UK remains the second largest global defence exporter after the USA.
- In 2019, the UK won defence orders worth £11bn, compared to the previous year (£14bn) and illustrative of the volatile nature of the global export market for defence.
- In 2019, the value of UK security export sales was £7.2bn, an increase from 2019 (£5.2bn) lifting the UK to 3rd place (from 4th in 2018) in the rankings. The UK's largest security export markets were Europe, North America and Asia-Pacific.



SAAB'S STRATEGIC DIRECTION IN THE UK:

- The UK and Sweden signed a MoU on FCAS co-operation in July 2019. Saab is leading Sweden's FCAS industrial participation in close co-operation with Sweden's Ministry of Defence.
- In July 2020, Saab took the decision to invest initially 50 MGBP as part of its commitment to build a long term relationship with the UK related to FCAS.
- The centre forms part of Saab's long term plans for the UK market to develop local capabilities, invest in research and development and grow intellectual property.

Saab's sustainability commitment

Saab will deliver sustainable value for customers, partners, employees, owners and society as a whole. Saab's sustainability commitment serves as the basis for our long-term development and growth.

A commitment to society is at the core of Saab. Peace, security and stability is a prerequisite to ensure that we manage to reach the Global Goals for Sustainable Development that we as a global community have set out. In a world where threats against our societies are growing increasingly diverse, Saab contributes to defence and security capabilities around the world. Saab was founded as a response to a growing threat to Sweden's sovereignty. Saab has since then developed into a trusted international partner that contributes to increased security and defence capabilities in Sweden and many other countries around the world.

The foundation of Saab's sustainability commitment is to create value for its stakeholders in a responsible and sustainable way. By acting responsibly in everything Saab do, following laws and regulation and working closely with national authorities the company earn the confidence of customers, employees and society.

SAAB'S SUSTAINABILITY PRIORITIES

Saab's products create security and defence capabilities in Sweden and other countries. The portfolio also includes products that contribute to decrease climate impacts. To continue to create value in the long term, it is imperative that Saab operate in an environmentally and socially sustainable way. A long-term approach is extremely important, not least because several of Saab's projects extend over very long periods. Saab continuously measure and monitor key sustainability aspects and integrate them in its processes. In Saab's sustainability report (pages 60-83), Saab's goals and performance in each area is shown. Saab's priorities can be summed up in three main commitments (see illustration below).





SAAB CONTRIBUTES TO THE UN'S SUSTAINABLE DEVELOPMENT GOALS

The UN's Sustainable Development Goals (SDG) have set the global agenda for achieving sustainable economic growth, social integration and protection of the environment. Saab contributes through its operations to most of the SDGs. The goals that Saab has the greatest ability to influence and that are tied to the business strategy are goals 4, 5, 9, 13 and 16. For more information on how Saab contributes to the SDGs, see pages 60-63.

IMPACT OF COVID-19 ON SUSTAINABILITY WORK

The Covid-19 crisis has been a driver for change as new challenges have forced Saab to adapt and find new ways of working. This has included decreased business travel nationally and internationally. The increased amount of digital meetings has shown that it is possible to some extent to manage business relationships via digital tools and decrease business travel. The Covid-19 crisis has affected Saab's sustainability work within some areas, as for example interactions throughout the supply-chain has been difficult. The limitations on international travel has also made

collaborations with partners around the world more difficult. Saab has mitigated these challenges when possible in order to fulfil the sustainability commitments. As Saab's customers are dependent on Saab for service and support, Saab has had to be flexible during this period. The Covid-19 crisis has therefore enabled Saab to become better at preparing for risks and contingencies. Saab also adjusted to the needs of society by temporarily producing protective equipment for the Swedish health care system during the height of the pandemic. Saab initiated another 35 similar initiatives during the year.

Security and defence capabilities

Saab was founded over 80 years ago during a turbulent time in the world and Sweden needed the capabilities to uphold its sovereignty. Since then, Saab has developed into an international partner that contributes to security and defence capabilities in Sweden and other countries around the world.

FOCUS ON THE CUSTOMER'S NEEDS

To maintain technological leadership, Saab continuously develops new innovations and invests a large share of sales in research and development. Saab also has close development partnerships with suppliers and customers and contributes to broad-based collaborations between industry, academia and the public sector. All with an eye on developing products that are safe to use and adapted to the customer's needs.

UNIVERSITY PARTNERSHIPS

An important part of Saab's innovative capabilities is how Saab collaborate outside the company to gain access to new knowledge. The partnerships with universities are an example, where employees from Saab have the opportunity to research for a PhD, while researchers and students from the schools can be involved in Saab's work. Saab also helps to fund a number of adjunct professors.

INNOVATION CENTRES

Sweden is seen by many countries as a leader in entrepreneurship and innovative thinking. Saab brings the way research and development is done in Sweden to new markets by building relationships with academia, businesses and the public sector. For example, Saab is one of the founders of the Swedish-Brazilian Research and Innovation Centre CISB in Brazil. During the year Saab has also continued to work cross-functionally to identify areas where collaborations with start-ups would be mutually beneficial.

INDUSTRIAL COOPERATION

When Saab wins large contracts the customer country often demands industrial collaborations, many times with technology and skills transfers as important elements. Through customised offers, Saab and its partners have contributed to several successful projects that are helping national economies. One example is the industrial collaboration tied to the Gripen programme in Brazil. Saab brings Swedish ways-of-working to new markets by building relationships with academia, businesses and the public sector.

PRODUCT SAFETY

With a product portfolio containing everything from advanced aviation systems to submarines, it is vital that Saab's products are safe to use. System safety engineers in Saab's organisation handle analysis work in the projects and share product safety knowledge through information and training.



READ MORE...

about how Saab works with research and development, industrial cooperation and product security in sustainability report on pages 60–83.





"An important part of Saab's innovative capabilities is how we collaborate outside the company to gain access to new knowledge."

Number of PhD candidates

48

University partnerships

+30

Total R&D spending % of sales

21%

Leading compliance programme

One of Saab's fundamental values is trust. We are honest, reliable and keep our promises. By following the guidelines and principles in Saab's Code of Conduct, our employees show what this value means in practice. The areas of anti-corruption, export control and information security are critical to Saab. The company therefore works continuously to develop better routines and processes. The goal is to have industry-leading compliance programmes.

ANTI-CORRUPTION

Saab is a long-term, reliable business partner and promotes an open and transparent market. Our contracts run for 10, 20 or even 30 years. It is therefore important that every part of the company has a sound and ethical business culture. Corruption has negative consequences for society and the business community and is something that Saab can never accept. We are guided by our fundamental values, the Code of Conduct, laws, industry codes of conduct and clearly defined internal processes to prevent corruption risks.

INFORMATION SECURITY

Saab manages information that is vitally important to its customers and in many cases to Sweden's and other nations' security. In an increasingly uncertain world with growing cybersecurity challenges, continuous and systematic security management is critical. To take advantage of the opportunities that new technologies offer, Saab must continuously improve security management within the company, of which a key element is risk management.

EXPORT COMPLIANCE

The security and defence equipment market is highly regulated and Saab is committed to complying with all export control regulations applicable to its business. To enable compliance Saab employs a competent organization, stringent processes, internal audits and specially adapted IT tools, in addition to regular training of key personnel.

The majority of Saab's exports are from Sweden, where the Inspectorate of Strategic Products (ISP) determines on behalf of the government which defence products Swedish industry may sell to which countries. Decisions on export permits are made on a case-by-case basis where ISP weighs a number of criteria in a comprehensive assessment. ISP also takes into account the type of product involved.



EXPORTS ARE IMPORTANT FOR DEFENCE CAPABILITIES

To stay competitive and cost-efficient, Saab is dependent on exports and partnerships with other countries. Multinational collaborations help to strengthen the Swedish defence industry, which is critical for Sweden to meet new security challenges.



INTERVIEW

Strengthening anti-corruption efforts

In 2020, Saab began appointing local Ethics and Compliance Officers to continue strengthening Saab's anti-corruption work. With these new roles, the preventive efforts will be better adjusted to each business area's risks, while employees are provided with easier access to advice and support. Susanna Sjösten is newly appointed Ethics and Compliance Officer at Saab's business area Kockums.

HOW HAVE YOU APPROACHED THE TASK?

It started with a thorough introduction program along with our central team to gain an understanding for our way of working and the policies and procedures that we must relate to at Saab. After this, I began to define a roadmap for our work here at Kockums. The starting point was to, based on our policies, map out which of our functions are affected. Following this, I initiated meetings with the organisation to learn how we're working today and the challenges that we face. We've also had a dialogue around how I can support the organisation going forward. All of this will be used as a basis for continued training efforts to further increasing the understanding within the organisation.

WHAT CHALLENGES DO YOU SEE WITH YOUR NEW ROLE?

The area of responsibility linked to the role concerns many parts of the organisation. It's really important to adapt the work to our business and our specific prerequisites. It's a challenge to reach out with messages to all employees concerned in one way or another. Certain situations could potentially have a major effect on our business and therefore it feels ensuring that we have a clear message from our CEO concerning anti-corruption and that I have an open dialogue with my management.



Susanna Sjösten
Ethics and Compliance Officer

"The area of responsibility linked to the role concerns many parts of the organisation."

Responsibility for people and the environment

No company can live in isolation. We are all dependent on a well-functioning and sustainable society in order to survive. For Saab, it is given that we will take responsibility for people and the environment throughout the value chain.

RESPONSIBLE EMPLOYER

To be even more competitive in the future, Saab has to stay on the forefront of technology. Employees are the driving force that will take this work forward. Saab is therefore an inclusive, safe and healthy workplace. Diversity gives the organisation access to different perspectives and stimulates innovation. Everyone who works with recruiting at Saab receives regular information regarding diversity issues, and diversity is a parameter in leadership training and the recruiting process. By working actively with occupational health and safety, Saab reduces the risk of accidents, illnesses and on-the-job injuries in the short and long term. Read more about how Saab takes responsibility as an employer on pages 71-73.

SUPPLIERS ARE AN EXTENSION OF OUR OWN OPERATIONS

We see our suppliers as an extension of our own operations and expect them to take the same social and environmental responsibility we do. Systemic measures to ensure that responsibility is being taken in the supply chain not only minimise risks, but also lead to higher quality in the products we buy. Our code of conduct for suppliers, which is based on the UN Global Compact's principles, is included in all new contracts and in contracts that are renegotiated. In the code we stipulate that we expect our suppliers to place similar demands on their subcontractors.

LOWER IMPACT ON THE ENVIRONMENT

To remain competitive in the future, Saab is working actively to reduce its impact on the environment and climate. Saab's environmental strategy focuses on reducing greenhouse gas emissions, resource efficiency and phasing out hazardous substances. Saab's climate goal is to reduce greenhouse gas emissions from its operations by 33 per cent by 2030. Our ambition is to increase circular flows of resources within our product life cycles and in our operations. Saab is also working strategically to phase out hazardous substances in products and contribute to a non-toxic environment.



READ MORE...

about how Saab works with diversity, reducing environmental impacts, and health and security in the sustainability report on pages 60-83.



"Everyone who works with recruiting at Saab receives regular information regarding diversity issues."

Share of female managers

26%

Employee engagement

81%

GHG emission reduction

-37%

Developing sustainable solutions

An important part of Saab's work to reduce our environmental impact is through research and development, as well as collaborations, aimed at creating sustainable solutions. Furthermore, by using resources efficiently through the entire lifecycle, we create products with less environmental impact and low lifecycle costs, which differentiates Saab's products.

Saab's portfolio has during the 2000s grown to include products and services that actively contribute to reducing our customer's environmental impacts, for example through creating more efficient flows on the ground and streamlining products in the air or at sea. Therefore Saab has initiated our Climate Impact Portfolio, where we are categorizing our products and services that can help contribute to more sustainable operations and lessen climate impact from business. This is our way of contributing to a more sustainable society, as well as meeting expectations from our customers, investors and also our employees.

In order to continuously develop and increase our environmentally sustainable offerings, as well as reduce emissions from our operations, we have established the Saab Climate Fund to support sustainable innovations throughout the company. The first innovation to receive contribution towards development was Remote Support, that enables remote service of our complex products. This is done by making use of a secured AR/VR-solution – thereby directly reducing our own and our customers need to travel and thereby also reducing greenhouse gas emissions.

Aerobahn

REDUCING EMISSION THROUGH IMPROVED AIRPORT TRAFFIC FLOWS

Saab has a strong footprint on the market within both aviation and maritime traffic management. One way Saab contributes to reduce the carbon footprint within aviation is through our air traffic management systems, present at many of the world's largest airports. Aerobahn CDM Suite is a solution that improves efficiency in traffic flows, thereby helping to lower fuel consumption on the ground. With Aerobahn, aircraft emissions on the ground are reduced by more than 15%.



SeaEye

A WORLD LEADER IN ELECTRIC UNDERWATER ROBOTICS

Reducing environmental impact through robotic technology that is smart, powerful and flexible is important to Saab Seaeye as world leader in electric underwater robotics.

Trusted to perform a huge array of vastly different tasks across widely diverse commercial and scientific sectors, as well as defence, Saab Seaeye's pioneering technology enhances environmental responsibility. This results in cleaner seas, smarter energy usage and greater scientific knowledge.

Our fully electric robot technologies cut CO₂ emissions by reducing the number and size of support vessels that would otherwise be required, keep seas cleaner by providing leak detection while monitoring pipeline integrity and undertake important scientific research missions in the marine environment.



Remote Support

PROVIDING EXPERT ASSISTANCE USING AR/VR

Through Saab's maintenance services both in Sweden and globally, there is an increased need for secure digital communication to increase access to Saab's staff and the opportunity to solve technical problems with shorter lead times, for example from reduced travel needs. This is especially desired in times when travel is limited, in situations when the state of our world changes.

Our remote guidance tool gives the possibility to share live video and instruct personnel who are on location at the site, while service experts need not be situated at the same site. The tool also incorporates the use of augmented reality through overlay technology.

SUM

SUSTAINABLE UNDERGROUND MINING

The mine of the future emits zero carbon dioxide, is digitalised and autonomous. As a partner in this, Saab subsidiary Combitech has been a founding member of the Sustainable Underground Mining alliance made up by LKAB, ABB, Epiroc and Sandvik, with the goal of setting a new world standard for sustainable mining at great depths.

Together, the five companies will establish a test mine where new technology will be developed and tested in a real mining environment, as well as a virtual test mine. The test bed is being built in LKAB's underground mines in Kiruna with the help from Combitech and utilising know-how and solutions from Saab & Combitech.



Sea Traffic Management

IMPROVING PROTECTION OF THE MARITIME ENVIRONMENT WITH SMART TECHNOLOGY

Efficient traffic flows and safety are of high importance within shipping. An example of Saab's contribution to these aspects is Saab's active role in the Sea Traffic Management (STM) initiative, where Saab contributes at multiple levels. Saab is founding member of the Navelink industry consortium that provides an ecosystem to plan the complete route of a ship from berth to berth. At the same time, Saab provides the transponder technology that allows the exchange of information essential for that same route planning.

Another example is when the Government of Queensland selected Saab to upgrade their Vessel Traffic Management Information System (VTMIS). The VTMIS enables both efficient and safe shipping by providing detailed information on sea conditions, ship traffic and potential hazards. This enables authorities and ship crews to implement safer routes that avoid sensitive marine areas along the 2500 km coastline of the Great Barrier Reef.



Bleed Air Heat Detection

AIRCRAFT WEIGHT REDUCTION THROUGH FIBER OPTIC SENSOR TECHNOLOGY

This product, developed by Saab as part of the Clean Sky research program, is our solution for monitoring the distribution of hot air from the aircraft engines to the cabin space through the use of fiber-optics. This reduces the system's weight by 80% and the number of parts by 90%, leading to reduced environmental impact of up to 340 tonnes of CO₂ during the life of an aircraft. The solution has thereby earned multiple innovation awards such as Airbus Innovation Award.



BLADE

BREAKTHROUGH LAMINAR AIRCRAFT DEMONSTRATOR IN EUROPE

BLADE is an Airbus project within the European Clean Sky framework to flight test experimental laminar flow wing sections on an A340 aircraft. Flight tests were carried out with final aerodynamic analysis done during 2020.

The laminar flow wing section was developed and built by Saab. During the flight test campaign the Saab developed wing performed excellent and showed stable laminar flow on very large part of the wing surface.

The use of the Saab wing concept integrated into a new aircraft has a potential to reduce the total aircraft drag by around 9% if applied on the wing and empennage and saving about 5% in fuel consumption.

Flaps and Slats Actuation system

REDUCING AIRCRAFT DRAG USING ELECTRO-MECHANICAL ACTUATORS & CONTROLLERS

As part of the Clean Sky research program, our business unit Avionics Systems is currently engaged in developing solutions for reducing fuel consumption and more efficiently monitoring aircrafts systems. On the Boeing 787, for example, Saab's electric motors are part of a system that adapts the shape of the wing during flight to minimize resistance and fuel consumption, reducing emissions over the life of the aircraft by as much as 10,000 tons of CO₂.



Protecting our society in an uncertain world



IMPORTANT ROLE DURING CHALLENGING TIMES

2020 will be described as one of the most dramatic and challenging years in modern history. The Covid-19 virus has had devastating consequences for life and health, in all parts of the world with grave impacts on society. It is now a new year but the virus is still holding us in its grip and it is obvious that the effects will be felt in all parts of society for a long time to come.

Unfortunately, we have seen a trend during the past year where openness, collaboration, engagement in global institutions and free-trade has become more under pressure. These tendencies have intensified during the pandemic which is worrisome.

When the vaccines begin to take hold, countries, people and companies hopefully will return to everyday life with a more positive and collaborative agenda. However, a positive agenda can never be taken for granted. We have during the last year seen tension rise and the global security landscape become more insecure. Saab's mission is to contribute to peace and stability by being a long-term, high-quality and trusted partner to our customers.

MAKING IDEAS FLY

At the heart of Saab lies innovation and being at the forefront of technology, a leader in system integration with the ability to develop and produce complex platforms cost-effectively.

To continue to develop this market position we rely on the great people we have, but also by being in close dialogue with customers about future needs and to work with many professional partners from all over the world. Saab builds its success on engineering ingenuity and an openness to collaboration. That is why almost one quarter of Saab's full year revenue is dedicated fully to research and development. That gives

us a unique position to develop cutting edge products and to support our customers long-term.

Saab has proven its ability to swiftly transform ideas into world-leading products. One example is the Airborne Early-Warning and Control System GlobalEye, which took only five years from order to delivery.

MAKING THE WORLD FOR THE BETTER

The most important part of Saab's contribution to society lies in the mission to keep people and societies safe, as it has been since the company was founded in the late 1930's. But, as for every company, the responsibility extends above and beyond that. Saab is actively working according to the principles of the UN Global Compact. Particular focus lies on good working conditions, high environmental standards and anti-corruption, areas that are instrumental to Saab's credibility, long-term development and growth. Saab's sustainability commitment goes beyond just living up to existing laws and regulations.

WELL SET TO CAPTURE VALUE-CREATING OPPORTUNITIES

Saab's task is to create value to existing and future shareholders by being a reliable partner to customers and nations. Constantly improving its efficiency means Saab is able to maintain financial flexibility, ensuring readiness to take advantage of value-creating opportunities, now and in the future.

Saab is on a journey for profitable growth. The company's international expansion serves the purpose of becoming a truly local force and partner to customers in selected home markets.

During last year, despite headwinds, we have seen strong developments in the markets where Saab is active, resulting in an increased order intake. The Saab team has made exceptional efforts in fending off the challenges coming with societies and markets

shutting down. Notwithstanding these circumstances, we have been able to deliver major programme milestones to customers around the world. The direct and in-direct efforts of the pandemic has had a negative impact on profitability, mainly due to effects on supply chain and challenges in the civil aviation business. Our belief is that we have managed to weather the storm in a professional way. Saab stands ready for future endeavours.

On behalf of the Board of Directors, I want to thank Saab's CEO, Group Management, all the 18,000 employees and partners who work hard every day to support our customers in developing our company for the benefit of all shareholders.

Stockholm, February 2021

Marcus Wallenberg
Chairman

Administration report and financial statements

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Financial review 2020 – Group

FINANCIAL REVIEW 2020

Saab AB (publ.), corporate identity number 556036-0793, has its registered address in Linköping, Sweden. The head office's visiting address is Olof Palmes gata 17, 5tr, 111 22 Stockholm. The telephone number to the head office of Saab AB is +46 8-463 00 00.

Saab has been listed on Nasdaq Stockholm since 1998. The largest shareholder is Investor, with 30.2 per cent of the shares, corresponding to 40.6 per cent of the votes. The voting percentage is calculated based on the number of shares, excluding treasury shares, at year-end. At year-end, there were a total of 135,845,847 shares in the company, distributed between 2,383,903 Series A shares with ten votes each and 133,461,944 Series B shares with one vote each.

At year-end, a total of 3,598,774 Series B shares had been repurchased to guarantee the Group's share matching plans. The repurchased shares are held as treasury shares.

Corporate Governance Report

In accordance with the Swedish Annual Accounts Act, Saab has prepared a corporate governance report. The corporate governance report, found here on pages 84-93, contains the Board of Directors' report on internal control of financial reporting, which includes disclosures on both the Parent Company and the Group.

Sustainability Report

In accordance with the Annual Accounts Act, Saab has prepared a sustainability report, which can be found in this document on pages 60-83. For information on Saab's business model, see pages 6-9.

OPERATIONS

As one of the world's leading high technology companies, Saab offers products, solutions and services for military defence and civil security. In 2020, the Group had customers in over 100 countries, while research and development is concentrated in Sweden. The Group has employees mainly in Europe, South Africa, the U.S. and

Australia, with local offices in more than 30 countries around the world.

Saab was organised in six business areas in 2020: Aeronautics, Dynamics, Surveillance, Support and Services, Industrial Products and Services, and Kockums.

CORPORATE

In addition to the business areas, Corporate comprises Group staff and departments as well as other operations outside the core business.

Corporate reported operating income of SEK 49 million (-377) in 2020.

LONG-TERM FINANCIAL GOALS

The long-term financial goals as of 2011 consist of goals for organic sales growth, operating margin (EBIT) and the equity/asset ratio.

Organic sales growth will average 5 per cent per year over a business cycle. In 2020, organic sales growth was 1 per cent (6).

The operating margin (EBIT) will average at least 10 per cent per year over a business cycle. In 2020, the operating margin was 3.7 per cent (8.3). The operating margin excluding non-recurring items was 7.4 per cent (8.3).

The equity/assets ratio will exceed 30 per cent. At year-end 2020, the equity/assets ratio was 35.7 per cent (34.8).

DIVIDEND AND DIVIDEND POLICY

Saab's long-term policy is to pay a dividend corresponding to 20-40 per cent of net income over a business cycle. For the financial year 2020 the Board of Directors is proposing a dividend of SEK 4.70 per share (0.00). The proposed dividend corresponds to 58 per cent (0) of net income.

OUTLOOK 2021

Sales growth: organic sales growth to be in line with our long-term target of 5 per cent.

Operating income: EBIT margin for the full year to be in line with adjusted EBIT margin, 7.4 per cent for 2020.

Operational cash flow: positive for the full year.

The uncertainty surrounding Covid-19 and its future effects remains high.



BUSINESS AREA

Aeronautics

PRODUCT OFFERING

Aeronautics is an innovative supplier of world-class aircraft systems and is engaged in research, development and production of military aircraft systems. It also conducts studies as preparation for future manned and unmanned aircraft systems as well as further development of existing products.

- Gripen is the world's most adaptable and flexible combat aircraft system. With its modular design, it can be upgraded and adapted to customers' requirements.
- Development of future manned and unmanned aircraft systems.
- Saab and Boeing have jointly developed the next generation trainer jet for the U.S. Air Force the T-7A.

Aeronautics includes the business units Gripen E/F, Gripen C/D, Aeronautical Solutions and Advanced Pilot Training Systems (T-7).

ANNUAL REVIEW

Aeronautics showed a lower order intake for the full year 2020 compared with 2019. Sales decreased in 2020, mainly due to the adjustment of project estimates of SEK 1,121 million in the Gripen E/F programmes. When excluding the impact from the adjusted project estimates, sales for the year was in line with the previous year. The activity level in the Gripen programmes has remained high, at the same time as the business is in an early production stage in the Gripen programmes. Operating profit for the full year, excluding the impact from the adjustment of project estimates and a write-down of the shareholding in an associated company of SEK -32 million, deteriorated slightly compared to 2019. Higher marketing costs as a result of five ongoing Gripen campaigns had a negative effect on earnings.

→
Jonas Hjelm
Head of Business Area
Aeronautics



Share of sales 2020

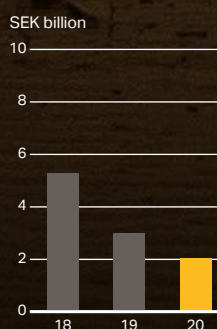
20%

Key figures

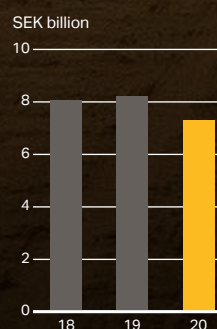
MSEK	2020	2019
Order bookings	2,025	2,979
Order backlog	36,838	42,120
Sales	7,307	8,218
EBITDA	-431	737
EBITDA margin, %	-5.9	9.0
Operating income (EBIT)	-500	677
Operating margin, %	-6.8	8.2
Adjusted operating income ¹⁾	653	677
Adjusted operating margin, % ¹⁾	7.7	8.2
Operational cash flow	-2,226	-1,591

¹⁾ See note 42 for additional information regarding items affecting comparability

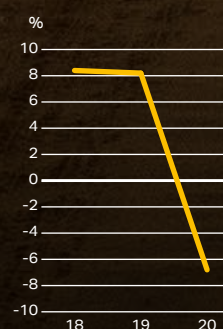
Order bookings



Sales



Operating margin



BUSINESS AREA

Dynamics

PRODUCT OFFERING

Dynamics offers a market-leading product portfolio comprising ground combat weapons, missile systems, torpedoes, unmanned underwater vehicles, training systems and advanced camouflage systems for armed forces. The product portfolio also consists of niche products for the civil and defence markets such as underwater vehicles for the offshore industry.

- Ground combat weapons, including Carl-Gustaf, AT4 and NLAW.
- Land-based air defence systems, including RBS 70, RBS 70 NG and BAMSE.
- RBS 15 air-to-surface missile and international missile programmes such as Meteor, Taurus, IRIS-T and GLSDB.
- Underwater systems, including remotely operated and autonomous vehicles as well as torpedoes and underwater sensors.
- Training solutions for the land domain including ground combat as well as virtual.
- Advanced camouflage systems, including the products Barracuda Mobile, Static and Soldier Camouflage.

Dynamics includes the business units Ground Combat, Missile Systems, Underwater Systems, Training & Simulation, and Barracuda.

ANNUAL REVIEW

Order bookings for 2020 grew 38 per cent and reached a record high level. The strong growth was driven by international orders for, among other things, missile systems, but also orders in the underwater segment. The first orders for the mine disposal vehicle MuMNS were received via prime

contractor Thales, for delivery to the United Kingdom and France. An agreement was also signed for the Carl-Gustaf M4 to Norway, which will be the 14th country to use the latest generation of the Carl-Gustaf system. Sales showed a growth of 13 per cent for 2020 compared with 2019. High activity level and increased delivery rate contributed positively to the sales volume increase, driven by Ground Combat. The operating margin for 2020 improved due to the positive volume effect. The business area's earnings were affected by SEK -15 million in adjustment of project estimates related to Covid-19.

→
Görgen Johansson
Head of Business
Area Dynamics



Share of sales 2020

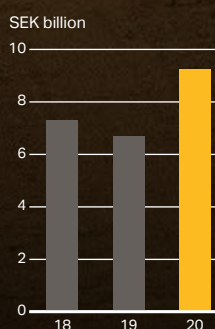
19%

Key figures

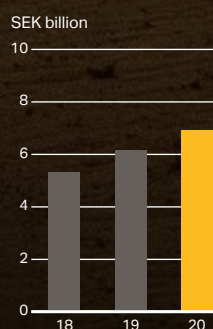
MSEK	2020	2019
Order bookings	9,231	6,706
Order backlog	16,527	14,264
Sales	6,913	6,140
EBITDA	917	792
EBITDA margin, %	13.3	12.9
Operating income (EBIT)	829	716
Operating margin, %	12.0	11.7
Adjusted operating income ¹⁾	844	716
Adjusted operating margin, % ¹⁾	12.2	11.7
Operational cash flow	551	158

¹⁾ See note 42 for additional information regarding items affecting comparability

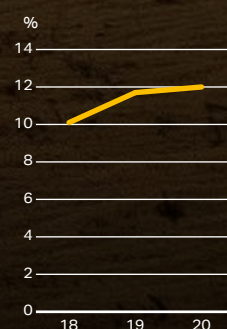
Order bookings



Sales



Operating margin



BUSINESS AREA

Surveillance

PRODUCT OFFERING

Business area Surveillance provides world-class solutions for surveillance, command & control and self-protection systems for defence, safety and security applications. Surveillance develops world-leading sensor solutions for airborne, ground based and naval platforms. The systems are high-performing, compact, robust and easy to operate, and can effectively be integrated into our customers' existing solutions.

- One of the world leaders in surface based radar systems for air defence, weapon location and sense & warn
- The world's biggest customer base in airborne early warning & control
- One of the international leaders in electronic warfare self-protection, signals intelligence and combat systems & C4I solutions
- Products include the GlobalEye early warning & control solution, the Giraffe surface radar family, the electronic warfare suite Arexis and the 9LV range of command and control and combat management systems as well as fighter radar and the secure cyber platform Egira.

Business Area Surveillance is also the competence center in Saab for cyber security, Artificial Intelligence and big data analysis. Surveillance includes the business units Combat Systems and C4I Solutions, Cyber Security, Electronic Warfare Systems and Radar Solutions.

ANNUAL REVIEW

For 2020, Surveillance showed a strong order intake of approximately SEK 14 billion, corresponding to an increase of 48 per cent. The strong order intake was largely driven by two major wins, a system solution for integrated air defense capability for Sweden and the additional order for two GlobalEye airborne surveillance system for the United Arab Emirates.

Sales for 2020 were in line with the previous year. A lower level of activity, timing in project

implementation and Covid-19 related disruptions in the business had a negative impact on sales volumes but also the result. The result was charged with adjustments of project estimates of SEK -166 million.

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Anders Carp
Head of Business Area
Surveillance



Share of sales 2020

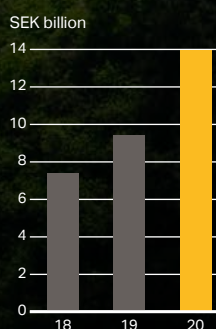
21%

Key figures

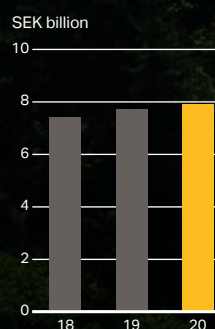
MSEK	2020	2019
Order bookings	13,928	9,390
Order backlog	22,183	16,465
Sales	7,888	7,699
EBITDA	852	1,151
EBITDA margin, %	10.8	14.9
Operating income (EBIT)	505	853
Operating margin, %	6.4	11.1
Adjusted operating income ¹⁾	671	853
Adjusted operating margin, % ¹⁾	8.3	11.1
Operational cash flow	1,281	1,156

¹⁾ See note 42 for additional information regarding items affecting comparability

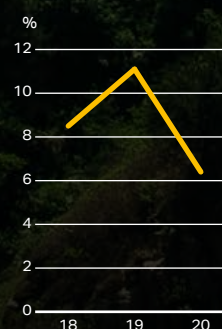
Order bookings



Sales



Operating margin



BUSINESS AREA

Support and Services

PRODUCT OFFERING

Support and Services offers reliable and 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.

- Customised support solutions in all areas – over the product's entire lifecycle.
- From individual spare parts to availabilitybased commitments.
- Technical services, maintenance and repairs.
- Products and integration for airborne surveillance systems, communication systems, military electronics, field solutions and CBRN (chemical, biological, radiological and nuclear) defence solutions.

Support and Services includes the business units Aviation Services, Airborne ISR, Gripen Support, Communication and Tactical Solutions.

ANNUAL REVIEW

The business area showed strong order development for 2020, an increase of 191 per cent. Both larger and smaller orders made a positive contribution. The business area's part of the follow-up contract for the two airborne surveillance systems GlobalEye was an important contributor.

Sales volumes in 2020 showed growth compared to 2019. This was due to good project execution within the support work for Gripen C/D and positive volume effects from GlobalEye, despite continued negative volume and impact on earnings from the civil aviation business. The business area's earnings were charged with SEK -118 million for inventory write-downs related to Covid-19.

→
Ellen Molin
Head of Business
Area Support and
Services



Share of sales 2020

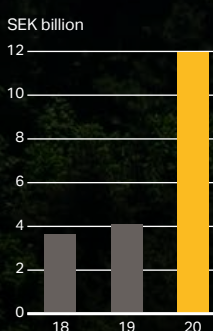
18%

Key figures

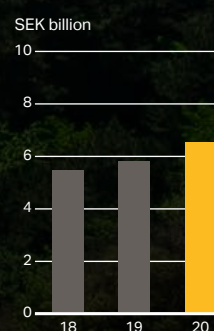
MSEK	2020	2019
Order bookings	11,945	4,099
Order backlog	14,238	8,986
Sales	6,521	5,821
EBITDA	788	762
EBITDA margin, %	12.1	13.1
Operating income (EBIT)	711	742
Operating margin, %	10.9	12.8
Adjusted operating income ¹⁾	829	742
Adjusted operating margin, % ¹⁾	12.7	12.7
Operational cash flow	1,856	11

¹⁾ See note 42 for additional information regarding items affecting comparability

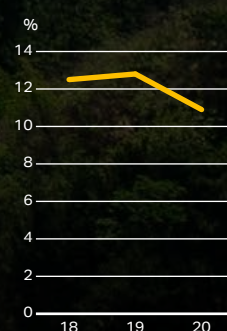
Order bookings



Sales



Operating margin



BUSINESS AREA

Industrial Products and Services

PRODUCT OFFERING

Industrial Products and Services (IPS) are mainly focused on commercial B2B business with world leading customers in various safety critical sectors. The market demands secure and sustainable solutions. IPS works with a number of unique development projects with a focus on a more sustainable and digitized society.

- Technical consulting services for customers in industry, defence and the public sector. The company offers a broad range of services, with cutting-edge expertise in cybersecurity and digitisation through the wholly owned independent subsidiary Combitech.
- Leading technology for air traffic management, marine traffic management and public safety.
- Development and production for the aviation industry with a focus on wings, flaps and doors for commercial aircraft manufacturers such as Boeing and Airbus.
- Safety critical avionics systems and components such as computers, displays and actuators for demanding environments for aircraft and helicopters.

The business area Industrial Products and Services includes the business units Aerostructures, Avionics Systems, Traffic Management and the independent consulting firm Combitech.

ANNUAL REVIEW

IPS showed increased order intake during 2020. This was primarily driven by the Traffic Management business unit, where a number of orders in the Public Safety and Security area were signed. Business unit Combitech also showed a strong order intake.

Sales in 2020 decreased compared with 2019. The Combitech business unit made a positive contribution, while other business units reported lower sales,

mainly due to reduced demand due to the current pandemic. Operating income decreased compared with the previous year. The result was charged with a loss contract provision within the Aerostructures business unit of SEK -315 million related to lower forecast delivery rates and volumes in the commercial flight programmes as a result of the pandemic.

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Jessica Öberg
Head of Business Area
Industrial Products &
Services



Share of sales 2020

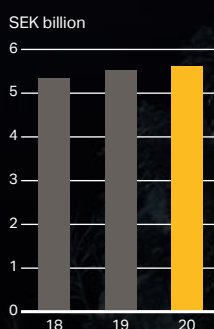
13%

Key figures

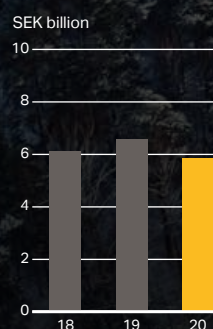
MSEK	2020	2019
Order bookings	5,611	5,515
Order backlog	8,794	9,035
Sales	5,846	6,556
EBITDA	-322	324
EBITDA margin, %	-5.5	4.9
Operating income (EBIT)	-398	238
Operating margin, %	-6.8	3.6
Adjusted operating income ¹⁾	-83	238
Adjusted operating margin, % ¹⁾	-1.4	3.6
Operational cash flow	1,028	-302

¹⁾ See note 42 for additional information regarding items affecting comparability

Order bookings



Sales



Operating margin



BUSINESS AREA

Kockums

PRODUCT OFFERING

Kockums is a world leader in its segment in the development, production and in-service support of submarines, surface vessels and naval systems. The product portfolio includes submarines with air-independent propulsion, warships with stealth technology, minesweeping systems, and high-speed patrol and pilot boats. Kockums also supplies subsystems and components for integration in naval solutions for customers in and outside Sweden.

- Design, construction and in-service support for submarines and surface vessels.
- Design, construction and in-service support for high-speed patrol and pilot boats.

The business area's unique expertise is in stealth technology, shock resistance, modularity and systems integration. Kockums' products are designed for availability, simplified maintenance and a long operating life. One example is the Gotland-class submarines built in the '90s, which after a mid-life upgrade are equipped with modern technology that makes them state-of-the-art in conventional submarines. Kockums' production facility in Karlskrona has undergone major modernisation since Saab's acquisition. Through investments in methodological improvements, industrial robots and digitisation, Saab Kockums ranks as one of the world's most modern shipyards for production and in-service support of submarines. Kockums has three business units: Submarines, Surface Ships and Docksta.

the underwater business. Operating profit strengthened slightly compared with the previous year. The business is in a transition from development to production and productivity measures to improve profitability continue.

→
Lars Tossman
Head of Business
Area Kockums



ANNUAL REVIEW

Kockums showed an increased order intake during 2020 compared to 2019. The increase was mainly attributable to additional orders within the current submarine programme.

Sales in 2020 were in line with the previous year and was due to a good level of activity, primarily in

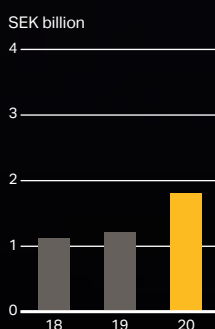
Share of sales 2020

8%

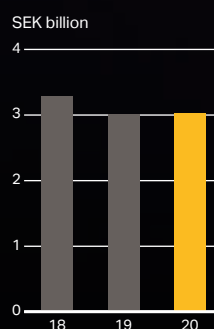
Key figures

MSEK	2020	2019
Order bookings	1,801	1,216
Order backlog	3,631	4,852
Sales	3,027	3,007
EBITDA	153	124
EBITDA margin, %	5.1	4.1
Operating income (EBIT)	119	88
Operating margin, %	3.9	2.9
Operational cash flow	983	-70

Order bookings



Sales



Operating margin



Other significant events

OTHER EVENTS IN 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.
- 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 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, Saab 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.
- In September Saab signed a contract with the Australian Department of Defence to deliver deployable health modules for the Australian Government's Deployable Health Capability Program, Joint Project 2060. The order value is 337 MAUD (2,150 MSEK) for the years 2020-2027, including 5 years of support.
- 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.
- In December, Saab signed a contract with the Swedish Defence Materiel Administration and received an order for an integrated sensor and command and control system for use with ground based air defence. The order value is approximately SEK 2.1 billion and the contract period is 2020-2025
- In December, Saab signed a contract with the German shipbuilding company Lürssen and received an order to provide and integrate the combat system for the Bulgarian Navy's new Multipurpose Modular Patrol Vessels, MMP.
- On December 16, Saab delivered the second of two Gotland-class submarines to FMV after extensive upgrades.
- In December, Saab signed a contract with the French Armement General Directorate (DGA) for an upgrade and life extension of the French Air and Space Force's mobile command and control systems, which feature Saab's Giraffe

AMB radar and command and control shelter.

- In December, Saab received an order from FMV to define to define what is needed to meet Sweden's requirements for the continued, effective operation and availability of Gripen C/D until 2035. The order value is SEK 185 million.
- In the fourth quarter, Saab signed a follow-on contract with the United Arab Emirates regarding the sale of two GlobalEye systems, Saab's advanced airborne surveillance system. The order value is USD 1.018 billion and the contract period is 2020-2025.

For more information on orders received during the year, see our press releases on <https://www.saab.com/newsroom/press-releases>.

EVENTS AFTER THE CONCLUSION OF THE PERIOD

- In January, Saab received the first order from prime contractor Thales for the Multi-Shot Mine Neutralisation System (MuMNS). The order value is approximately SEK 300 million and deliveries of the first systems will take place in 2022.
- In January, Saab signed a framework agreement with the Norwegian Armed Forces for the Carl-Gustaf M4, the latest version of the Carl-Gustaf multi-role weapon system.
- In January, Saab and FMV signed two agreements concerning the next generation of surface ships and corvettes: a Product Definition Phase for the Mid-Life Upgrades (MLU) of five Visby-class corvettes and a Product Definition Phase for the next generation corvette. The combined contract value is SEK 190 million.
- In February 2021, Saab delivered the third GlobalEye system to United Arab Emirates.



↑
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.

→
On December 16, Saab delivered the second of two Gotland-class submarines to FMV after extensive upgrades



Risks and uncertainties

All businesses entail risk. Risks that are managed well can lead to opportunities and add value, while risks that are not managed properly can cause damages and losses. Saab takes a structured and proactive approach to identify and managing risks and opportunities to safeguard the business.

Saab develops, manufactures and supplies technologically advanced systems and products to military and civil 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.

Saab is affected by geopolitical factors and industry- and business-related events that can give rise to uncertainties and risks. The ability to identify, evaluate and manage risks is therefore essential to strategy implementation and in governance and control. The aim, by understanding risks and their impact, is to better support decision-making and meet Saab's long-term goals through balanced risk-taking within an established framework.

RISK MANAGEMENT

Within Saab, each business area and Group function is responsible within its respective organisation for identifying and managing risks in accordance with the Group's risk process and current policies, guidelines and instructions.

When combined with Enterprise Risk Management (ERM), which focuses on the overarching risks and uncertainties the Group is exposed to, we get both a top-down and bottom-up view to support Saab's strategy and long-term goals.

The purpose of ERM is to provide a Group overview of the risks and uncertainties Saab is exposed to and to support value creation, ensure risk awareness and balance risk versus return.

Most of the operating risks that are identified are managed at a local level. Among these risks, Saab identifies a number through the ERM process that individually or in combination can have a large impact at the business area level. These risks are weighed against the company's risk tolerance, and decisions are made on the appropriate measures to avoid, reduce, spread or accept risks. A number of these risks can potentially also affect the entire Group.

ERM work is part of the strategic work and involves the managements of the

business areas as well as Group Management and Group functions.

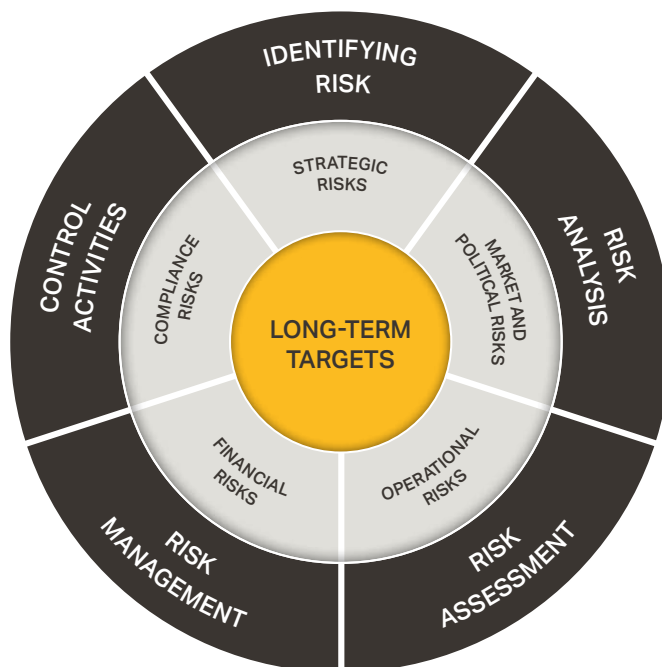
The ERM function works actively with overarching risk management. The most pressing risks and uncertainties and how they are managed are regularly reported to Group Management, the Audit Committee and the Board of Directors during the year.

In addition, Saab's internal audit unit is responsible for independently reviewing the effectiveness of a sample of internal control processes each year.

INSURANCE AND LOSS PREVENTION

The Saab Group's global insurance programme contains all the usual types of business insurance, including product liability. Insurance is procured in the Swedish and international markets. Insurance policies comply with local laws where applicable.

The main purpose of loss prevention is to prevent incidents, property damage and interruptions. A Group-wide programme called Saab Blue sets the requirements for physical protection, preventive work and action plans if incidents occur. To ensure that the requirements are met and to support the business operations in the preventive work, risk inspections are conducted on an annual basis and the results of these inspections are compiled and reported to Group Management.



EXTERNAL ENVIRONMENTAL AND CLIMATE RISKS

Climate aspects are also important to Saab's long-term strategy work, since future climate change can impact operations. Natural disasters can disrupt operations and/or affect the supply chain, and rules and requirements for industrial processes are continuously tightened or sharpened.

Saab works to mitigate these risks on the business and invests in sustainable innovations to reduce our environmental impact as well as create products with less environmental impact. See examples on page 40. The internal analysis of financial risks and opportunities associated with both physical and transition risks related to climate change has continued during 2020. The work is based on the guidelines of the Taskforce on Climate-related Financial Disclosures (TCFD) and will continue in 2021.

One example is when planning new facilities around the world, risks related to climate change are assessed. Saab is taking measures to mitigate the occurrence of risks like extreme weather, higher energy costs and taking environmental considerations regarding building requirements as well as striving to achieve best possible comfort and function for employees in accordance with Saab's environmental policy and climate goals.

RISKS RELATED TO COVID-19

The COVID-19 risks and uncertainties for Saab has mainly been related to employee health and well-being, disruptions in supply chain and limitation in meetings with customers and suppliers as well as the significantly declined demand in commercial aviation. Saab immediately activated

its crises management organization and actions taken to mitigate the pandemic's impact were, among others, work from home and social distancing for employees working in the facilities, alternative sourcing, production re-planning, increased digital communication and internally reallocation of resources.

The planning for a safety return to work-place in relation to COVID-19 in 2021 has started. To mitigate liquidity risk a new 4 bn SEK Revolving Credit Facility was signed with three of Saab's core banks. A credit guarantee was also established with the Swedish Export Credit Agency, EKN.

Risk	Description	Management
STRATEGIC RISKS	The strategy to grow globally by strengthening its presence in key markets, developing innovative solutions and acquiring companies in priority areas exposes Saab to various risks that can affect its ability to create value and reach the goals.	Strategic risks are managed through strategies and plans established by the Board of Directors, Group Management and the managements of the business areas.
Development and introduction of new high-tech systems and products	<p>Saab's success is dependent on its ability to develop and manufacture innovative products and launch them on the market at the right time and at competitive prices. Due to long development cycles, market changes can mean that demand has changed when products are ready to bring to market. The risk is that the products do not generate the previously expected return.</p> <p>Historically, a large share of Saab's product renewal has been achieved collaboratively with the Swedish Armed Forces and FMV and together with other nations.</p> <p>There is also a risk that competitors develop new products or disruptive technologies that can make Saab's products appear obsolete.</p>	<ul style="list-style-type: none"> Investments in new products are made after analysis and assessment of future business opportunities. To reduce the development risk inherent in major systems multinational partnerships are imperative and for internally developed products, such as for example radar, command and control, and electronic warfare systems as well as tactical weapons it is important to early identify a launch customer. Saab expects Sweden to account for the largest share of its development expenditures in the fighter aircraft, missile and underwater areas. Develop certain technology in partnership with other companies, e.g. the T-7 trainer aircraft together with Boeing. Product development through modularisation which enables new models to be developed continuously, cost-effectively and faster. Saab is active in AI, machine learning and automation.
International expansion and collaborations	Acquisitions and collaborations are an integral part of Saab's international growth strategy to further strengthen its presence in selected key markets.	<ul style="list-style-type: none"> Business case driven expansion in focus countries. International collaboration programs, partnerships and Joint ventures with other companies. Allocation of resources and local stakeholder management Research collaborations with universities. A central organisation that is responsible for the acquisition process and supports the business. Thorough analysis in connection with acquisitions and expansion.
Attract and retain key employees	<p>Saab's future competitiveness depends on its ability to globally attract and retain employees and leaders with the right skills in e.g. multiple technologies, production, IT security, business development and project management. Saab is also dependent on the professional development of its employees.</p> <p>Saab works with very complex technology and the product life cycle is very long. It could therefore also be a challenge to ensure competence continuity over time.</p> <p>A detailed description of Saab's sustainability work and key performance indicators for employees can be found on pages 62–63.</p>	<ul style="list-style-type: none"> Strategic talent mapping and planning ensures access to employees with the right skills at the right time. Strategic Workforce Planning. Apply a structured process to develop employees and identify talents. Job rotation. Retention management. Work long-term to position Saab as an attractive employer among students and young professionals. Offer PhD services, trainee programmes, master's thesis opportunities and summer jobs. Promote education and an interest in technology among younger students to broaden the future recruiting base.
Information management and cyber-related risks	<p>Saab manages information that is vital to its customers and in many cases to their national security. The information security risk for Saab is that information will fall into the wrong hands if handled incorrectly or in the event of an IT breach or manipulation of communication channels.</p> <p>The cybersecurity risk has also increased in light of the increased use of homeworking during the pandemic.</p> <p>Cyberthreats are a category of risk that has increased for Saab's products, which contain a large amount of software and defence secrets, since it has become more common for these products to be linked to civil networks.</p> <p>Saab also relies on IT systems in its daily operations. Disruptions to or errors in critical systems can have a direct impact on operations. Mismanagement of financial systems can impact the company's financial reporting.</p>	<ul style="list-style-type: none"> Continuous and systematic information and IT security work and periodic audits of IT security. Clearly defined rules, processes, routines and technical solutions for information, IT and communication security. Standardised processes to implement new systems, upgrades and daily operations. All employees receive training in information management and security. Security measures taken and extra information to employees regarding security aspects at homeworking. Different levels of physical and digital security classifications to reduce the risk of information leaks. Established the business unit Cyber Security, which works with solutions to increase cybersecurity in Saab's products. Routines to ensure that the GDPR regulation is followed.

Risk	Description	Management
MARKET AND POLITICAL RISKS	About 85 per cent of Saab's sales consists of defence materiel, which is regulated by national laws and regulations as well as international conventions, and more than half of total sales are international. Saab is therefore dependent on stable political and multinational relationships around the world and national priorities.	Saab works proactively to manage market and political risks and uncertainties, including through strategic impact assessments and alternative strategies. It is impossible, however, to completely avoid losing business opportunities or incurring damage if political or other market risks are realised.
Geopolitical and macroeconomic risks and uncertainties	<p>Demand for the defence materiel is dependent on the political mandate and willingness of national governments as well as fiscal flexibility. The defence industry is therefore affected by a number of macroeconomic factors, e.g. global economic growth, trade barriers and changes in exchange rates. It is also exposed to geopolitical risks.</p> <p>The large share of Saab's order backlog consists of contracts with an order value over SEK 1 billion which will be delivered over many years. Consequently, the impact on Saab could be significant if a major contract is broken or amended and renegotiated because the customer is adversely affected by market factors.</p>	<ul style="list-style-type: none"> • Market intelligence. • Dialog with authorities and the political establishment. • Proactive measures to assess and manage risks and opportunities. • Major investments are mainly in a small number of focus countries. • International partnerships. • Terms and conditions. • Export guarantees, insurance solutions and other instruments
Regulatory changes	The large share of Saab's exports is from Sweden, where the Swedish Inspectorate of Strategic Products (ISP) determines which defence products Saab may manufacture, market, sell and export to which countries. ISP does an overall assessment that weighs several factors. Since 2018, the democratic status of the recipient country is also playing an important role. Saab may also be dependent on export control laws in other countries where it has operations or suppliers. Some of Saab's civil products are governed by export controls on dual-use products. The risk for Saab arises from changes to laws, regulations and permits.	<ul style="list-style-type: none"> • Continuously monitor laws, regulations and ordinances to adapt the business as needed. • Dialogue with authorities in the political establishment • Terms and conditions. • Central and local export control functions.

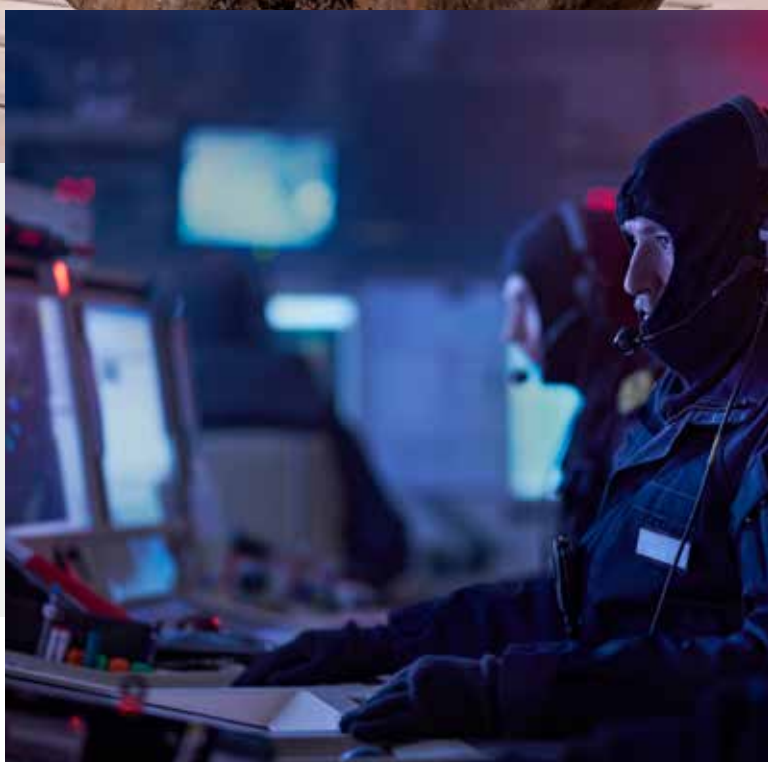
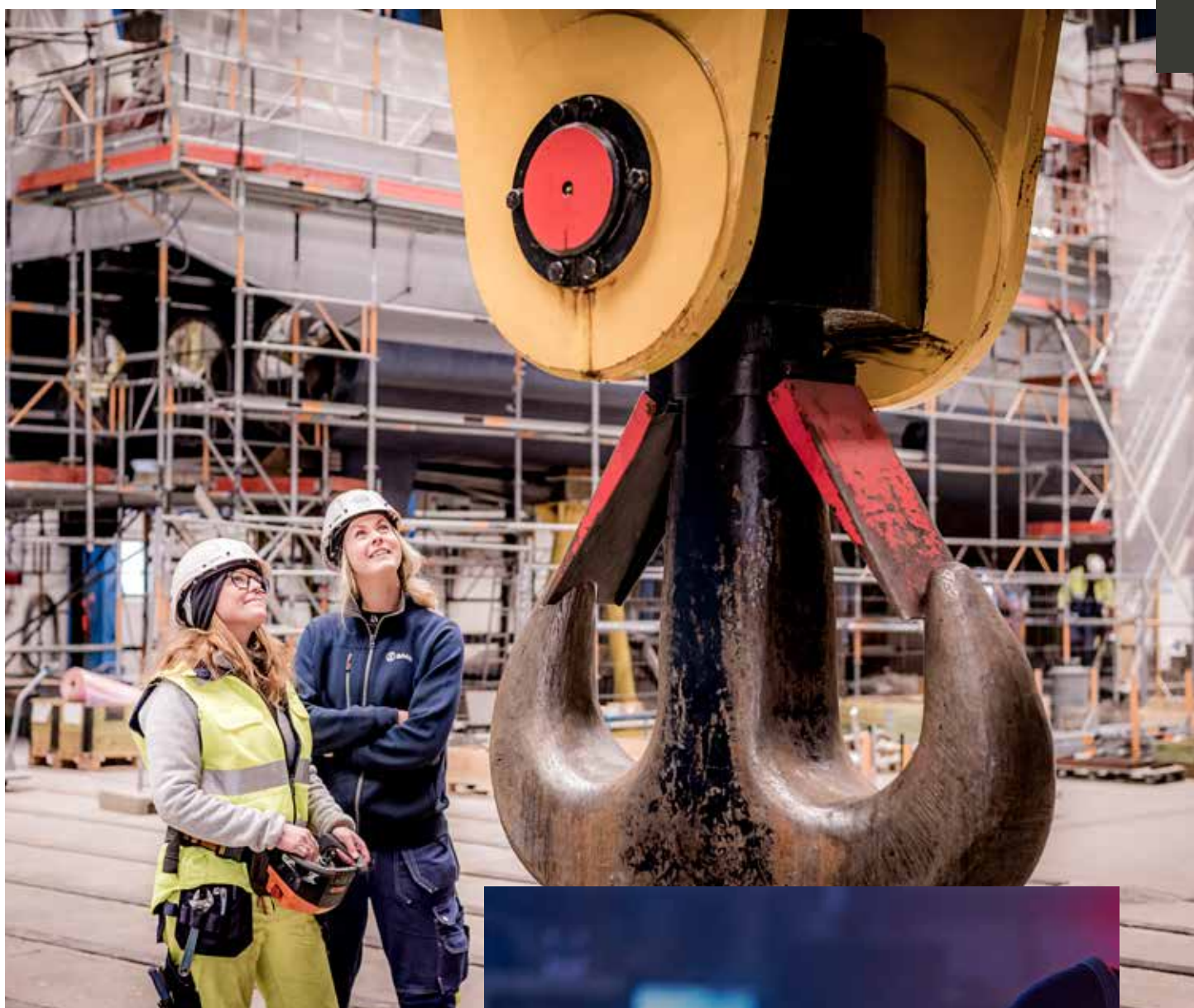
Risk	Description	Management
OPERATIONAL RISKS	Operational risks can affect Saab's ability to deliver on its commitments and are important to day-to-day operations. The risks include risks relating to order bookings, contract management, project implementation, suppliers, product liability, the environment, and occupational health and safety.	Operational risks are managed in tactical and operational decisions as well as at an operating level throughout the organisation. Information about Saab's work with product liability and with environmental and occupational health and safety risks can be found in the sustainability report on pages 54–70.
Risks related to execution of long-term customer projects	<p>Saab's operations involve complex, long-term development projects on the leading edge of technology that in some cases also include industrial cooperations with the customer's country. When a contract is signed, the product may not be fully developed in some instances. Contracts also often include a fixed-price component, which can entail a risk of incorrect pricing if the costs cannot be adequately estimated.</p> <p>The risk in long-term customer projects is therefore that Saab does not succeed in delivering cost-efficient high-tech solutions as per the terms of the contract or in implementing the required industrial cooperation. Consequently, the commitment may not be fulfilled and the costs may run significantly higher with a negative impact on financial position and cash flow.</p> <p>The Group applies the percentage of completion method to recognise revenue from the majority of long-term customer projects. An estimation of total costs, including assessments of technical and commercial risks, is critical to revenue recognition and provisions for project losses as well as inventory valuations. Revised estimates of total project costs have a retroactive impact on results.</p>	<ul style="list-style-type: none"> • Before contract is signed, a thorough analysis is made of the terms and risks. • An established quality assurance process – the Win Business process – includes a comprehensive analysis of risks and what is required to manage them. • During project execution – the Execute Business process – various types of reviews with clear toll-gates are conducted continuously to identify and assess these risks and the measures taken to mitigate them. • Effective management of both delivery projects and industrial cooperations. • Focus on best practice governance and high efficiency. • High demands are placed on project planning and control as well as monitoring to ensure at any given time that assumptions and assessments provide a satisfactory basis for reporting revenue and results. • Saab's largest projects are also regularly monitored by Group Management and reported to the Board of Directors. • Other projects with high impact are regularly monitored by each business area management and reported to Group Management. • Saab's internal audit is also independently reviewing the process adherence of a number of projects each year.

Risk	Description	Management
Dependence on new contracts and increased competition	<p>A large share of Saab's revenue comes from a limited number of customers and relatively few contracts. Saab is therefore dependent on winning new contracts in a market with limited access, since there are only a certain number of governments and defence contractors to sell to.</p> <p>Competition in the military market as well as the commercial aircraft and security market is fierce. US and European companies are especially strong players, with competition also increasing from companies in other parts of the world. Many competitors are also strong in their home markets.</p>	<ul style="list-style-type: none"> • The marketing organisation has been reorganised to more clearly focus marketing and sales on key markets with the potential for new business. • Saab has identified three strategic markets: Australia, the UK and the US, where the local presence has been and will be further strengthened. • Product portfolio optimisation. • Focus on quality, innovation, security, development times, delivery precision and price. • Reference customers, partnerships and industrial collaborations. • Increased local presence in selected markets with own operations, sales offices and own personnel.
Supply chain risks	<p>Saab is dependent on deliveries from subcontractors of e.g. sub-systems, components and equipment. For certain subsystems, Saab is dependent on deliveries from one or a few suppliers.</p> <p>The suppliers must share the same values as expressed in Saab's supplier Code of Conduct and have sustainable production to avoid negatively impacting Saab.</p>	<ul style="list-style-type: none"> • Select, evaluate and document suppliers and business partners based on objective criteria such as quality, the environment, delivery, price and reliability. • Active work with supply chain alternatives, such as second sourcing, in- and outsourcing. • Close cooperations with suppliers for high quality. • Systematic measures to ensure that suppliers take ethical, social and environmental responsibility and work proactively to prevent damages. • Saab's supplier Code of Conduct and compliance monitoring.
Pandemic risks	<p>A pandemic may potentially affect part of or the whole business from order intake, operations, deliveries, supply chain to employee health and well-being.</p> <p>A pandemic could potentially delay decisions due to other priorities in national budgets and in the long-run impact defence budgets. Larger procurement campaigns may also be affected. It could also increase protectionism in certain markets.</p>	<ul style="list-style-type: none"> • A well prepared crises management organisation in place. • Prepared for disturbances in for example supply chain. • Digital tools for secure meetings with customers and suppliers and possibility for homeworking. • Increased partnerships and local operations.

Risk	Description	Management
FINANCIAL RISKS	<p>Financial risks can affect the ability to protect Saab's financial position. The risk consists of potentially negative effects on Saab's financial assets and liabilities as well as contractual commitments. For more information, see note 36.</p> <p>There is potentially also a risk that Saab not fulfill financial institutes and investors requirements on sustainability (ESG). The risk consists of being de-selected.</p>	<p>Financial risks are governed by the Group's financial policy, which is adopted by Saab's Board of Directors, as well as detailed directives and processes. Management of these risks is centralised in Group Treasury and largely involves the use of financial instruments. The goal is to actively manage financial risks in order to reduce any negative impacts on the Group's results, competitive strength and financial flexibility.</p> <p>The risk of being de-selected is managed by implementing TCFD guidelines, communication and KPI reporting.</p> <p>Group Treasury also supports the business areas in implementing financial policies and guidelines, and with training.</p>
Interest rate risk	The risk that Saab's net financial items will be negatively affected by changes in interest rate levels. Saab is exposed when the market value of certain items in the statement of financial position is affected by changes in underlying interest rates. The item with the largest exposure is pension obligations. Saab has both interest-bearing assets and liabilities.	<ul style="list-style-type: none"> • Interest rate futures and swaps to achieve the desired interest rate duration. • Interest rate and foreign currency risk from foreign currency funding is managed with currency swaps (internal) or cross currency basis swaps (external).
Currency risk	The risk that unfavourable exchange rates will negatively affect results or equity, e.g. when revenue and expenses are in currencies other than the functional currency (transaction exposure), when translating foreign subsidiaries to SEK (translation exposure) and when submitting fixed-price tenders in foreign currency.	<ul style="list-style-type: none"> • Currency exposure in the order backlog (transaction exposure) is hedged through netting and with currency derivatives (mainly forward exchange contracts), which means that changes in exchange rates do not affect the order backlog's future results. • Foreign currency risk due to translation exposure is not hedged. • Fixed-price tenders in foreign currency are managed in a tender portfolio.

Risk	Description	Management
Refinancing risk	<p>The risk that Saab cannot refinance maturing loans with either new loans or its own funds, or that it becomes significantly more expensive. For more information, see note 30.</p> <p>Financial debt mainly consists of bonds issued under a Medium Term Note programme.</p>	<ul style="list-style-type: none"> • Debt is managed by Group Treasury and loans are primarily raised by the Parent Company to ensure efficiency and risk control. • A revolving credit facility with eight banks (RCF). • A diversified loan maturity structure. • Capital is tied up in the loan portfolio for an average of 24-60 months. • A new 4 bn SEK Revolving Credit Facility was signed to mitigate refinancing risk. • A credit guarantee with EKN was established.
Counterparty risk	<p>Saab is exposed in its day-to-day operations to credit risks, mainly in transactions with customers and financial institutions.</p> <p>Credit risk in accounts receivable is considered low, since the receivables are primarily from governments and public authorities. Financial credit risk consists of exposure to financial institutions through e.g. deposits, investments and outstanding derivatives.</p>	<ul style="list-style-type: none"> • Accounts receivable payment risks are when deemed necessary covered through letters of credit or through export credit insurance. • All financial counterparties must have a long-term credit rating of no lower than A- from Standard and Poor's or A3 from Moody's. • ISDA master agreements with financial counterparties
Reporting risk and tax risk	<p>The risk related to communication the financial information to the capital market is that the reports do not provide a fair presentation of Saab's actual financial position and results.</p> <p>Risks associated with transfer prices, but also new tax rules and guidelines and local tax laws in the countries where Saab operates.</p>	<ul style="list-style-type: none"> • Saab's units regularly report their financial position in accordance with the International Financial Reporting Standards (IFRS). Saab's consolidated accounts, based on these reports, are prepared in accordance with IFRS and relevant parts of the Annual Accounts Act. See more information in note 1. • Saab's result is analysed by business area and group functions before publication. • Saab has routines to ensure legal compliance, e.g. internal control, internal audit and external auditors. • The central unit Group Tax is responsible for policies, instructions and guidelines in the tax area, and monitors compliance with local tax laws and transfer price policies.
Pension obligations	<p>Post-employment benefits refer to defined-contribution and defined-benefit pensions.</p> <p>See more information in note 32.</p>	<ul style="list-style-type: none"> • For its defined-contribution pensions Saab pays fees to a separate legal entity that assumes the obligations. • Defined-benefit pension obligations remain in the Group and are secured through Saab's pension foundation or insurance. • Obligations are compared annually to the foundation's assets, and in the event of a deficit Saab reports this as a debt in the statement of financial position.

Risk	Description	Management
COMPLIANCE RISKS	<p>In its operations Saab is obligated to follow laws and regulations, be compliant with agreed customer regulations and make conscious decisions about which global standards Saab will live up to.</p> <p>Saab does business around the world and has relationships with customers and other stakeholders on every continent. Ethical values, transparent relationships and compliance are critical for Saab. The trust of the public and the political system, together with employee pride, is critical to Saab's long-term profitability and survival.</p> <p>Saab's operations are also affected by approvals, licenses, patents and other intellectual property.</p> <p>Learn more about Saab's sustainability work and key performance indicators on pages 54-70.</p>	<p>Compliance issues are integrated in the business strategy and affect Saab's strategic priorities. This work is guided by Saab's Code of Conduct, which is adopted by the Board of Directors.</p> <ul style="list-style-type: none"> • Policy of zero tolerance for bribes and corruption. • Training in Saab's Code of Conduct. • Strict scrutiny of marketing consultants and business partners. • Whistleblower system. • Supplier Code of Conduct. • Clear roles and responsibilities. • Information and IT security strategy and security classification. • Internal training on information management for all employees. • Systematic environmental work to reduce environmental impacts. • Occupational health and safety policy. • Participation in the UN's Global Compact. • ISO 9001 and 14001 certified. • Saab's internal ethics and compliance function. • Internal Control and Internal Audit.



Sustainability report

Saab was founded over 80 years ago during a turbulent period in history when Sweden needed the capacity to protect its sovereignty. Saab has since then developed into a trusted international partner that contributes to increased security and defence capabilities in Sweden and many other countries around the world. A commitment to the needs of society has always been at the core of Saab's business.

SUSTAINABILITY APPROACH

Since the founding of the company, a commitment to the needs of society has been at the core of Saab's business. Peace, security and stability is a prerequisite to ensure that we manage to reach the Global Goals for Sustainable Development that we as a global community have set out. In a world where threats against our societies are growing increasingly diverse, Saab contributes to defence and security capabilities around the world.

Through its operations Saab has positive impacts on economic, social and environmental areas. This includes for example security, sustainable innovation, interest in technology, international cooperation, anti-corruption and diversity. Saab continuously strives to mitigate and

minimise the potential negative impacts of its operations and is committed to contributing to sustainable development. Sustainability is integrated in all aspects of Saab's strategy in order to mitigate risk and realise opportunities.

Saab develops innovative, high-tech and cost-efficient systems to increase security for societies and individuals. At the same time, there is an awareness throughout the business that some of the systems and solutions that contribute to greater security can also be misused. This entails a major responsibility. By acting responsibly in everything we do, following laws and regulation and working closely with national authorities we earn the confidence of customers, employees and society.

Saab is today an integral part of the security and defence capability of Sweden and many other countries in the world. As such, Saab has a responsibility to provide our customers with high quality, sustainable and cost-efficient products, especially considering that our products are most often procured by state actors. As one of the largest investors in research and development in Sweden, Saab also contributes to society through sustainable innovations and promoting interest in technology in countries where Saab is active. Through transfer of technology, industrial cooperation and collaboration with academia through so called triple-helix programs Saab aims to spread knowledge and contribute to the development of society.



Saab contributes through its operations to most of the UN's Sustainable Development Goals. The goals that Saab has the biggest opportunity to influence and which have a connection to the business strategy are Goals 4, 5, 9, 13 and 16.



PRIORITY SUSTAINABILITY ASPECTS

Saab serves governments, public authorities and companies around the world with solutions for military defence, aerospace and civil security. We continuously develop, adapt and improve new technology to meet changing customer needs and create value in line with our vision to keep society and people safe.

Sustainability is integrated in every part of Saab's strategy and lays the foundation for the company's long-term development and growth. It is critical for Saab that our stakeholders have confidence that Saab is a responsible actor that contributes to sustainable development.

Saab's sustainability priorities can be summarised in three commitments: security and defence capability, leading compliance programmes, and responsibility for people and the environment across the value chain (illustration on previous page).

ABOUT SAAB'S SUSTAINABILITY REPORT

Saab's sustainability report contains information on the company's development and impact in the areas of anti-corruption, the environment, employees, human rights and society. The report describes work practices, goals, results, performance indicators and material sustainability risks for each area. The sustainability report is prepared in accordance with the Annual Accounts Act and comprises all of the Group's operations for the financial year 2020, unless indicated otherwise. Saab also reports sustainability data in accordance with the Global Reporting Initiative (GRI) and the UN Global Compact. The GRI

Index with cross references to the UN Global Compact can be found at the end of the Sustainability Report. Information about Saab's business model can be found on page 6-9. The information about Saab's carbon dioxide emissions has been subject to a limited assurance and the assurance statement can be found on page 156. Since 2006, Saab reports climate aspects to the carbon disclosure initiative CDP. For more information on CDP and Saab's complete report, see www.cdp.net.



Goals and results

In this sustainability report Saab reports its priority sustainability aspects based on the Swedish Annual Accounts Act's five areas for sustainability - anti-corruption, environment, employees, human rights and society. For an illustration of Saab's

prioritised sustainability issues, please see page 60. Saab's prioritised sustainability issues are integrated in the business strategy, business plan and contribute to Saab's strategic priorities. Saab contributes to several of the UN's 17 Sustainable

Development Goals, and has chosen to prioritise five of them that are closely tied to Saab's business strategy.

ANTI-CORRUPTION

Priority sustainability issue	Long-term goals	Results 2020	Connection to strategic priority	Connection to the UN's SDGs ¹⁾
Zero tolerance for corruption	Saab's anti-corruption program will be among the best in the industry. All employees will understand the importance of and promote openness and integrity.	See pages 66-67	Market	Target 16.5: Reduce corruption and bribery.

ENVIRONMENT

Priority sustainability issue	Long-term goals	Results 2020	Connection to strategic priority	Connection to the UN's SDGs ¹⁾
Reduce climate impact	Reduce Saab's GHG emissions by 33% by 2030 (related to 2017).	37% reduction due to reduced business travel and reduced test flight operations, as well as reduced production in some countries due to Covid	Performance	Goal 13: Climate action.
Phase out hazardous substances	Phase out chromates, cadmium and other prioritized hazardous substances	Analysis of current status and establishment of measurement method. See page 68-70	Portfolio	
Resource efficiency	Reduce waste to landfill by 10% by 2025 (related to 2019)	90% reduction due to reuse of blasting material and annual variations	Portfolio	
	Reduce water usage by 20% by 2025 (related to 2018)	4% increase due to increased production and a leakage in refrigeration plant		
	Reduce number of chemical products with 20% within product categories adhesives and paints by 2025 (related to 2018)	The total amount of chemical products has decreased with 4% while adhesives has increase with 6% and paints with 2%		

EMPLOYEES

Priority sustainability issue	Long-term goals	Results 2020	Connection to strategic priority	Connection to the UN's SDGs ¹⁾
Health and safety	Higher propensity to report incidents with the goal of 10 reported incidents per workplace injury. (Increased incidence reporting leads to fewer accidents.)	4,5 reported incidents per workplace injury	Performance	
Gender equality and diversity	At least 25% of employees and 30% of managers will be women by 2025.	23% of employees and 26% of managers were women	Innovation	Goal 5: Gender equality
Personal development	100% of employees will meet annually with their manager to discuss goals, personal development and performance.	73% of employees have discussed their personal goals, development and performance	Performance	

HUMAN RIGHTS

Priority sustainability issue	Long-term goals	Results 2020	Connection to strategic priority	Connection to the UN's SDGs ¹⁾
Export compliance	Saab will continuously develop rules and processes to remain a leader in export control.	See page 74-75	Market	Target 16.4: Reduce illicit arms flows.
Responsible supplier relationships	Saab will continuously collaborate with suppliers on social and environmental responsibility.	See page 74-75	Performance	

SOCIETY

Priority sustainability issue	Long-term goals	Results 2020	Connection to strategic priority	Connection to the UN's SDGs ¹⁾
Information security	Integrate information security in all central processes.	Integration in 40% of all central processes	Performance	
Product safety	The safety level in Saab's systems and products will meet relevant laws, regulations, international standards and best practices.	See page 76-77	Performance	
Innovation and spreading knowledge	Saab will annually have at least 30 PhD candidates.	48 PhD candidates	Innovation	Target 9.5: Encourage innovation and substantially increase the number of research and development workers.
Promote education and an interest in technology	Increase partnerships with primary and secondary schools in communities where Saab is active.	See page 76-77	Innovation	Target 4.4: Increase the number of youth and adults with relevant skills including technical and vocational skills, for employment.

1) Saab contributes to several of the UN's SDG's. Shown here are only the connections to the five goals Saab has prioritised.



THE GLOBAL GOALS

For Sustainable Development

Based on its priority sustainability issues and opportunities to make a difference, Saab has chosen to focus on five of the UN's Sustainable Development Goals. They are also connected to Saab's strategic priorities as indicated in the sustainability goals and results.



Goal 4. Quality education

Saab focuses in particular on target 4.4, to increase the number of youth and adults with relevant skills, including technical and vocational skills, for employment. Saab contributes to the goal through its commitment to promote education and an interest in technology.



Goal 5. Gender equality

Saab focuses in particular on target 5.5 to ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making. Saab contributes to the goal by working actively to increase the number of female leaders at Saab.



Goal 9. Industry, innovation and infrastructure

Saab focuses in particular on target 9.5 to encourage innovation and substantially increase the number of research and development workers. Saab contributes to the goal through university partnerships, industrial and innovation collaborations, and technology transfers.



Goal 13. Climate action

Saab contributes to the goal and especially target 13.2 by developing sustainable innovations and systematically reducing carbon emissions from its own operations.



Goal 16. Peace, justice and strong institutions

Saab focuses in particular on target 16.4 to fight illicit arms flows and target 16.5 to fight corruption and bribery. Saab contributes by complying with export controls that apply to its products and working systematically to prevent corruption. Saab is also of the opinion that democracy and social welfare cannot be achieved without security, which Saab's products contribute to.

Stakeholder dialogue and materiality analysis

Stakeholder expectations on Saab, together with Saab's own strategic assessment, serve as the basis for selecting priority aspects for Saab's sustainability work (see pages 60-63) and, as a result, the contents of this report. Saab receives input from stakeholders through a number of channels, several examples of which are shown in the table below. Saab also participates in several collaborations and organisations that provide valuable contributions to the work.

The sustainability issues most stakeholders point to as especially important for Saab's operations are zero tolerance for corruption, export compliance and climate change. In regard to climate change stakeholders want to know how Saab works with sustainable innovations, the reduction of carbon emissions from our operations and how Saab can contribute to a sustainable society. The mitigation of adverse human rights conditions in the supply-chain is another important topic for Saab's stakeholders. Each stakeholder group also has expectations on Saab based on their specific area of interest.

Saab has identified a growing interest from stakeholders to engage with Saab on sustainability topics. Especially owners and investors have shown an increased interest in engaging with Saab on sustainability topics during 2020. This is something that Saab welcomes. Saab is continuously developing its materiality assessment and processes for stakeholder dialogue to answer our stakeholders' expectations. This will be a focus during 2021 as Saab continue to develop and improve its performance within the sustainability area.

Stakeholder group	Primary forms of dialog
Owners and investors	<ul style="list-style-type: none"> • Separate meetings with investors on sustainability issues • Annual General Meeting • Sustainability surveys from investors and analysts • Continuous dialog with investors and analysts
Employees	<ul style="list-style-type: none"> • Continuous dialog on the job • Personal reviews • Employee surveys • Dialogue with unions
Students and potential employees	<ul style="list-style-type: none"> • Labour market days and similar events • University collaborations • External surveys on what students expect from future employers
Customers	<ul style="list-style-type: none"> • Personal meetings, trade shows and conferences
Society as a whole, including decision-makers and stakeholder organisations	<ul style="list-style-type: none"> • Participation in defence forums and debates, e.g. Almedalen and Folk and Försvar in Sälen • Participation in trade organisations in Sweden and EU • Collaborations with public organisations and authorities, e.g. the EU and FN • Volunteer work and collaborations with non-profits • Focus groups
Suppliers and partners	<ul style="list-style-type: none"> • Continuous contact with suppliers and partners

Governance of sustainability work

The Board of Directors is responsible for overseeing the company's strategic direction, in which sustainability is an important part, to ensure long-term profitability. The Board adopts the Group's Code of Conduct and sustainability reports. The Strategy Board, which is comprised of representatives from Saab's Group Management and is led by the Chief Strategy Officer, proposes priorities to Group Management. Saab's Corporate Responsibility function coordinates sustainability work within the Group. For each sustainability priority, a person is appointed to drive the process and report each year on the goals and results.

ZERO TOLERANCE FOR CORRUPTION

The Board of Directors is responsible, through the Audit Committee, for overseeing the Code of Conduct and has ultimate responsibility for monitoring and evaluating business ethics. The Ethics and Compliance Board leads and draws up guidelines for this work, makes decisions on ethical issues and follows up whistleblower cases. It meets at least eight times a year and is led by Saab's General Counsel, who reports to the Board of Directors' Audit Committee. Other important functions include Ethics and Compliance, which is responsible for managing and developing Saab's anti-bribery and corruption programme, and Market Network Management, which operates the onboarding processes for Business Partners.

REDUCE ENVIRONMENTAL IMPACT

Group Function Environmental Management develops strategies and targets in the area and coordinates environmental work within the Group to satisfy the requirements of Saab's stakeholders. Goals set at the Group level are broken down for each business area. The business areas perform the environmental work, which is ultimately the responsibility of the head of the business area. The Group Environmental Council ensures that external and internal environmental requirements are embraced and met. Follow-up and evaluation of the work takes place once a year through Management's Review, and during audits at different levels within the company. Environmental targets and activities are followed-up quarterly from the bottom up.

EMPLOYEES

Saab's Head of Group Human Resources has overarching responsibility for HR work within the Group. This work is further developed in close collaboration with the HR functions within each business area and is led by the HR staff. To promote diversity and inclusion, the work is planned and carried out by an engagement team with representatives from all parts of Saab. This team gets direction from and is overseen by a steering group with representatives, called "Champions", from each business areas management team, together with representatives from HR. Their work is overseen by Group Management.

Within the business areas occupational health and safety work is led by the head of the business area, who has ultimate responsibility. The head of the business area then delegates duties within the business area. The HR function supports the work through a specially appointed occupational health and safety coordinator. A group function for occupational health and safety coordinates and develops the work by providing common processes and support tools.

HUMAN RIGHTS

Saab has identified compliance with export regulations (right to life, freedom and personal safety) and responsible supplier relationships (right to fair working conditions) as its most important human rights risks. The company has Group-wide policies and tools to facilitate compliance with the export controls that apply to its products and operations. The Head of Export Compliance is responsible for the company's overarching policy, directives and governing policy documents as well as for providing advice to the businesses on operational issues and monitoring compliance within the company. In addition, each business area has its own export control organisation to manage the work at an operational level. To encourage collaboration and prioritise needs, Saab also has an Export Control Council with representatives from business areas.

Saab works continuously to find better ways to minimise social risks in the supply chain. The Procurement Council, which is comprised of Saab's procurement managers, has overarching responsibility. Strategies are developed by a Group procurement unit. The work at an operational level is coordinated and developed through a work group made up of procurement

representatives from each business area, who are led by the central procurement function. A cross-functional reference group is also available as support.

CONTRIBUTE TO SOCIETY

Saab's ambition is to contribute to social development in the markets where we operate with a focus on promoting education and an interest in technology. This work is guided by Saab's vision and business idea and should, according to the strategy for social engagement, mainly be done with the help of Saab's employees and technologies and focus on encouraging young people to take an interest in technology and education.

Sponsorships are a form of collaboration in which Saab, in return for financial or other types of support, receives the right to use the collaboration as a brand-building activity. Decisions on social engagements and sponsorships are made by the head of communications in the initiating unit. If the sponsorship entails a public or political organisation, the decision must be approved by the Ethics and Compliance Board, which is comprised of members of Group Management.

POLICIES

Saab's sustainability work is managed through established policy documents such as the Code of Conduct, Supplier Code of Conduct, Environmental Policy, Anti-Bribery and Corruption Policy, Modern Slavery Policy, Conflict Minerals Policy, Occupational Health and Safety Policy, Procurement Policy, Diversity Policy, Business Travel Policy and Security Policy. The Code of Conduct contains sections on business ethics, information security, social responsibility, the workplace, the environment and more. The Code is available in Swedish, English, Portuguese, Spanish, German, Arabic and Czech. Saab also has a Supplier Code of Conduct based on the UN Global Compact's ten principles and the International Labour Organization's core conventions. Saab does not have a separate policy for human rights, since these issues are covered in the other policies. Group policies are available to all employees in Saab's global management system. Saab is certified according to ISO 9001, ISO 14001 and ISO 45001.

COLLABORATIONS, INITIATIVES AND MEMBERSHIPS

Saab has participated since 2011 in the UN Global Compact and has pledged to follow its ten principles on human rights, labour, the environment and anti-corruption.

As guidance in its sustainability work, Saab has chosen to participate in a number of sustainability initiatives and organisations. Examples include:

- The business ethics committee of the Aerospace and Defence Industries Association of Europe (ASD)
- The steering committee of the International Forum on Business Ethical Conduct (IFBEC)
- Environmental collaborations through the Swedish Security and Defence Industry Association (SOFF)
- Environmental collaborations within Europe through the Aerospace and Defence Industries Association in Europe (ASD) and globally through the International Aerospace Environmental Group (IAEG)
- International Council of Swedish Industry (NIR)
- Global Compact Network Nordic Countries
- Climate disclosure to CDP
- Fossil Free Sweden (Fossilfritt Sverige)
- Global Reporting Initiative (GRI)
- Green Chain
- ICC Sweden

Anti-corruption

Corruption has negative consequences for society and business and is something Saab will never accept. We are guided by our fundamental values, the Code of Conduct, laws, industry codes of conduct and clearly defined internal processes to prevent corruption risks.

CORRUPTION RISK ASSESSMENT

Saab seeks to identify and assess corruption risks and programme improvements in multiple ways. The compliance module of the enterprise risk management (ERM) process serves to rate the corruption risk in Saab's business dealings. This is done using a method that measures the corruption risk in all business prospects above 50 MSEK against a set of weighted risk indicators and a country risk multiplier. In addition, Ethics and Compliance performs an annual group-wide corruption risk assessment to identify and manage corruption risks and gaps in Saab's anti-corruption programme. Data to the group-wide corruption risk assessment is collected from a number of sources including stakeholder workshops, regulatory requirements, external benchmarking, ERM-output and other metrics. Local compliance reviews in foreign operations are conducted in person at regular intervals of three to four years to verify compliance and identify improvements to the programme. The result of all assessments and activities are converted into actions in annual activity plans or road maps.

SCRUTINY OF BUSINESS PARTNERS

We could not realise all of our achievements without our business partners. At the same time we recognise that business partners may pose a legal and reputational risk if not managed correctly. Therefore, we divide our business partners into four categories based on risk, with each category being subject to specific corruption risk management procedures.

Business Partners that are engaged in promoting or assisting our marketing and sales efforts or strategic planning ("business intermediaries") are deemed to represent the highest risk. Their engagement is therefore governed by a centralised process serving to (i) assess the business intermediary's credentials and suitability for the assignment through due diligence and background controls, (ii) train and bind the business intermediary to Saab's anti-bribery and compliance expectations through appropriate contractual commitments,

and (iii) follow-up and control the business intermediary's performance and conduct. The Ethics and Compliance Board approves individual engagements above certain thresholds and reviews statistics.

Saab's internal auditors conduct reviews each year of a number of selected business intermediaries to verify compliance and ensure that the intermediary is acting in line with Saab's values and contractual terms.

Similar corruption risk management processes are applied for other high-risk business partners, such as prime contractors, offset suppliers and joint ventures.

GIFTS AND HOSPITALITY

Saab's rules on gifts and hospitality provide clear guidance and set requirements of approval depending on the value of the benefit. A tool is in place to document and identify red flags. Saab also has rules on sponsorships that require all public sector commitments to be approved according to special procedures.

TRAINING

Web-based Code of Conduct and basic anti-corruption training is mandated for all employees. Senior executives, business leaders and those in high-risk functions including marketing and sales, industrial co-operations, project management and sourcing also receive recurring and customized classroom training. The Board of Directors receives more extensive anti-corruption training every three years with the latest training taking place in 2020. In 2020, Saab produced two new e-learning for Marketing and Sales and

Procurement, respectively, which will be included in the training programme.

WHISTLEBLOWER SYSTEM

Employees who become aware of or suspect non-compliance with laws or Saab's Code of Conduct are expected to report it through Saab's whistleblower system, which complements traditional line reporting.

The system is administered by an external party and allows employees to report anonymously online and by phone, or to pose questions regarding ethical issues.

INTERNATIONAL CO-OPERATION

Saab engages in industry initiatives, such as IFBEC, ASD and SOFF, to benchmark the quality of our anti-bribery and anti-corruption efforts and share best practice.

EXAMPLES OF ACTIVITIES IN 2020

- Updated the business partner on-boarding process
- Introduced a group-wide corruption risk assessment
- Launched a corruption risk tool for Enterprise Risk Management
- Produced new e-learning for marketing & sales and procurement
- Conducted training of Board of Directors and Group Management

PLANNED ACTIVITIES IN 2021

- Introduction of Ethics and Compliance Officers at Business Areas
- Digitalisation of business partner on-boarding process
- Review of Mergers & Acquisitions process
- Update of face-to-face training material

Performance indicators

	2019	2020	Goal
Number of classroom anti-corruption training sessions	16	43	
Number of business intermediaries audited during the year	5	2 ¹	5
Number of concerns reported through whistleblowing system ²	13	11	

¹) Due to travel restrictions

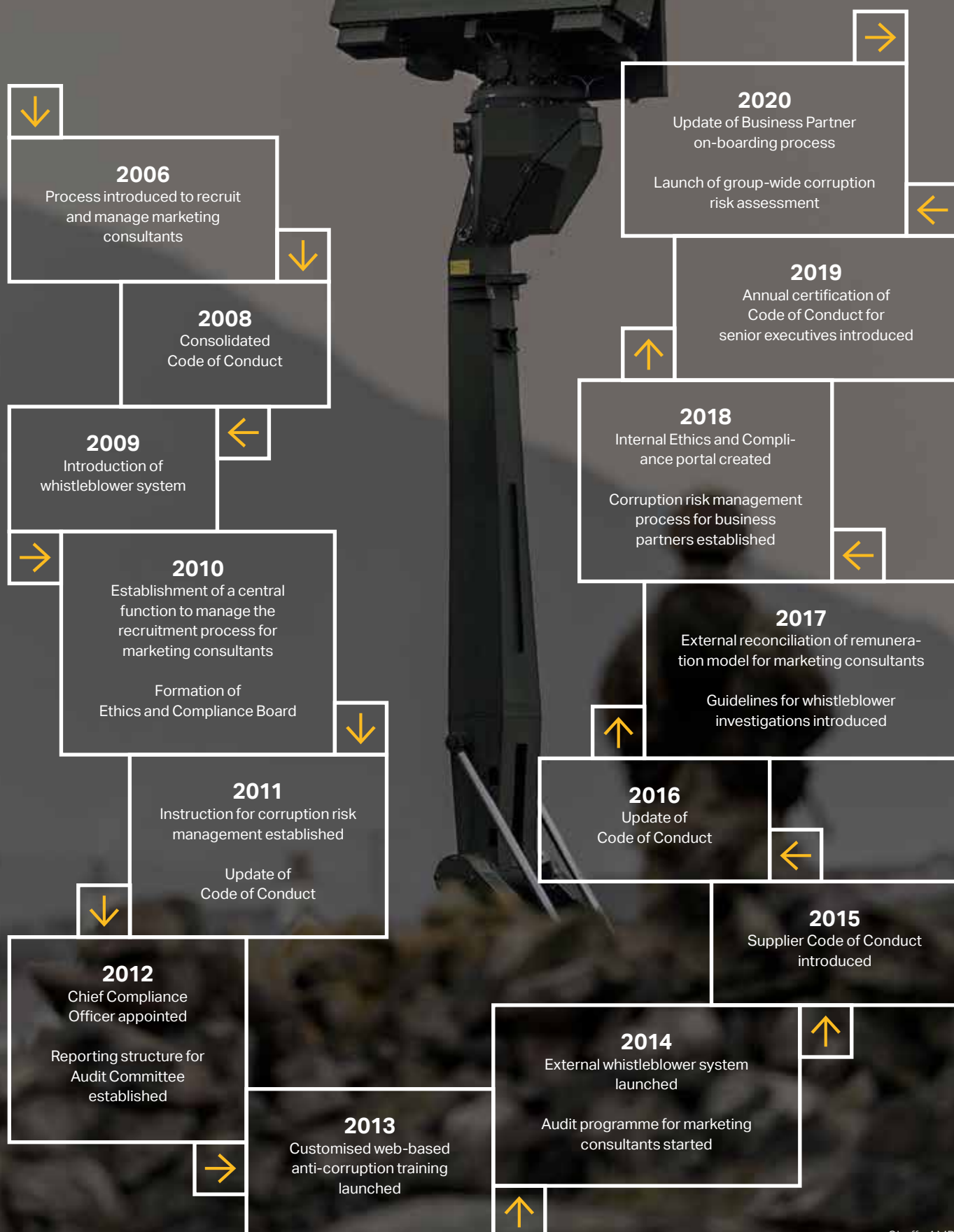
²) Further information can be found on page 79

PRIMARY RISKS

- Non-compliance can have a negative impact on social development in the countries where Saab is active and result in loss of confidence in Saab and the values the company stands for.

PRIMARY POLICY DOCUMENTS

- Code of Conduct
- Supplier Code of Conduct
- Anti-bribery and Corruption
- Gifts and hospitality
- Sponsorships and social engagement



Giraffe AMB

Environment

To strengthen and maintain competitiveness in the future and contribute to a sustainable society, Saab is working actively to reduce its environmental impact, both from its own operations and its products.

Saab's environmental strategy is focused on reducing our own climate impact, phasing out hazardous substances and using the resources more efficiently. Environmental aspects and requirements are reflected in Saab's global management system and integrated in every stage of the product lifecycle, from product development to end-of-life.

REDUCE CLIMATE IMPACT

In 2018, Saab set a corporate wide goal to reduce greenhouse gas emissions by at least 33 per cent by 2030. The goal was set in order to contribute to the Paris Agreement.

Compared to 2017, the greenhouse gas emissions during 2020 have decreased by 37 per cent, whereby emissions from business travel have decreased by 65 per cent in large due to travel restrictions from the Covid-19 pandemic.

Despite the effects of reduced travel due to travel restrictions dependent on Covid-19, Saab has continued the efficiency efforts to reduce greenhouse gas emissions. In spring Saab joined the Swedish initiative Fossil Free Sweden (Fossilfritt Sverige) to support Sweden's work towards becoming the world's first fossil-free welfare nation by the year 2045. Parallel to this, Saab took the decision to phase out fossil-fuel-only vehicles used in business travel by 2025. Meanwhile the decision was also taken to facilitate and accelerate the deployment of fully electric vehicles, whereby Saab has installed charging stations for electric vehicles at all main sites and has set a 5-year plan to further increase the number of charging stations.

A large share of Saab's carbon emissions come from business travel. Because of this, we try in various ways to travel more efficiently and encourage the use of digital meetings. The pandemic has given insight that it is possible to use digital meetings to a larger extent and most likely, this will contribute to a change in behaviour even after the pandemic.

To reduce emissions from own operations, we are also improving the energy efficiency of our properties. Previous years

activities focusing on increased energy efficiency and local energy production through solar PV at our site in South Africa, continue to result in lower emissions from our operations there. Furthermore, increased investments have been made throughout the company during 2020 which are estimated to reduce electricity and heat consumption by up to 3 540 MWh per year.

Climate aspects are an important consideration in Saab's long-term business strategy, since climate change and related requirements most likely affect our business. During the year, Saab has therefore initiated work with an internal analysis of financial risks and opportunities associated with climate change. The work is based on the guidelines of the Taskforce on Climate-related Financial Disclosures (TCFD) and is expected to continue in 2021 and thereafter.

Saab reports climate aspects to the global reporting framework CDP and in accordance with the Greenhouse Gas (GHG) Protocol. We are proud that for 2020 we received the CDP rating A-. For information on CDP and Saab's complete report, see www.cdp.net.

RESOURCE EFFICIENCY AND CIRCULARITY

Within the area of resource efficiency and circularity, Saab has set targets to reduce use of raw material, water use and waste to landfill as well as to reduce the number of chemical products and further improve design of our products concerning environmental aspects.

Saab continually works to ensure resource efficiency and limit environmental impact at an early stage in our product development process. Architectural solutions are evaluated against criteria such as ability to meet requirements (such as modularity, hazardous material, environmental impact), ability to adapt to projected future needs, development potentials and aspects on maintenance, support and logistics. Through this process, Saab's products are designed for long operating lives. One example is the Gripen multirole aircraft which, besides having an optimised design with light materials and low fuel consumption, has a unique maintenance concept that extends its operating life. Gripen's smart and easily adaptable technical solutions enables rapid upgrade of the avionics of the aircraft whenever new technology becomes available, which

also provides for a long and efficient operating life.

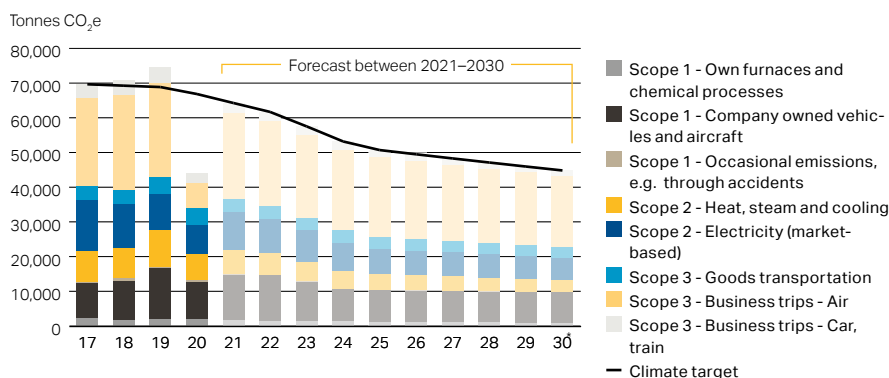
Saab has several examples of circular business models where we provide a service or functionality instead of selling the specific equipment or hardware. This extends the products' lifecycles and optimises use of resources. One example during 2020, is an order from the Swedish Civil Contingencies Agency (MSB) on aerial firefighting missions. Saab provides full aerial firefighting services with our own aircraft, pilots and maintenance. Another example is where Saab allows customers to lease combat training material, instead of making a purchase, which contributes to a more efficient and circular use of resources.

Within production, Saab's increasing use of additive manufacturing (also known as 3D printing) will contribute to meeting our target on reduction of raw material usage and preventing waste. During 2020, a demonstrator on one of Saab's products showed that additive manufacturing can decrease raw material usage by as much as 75 per cent. Currently, several of Saab's products contain 3D printed components and the number of components ready for serial production is steadily increasing.

Digitalisation is often seen as an enabler within circular economy. In 2020, Saab established one of Sweden's first live installations of a Private Network. Private networks makes it possible for the owners to introduce 5G technology in their own IT infrastructure with full control over both equipment and data. This can be used within areas such as logistics to track and optimise flows or to follow up on the usage, wear, and service needs of machinery and tools to increase efficiency and enable extension of product lifecycles.

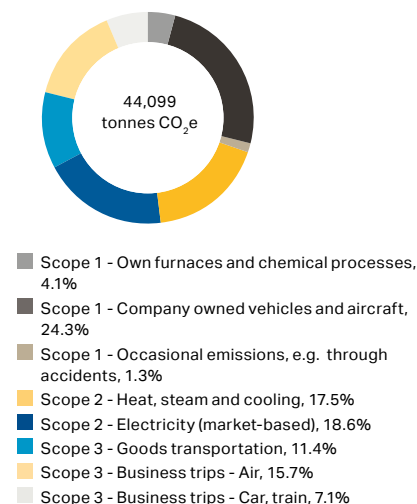
Another example of circularity is found at Saab Kockums' shipyard in Karlskrona. Saab Kockums has taken measures during the year to further enable reuse of sand/steel blasting material. Previously, approximately 100-200 tonnes of blasting waste per year was disposed of at landfills. Now the blasting material is either reused within the site or externally.

GHG emissions relative to Saab's climate target 2030

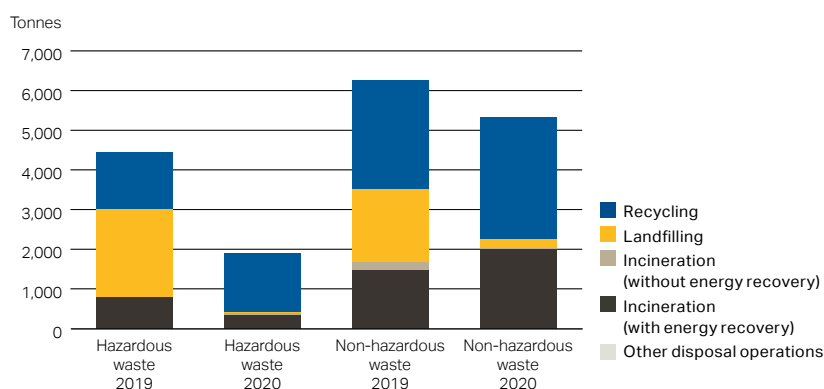


The values for GHG emissions for 2017 - 2019 were adjusted during the year. This was because more detailed data was collected and the analysis methods were improved.

GHG emissions by source



Waste directed to disposal



Total weight of waste directed to disposal in metric tons. All waste to the disposal operations are managed onsite.

Our reporting of greenhouse gases takes into consideration the following gases, all converted into CO₂-equivalents (CO₂e): CO₂, CH₄ (methane), N₂O (laughing gas), SF₆, HFCs, PFCs and NF₃.

Our scope 3 reporting includes the categories where we have quality assured data and a good possibility to influence the suppliers. We work continuously to improve data to include remaining categories with significant impact.

The majority of our sources are from annually updated sources from IEA (www.iea.org), DEFRA (www.gov.uk) och Lokala miljövården (www.energiforetagen.se).

PwC has provided limited assurance on Saab's emissions of greenhouse gases as presented in the diagrams on this page. The assurance statement is on page 156.

WASTE MANAGEMENT

During 2020, Saab's units generated a total of 7,244 tonnes of waste. The data includes waste generated within own production sites and offices, such as:

- Packaging material from transportation of procured components and sub-systems (paper, plastic, wood etc)
- Rinsing liquids, degreasing waste etc. from surface treatment and residues of process chemicals in production
- Metal and carbon fiber waste from shaping in production
- Residues of aviation fuel from production tests, trouble-shooting and maintenance of aircrafts
- Electric and electronic equipment, metal scrap and waste chemicals from maintenance of products and systems owned by our customers
- Electric and electronic equipment, paper etc. from office related activities
- Waste sand/steel blasting material from maintenance of vessels

Saab sorts its waste generated in Saab operations in different categories to enable handling of materials according to the waste hierarchy. Saab stores hazardous waste enclosed to prevent leakages. Waste is sent to different local waste management facilities which in turn send reports on the received waste. Based on the received reports, Saab units report waste, separated in different categories, into a central reporting system. Saab ensures minimised impact by verifying that waste management operators have necessary permits so that hazardous waste is safely processed, and reports externally on disposal in accordance with relevant regulations.

PHASE OUT HAZARDOUS SUBSTANCES

As a producer and supplier of products, services and solutions worldwide, Saab is working to replace substances of high concern with safe and feasible alternatives where possible, in order to meet global environmental regulations.

Saab's long-term strategy for phase out of hazardous substances is developed and maintained in order to:

- avoid dependency of a substance, process or article that are or will be subject to restrictions
- secure technical performance
- ensure that current and future legislation, as well as customer requirements, are met

Other goals within Saab's strategy for phasing out hazardous substances are to minimise the risk of impact on human health, the environment, increase traceability of hazardous substances and the awareness of risks related to such substances in the supply chain.

The long-term goal to phase out chromates, cadmium and other prioritised hazardous substances according to internal plans, based on external requirements, is handled through the mapping and implementation of activities, as well as follow-up of Key Performance Indicators that provide an indication of the overall trend and progress of our work.

Qualification of new materials, components and processes are of great importance to Saab in order to handle restrictions on substances based on legal and customer requirements as well as manage obsolescence concerns. Several internal programmes are currently underway to find alternatives and to qualify new materials, chemical products, primer systems and surface treatments in order to phase out specific hazardous substances. Chromates and cadmium compounds have the highest priority within Saab. Meanwhile we participate in international projects with the goal of developing alternatives to replace surface treatments that contain chromates and/or cadmium compounds.

Due to the high safety and technical performance standards in the aviation and defence sector, some hazardous substances cannot be replaced at present.

EXAMPLES OF PERFORMED ACTIVITIES IN 2020

Climate

- Established Saab's Climate Impact Portfolio by categorisation of Saab's products and services that enable reduced carbon emission and increased resource efficiency.
- Granted financing from Saab's Climate Fund in order to contribute to the development of environmental sustainable innovations with reduced climate impact.
- Energy efficiency investments to reduce the heat demand in the facilities in Linköping, has reduced purchased heat by 2 244 MWh / year, corresponding to 224 tonnes in reduced CO₂ emissions.
- Replaced three oil boilers with heat pumps within site Arboga, leading to a reduction of CO₂ emissions by 79 tonnes.
- Energy efficiency measures related to air pressure systems, lighting, ventilation and industrial processes (specifically paint shop) have led to a reduction in energy by 1 297 MWh / year.
- Initiatives to engage employees and increase awareness of emission reduction potentials, for example through Saab Digital Environmental Week, cycling campaigns and cooperation with local transport operators.
- Dialogs with mobility operators to facilitate increased access to public transportation.

Resource efficiency

- Studies on optimised use of secondary raw materials, minimized residual waste and actions to increase reuse instead of disposal
- Further examined the water saving potentials identified in the study on water consumption conducted in 2019
- Implemented new solution for reuse of sand/steel blasting material at Saab Kockums' shipyard in Karlskrona

Hazardous substances

- Participated in a project with the purpose to develop and publish a new standard for Zn/Ni plating for fasteners to replace cadmium plating in the aeronautical sector.
- Qualified supplier with alternative to cadmium plating.
- Developed lead free alternatives for ignitors in Ground Combat Product portfolio.

PLANNED ACTIVITIES IN 2021

- Install systems for detailed energy monitoring and real-time monitoring at three major production properties in Linköping to optimise energy usage at the site.
- Continued energy efficiency measures at our sites with focus on highest emission reduction potential.
- Increase awareness regarding emissions from business travel and how business travel can become more efficient.
- Activities in the system engineering phase to assess and implement more resource efficient products.
- Increase reuse of blasting material from the shipyard of Muskö
- Participate in international technical exchange projects to evaluate and qualify new alternatives that can replace materials, processes and chemical products that contain hazardous substances.
- Further, increase the knowledge of hazardous substances in products within our product portfolio.

PRIMARY RISKS

- That Saab fails to reduce greenhouse gas emissions in accordance with our goal
- That Saab does not find or have acceptable qualified alternatives to replace existing hazardous substances or substances with upcoming restrictions
- Extreme weather conditions that affect the supply chain, our own operations and customers
- Unknown historical contamination of land and water

PRIMARY POLICY DOCUMENTS

- Environmental policy
- Code of Conduct
- Supplier Code of Conduct

Employees

To be even more competitive in the future, Saab has to stay on the forefront of technology. Employees are the driving force that will take this work forward.

For every employee to have a chance of maximising their potential requires competent and engaged leaders. The ambition is to continue to develop even more business-oriented and performance-driven leadership, where innovation, internationalisation and diversity are important elements.

DEVELOP AND RETAIN

Every employee should clearly understand the expectations placed on them. A performance-driven culture contributes to engagement and opportunities for every employee to reach their potential. It is important therefore that employees and their managers have ongoing, meaningful discussions about expectations and the goals that have to be met, and that feedback is given on a regular basis. Saab measures employee engagement, and the results serve as a basis for dialog and development between leaders and their employees.

Saab offers various forms of skills and leadership development for all its employees. The most important aspect of planning development activities is to identify real life and on-the-job experiences that will lead to learning, for example to be given new, expanded or challenging tasks. Learning from co-workers is promoted, for example having mentor – mentee relationships and joining internal networks. Formal training is a part of personal development, some of which is mandatory for all employees, and digital learning, which is flexible and cost-efficient.

To identify potential in employees, Saab uses a well-established talent process. Based on the individuals growth-needs development plans are put in place aiming to prepare for future steps, for example to a leadership position. Actions include



gaining a more in-depth understanding of the company when identified for positions where collaboration between business areas or functions are key to business success. Development programmes are available for recent graduates and those starting out in their careers as well as those transitioning into a next level position or role.

Saab has long-term collaborations with a number of institutes of technology and universities, mainly in Sweden but also abroad, to jointly ensure that they are teaching the right skills for the future. We encourage our employees to research and work toward a PhD by doing basic

research. Saab's specialists and adjunct professors guest lecture at schools to share their knowledge.

ATTRACT EMPLOYEES

To remain competitive, Saab has to continue to attract the right talent. The company is working to position itself as an attractive employer among students and professionals.

Online and physical activities, for example instance study visits, is important to share what work is like at Saab. Employees are encouraged to talk about what they do professionally and why they work at Saab. Opportunities for students and

Share of female
managers globally

26%

Share of female
employees globally

23%

professionals to learn more are offered through for example summer jobs and thesis work.

Saab is also working long-term to promote education and an interest in technology among young students in order to broaden its future recruiting base and at the same time take social responsibility. Learn more about Saab's social engagement on page 76-77.

HEALTH AND SAFETY

A prerequisite for high performance and a sustainable work life is that Saab offers a safe, secure and healthy workplace from a physical, organisational and social perspective. All managers should have the tools and knowledge to promote a healthy and safe workplace for the employees. The continuous work with health and safety contributes to the health of Saab's employees and productivity.

In order to achieve our goals within health and safety two focus areas has been identified. Firstly, to continue to implement the established health and safety process globally and ensure the certification process of ISO 45001. Saab will work to strengthen the leadership and project management within the area. Secondly, Saab will work to develop activities in the health strategy in order to support a sustainable work life.

Occupational health and safety is built into the business processes early on to address the risks that can be associated with assignments in high-risk environments. An important obligation as an employer is to ensure that employees are prepared and well-equipped for travel and foreign assignments. Saab therefore has extensive routines and training prior to travel.

DIVERSITY

Saab is an inclusive workplace where diversity and gender equality are given. We at Saab have a firm belief, which is supported by research, that the different perspectives diversity brings to an organisation are a source of innovation. Having equal treatment and non-discrimination as a principle is also in line with human rights. All those who work with recruitment receive training in diversity issues, and diversity is a parameter in leadership training and the global recruitment process. The company has a number of networks for women and a network for diversity in a broader sense.

A majority of Saab's employees are men. Saab has therefore focused for several years on increasing the share of women in management positions. Through systematic and consistent efforts, the company has succeeded in doubling the share of women in management roles in the ten years, between 2007 and 2017. Saab has remained focused on gender equality and has now raised this target. However, this focus needed to be broadened and now diversity and inclusion is part of Saab's engagement and culture focus. This work is planned and carried out by an engagement team with representatives from all parts of Saab. This team gets direction from and is overseen by a steering group with representatives from each business areas' management team, together with representatives from HR. Their work is overseen by Group Management.

Saab in South Africa has started several projects aimed at people who are having difficulty entering the job market. As part of a skills programme, Saab has hired disabled youth, who receive training and mentorship so that they can fully contribute to the business. The company also provides annual training for a number of unemployed youth on the so-called ICP standards, a sought-after skill in the manufacturing sector. The projects align with the South African government's action plan to overcome social and economic imbalances created by apartheid, Broad Based Black Economic Empowerment (BBBEE).

EXAMPLES OF ACTIVITIES IN 2020

- Continued to implement and develop the prioritised activities in the People Strategy
- Continued the strategic workforce planning work in order to identify the long-term skills, competencies and capabilities needed and to make short-term actions to reach them.
- Implemented new digital support for employees, including shared support for all HR issues.
- Implemented new digital onboarding, including pre-onboarding, for new hires
- Pre-study made and finalised to prepare for a successful implementation of a new learning platform.
- Continued to encourage individual performance management discussions by launching support check-ins, promoting ongoing feedback.

- A global certificate for ISO 45001 in place. Sites will be added to the certificate according to the certification plan.
- A health strategy have been developed and activities in the strategy performed. In Sweden a tool for notification of sick leave is implemented.

PLANNED ACTIVITIES IN 2021

- Implement Saab learning landscape, to support and foster continuous learning and realise Saab's strategic workforce plans.
- Continue the implementation of a new strategy to attract the right future talents and future-proof our employer brand
- Continue to support people performance.
- Strengthen our leadership pipeline and capability.
- Continue the certification process of ISO 45001 according to the planning for 2021.
- Continue the global implementation of our ways of working and KPIs for follow up on performance.
- Implement a global health and safety E-learning to increase the knowledge about Saab's Health and Safety Policy and how it can be implemented in the daily work.
- Identify activities in the health strategy that promote sustainable work life.

PRIMARY RISKS

- That Saab fails to attract and retain the right talents
- That Saab fails to promote diversity and inclusiveness, affecting an important source of innovation
- That employees do not understand what is expected of them, have no clear goals and development plans, impacting performance
- That Saab fails to provide working conditions for employees to maintain a work-life balance
- That Saab fails to provide safe working conditions so that employee health is affected by factors in the work situation

PRIMARY POLICY DOCUMENTS

- Code of Conduct
- Occupational health and safety policy
- Travel security policy
- Diversity policy

Performance indicators – Develop

	2019	2020	Goal
Number of training sessions completed by employees during the year (only training booked through Saab's internal training portal)	75,825	48,059	
Share of employees who respond in the employee survey they are engaged in their work	78,1%	81,4%	80%
Share of employees who have discussed their personal goals, development and performance with their manager	Measured globally from 2020	73%	100%
Employee turnover (Sweden)	10%	6%	

Performance indicators – Attract

	2019	2020	Goal
Number of master's degree candidates (Sweden)	232	226	At least 150
Number of summer jobs (Sweden)	380	159	
Rank in Universum's survey of Swedish engineering students' favourite places to work (Sweden)	9	6	

Performance indicators – Health and safety

	2019	2020	Goal
Number of reported incidents per workplace injury (a higher propensity to report incidents reduces the risk of workplace injuries)	3.2	4,5	10
Lost Time Injury Frequency Rate (LTIFR) (Sweden)	1.09	0,85	
The number (and rate*) of fatalities as a result of work-related injuries	Not reported	0 (0)	
The number (and rate*) of high-consequence work-related injuries (excl. fatalities)	Not reported	6 (0,2)	
The number (and rate*) of recordable work-related injuries	Not reported	348 (11,6)	
The main type of work-related injury	Not reported	Minor cut/crush injuries	
Health index (percentage of employees who have taken 40 hours or less of sick leave in a year) (Sweden)	74.5%	67,68%	
Sick leave (Sweden)	3.09%	3,59%	
Sick leave, women (Sweden)	4.59%	5,05%	
Sick leave, men (Sweden)	2.64%	3,13%	

* Hours worked in 2020: 30,026,731 (calculations for rates based on number of events, divided by number of hours worked, times 1,000,000)

Performance indicators – Diversity

	2019	2020	Goal
Share of women in Group Management	33%	31%	
Share of women on the Board of Directors (AGM elected)	40%	36%	
Share of female summer workers (Sweden)	40%	33%	
Share of female master's degree candidates (Sweden)	35%	34%	
Share of women in the Saab skills programme (South Africa)	40%	44%	
Average age of Saab's employees	45 years	45 years	
Saab's grade in B-BBEE (Broad Based Black Economic Empowerment), a South African programme to assist the previously disadvantaged groups	Level 4	Level 4	
Share of female managers globally	25%	26%	30%
Share of female employees globally	23%	23%	25%
Share of female managers in Sweden	28%	29%	35%
Share of female employees in Sweden	23%	24%	30%



Human rights

Saab's stakeholders expect Saab to act and conduct business responsibly. Saab continuously works to mitigate negative impacts inside and outside of its organisation, in line with the UN Guiding Principles on Business and Human Rights which states that business actors have a responsibility to respect human rights.

Saab has pledged to apply the UN Global Compact's ten principles and has integrated them in its Code of Conduct. Through procurement processes and in contacts with partners, we spread awareness of the UN Global Compact and in this way promote the values Saab stands for. Saab has an impact on human rights through its work in a number of areas, ranging from diversity and occupational health and safety to anti-corruption and export control. The work with human rights is a continuous process that develops over time.

In accordance with the UN Guiding Principles for Business and Human Rights Saab has identified the most important human rights issues connected to the company's operations: compliance with export regulations (right to life, freedom and personal safety) and responsible supplier relationships (right to fair working conditions).

COMPLIANCE WITH EXPORT REGULATIONS

At the same time that defence material contributes to upholding human rights it can, if misused, also lead to different forms of human rights violations. The export of defence materiel therefore represents a great responsibility and is subject to strict regulations. Target 16.4 of the UN Sustainable Development Goals specifically addresses the reduction of illicit arms flows.

The UN Charter establishes that every country has the right to protect its citizens against acts of aggression. A military defence is the ultimate expression of this. A domestic defence industry is an important component in a country's defence capabilities, but requires sales and technological collaborations with other countries for its long-term development.

A major part of Saab's exports is from Sweden, where the Inspectorate of Strategic Products (ISP) determines on behalf of the government which defence products Saab may sell to which countries. Defence exports require authorisation, which can be given if there are security and defence policy reasons for the export, if it is consistent with Swedish foreign policy interests and it does not contravene any of Sweden's international commitments or obligations. Export authorisations are granted on a case-by-case basis, where ISP weighs a

number of criteria in a comprehensive assessment. ISP also takes into account the type of product involved; see below.

Saab has its own internal processes to weigh the risks associated with among other things human rights to evaluate new

THE TYPE OF PRODUCT BEING EXPORTED IS FACTORED INTO EXPORT AUTHORISATION DECISIONS

The licensing authority in Sweden divides the products into the following categories:

- Military equipment for combat, e.g. weapons
- Other military equipment, e.g. radar surveillance systems
- Dual use products, e.g. electronics and computers

business opportunities. Saab also has a dialogue with Swedish authorities concerning the security and human rights situation in the world, which together with Saab's own assessment of the risks with business opportunities informs internal processes.

Saab has Group-wide policies and tools to facilitate compliance with the export controls that apply to its products and operations. The Head of Export Compliance is responsible for the company's overarching policy, directives and governing documents as well as for providing advice on operational issues and monitoring compliance. In addition, each business area has its own export control organisation to manage the work at an operational level. To encourage collaboration and prioritise needs, Saab has an Export Control Council with representatives from the business areas.

Saab regularly updates its processes to improve the work. Continuous internal training on export controls is provided to employees who come into contact with controlled products or technologies. For export control officers and other key employees, a biennial conference is held to review various export controls and related legal matters. We also work with other industries through trade associations in Sweden, EU and U.S.

RESPONSIBLE SUPPLIER RELATIONSHIPS

Saab's view is that actively addressing social and environmental sustainability in the supply chain is not only positive for people and the environment, but also promotes other values such as quality, a long-term outlook and profitability.

A large share of Saab's purchases is from Sweden and involves components and technologies connected with its systems, and to a lesser extent operational and other services. The majority of suppliers are in Europe. This means that deliveries are usually from suppliers that operate in regions with stringent requirements and principles for social and environmental sustainability. Regardless of where our suppliers operate, we have to be observant and have the competence to have a constructive dialogue with a supplier if we feel that they are not living up to our requirements and values. An important part of the work is to ensure that our suppliers place similar demands on their subcontractors. This applies not least to Saab's ambition to have products free

from minerals that are extracted in a way that is not socially sustainable, so-called conflict minerals. The Supplier Code of Conduct includes a special section on conflict minerals and Saab also has a policy and rules on them.

EXAMPLES OF ACTIVITIES IN 2020

- Continued with third party audits of suppliers concerning sustainability issues.
- Continued to work with cross-functional teams and business partners on sustainability in the supply chain, in order to identify challenges, improve knowledge and find new ways-of-working.
- Launched an e-learning on sustainability and responsibility in the supply chain, which addresses challenges and how to mitigate sustainability risks.
- Participation in network for business and human rights.

PLANNED ACTIVITIES IN 2021

- Conduct third party audits of suppliers to evaluate compliance with Saab's Supplier Code of Conduct.
- Continue to develop export compliance training programmes tailored for specific needs with the organisation.
- Start the use of web-based tool to monitor suppliers and their progress with sustainability.
- Expand Saab Procurement Academy with course sections about sustainability and responsibility.

PRIMARY RISKS

- Non-compliance with Saab's Supplier Code of Conduct
- That minerals and other raw materials Saab and its subcontractors use in their products are obtained from conflict zones

PRIMARY POLICY DOCUMENTS:

- Code of Conduct
- Supplier Code of Conduct
- Conflict minerals policy
- Modern Slavery Policy
- Export control policy

Society

Saab's sustainability commitment is rooted in its mission to make people and society safe by contributing to security and defence capabilities. With its high-tech businesses, Saab also creates additional value for society.

Saab's operations play an important role in driving innovation and technological development in society. With employees in a large number of locations, Saab creates jobs and opportunities for collaboration and spreads knowledge. Considering the products it sells, Saab naturally takes responsibility for information and product security.

INNOVATION AND SPREADING KNOWLEDGE

Saab's advanced product development generates know-how, technological solutions and innovations for the future. An important part of Saab's innovative capabilities is how we collaborate outside the company to gain access to new knowledge. Partnerships with universities are one example that we have had for many years. Among other things, this gives Saab employees the opportunity to research towards a PhD, while researchers and students from the schools can get involved in Saab's work. In collaboration with the universities, a number of adjunct professors have been appointed.

Another initiative is designed to simplify partnerships with start-ups. During the year, Saab has continued working cross-functionally to find needs where it would be beneficial to use start-up solutions and make proof-of-concepts. Based on a proof-of-concept Saab has placed a first order on a start-up solution to become a standard tool.

During the year a concept for an incubator for cross-organisational ideas, the Greenhouse, has been piloted and the first projects have been delivered. Also, the Additive Manufacturing Innovation Lab has delivered several successful products that will contribute to innovation. Other innovation labs are being built to understand, demonstrate and test disruptive technologies and support early dialogues with customers. Governance of the cross-company innovation and technology initiatives has been established during 2020 with the Innovation and Technology Council chaired by the CTO.

When Saab signs large defence contracts, they usually contain more than just

a product sale. Many countries also want technology and skills transfers as well as various forms of industrial cooperation. Through customised offerings, Saab has contributed together with partners to several successful projects that affect the country's economy in a positive direction.

Sweden is seen by many countries as a leader in entrepreneurship and innovative thinking. Saab brings the way research and development is done in Sweden to new markets by building relationships with academia, businesses and the public sector. Together with several other large Swedish companies, universities and Sweden's Innovation Agency, Vinnova, Saab has pushed to create innovation platforms in customer countries. The initiative is led by Vinnova and coordinates Swedish innovation activities in a number of countries, such as Canada, Brazil and India, to increase collaboration between Sweden and the partner countries. Activities during the year included "innovation weeks" on how to improve the effectiveness of countries' innovation ecosystems, match-making with start-ups, initiation of bilateral project alliances and benchmarking in various technological areas.

Many potential customers want access to the technology and capabilities Saab can offer. At the same time, this gives Saab an opportunity to participate early on in customer projects. For example, Saab is one of the founders of the Swedish-Brazilian Research and Innovation Centre CISB in Brazil. The organisation has 17 members and over 100 partners.

Some of Saab's development projects result in product ideas that fall outside the core business. These projects are managed by Saab Ventures, which together with outside investors further develops the ideas and finds a natural home for them. See examples at www.saab.com.

PROMOTE EDUCATION AND AN INTEREST IN TECHNOLOGY

Saab's ambition is to contribute to social development in the markets where we operate with a focus on promoting education and an interest in technology. This creates confidence in Saab's business and helps to develop skills that are beneficial to society as well as to Saab. Social initiatives are mainly done with the help of the company's employees, since this provides valuable experience for those who get involved.

To promote an interest in technology, Saab offers a number of activities for children and young adults from preschool upward. Everything from technology classes for kids, technology contests, study visits and summer engineering school to a high school programme where students have close contact with Saab's businesses. See more examples at www.saab.com.

Saab has taken this ability to think innovatively and create change and applied it to equestrian sports by sponsoring a concept called Equestrian Innovations. With innovative thinking, Saab wants to play a part in helping the sport to develop. A number of exciting collaborative projects create new knowledge and lead to greater innovation, at the same time that they spark interest in an engineering education among young equestrians. Saab gets young people involved through seminars on innovation and personal development tied to the equestrian environment.

INFORMATION SECURITY

Saab manages information that is vitally important to its customers and in many cases to Sweden's and other nations' security. In an increasingly uncertain world with growing cybersecurity challenges, continuous and systematic security management is critical.

Saab has a global security organisation and works in accordance with ISO 27001 to continuously improve the security governance and security management within the company. We perform regular training and have processes in place for risk and incident management, security audits and vulnerability management. In order for

EXAMPLES OF UNIVERSITIES SAAB PARTNERS WITH

- KTH Royal Institute of Technology in Stockholm
- The Institute of Technology at Linköping University
- Chalmers University of Technology, Gothenburg
- The Swedish Defence University, Stockholm
- Lund University, Lund
- Aalto University, Finland
- Nanyang Technology University, Singapore
- Purdue University, USA
- Imperial College, UK
- Cranfield University, UK

Performance indicators - Information Security

	2019	2020	Goal
Information security integrated in all central processes	35%	40%	100%
Data privacy – turn around time for data subject access request	30 days	10 days	Semi-automated process
Data privacy integrated in all central process	20%	40%	100%

Performance indicators - Innovation and Promoting interest in Technology

	2019	2020	Goal
Number of PhD candidates	45	48	30
Number of participants in youth seminars on equestrian sports	600	240*	
Share of employees in South Africa who are part of "Saab Skills Programme"	9%	6%	

* Reduction in participants due to meeting restrictions

Saab to go from demand-driven security to process-integrated security, Saab established a goal in 2019 to introduce information security controls in all central processes.

DATA PRIVACY

Saab is committed to protecting the personal data of our employees and customers. In a rapidly changing regulatory landscape with growing emphasis on data protection and privacy, every organisation needs to build capability to meet existing and new regulatory challenges. Saab has established a global privacy organisation and has a governance structure for data protection. We perform regular employee training and have processes in place for incident management and data subject access request, as well as privacy by design and by default.

PRODUCT SAFETY

With a product portfolio containing everything from advanced aircraft systems to submarines, it is imperative that Saab's products are safe to use and do not cause harm to people, property or the environment. The safety level of Saab's systems and products must meet applicable laws, regulations, international standards and best practices. The methodical safety analysis conducted during product development is described in the System Safety Handbook and included in Saab's global enterprise management system.

System safety engineers in Saab's organisation perform the analysis work in the projects and share knowledge on product safety through information and training. Collaboration in this area is important and affects not only the system safety engineers, but many others such as

designers, systems engineers, buyers and project leaders.

To guarantee the continued airworthiness of its military and commercial aircraft, Saab has special processes for aviation and system safety. As part of the processes, Saab monitors how the aircraft are used and analyses all reported incidents. Another area with high product safety demands is the submarine and surface vessels business.

EXAMPLES OF ACTIVITIES IN 2020

- Continued collaboration with start-ups.
- Swedish India Traffic Safety and Innovation Partnership (SITIS) launched together with AB Volvo, Ericsson, Autoliv, Tech Mahindra, Chalmers and numerous Indian partners to create innovative solutions.
- Saab converted part of its production to produce personal protective equipment (PPE) for the health care sector and to help Society combat the Covid-19 pandemic.
- Lol signed between Saab, ABB and Mölnlycke to increase the Swedish resilience by joining forces for smart digitalised and flexible production in the wake of the Covid-19 pandemic.
- Implemented information security management system according to ISO 27001 for all for all business areas and business units.
- Created publicly accessible tools for Data Subject Access Requests.
- Established support processes at group and local level for guidance regarding data privacy.
- Identified employees in need of data privacy training and conducted training sessions.

PLANNED ACTIVITIES IN 2021

- Continue to working with innovation labs for research on disruptive technology.
- Implement information security management system according to ISO 27001 for all operational countries and country units.
- Improve and enhance internal processes for data breach managing and data subject access requests
- Integrate data privacy training in onboarding process.
- Continue to educate employees in need of data privacy training.

PRIMARY RISKS

- That information falls into the wrong hands due to mishandling or a break-in in Saab's IT systems
- Future shortage of engineers
- Failure to comply with local privacy laws or GDPR

PRIMARY POLICY DOCUMENTS:

- System safety policy
- Security policy
- Data Protection policy
- Policy on sponsorships and social engagement
- Code of Conduct

GRI Content Index

Saab has been reporting in accordance with the Global Reporting Initiative (GRI) yearly since 2014. For 2020, the report has been prepared in accordance with the GRI Standards: Core option. The report comprises all of the group's operations for

the financial year 2020, unless indicated otherwise. The GRI-index is issued in connection with Saab's annual report and is a complement to Saab's sustainability report that is included in the annual report. The GRI-index below contains

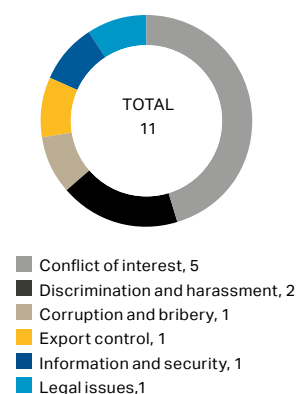
page references to Saab's Annual Report (AR), CDP-report and website. The table also contains references to the UN Global compact's ten principles.

For more information about GRI please visit www.globalreporting.org.

GENERAL DISCLOSURES	DESCRIPTION	PAGE REFERENCE/NOTE	UN GLOBAL COMPACT
Organisational profile			
102-1 (GRI:2016)	Name of the organisation	Saab AB	
102-2	Activities, brands, products and services	AR 46-51, 74-75	
102-3	Location of headquarters	AR 45	
102-4	Location of operations	AR 159	
102-5	Ownership and legal form	AR 45	
102-6	Markets served	AR 24-25	
102-7	Scale of the organisation	AR 2-3, 82, 159	
102-8	Information on employees and other workers	AR 82	
102-9	Supply chain	AR 75	
102-10	Significant changes to the organisation and its supply chain	AR 52	
102-11	Precautionary principle or approach	AR 60, 64-65, 68-70	Principle 7
102-12	External initiatives	AR 60, 65	
102-13	Membership of associations	AR 65	
Strategy			
102-14	Statement from senior decision-maker	AR 4-5, 42-43	
Ethics and integrity			
102-16	Values, principles, standards and norms of behavior	Saab Code of Conduct*	All principles
Governance			
102-18	Governance structure	AR 64-65, 84-89	
Stakeholder engagement			
102-40	List of stakeholder groups	AR 64	
102-41	Collective bargaining agreements	All employees in Sweden have collective bargaining agreements (no information on rest of the world)	Principle 3
102-42	Identifying and selecting stakeholders	AR 64-65	
102-43	Approach to stakeholder engagement	AR 64-65	
102-44	Key topics and concerns raised	AR 64-65	
Reporting practice			
102-45	Entities included in the consolidated financial statements	AR 141-142	
102-46	Defining report content and topic boundaries	AR 60-65	
102-47	List of material topics	AR 60	
102-48	Restatements of information	No restatements	
102-49	Changes in reporting	No changes	
102-50	Reporting period	AR 78	
102-51	Date of most recent report	27th of February 2020 (Annual Report 2019)	
102-52	Reporting cycle	AR 78	
102-53	Contact point for questions regarding the report	cr@saabgroup.com	
102-54	Claims of reporting in accordance with the GRI Standards	AR 78	
102-55	GRI content index	AR 78-82	
102-56	External assurance	The GRI report has not been externally assured	



Anti-Corruption: Number and type of concerns reported through whistleblowing system



ECONOMIC DISCLOSURES	DESCRIPTION	PAGE REFERENCE/NOTE	UN GLOBAL COMPACT
Economic performance			
103-1, 103-2, 103-3	Management approach	AR 8-9, 65, Code of Conduct* The impact occurs both inside and outside of Saab	
201-1 (GRI:2016)	Direct economic value generated and distributed	AR 99	
Anti-corruption			
103-1, 103-2, 103-3	Management approach	AR 64-65, 66-67.	Principle 10
Other material disclosure	Audits of marketing consultants	AR 66	Principle 10
ENVIRONMENTAL DISCLOSURES	DESCRIPTION	PAGE REFERENCE/NOTE	UN GLOBAL COMPACT
Energy			
103-1, 103-2, 103-3	Management approach	AR 64-65, 68-70. Impact occurs inside and outside of Saab	Principles 7-9
302-1 (GRI:2016)	Energy consumption within the organisation	AR 68-70, for more detailed data see Saab's CDP report at www.saab.com	Principle 8
302-4 (GRI:2016)	Reduction of energy consumption	AR 68-70, for more detailed data see Saab's CDP report at www.saab.com	Principle 8
Emissions			
103-1, 103-2, 103-3	Management approach	AR 64-65, 68-70. Impact occurs inside and outside of Saab	Principles 7-9
305-1 (GRI:2016)	Direct (Scope 1) GHG emissions	AR 68-70, for more detailed data see Saab's CDP report at www.saab.com	Principle 8
305-2 (GRI:2016)	Energy indirect (Scope 2) GHG emissions	AR 68-70, for more detailed data see Saab's CDP report at www.saab.com	Principle 8
305-3 (GRI:2016)	Other indirect (Scope 3) GHG emissions	AR 68-70, for more detailed data see Saab's CDP report at www.saab.com	Principle 8
305-5 (GRI:2016)	Reduction of GHG emissions	AR 68-70, for more detailed data see Saab's CDP report at www.saab.com	Principle 8



Effluents and waste

103-1, 103-2, 103-3	Management approach	AR 64-65, 68-70. Impact occurs inside and outside of Saab	Principles 7-8
306-1, 306-2 (GRI:2020)	Topic-specific management approach	AR 68-70	Principle 8
306-3 (GRI:2020)	Waste generated	AR 68-70	Principle 8
306-5 (GRI:2020)	Waste directed to disposal	AR 68-70	Principle 8

Environmental compliance

103-1, 103-2, 103-3	Management approach	AR 64-65, AR 68-70. Impact occurs inside and outside of Saab	Principle 8
307-1 (GRI:2016)	Non-compliance with environmental laws and regulations	One fine, á 50 000SEK, identified for non-compliance with environmental laws and/or regulations. No other significant fines and non-monetary sanctions.	

Supplier environmental assessment

103-1, 103-2, 103-3	Management approach	AR 75. Impact occurs mainly outside of Saab	Principle 8
308-1 (GRI:2016)	New suppliers that were screened using environmental criteria	All new strategic suppliers. Saab cannot disclose number of suppliers due to confidentiality restraints.	Principle 8

* Link to Saab Code of Conduct: <https://www.saab.com/about/sustainability/policies-and-statements>

SOCIAL DISCLOSURES	DESCRIPTION	PAGE REFERENCE/NOTE	UN GLOBAL COMPACT
Occupational health and safety			
103-1, 103-2, 103-3	Management approach	AR 64-65, 71-73. Impact occurs mainly inside of Saab, in particular for employees	Principles 1-2
403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7 (GRI:2018)	Topic-specific management approach	Visit www.saab.com/about/sustainability/ for more information	Principles 1-2
403-9 (GRI:2018)	Work-related injuries	AR 73	Principles 1-2
Other material disclosure	Number of reported incidents per workplace injury	AR 73	Principles 1-2
Training and education			
103-1, 103-2, 103-3	Management approach	AR 64-65, 71-73. Impact occurs both inside and outside of Saab, in particular for employees	
404-3 (GRI:2016)	Percentage of employees receiving regular performance and career development reviews	AR 73	Principle 6
Other material disclosure	Number of completed training sessions by Saab's employees	AR 73	
Diversity and equal opportunities			
103-1, 103-2, 103-3	Management approach	AR 64-65, 71-73. Impact occurs both inside and outside of Saab, in particular for employees	Principle 6
405-1 (GRI:2016)	Diversity of governance bodies and employees	AR 73, 82	Principle 6

**102-7:
SCALE OF THE ORGANIZATION/
TOTAL NUMBER OF OPERATIONS**

31 DEC 2020

Number of operations

Sweden	72
Outside Sweden	96
Total	168

**102-8:
INFORMATION ON EMPLOYEES
AND OTHER WORKERS**

WOMEN

MEN

TOTAL

Sweden employees

Full time	3,361	11,120	14,481
Part time	182	237	419
Total	3,543	11,357	14,900

Outside Sweden employees

Full time	614	2,414	3,028
Part time	78	67	145
Total	692	2,481	3,173

Total employees

Full time	3,975	13,534	17,509
Part time	260	304	564
Total	4,235	13,838	18,073

**405-1:
DIVERSITY OF GOVERNANCE
BODIES AND EMPLOYEES**

WOMEN

MEN

TOTAL

Employees

Under 30 years	580	1,671	2,251
30–50 years old	2,203	6,437	8,640
Over 50 years old	1,454	5,728	7,182
Total	4,237	13,836	18,073

Group management

Under 30 years	0	0	0
30–50 years old	2	3	5
Over 50 years old	2	6	8
Total	4	9	13

Board of directors*

Under 30 years	0	0	0
30–50 years old	1	2	3
Over 50 years old	3	5	8
Total	4	7	11

* Those elected by the Annual General Meeting.

Operations subject to licensing or notification requirements pursuant to the Swedish Environment Code

LICENSED OPERATIONS IN THE PARENT COMPANY

Production of aircraft and aircraft components by the Parent Company, Saab AB, in Tannefors industrial zone in the municipality of Linköping is subject to licensing pursuant to the Swedish Environment Code due to aeronautics operations, surface treatment processes, manufacturing of composite materials, handling of chemical substances, the firing of large caliber weapons and the size of the manufacturing facilities. The environmental impact of these operations primarily arises from emissions of volatile organic compounds (VOC) and aircraft emissions into the atmosphere, emissions of metals into water, the generation of industrial waste and noise disturbing local surroundings. The operations subject to licensing requirements predominantly entail manufacturing. In 2019, the Land and Environmental Court granted a new permit for the operations in Linköping (Tannefors).

In Järfälla, Saab AB has operations involving the manufacture of advanced command and control systems and electronic warfare systems, among other things, which are also subject to licensing under the Environment Code. The licensing requirement is due to surface treatment processes and the size of the manufacturing facilities. The environmental impact of these operations primarily arises from metals into waterways. The National Licensing Board for Environmental Protection granted the permit in 1990.

With the exception of a few exceeded recommended values, Saab AB did not exceed any of the conditions of its permits or violate any injunctions in 2020.

LICENSED OPERATIONS IN SUBSIDIARIES

The operations carried on by Saab Airport AB are subject to licensing under the Environment Code and are covered by the permit issued by the Land and Environmental Court that gained legal force early 2019 for Saab's collective operations in Tannefors industrial zone in the municipality of Linköping. This permit also covers the operations of Saab Dynamics AB in the area, despite the fact that they are not subject to licensing and notification requirements under the Environment Code.

Saab Dynamics AB and Saab Bofors Test Center AB run operations in Karlskoga that are subject to licensing under the Environment Code and Saab Barracuda AB runs licensed operations in Gamleby. In 2019, Saab Dynamics AB in Karlskoga was granted a new environmental permit by the county administrative board in Örebro. The new permit gained legal force early 2020.

Saab Bofors Test Center AB also runs operations subject to licensing in the municipalities of Degerfors, Lindesberg, and Härjedalen. The permit in Lindesberg expired on June 30 2020 and there was no need for renewal due to changed operations. Saab Dynamics AB runs operations subject to licensing in the municipalities of Linköping (Malmslätt). In addition, Saab Kockums AB runs operations subject to licensing in Karlskrona and on Muskö island, south of Stockholm. The environmental impact from subsidiaries that are subject to licensing requirements primarily consists of emissions of VOCs from workshops, emissions from aircraft into the atmosphere, emissions of metals and de-icing solvents into water, generation

of industrial waste, storing and transfer of explosive goods, and noise disturbing local surroundings.

Final conditions, for the operations in Karlskrona, including noise and discharges to water obtained in 2019, came into force in 2020. In 2020, the operations in Karlskrona received a minor corporate fine for a breach of conditions regarding notification and approval prior to decontamination of soil. In other respects, operations were conducted in Karlskrona and at Muskö in accordance with the applicable conditions in its permit.

OPERATIONS SUBJECT TO NOTIFICATION REQUIREMENTS

Saab AB has operations in Arboga, Frösön, Huskvarna, Ljungbyhed, Linköping (Malmslätt) and Nyköping which are subject to notification requirements pursuant to the Environment Code. The Group also has operations subject to notification requirements in the subsidiary Saab Dynamics AB in Motala municipality. There the permit is still in effect, however. Two other subsidiaries have operations subject to notification requirements: N. Sundin Dockstavarvet AB in Kramfors municipality and Muskövarvet AB on the island of Muskö in Haninge municipality. The environmental impact of these operations is limited.

Corporate governance report

INTRODUCTION

Saab AB is a Swedish public limited liability company and the company's Series B shares are listed on Nasdaq Stockholm.

Saab's corporate governance is based on the Swedish Companies Act, the Swedish Annual Accounts Act, Nasdaq Nordic Main Market Rulebook for Issuers of Shares (Nasdaq Rulebook), the Swedish Code of Corporate Governance and other relevant Swedish and foreign laws, regulations and guidelines.

Saab has a Code of Conduct containing ethical guidelines in a number of areas on how the company and its employees are expected to act in contacts with customers, business partners and in society as well as their interaction with one another as colleagues. Saab's Code of Conduct is a part of the governance of Saab.

Swedish Code of Corporate Governance

Since Saab's shares are traded on Nasdaq Stockholm and it must follow good practices in the securities market, Saab is also obligated to comply with the Swedish Code of Corporate Governance (the Code). The Code is available at www.bolagsstyrning.se.

This Corporate Governance Report is prepared in accordance with the Annual Accounts Act and the Code, and describes how Saab applied the Code in the financial year 2020. Saab's website, www.saab.com, has a special section on corporate governance, which is updated continuously in accordance with the Code.

The Corporate Governance Report includes the Board of Directors' report on internal control over financial reporting.

This Corporate Governance Report has been reviewed by the company's auditor. Saab did not deviate from the provisions of the Code in 2020.

Nasdaq Rulebook

Saab has during 2020 had two different cases in the disciplinary committee at Nasdaq Stockholm. The disciplinary committee has tried whether Saab has acted in breach of the Nasdaq Rulebook in respect of disclosure of information. In decision 2020:03, the disciplinary committee found that Saab has acted in breach of the Nasdaq Rulebook and ordered Saab to pay a fine of four annual fees, corresponding to an amount of SEK 7,767,039. In decision 2020:04, the disciplinary committee found that Saab had not acted in breach of the Nasdaq Rulebook.

1

SHAREHOLDERS' MEETING AND OWNERSHIP STRUCTURE

The shareholders' meeting is the highest decision-making body in a company. At the shareholders' meeting, the shareholders have the opportunity to exercise their voting rights.

The Annual General Meeting (AGM) shall be held within six months of the end of each financial year. At the Annual General Meeting' shareholders vote, for example, on resolutions relating to the annual report, dividend, Board election, Board fees, auditor's fees, adoption of remuneration guidelines for senior executives and, when applicable, election of the external auditor and other matters stipulated in the Companies Act.

Preparations for and the execution of the AGM 2020 were carried out in accordance with the Code, and the AGM 2021 will also comply with the provisions of the Code. The Annual General Meeting of Saab was held on 1 April 2020 in Stockholm and the event was affected by the ongoing pandemic Covid-19 and applicable restrictions in the society. Only 239 shareholders were

represented at the meeting, the majority via proxy and only a very few in person, representing about 64 per cent of the total number of votes in the company. This year the Annual General Meeting will be held on 13 April 2021 for more information, see page 157.

On 31 December 2020, Saab's share capital amounted to SEK 2,173,533,552 and consisted of 2,383,903 Series A shares and 133,461,944 Series B shares. Series A shares have ten votes each, while Series B shares have one vote each. A Series A share may, on demand of the owner, be converted to a Series B share. The Saab shares are registered with Euroclear Sweden AB. The quota value per share is SEK 16. The Series B shares are listed on Nasdaq Stockholm's Large Cap list. The Series A shares are not listed. All Series A shares are owned by Investor AB.

The Board of Directors has an authorisation from the shareholders' meeting to repurchase own shares; see pages 96-97. As of 31 December 2020, Saab held 3,598,774 of its own Series B shares, corresponding to 2.65 per cent of the share capital. For more information on the ownership structure, see pages 84, 158.

Largest shareholders, 31 December 2020

Source: Modular Finance	% of capital	% of votes
Investor	30.2	40.6
Knut and Alice Wallenbergs Foundation	8.8	7.8
Första AP-fonden	4.4	3.9
AllianceBernstein	2.3	2.0
AFA Insurance	2.2	1.9
Vanguard	1.9	1.7
Schroders	1.6	1.4
Unionen	1.4	1.2
Nordea Fonder	1.4	1.2

2

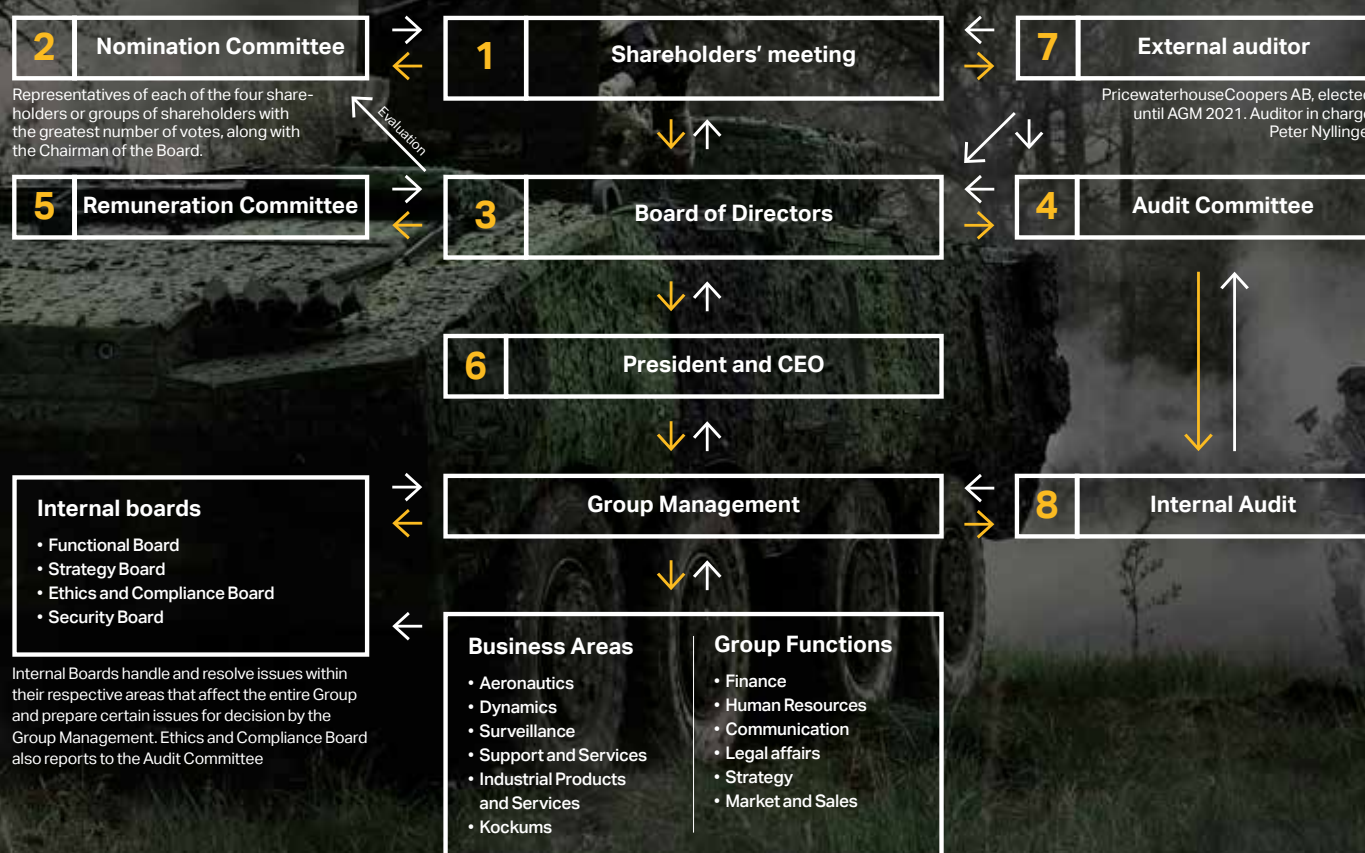
NOMINATION COMMITTEE

According to the Nomination Committee process adopted by the Annual General Meeting 2011, which applies until further notice, Saab shall have a Nomination Committee consisting of one representative of each of the four shareholders or groups of shareholders with the greatest number of votes, along with the Chairman of the Board. The names of the four shareholder representatives and the shareholders they represent shall be announced at least six months prior to the Annual General Meeting based on known votes as per the last business day of August in the year before the Annual General Meeting. The Nomination Committee process includes procedures, where necessary, to replace a member who leaves the committee before its work has been completed.

According to the process, the Nomination Committee shall prepare a proposal on the following issues to be presented to the Annual General Meeting for resolution:

- Chairman of the shareholders' meeting
- Board of Directors
- Chairman of the Board
- Remuneration to the members of the Board, allocated between the Chairman and other members of the Board, and remuneration for committee work
- Election of auditor, (if applicable), and
- Fees paid to the company's auditor.

GOVERNANCE AND REPORTING



All operating units report monthly and quarterly according to a standardised routine.

Prior to the Annual General Meeting on 1 April 2020, the Nomination Committee issued a proposal for resolution on the Chairman of the shareholders' meeting, the Board of Directors, Board fees and auditor fee. The Nomination Committee has applied rule 4.1 of the Code as a diversity policy with respect to the Board. The goal of the policy is that the Nomination Committee's proposal shall lead to that Saab will have a board with an appropriate composition and with satisfactory diversity and breadth in terms of gender, competence, age, experience and background.

Prior to the Annual General Meeting on 13 April 2021, it was announced in a press release on 22 September 2020 that, in addition to Chairman of the Board Marcus Wallenberg, the following shareholder representatives had been appointed to the Nomination Committee (shareholder's name in parentheses): Petra Hedengran (Investor AB), Peter Wallenberg Jr (Knut and Alice Wallenberg Foundation), Ossian Ekdahl (Första AP-fonden) and Anders Algotsson (AFA Försäkring). Petra Hedengran is Chairman of the Nomination Committee.

The Nomination Committee members represent in the aggregate approximately 53 per cent of the votes in Saab based on the ownership structure as of 31 August 2020.

The proposals of the Nomination Committee for resolution at the Annual General Meeting 2021 will be announced in connection with the notice of the Annual General Meeting 2021.

Members of the Nomination Committee for Annual General Meeting 2021

Member	Representing	% of votes, 31 Aug 2020	% of capital, 31 Aug 2020
Petra Hedengran	Investor AB	39.69	30.16
Peter Wallenberg Jr	Knut and Alice Wallenberg Foundation	7.62	8.82
Ossian Ekdahl	Första AP-fonden	3.79	4.39
Anders Algotsson	AFA Försäkring	2.11	2.44
Marcus Wallenberg	Chairman of the Board of Saab AB		

3

BOARD OF DIRECTORS**Composition of the Board**

According to Saab's Articles of Association, the Board of Directors shall, in addition to the employee representatives, consist of at least six and not more than twelve members. Board members are elected annually by the shareholders' meeting. According to the resolution of the Annual General Meeting on 1 April 2020, Saab's Board of Directors shall consist of eleven members elected by the shareholders' meeting with no deputies. In addition, employee organisations appoint three Board members with an equal number of deputies.

At the Annual General Meeting on 1 April 2020, Sten Jakobsson, Danica Kragic Jensfelt, Sara Mazur, Johan Menckel, Daniel Nodhäll, Bert Nordberg, Cecilia Stegö Chilò, Erika Söderberg Johnson, Marcus Wallenberg and Joakim Westh were re-elected. Micael Johansson was elected as a new Board member. Marcus Wallenberg was elected Chairman of the Board.

The current composition of the Board is the result of the Nomination Committee's work prior to the Annual General Meeting 2020 applying the diversity policy. The members of the Board of Directors of Saab represent a diversity and breadth in terms of gender, competence, age, experience and background. In the aggregate, the Board combines the competence and experience that are important to Saab's operations and that the Nomination Committee deems are needed to meet Saab's future challenges and needs. Of the Board members elected by the shareholders' meeting, and not employed by the company, 40 per cent are women.

At the statutory Board meeting after the Annual General Meeting, Sten Jakobsson was elected Deputy Chairman of the Board. Only CEO Micael Johansson is employed by the company and at the same time a member of the Board.

Information on remuneration to the members of the Board as resolved by the AGM 2020 is set forth in note 8.

Members of the Board elected by the shareholders' meeting

Marcus Wallenberg	Sara Mazur	Cecilia Stegö Chilò
Micael Johansson	Johan Menckel	Erika Söderberg Johnson
Sten Jakobsson	Daniel Nodhäll	Joakim Westh
Danica Kragic Jensfelt	Bert Nordberg	

Employee representatives

Regulars	Deputies
Stefan Andersson	Conny Holm
Göran Andersson	Magnus Gustafsson
Nils Lindskog	Tina Mikkelsen

The Board members' other significant professional commitments, work experience, shareholdings etc. are set forth in the presentation of the Board of Directors on pages 91-92.

Independence requirement

The table sets forth the Board members elected by the shareholders' meeting who, according to the provisions of the Code, are considered independent in relation to the company and its management, as well as in relation to the company's major shareholders.

Composition and independence of the Board in 2020

Member	Elected	Independent of company/management	Independent of major shareholders
Marcus Wallenberg	1992	Yes	No ¹⁾
Micael Johansson	2020	No ²⁾	Yes
Sten Jakobsson	2008	Yes	Yes
Danica Kragic Jensfelt	2017	Yes	Yes
Sara Mazur	2013	Yes	No ³⁾
Johan Menckel	2019	Yes	Yes
Daniel Nodhäll	2017	Yes	No ⁴⁾
Bert Nordberg	2016	Yes	Yes
Cecilia Stegö Chilò	2010	Yes	Yes
Erika Söderberg Johnson	2017	Yes	Yes
Joakim Westh	2010	Yes	Yes

¹⁾ Member of Investor AB's Board

²⁾ President and CEO of Saab AB

³⁾ Member of Investor AB's Board

⁴⁾ Employed by Investor AB

Accordingly, the company fulfils the Code's requirement that a majority of Board members appointed by the shareholders' meeting are independent of the company and its management, and that at least two are independent of the major shareholders.

Work of the Board

According to the Board's rules of procedure, seven ordinary meetings shall normally be held each year, in addition to the statutory meeting. The Board can also meet when circumstances demand. In 2020, the Board held one statutory meeting, seven ordinary meetings and nine extra meetings, a total of seventeen meetings. The Board meetings in 2020 were held in Stockholm. The Board has during October 2020 visited Kockums' operations in Karlskrona and Surveillance's operations in Gothenburg.

The Board annually adopts rules of procedure, an instruction on the division of work between the Board and the CEO, and an instruction on financial reporting to the Board.

The rules of procedure contain provisions on the number of Board meetings, a list of matters to be considered at the meetings, reporting from the auditor, and special decisions to be taken at the statutory meeting. The rules of procedure and special instruction for the CEO set forth the delegation of responsibilities between the Board and its two committees, the Remuneration Committee and the Audit Committee, including the Chairman's role, as well as the division of duties between the Board and the CEO.

The instruction for the CEO sets forth the CEO's duties and authority, including matters which require a Board decision. Policies on investments, financing and reporting are also connected to the instruction.

During the year, the Board was assisted by the secretary of the Board of Directors, General Counsel Annika Bärems, who is not a member of the Board.

The Board of Directors' meetings follow an agenda. Prior to each meeting, Board members receive documentation and supporting material for the issues on the agenda. At each Board meeting the CEO presents a Market and Operations Report. A financial report is also presented at each Board meeting and is addressed in detail prior to the publication of the interim reports and the year-end report. The Board regularly considers investments,

research and development, organisational issues, management of significant risk areas, and acquisitions and divestments. The Board's annual work includes deciding on the company's business plan and strategy, which in 2020 were addressed in December. The Board meeting in December also considers the company's budget for the coming year as well as Enterprise Risk Management. The Board then also addressed the performance targets in the company's two performance related share plans. In 2020, the Board especially focused on issues relating to major projects such as Gripen NG to Brazil, Gripen E to Sweden, A26 to Sweden, GlobalEye to the United Arab Emirates and the T-7A jet trainer to the U.S. Air Force as well as other significant export and marketing issues. The Board has also during 2020 worked with specific strategic matters, matters related to effects of the Covid-19 pandemic and the appointment of two new deputy CEOs, Christian Luiga and Anders Carp. In 2020, the company arranged one special information session for the Board members, where they received detailed information on i.a. Gripen, certain market opportunities and strategic considerations.

The work in the committees represent an important part of the Board's work. After each meeting of the Audit and Remuneration Committees, the respective Chairman submits a report to the Board on the issues that were dealt with at the meeting. The Board then adopts resolutions on any matters prepared by the committees.

4

BOARD OF DIRECTORS' COMMITTEE WORK**Audit Committee**

In accordance with the principles set out in the Swedish Companies Act and the Code, the Board of Directors has appointed an Audit Committee consisting of three members. The work of the Audit Committee is mainly of a preparatory nature, i.e. preparing matters for resolution by the Board. The Audit Committee has certain limited decision-making power. For example, it has established guidelines for services other than auditing that the company may procure from the auditor. The Audit Committee's members following the Annual General Meeting 2020 are Joakim Westh (Chairman of the Committee), Daniel Nodhäll and Erika Söderberg Johnson, whereof both Joakim Westh and Erika Söderberg Johnson are independent of the company and its management as well as of the major shareholders. Moreover, all members of the committee have

accounting or auditing competence. The General Counsel, Annika Bärems, was secretary to the Audit Committee in 2020.

The Audit Committee's assignment is set forth in the Board's rules of procedure. The Audit Committee shall, among other things, monitor the company's financial reporting and submit proposals to ensure the integrity of the financial reporting, monitor the efficiency of the company's internal control, internal audit and risk management in respect of the financial reporting, keep itself informed of the audit of the annual report and consolidated accounts, inform the Board of the results of the audit, review and monitor the auditor's impartiality and independence, assist the Nomination Committee in preparing the proposal for the shareholders' meeting's election of the auditor and in certain cases procure auditing services, in addition to establishing guidelines for services other than auditing that may be provided by the company's auditor. Moreover, the Audit Committee shall annually monitor and evaluate the effectiveness and appropriateness of the company's business ethics programme, including the Code of Conduct, and keep itself informed of material deviations or non-compliance with the company's business ethics regulations, including whistle-blower reports, through regular reporting from the Ethics and Compliance Board. The company's external auditor normally participates in the meetings of the Audit Committee. In 2020, the Audit Committee focused especially on current issues relating to the company's financial position, matters related to effects of the Covid 19 pandemic, the financial reporting, execution of major projects, budget, risk management, internal control and issues relating to the company's business ethical rules. During 2020, the Audit Committee has also arranged a public tendering process for selection of auditor and assisted the Nomination Committee with a proposal for election of auditor.

The Audit Committee keeps minutes of its meetings, which are distributed upon request to the other members of the Board. In 2020, the Committee held five meetings.

5

Remuneration Committee

In accordance with principles set out in the Code, the Board of Directors has appointed a Remuneration Committee consisting of three members. The Remuneration Committee's members following the Annual General Meeting 2020 are Sten Jakobsson, Marcus

Attendance and board remuneration in 2020

Name	Audit Committee	Remuneration Committee	Board meetings attended ¹⁾	Committee meetings attended ²⁾	Board remuneration KSEK ³⁾	Audit Committee remuneration KSEK	Remuneration Committee remuneration KSEK	Total remuneration KSEK
Marcus Wallenberg		x	17	4	1,900		90	1,990
Micael Johansson			17 ⁴⁾					
Sten Jakobsson		x	17	4	700		150	850
Cecilia Stegö Chiló			12		620			620
Danica Kragic Jensfelt			16		620			620
Sara Mazur			15		620			620
Johan Menckel			17		620			620
Daniel Nodhäll	x		17	5	620	165		785
Bert Nordberg		x	17	4	620		90	710
Erika Söderberg Johnson	x		16	5	620	165		785
Joakim Westh	x		17	5	620	250		870

¹⁾ Of a total of 17 meetings in 2020.

²⁾ Of a total of 5 meetings of the Audit Committee in 2020 and 4 meetings of the Remuneration Committee in 2020.

³⁾ Refers to the remuneration resolved by the AGM 2020 for the period until the AGM 2021. CEO Micael Johansson does not receive remuneration.

⁴⁾ Elected by the AGM in April 2020; Participated in the first 6 meetings as CEO.

Wallenberg and Bert Nordberg. Sten Jakobsson is the Chairman of the Committee. All are independent of the company and its management. The General Counsel, Annika Bärems, was secretary to the committee in 2020.

The Remuneration Committee's assignments are to prepare the Board's resolutions on remuneration principles, remuneration and other terms of employment for the Group Management, monitor and evaluate variable remuneration programmes for the Group Management, both ongoing and those ended during the year, and monitor and evaluate the application of the remuneration guidelines for senior executives adopted by the Annual General Meeting as well as the current remuneration structures and levels in the company. The Remuneration Committee also proposes remuneration guidelines for senior executives, which, following resolution by the Board of Directors, are submitted to the Annual General Meeting. Matters concerning the employment terms, remuneration and other benefits for the CEO are prepared by the Remuneration Committee for resolution by the Board. The Remuneration Committee is responsible for interpretation and application of the remuneration guidelines for senior executives and to prepare (on behalf of the Board) a report regarding remuneration in accordance with the guidelines. The Remuneration Committee has no decision-making powers of its own. In 2020, the Remuneration Committee focused especially on issues relating to the company's long-term incentive programmes, including the proposed performance targets in the company's two performance related share plans, a new pension plan for senior executives and the preparation of a remuneration report in accordance with new regulatory requirements.

The Remuneration Committee keeps minutes of its meetings, which are distributed upon request to the other members of the Board. In 2020, the Committee held four meetings.

EVALUATION

The Chairman of the Board annually performs an evaluation of the Board's work and possible improvement areas, in order to develop the forms and effectiveness of its work. The evaluation is made by having Board members respond to a questionnaire and give their opinions on the Board's work and performance. The results are then compared with previous years and discussed at the Board meeting in December.

The questionnaire consists of six parts covering the breadth of the Board's competence, how the Board conducts its work, the Chairman, the Board's composition, the cooperative atmosphere and possible improvements. The Chairman of the Board does not participate in the Board's discussion on the results of the Chairman's evaluation.

The Nomination Committee is informed of the results of the evaluation in connection with preparing its proposal on the composition of the Board.

The Board continuously evaluates the CEO's work by monitoring the company's performance relative to established goals. The Board annually evaluates the CEO's work through its members' responses to a questionnaire on the CEO in the areas of performance, organisation, people and leadership. The CEO does not participate in this evaluation.

6

CHIEF EXECUTIVE OFFICER

The President and CEO of Saab is Micael Johansson and he is also a member of the Board of Directors. His significant professional commitments outside the company, earlier positions and shareholding in the company are set forth in the presentation of the Board of Directors, see page 91. Micael Johansson does not have

shareholdings or partnerships in any company with which Saab has important business relations.

GUIDELINES FOR REMUNERATION AND OTHER BENEFITS FOR SENIOR EXECUTIVES

The guidelines for remuneration and other benefits for senior executives are found on pages 94-97.

7

THE COMPANY'S AUDITOR

On behalf of the shareholders and in accordance with current laws and regulations, the external auditor examines the financial statements, consolidated accounts, annual report, and administration and management of the company by the Board of Directors and the CEO, and carries out the statutory audit of the corporate governance report and sustainability report. The company's Q3 interim report has been reviewed by the auditor as well. The auditor presents an auditors' report to the Annual General Meeting. On behalf of the Board, the company's auditor has also reviewed whether the performance targets for the Special Projects Incentive 2020 were met.

The shareholders' meeting elects the auditor. PricewaterhouseCoopers AB was re-elected as auditor by the Annual General Meeting 2019, for the period 2019-2021.

PricewaterhouseCoopers (PwC)

- Elected by the Annual General Meeting 2019 for the period 2019 through the Annual General Meeting 2021.
- Bo Hjalmarsson, Authorised Public Accountant, was auditor in charge during January-March 2020. Peter Nyllinge, Authorised Public Accountant, is auditor in charge since April 2020. Other major audit assignments: Sandvik AB.

PricewaterhouseCoopers AB is a member of PwC's global network in around 150 countries. PwC has competence and experience in areas important to Saab: auditing of large and listed companies, accounting issues, industry experience and familiarity with international business.

The Audit Committee is responsible for ensuring the independence of the auditor, including by staying updated on ongoing consulting assignments. The Audit Committee has also established guidelines on which services other than auditing the company may procure from the auditor. Where applicable, the committee will approve such services in accordance with these guidelines.

AUDIT FEES 2019-2020

Saab's auditor receives a fee according to approved invoices as resolved by the Annual General Meeting.

PwC performed limited services on behalf of the company in 2020 in addition to its audit assignments by consulting on accounting and tax issues.

Auditor's fees for the Group 2019-2020

MSEK	2020	2019
Audit assignments:		
PwC	20	21
Other	4	3
Other assignments:		
PwC	2	1

THE BOARD'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Board of Directors is responsible for internal control over financial reporting pursuant to the Swedish Companies Act, the Swedish Annual Accounts Act and the Swedish Code of Corporate Governance.

The Board assures the quality of the financial accounting through the Audit Committee and CEO. The entire Board reviews the interim reports before they are published. The Audit Committee follows up the internal control over financial reporting on a regular basis. After each meeting of the Audit Committee, a report is submitted to the Board.

The Audit Committee considers critical accounting issues and the financial reports presented by the company as well as matters of strategic importance, e.g. asset acquisitions and sales and the Group's financing. It also covers issues such as internal control, regulatory compliance, any significant uncertainty in reported values, post-statement events, changes in estimates and judgments, and other circumstances that may affect the quality of the financial statements. The auditor, elected by the Annual General Meeting, participated in 5 of 5 meetings of the Audit Committee in 2020.

The Board of Directors has met with the auditor to discuss their review of the company for the financial year 2020. The Board on the same occasion met with the auditor while not in the presence of the CEO or other members of the Group Management.

Internal control over financial reporting

The internal control system applies the principles of the Committee of Sponsoring Organizations' (COSO) framework and assists the business in achieving its financial goals by monitoring risk exposure in a structured way. Moreover, internal control aims to provide reasonable assurance of the reliability of the internal and external financial reporting and to ensure that it is prepared in accordance with laws, applicable accounting standards and other requirements for listed companies.

Control environment

Internal control is based on Saab's organisation, where operating responsibilities and authorities are delegated to the business areas and support units, which are also supported and monitored by Group functions. These Group functions issue guidelines that clarify responsibilities and powers.

Saab has a process for monitoring internal control where roles and responsibilities are defined, control matrixes and key controls included, and reporting clarified.

Risk assessment

Saab's operations are characterised by the development, production and supply of technologically advanced hardware and software for military and civil customers around the world. The business largely consists of large projects that stretch over long periods, often several years. Saab identifies and assesses risks with an impact on the financial reporting within a number of processes such as the annual accounts, investments, project implementation and procurement. In addition to the risk of inaccurate financial reporting, internal processes are also assessed on the basis of the risk of exposure to improprieties.

Group Finance continuously coordinates an overall risk assessment of the financial reporting. The current risk assessment is reviewed by Internal Audit and taken into account in the preparation of the annual internal audit plan, which is established by the Audit Committee.

Control activities

Key controls are defined within Saab's internal processes and functions to monitor the internal control. There are also general IT key controls. Key controls are performed according to a predefined schedule. The control activities are both manual and automated and include e.g. authorisation routines, account reconciliations, process compliance and access to programs and data.

Information and communication

Policies, Group directives and manuals are continuously updated, clearly communicated and available through Saab's internal enterprise management system. A web based tool used to monitor Saab's key controls clearly shows the status and results of performed controls. The results of performed controls are an integral part of Saab's financial closing process and are reported quarterly to the Group Management and the Audit Committee.

Monitoring and evaluation

- Each manager of a business area/legal entity and each accounting organisation is responsible for the financial information from their unit.
- The Audit Committee decides on the principles for accounting and financial reporting and monitors them.
- A semi-annual self-assessment on completed key controls. The self-assessment process also includes assessing whether the material risks in each internal process are managed with existing key controls.
- Saab's Internal Audit reports directly to the Audit Committee and the CFO. Internal Audit follows the internal audit plan adopted by the Audit Committee and performs independent and objective reviews in order to evaluate and increase the efficiency of the internal control. The function also performs an annual review of performed key controls and self-assessment.
- The company's auditor annually reviews the status of Saab's internal control over financial reporting.

Board of Directors



MARCUS WALLENBERG

Chairman of the Board since 2006
Deputy Chairman of the Board 1993-2006
and Member of the Board since 1992.
Member of Saab's Remuneration Committee.



STEN JAKOBSSON

Member of the Board since 2008 and
Deputy Chairman since 2010
Chairman of Saab's Remuneration Committee.



SARA MAZUR

Member of the Board since 2013
Director of Strategic Research,
Knut and Alice Wallenbergs Foundation.



DANICA KRAGIC JENSFELT

Member of the Board since 2017
Professor, School of Electrical Engineering
and Computer Science and Director of the
Centre for Autonomous Systems, Royal
Institute of Technology (KTH).



CECILIA STEGÖ CHILO

Member of the Board since 2010
Adviser to management of corporations
and organisations.



JOHAN MENCKEL

Member of the Board since 2019
President and CEO of Gränges AB.



BERT NORDBERG

Member of the Board since 2016
Member of Saab's Remuneration Committee.



DANIEL NODHÄLL

Member of the Board since 2017
Member of Saab's Audit Committee.
Head of Listed Companies, Investor AB.

MARCUS WALLENBERG

Born 1956
B.Sc. of Foreign Service, Georgetown
University
Lieutenant in Royal Swedish Naval Academy
Shares in Saab: 125,000

Other board commitments:

Chairman of the Board of SEB and FAM AB.
Board member of AstraZeneca PLC, Investor
AB and the Knut and Alice Wallenberg
Foundation.

Former employment and positions:

Chairman of the Board of AB Electrolux,
LKAB and Svenska ICC Service AB.
President and CEO of Investor AB. Board
member of, amongst others, Temasek Hold-
ing Ltd, Stora Enso Oyj, EQT Holdings AB.

STEN JAKOBSSON

Born 1949
M.Sc. in Engineering, Royal Institute of
Technology (KTH)
Shares in Saab: 6,875

Other board commitments:

Board member of Xylem Inc. and Arla Plast AB.

Former employment and positions:

Chairman of the Board of Power Wind
Partners and LKAB. Board member of Stena
Metall AB and FLSmidth A/S. President
and CEO of ABB, Sweden. Executive Vice
President of Asea Brown Boveri AB, Sweden.
Business Area Manager, Business Area
Cables. President of ABB Cables AB and for
Asea Cylinda. Production Manager for Asea
Low Voltage Division.

DANICA KRAGIC JENSFELT

Born 1971
Docent, Computer Science, KTH
Ph.D. Computer Science, KTH
M.Sc. Mechanical Engineering, Technical
University of Rijeka, Croatia
Honorary Doctorate, Lappeenranta,
University of Technology
Shares in Saab: 2,000

Other board commitments:

Board member of FAM AB, H&M Group,
CROSEIR AB, Scientific Advisory Board,
Max Planck Institute for Intelligent Systems.
Member of the Royal Swedish Academy
of Engineering Sciences (IVA), Division of
Electrical Engineering in the Royal Swedish
Academy of Sciences (KVA).

Former employment and positions:

Board member Institute for Future Studies.
Deputy Director, School of Computer
Science and Communication, KTH. Member
of the Young Academy of Sweden. Chairman
of STINT, Natural Sciences and Technology.
Researcher at Columbia University, Brown
University, Johns Hopkins University and
INRIA Rennes. Chairman of IEEE RAS Tech-
nical Committee on Computer and Robot
Vision and Board member of Research Policy
Committee at the KVA.

SARA MAZUR

Born 1966
Associate Professor Electrical Engineering,
Royal Institute of Technology (KTH)
Ph.D. Electrical Engineering, KTH
M.Sc. Electrical Engineering, KTH
Honorary Doctorate Luleå University
of Technology
Shares in Saab: 4,500

Other board commitments:

Chair of Wallenberg Autonomous System
and Software Program (WASP). Board mem-
ber of Investor AB, Combient AB and Nobel
Media AB. Member of the Royal Swedish
Academy of Engineering Sciences (IVA),
Division Education and Research.

Former employment and positions:

Vice President and Head of Ericsson Re-
search, Ericsson AB. Vice President System
Management, Business Unit Networks,
Ericsson AB, Director Wireless Access
Networks Research, Ericsson Research,
Ericsson AB. Board member of Chalmers
University of Technology AB, RISE Research
Institutes of Sweden AB, RISE SICS North
Swedish ICT AB and Integrated Transport
Research Lab, KTH. Member of Skolstyrel-
sen, the Strategic Counsel of the school of
Electrical Engineering, KTH as well as the
board of Wireless@KTH.

JOHAN MENCKEL

Born 1971
M.Sc. Engineering (industrial engineering
and management), Royal Institute of
Technology (KTH)
Shares in Saab: 8,000

Other board commitments:

Board member of Nederman Holding AB
and World Materials Forum, France.

Former employment and positions:

Board member of Svenska postkod-
föreningen. CEO of Sapa Heat Transfer.
Business Area President of Sapa Profiles
Asia. MD of Sapa Heat Transfer Shanghai.
Management consultant at Accenture and
founder of addnature.com.

DANIEL NODHÄLL

Born 1978
M.Sc. in Economics and Business,
Stockholm School of Economics
Shares in Saab: 2,500

Other board commitments:

Board member of Electrolux Professional AB
and Husqvarna AB.

Former employment and positions:

Board member of Kunskapsskolan
Education Sweden AB. Investment Manager,
Head of Capital Goods at Investor AB.

Information on shareholdings includes holdings of closely affiliated natural persons and legal
entities, where applicable.

**MICAEL JOHANSSON**

Member of the Board since 2020
President and CEO of Saab AB.

**NILS LINDSKOG**

Member of the Board since 2016 and deputy
Board Member 2007-2015
Member of the Local Swedish Association of
Graduate Engineers at Saab AB, Gothenburg.

**CONNY HOLM**

Deputy Board member since 2017 and
1995-2008. Member of the Board 2008-2016
President of the local trade union IF Metall at
Avionics Systems, Huskvarna.

**ERIKA SÖDERBERG JOHNSON**

Member of the Board since 2017
Member of Saab's Audit Committee.
Chief Financial Officer (CFO), Kinnevik AB.

**JOAKIM WESTH**

Member of the Board since 2010
Chairman of Saab's Audit Committee.

**TINA MIKKELSEN**

Deputy Board member since 2016
President of the Local Salaried Employees'
union, Unionen at Saab AB, Järfälla.

**GÖRAN ANDERSSON**

Member of the Board since 2020
Treasurer of the local trade union IF Metall at
Saab AB, Linköping.

**STEFAN ANDERSSON**

Member of the Board since 2008
President of the Local Salaried Employees'
union Unionen at Saab Dynamics AB, Linköping.

**MAGNUS GUSTAFSSON**

Deputy Board member since 2016
President of the Local Swedish Association of
Graduate Engineers at Saab AB, Linköping.

BERT NORDBERG

Born 1956
Engineer
Shares in Saab: 10,625

Other board commitments:

Chairman of the Board of Vestas Wind Sys-
tems A/S. Board member of Svenska Cel-
lulosa Aktiebolag (SCA), Essity Aktiebolag
(publ) and Sigma Connectivity AB.

Former employment and positions:

Board member of AB Electrolux, SkiStar AB
and Axis AB. Chairman of the Board of TDC
Group A/S, Imagination Technologies Group
Plc. and Sony Mobile Communications AB.
Chairman of the Board and CEO of Sony
Ericsson Communications AB. Various
senior positions within the Ericsson-group
as well as various positions within Data
General Corporation and Digital Equipment
Corporation.

MICAEL JOHANSSON

Born 1960
B.Sc. + in Mathematics and Computer Sci-
ence at University of Uppsala
Shares in Saab: 26,963
Non-independent

Other board commitments:

Board member of AeroSpace and Defence
Industries Association of Europe (ASD).

Former employment and positions:

Deputy CEO of Saab AB. Senior Vice
President and Head of Business Area Sur-
veillance, Saab AB. President of Avitronics
and various senior positions within the Saab
group.

CECILIA STEGÖ CHILÖ

Born 1959
Studies in political science and economics
Shares in Saab: 1,875

Other board commitments:

Board member of Investment AB Spiltan and
Infostat AB.

Former employment and positions:

Chairman of the Board of Gotlands Bryggeri
AB, Fortum Värme AB (current Stockholm
Exergi Holding AB). Board member of Spen-
drup Bryggeri AB, AMF Fonder AB, Läns-
försäkringar Liv, Linköping University Holding
AB and Marginalen Group AB. CEO of the
Free Enterprise Foundation of Sweden. Head
of think tank Timbro, Cabinet member and
Head of the Ministry of Culture.

ERIKA SÖDERBERG JOHNSON

Born 1970
M.Sc. in Economics and Business,
Stockholm School of Economics
Shares in Saab: 1,950

Former employment and positions:

CFO at Biotage AB, Karo Bio AB, Affibody
AB and Global Genomics AB. Investment
Banking Advisor at Enskilda, SEB. Board
member of Sectra AB, Qliro Group AB and
MedCap AB.

JOAKIM WESTH

Born 1961
M.Sc. in Aeronautics, Royal Institute of
Technology (KTH)
M.Sc. in Aerospace Engineering, Massachu-
setts Institute of Technology (MIT)
Shares in Saab: 10,000

Other board commitments:

Chairman of the Board of Amexci AB.
Board member of CGI Group Inc., Absolent
Group AB and Swedish Match AB.

Former employment and positions:

Chairman of the Board of EMA Technology
AB and Absolent AB. Board member of
Aream AB, Intrum AB, Rörvik Timber AB,
Telelogic AB and VKR Holding A/S. Deputy
board member of Sony Ericsson Mobile
Communications AB. Senior Vice President
of Group Function Strategy & Operational
Excellence and member of the Group
Management Team, LM Ericsson AB. Group
Vice President and member of the Executive
Management Group of Assa Abloy AB and,
Partner at McKinsey & Co. Inc.

Employee representatives**STEFAN ANDERSSON**

Born 1974
B.Sc. Mechanical Engineering,
Dalarna University
Shares in Saab: 2,740

GÖRAN ANDERSSON

Born 1972
Shares in Saab: 1,581

NILS LINDSKOG

Born 1955
M.Sc.E.E. Chalmers University of
Technology
Shares in Saab: 1,675

Deputies**MAGNUS GUSTAFSSON**

Born 1965
M.Sc. in Applied Physics and Electrical
Engineering, Linköping Institute of
Technology
Shares in Saab: 905

CONNY HOLM

Born 1947
Upper secondary engineering education
Shares in Saab: 1,207

TINA MIKKELSEN

Born 1973
Electrical Engineering, Stockholms
Tekniska Institut (STI)
Shares in Saab: 1,660

Group Management


MICAEL JOHANSSON

President and Chief Executive Officer (CEO)
Born 1960
B.Sc.
Employed 1985
Shares in Saab 26,963


CHRISTIAN LUIGA

Deputy CEO and Chief Financial Officer
Economics studies, Stockholm University
Born 1968
Employed 2020
Shares in Saab 8,000


ANDERS CARP

Deputy CEO and
Head of Business Area Surveillance
Born 1971
Employed 2001
Shares in Saab 10,680


JONAS HJELM

Senior Vice President and
Head of Business Area Aeronautics
Born 1971
Employed 2006
Shares in Saab 6,156


GÖRGEN JOHANSSON

Senior Vice President and
Head of Business Area Dynamics
Born 1964
MBA
Employed 2004
Shares in Saab 19,165


JESSICA ÖBERG

Senior Vice President and Head of Business
Area Industrial Products & Services
Born 1972
Shares in Saab 7,862


ELLEN MOLIN

Senior Vice President and Head of Business
Area Support and Services
Born 1973
Employed: 2006
Shares in Saab 3,617

Shareholdings as per February 25, 2021.

**LARS TOSSMAN**

Senior Vice President and
Head of Business Area Kockums
Born 1962
Employed 1986
Shares in Saab 17,611

**ANNIKA BÄREMS**

Senior Vice President and
Head of Group Legal Affairs, General
Counsel, Secretary of the Board of Directors
Born 1964
LLB
Employed 2012
Shares in Saab 17,059

**SEBASTIAN CARLSSON**

Senior Vice President and
Head of Group Communication
Born 1984
Employed 2012
Shares in Saab 3,218

**DEAN ROSENFELD**

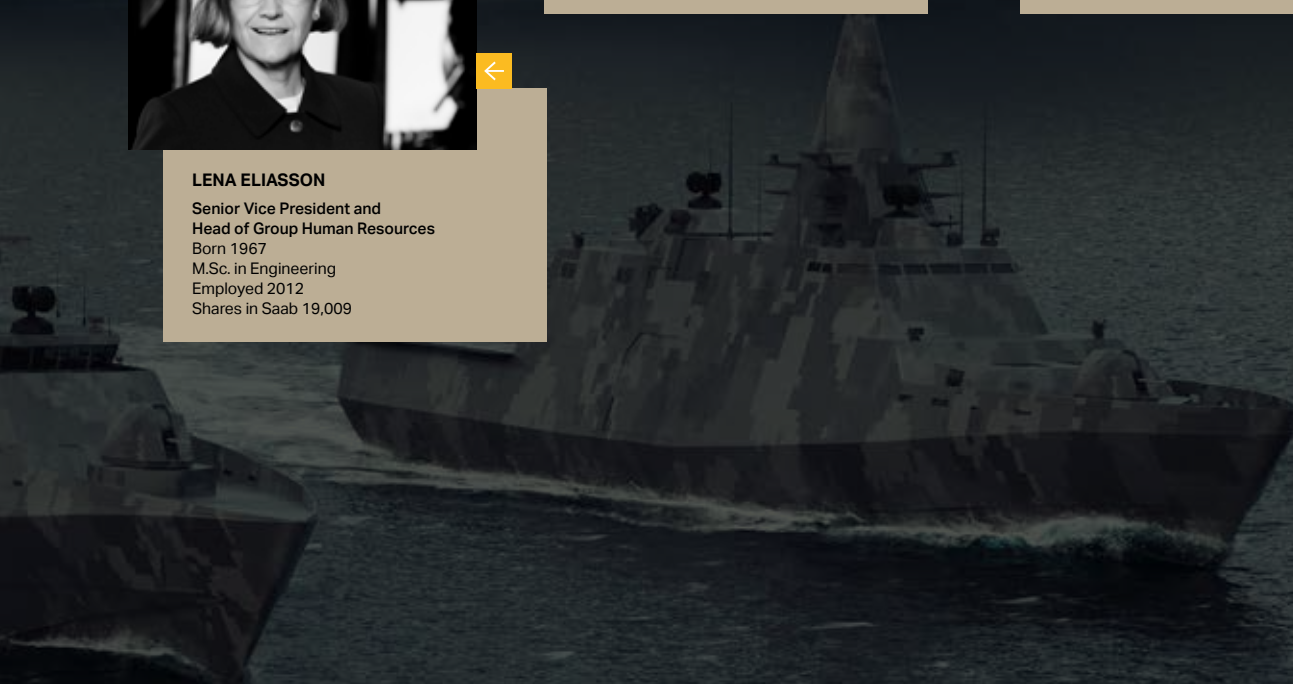
Senior Vice President and
Chief Marketing Officer
Born 1968
Degree MMgt
Employed 2001
Shares in Saab 3,738

**CHRISTIAN HEDELIN**

Senior Vice President and
Chief Strategy Officer
Born 1969
MSc Electronic Engineering
Employed 2018
Shares in Saab 1,332

**LENA ELIASSON**

Senior Vice President and
Head of Group Human Resources
Born 1967
M.Sc. in Engineering
Employed 2012
Shares in Saab 19,009



Remuneration and Long-term incentive programmes

GUIDELINES ON REMUNERATION AND OTHER TERMS OF EMPLOYMENT FOR SENIOR EXECUTIVES 2020

Pursuant to the Swedish Companies Act, the Board of Directors shall, at least every fourth year, present a proposal for remuneration guidelines for the company's senior executives to be adopted by the Annual General Meeting. The Annual General Meeting 2020 adopted the Board's proposed guidelines for senior executives as described below.

Guidelines

The senior executives comprise the President and other members of the Group Management. The members of this group are presented on the Company's website. In certain specific cases, these guidelines may also comprise Board Members of Saab AB, as described below. No board fees are to be paid to members of the Group Management for participation on the boards of the business areas or Saab subsidiaries. These guidelines do not apply to any remuneration resolved by the Shareholders' Meeting.

These guidelines apply from the Annual General Meeting 2020 and are applicable to remuneration agreed, and amendments to remuneration already agreed, after adoption of the guidelines by the Annual General Meeting.

The guidelines' promotion of Saab's strategy, long-term interests and sustainability

A prerequisite for the successful implementation of Saab's business strategy and safeguarding of the Company's long-term interests, including its sustainability, is that the Company is able to recruit and retain senior executives. To this end, it is necessary that Saab offers a competitive total remuneration on market terms, adapted to the Company's development and situation, which these guidelines enable. To the greatest extent possible, remuneration structures shall be characterised by predictability with respect to both the cost for the Company and the benefit for the employee. They shall be based on factors such as position, competence, experience and performance. Benchmarking shall be made regularly relative to comparable industries and markets.

For information regarding the Company's business strategy, please see the external website www.saab.com.

Fixed remuneration

Fixed remuneration shall consist of cash salary. The fixed salary shall be reviewed annually as per 1 January for all members of the Group Management. The fixed salary shall be at market terms and based on factors such as position, competence, experience and performance.

Variable remuneration

Saab's operations are mainly characterised by the development of technically advanced products and systems. The products are marketed, further developed, produced and maintained during long periods of time, in some cases three to four decades, which generally entails substantial investments and long-term customer relations all over the world. Consequently, it is important that senior executives have a long-term view and a long-term commitment in the Company's operations and profits. Therefore, long-term

incentive is especially well suited to Saab and its shareholders. Hence, Saab does not normally offer any short-term variable cash remuneration to the President or other members of the Group Management. Instead, the variable remuneration consists of long-term share based incentive programs which are adopted by the Shareholders' Meeting and therefore not subject to these guidelines. The President and other members of the Group Management are entitled to participate in these programs. The Board of Directors proposes that the Annual General Meeting 2020 resolve on a long-term incentive program (LTI 2021). The Board's intention is to propose such long-term incentive programs also to future Annual General Meetings. The terms and estimated costs for the Company's long-term incentive programs are presented in the Board's complete proposal to each Annual General Meeting.

In extraordinary circumstances, agreements of a one-off nature for variable cash remuneration may be made, provided that such agreements are made solely on an individual basis for recruitment or retention purposes only, or as compensation for extraordinary efforts beyond the individual's ordinary assignment, and that such remuneration shall never exceed the amount of the fixed annual salary and shall not be paid more than once a year per individual. Such remuneration shall not qualify for pension benefits unless otherwise provided by mandatory collective agreement provisions. Resolutions on such remuneration shall be made by the Board based on a proposal from the Remuneration Committee.

Variable cash remuneration shall not be paid in other cases.

Other benefits

All members of the Group Management may be entitled to other benefits in accordance with local practice. The benefits shall contribute to facilitating the executive's discharge of his or her duties. Other benefits may for example be a company car, travels, housing and medical insurance.

The total value of the benefits shall be equivalent to what is considered reasonable in relation to market practice. The value for benefits such as company car and medical insurance shall amount to not more than 5 per cent of the fixed annual salary. In addition to this, senior executives may, on an individual basis, be entitled to housing and travels amounting to not more than 25 per cent of the fixed annual salary.

Senior executives who are stationed in a country other than their home country may receive additional remuneration and other benefits to the extent reasonable in light of the special circumstances associated with the arrangement, taking into account, to the extent possible, the overall purpose of these guidelines. Such benefits shall in total not exceed 30 per cent of the fixed annual salary.

Pension

The pension age shall be minimum 62 years. The President shall be entitled to pension benefits under the ITP plan as well as an individual supplementary pension. The annual pension provision for the supplementary pension to the President shall not exceed 35 per cent of the fixed annual salary. Other senior executives shall be entitled to pension benefits under the ITP plan as well as under the "Saab plan". Pension benefits under the Saab plan shall be

premium based and pension contributions shall be made monthly. According to the Saab plan, contributions are made both for early retirement from 62 years of age as well as for increased old age pension benefits from the age of 65 on salary levels exceeding 20 income base amounts per year. Contributions made under the Saab plan are individually established in relation to the number of years remaining until the age of retirement when joining the plan. Annual provisions for pension benefits for an individual senior executive shall in total not amount to more than 55 per cent of the fixed annual salary.

According to the Saab plan, all senior executives, including the President, may also be entitled to enhanced invalidity pension and survivors' pension benefits. Enhanced invalidity pension is offered in addition to national health insurance as well as the health insurance included in the ITP plan and is calculated as a percentage of the pensionable salary; 10-65 percent in various salary levels. The additional invalidity pension may be received up to 65 years of age at a maximum. Saab maintains contributions for old age pension benefits in case of invalidity pension. Survivors' pension for senior executives, including the President, is based on the highest of either 12 months' salaries or the accumulated funds in the insurance.

Adjustments to local regulations

For employments governed by rules other than Swedish, remuneration may be duly adjusted to comply with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of these guidelines.

Miscellaneous terms

All executives in the Group Management, including the President, may terminate their employment with a maximum of six months' notice. If the employment is terminated by Saab, severance pay equal to not more than 18 months may be paid, in addition to a notice period of normally six months. Fixed salary during the period of notice and severance pay may not together exceed an amount equivalent to 24 months' fixed salary.

Remuneration may be paid for possible non-compete undertakings. Such remuneration shall compensate for possible loss of income and shall only be paid in so far as the previously employed executive is not entitled to severance pay. The remuneration shall be based on the monthly fixed cash salary at the time of notice of termination of employment and relate to the time the non-compete undertaking applies, however not for more than 18 months following termination of employment.

A reduction of severance pay shall normally be made against income from other employment during the corresponding time.

Consultancy fees to Board Members

Saab AB Board Members, elected by the Shareholders' Meeting, may in special cases receive a fee for services performed within their respective areas of expertise, separately from their Board duties and for a limited period of time. Compensation for these services (including services performed through a Board Member's wholly-owned company) shall be paid at market terms, provided that such services contribute to the implementation of Saab's

business strategy and safeguarding of Saab's long-term interest, including its sustainability.

Additional information in the Annual Report

The notes of the Annual Report includes a description of remuneration for senior executives, including fixed and variable compensation, long-term incentive programs, pension and other benefits.

Salary and employment conditions for employees

In the preparation of the Board of Directors' proposal for these remuneration guidelines, salary and employment conditions for employees of the Company have been taken into account. This was made by including information on the employees' total income, the components of the remuneration and remuneration development over time, in the Remuneration Committee's and the Board of Directors' basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable.

The remuneration principles for establishing salary, long-term incentive programs, pension and other benefits are applied in a similar way to both senior executives and other employees within the Saab Group.

The decision-making process to determine, review and implement the guidelines

The Board of Directors has established a Remuneration Committee. The Committee's tasks include preparing a proposal for guidelines for executive remuneration on behalf of the Board, which, after decision by the Board of Directors, is submitted to the Annual General Meeting. The Board of Directors shall prepare a proposal for new guidelines at least every fourth year and submit it to the Annual General Meeting for adoption. The guidelines shall be in force until new guidelines are adopted by the Shareholders' Meeting. The Remuneration Committee shall also prepare the Board's decisions as regards remuneration principles, remuneration and other terms of employment for senior executives, monitor and evaluate programs for variable remuneration for the Group Management, the application of the guidelines for executive remuneration as well as the current remuneration structures and compensation levels in the Company. The President and other members of the Group Management do not participate in the Board of Directors' processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters.

The Board of Directors may temporarily resolve to derogate from the guidelines, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve the Company's long-term interests, including its sustainability, or to ensure the Company's financial viability. As set out above, the Remuneration Committee's tasks include preparing the Board of Directors' resolutions in remuneration-related matters. This also includes any resolutions to derogate from the guidelines.

INFORMATION IN THE ANNUAL REPORT NOTE 8

Note 8 of the Annual Report includes a description of current remuneration for senior executives, including fixed and variable compensation, long-term incentive programmes and other benefits.

INCENTIVE PROGRAMME PROPOSED TO THE ANNUAL GENERAL MEETING 2020

The Board of Directors proposed that the Annual General Meeting 2020 resolve to adopt long-term incentive programme 2021 (LTI 2021), consisting of Share Matching Plan 2021, Performance Share Plan 2021 and Special Projects Incentive 2021, with some changes to the performance targets and an increase of the total number of participants as regards the Performance Share Plan 2021 and the Special Projects Incentive 2021. The Annual General Meeting resolved in accordance with the Board's proposal.

THE BOARD'S PROPOSAL FOR GUIDELINES FOR REMUNERATION AND OTHER TERMS OF EMPLOYMENT FOR SENIOR EXECUTIVES TO APPLY FROM THE ANNUAL GENERAL MEETING 2021

Background and reasons

The Remuneration Committee has evaluated the application of the guidelines for remuneration to senior executives of Saab AB that were resolved at the Annual General Meeting 2020 and the current remuneration structures and remuneration levels in the Company.

The Remuneration Committee has recommended the Board of Directors to propose to the Annual General Meeting 2021 to adopt guidelines for remuneration with in principle the same content as the guidelines that were resolved at the Annual General Meeting in 2020. However, a change is proposed in respect of pension as a market adjustment of the pension benefits for new senior executives.

In light of the above, the Board of Directors proposes that the Annual General Meeting resolves on the guidelines for remuneration and other terms of employment for senior executives with the same content as the guidelines that were resolved at the Annual General Meeting 2020 (see above), except the guidelines for pension which are proposed as below.

Pension

The pension age shall be 65 years. Senior executives shall be entitled to pension benefits under the ITP plan and may also be covered by the New Saab plan. Pension benefits under the New Saab plan shall be premium based and pension contributions shall be made monthly. According to the New Saab plan, contributions are made for old age pension benefits from the age of 65 on salary levels exceeding 30 income base amounts per year, unless it is not already made under ITP1. The New Saab plan entails contributions of 30 per cent on the part of the annual salary that is not insured by the ITP plan. Annual provisions for pension benefits for an individual senior executive shall in total not amount to more than 40 per cent of the fixed annual salary.

According to the New Saab plan, all senior executives, including the President, may also be entitled to enhanced invalidity pension and survivors' pension benefits. Enhanced invalidity pension is offered in addition to national health insurance as well as the health insurance included in the ITP plan and is calculated as a percentage of the pensionable salary; 10-65 percent in various salary levels. The additional invalidity pension may be received up to 65 years of age at a maximum. Saab maintains contributions for old age pension benefits in case of invalidity pension. Survivors' pension for senior executives, including the President, is based on the highest of either 12 months' salaries or the accumulated funds in the insurance.

INCENTIVE PROGRAMME PROPOSED TO THE ANNUAL GENERAL MEETING 2021

The Board of Directors proposes that the Annual General Meeting resolve to adopt long-term incentive programme 2022 (LTI 2022), which consists of three parts: Share Matching Plan 2022, Performance Share Plan 2022 and Special Projects Incentive 2022. The terms and conditions and costs of the above-mentioned programmes are presented in the Board's complete proposal to the Annual General Meeting.

SAAB'S LONG-TERM INCENTIVE PROGRAMMES AND AUTHORISATION TO REPURCHASE SHARES

The Annual General Meeting of Saab has, for a number of years, resolved to offer a long-term incentive programme consisting of two parts: Share Matching Plan and a Performance Share Plan. The reason is that the Board considers it important that Saab's employees share a long-term interest in the appreciation of the company's shares.

In April 2017, the Annual General Meeting also resolved to introduce a third programme, Special Projects Incentive, as a complement to the Performance Share Plan. The programmes are now named based on the calendar year, corresponding to the vesting period.

The long-term incentive programme comprises not more than 1,465,000 Series B shares in Saab per year. Since 2007, Saab offers permanent employees the opportunity to participate in the Share Matching Plan. Employees can withhold up to 5 per cent of their gross base salary to purchase series B shares on Nasdaq Stockholm during a twelve month period. Provided that a participant retains the purchased shares for three years after the investment date and is still employed by the Saab Group, the participant will be allotted a corresponding number of series B shares free of charge. Currently, Share Matching Plans 2016–2021 are ongoing.

Since 2008, Saab also has a Performance Share Plan for senior executives and key employees. The Performance Share Plan now covers a maximum of 200 key employees, including the CEO. Participants can save up to 7.5 per cent of their base salary to purchase series B shares during a twelve-month period, while participating in the Share Matching Plan as well, but only up to a maximum of 5 per cent of base salary. Depending on which category they belong to, participants are entitled to 2–7 performance shares for each purchased share.

Participants are entitled to performance matching shares, free of consideration, provided that the performance targets are achieved and the participants have retained the purchased shares for three years after the investment date and remain employed by the Saab Group. The number of performance shares is linked to the performance targets established by the Board of Directors. The terms for the performance matching are based on three independent targets for a one-year performance period: organic sales growth, EBIT margin and free cash flow. The relative apportionment between the targets is as follows: 30 per cent of the allotment is attributable to organic sales growth, 30 per cent to EBIT margin and 40 per cent to free cash flow. The performance targets are established by the Board of Directors with a minimum and maximum level for each target. The Board of Directors will decide on the performance matching after the end of the one-year performance period. According to the resolution of the 2020 Annual General Meeting, the Performance Share Plan comprises a maximum of 258,000 shares.

If the performance outcome falls short of the maximum level but exceeds the minimum level, a linear proportionate performance matching will occur. No performance matching will occur if the performance outcome is equal to or below the minimum level.

Before the performance matching is ultimately determined, the Board of Directors will assess whether it is reasonable in relation to the company's financial results and position, conditions in the stock market and other circumstances. If it determines that this is not the case, the Board of Directors will reduce the number of performance shares that will be matched to the lower number of shares it considers appropriate. Performance shares are allotted three years after the investment. Currently, Performance Share Plans 2016-2021 are ongoing.

In 2017, the Annual General Meeting resolved to introduce a new plan, the Special Projects Incentive, as a complement to the Performance Share Plan. The Special Projects Incentive is directed at a maximum of 100 key employees, including the CEO. Participation in the new programme presupposes participation in the Performance Share Plan or the Share Matching Plan. The programme entitles the employee to allotment of performance shares corresponding to 15-52.5 per cent of the cash base salary for the current financial year depending on group affiliation, provided that the employment remains for three years and that performance targets are reached. Performance shares are allotted after three years based on the achievement during the current financial year of ten equally weighted performance targets related to Saab's special projects within selected product areas. For the CEO and other members of the Group Management, the total allotment of shares in the new programme and the Performance Share Plan together amounts to a maximum of 75 per cent of the cash base salary for the CEO and 60 per cent of the cash base salary for the other members of the Group Management. According to the resolution of the 2020 Annual General Meeting, the plan covers a maximum of 214,000 shares.

The number of matching and performance shares has been restated for affected programmes due to the rights issue.

The Annual General Meeting 2020 resolved to authorise the Board of Directors to decide on acquisition of a maximum of 1,465,000 series B shares to secure delivery of shares to participants in Saab's long-term Share Matching Plan, Performance Share Plan and Special Projects Incentive, for subsequent transfers on the stock exchange to cover certain costs associated with LTI 2021, mainly social security costs. Repurchases shall be made on Nasdaq Stockholm.

Further, the Annual General Meeting 2020 also resolved to authorise the Board of Directors to decide on 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 an increased shareholder value as well as to enable a continuous use of acquired shares in connection with potential acquisitions of companies and for the company's share-related incentive programmes. Repurchases shall be made on Nasdaq Stockholm.

In September 2020, the Board of Directors resolved to utilise its authorisation to repurchase not more than 1,135,000 series B shares in Saab to secure delivery of shares to participants in Saab's long-term Share Matching Plan, Performance Share Plan and Special Projects Incentive. Series B shares in Saab were repurchased in October and November 2020 for MSEK 242.

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Consolidated income statement

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MSEK	Note	2020	2019
Cost of goods sold	4,42	35,431	35,433
	42	-29,755	-27,398
Gross income		5,676	8,035
Other operating income	6,42	1,291	217
Marketing expenses		-2,339	-2,609
Administrative expenses		-1,409	-1,488
Research and development costs		-1,331	-1,137
Other operating expenses	6,42	-393	-76
Share in income of associated companies and joint ventures	19,42	-180	-5
Operating income		1,315	2,937
Financial income		230	190
Financial expenses		-433	-520
Net financial items	11	-203	-330
Income before taxes		1,112	2,607
Taxes	13	-20	-582
Net income for the year		1,092	2,025
Attributable to:			
Parent Company's shareholders		1,073	1,983
Non-controlling interest		19	42
Earnings per share before dilution (SEK)	14	8.07	14.88
Earnings per share after dilution (SEK)	14	8.01	14.81

SALES PER REGION

MSEK	2020	2019
Sweden	12,662	13,188
Rest of Europe	6,239	5,677
North America	3,938	3,889
Latin America	4,527	4,314
Asia	6,336	6,464
Africa	180	357
Australia, etc.	1,549	1,544
Total	35,431	35,433

SALES PER MARKET SEGMENT

MSEK	2020	2019
Air	16,343	16,314
Land	7,480	6,657
Naval	7,183	7,109
Civil Security	2,057	2,410
Commercial Aeronautics	1,423	1,955
Other	945	997
Total	35,431	35,433

ORDERS

Order bookings amounted to MSEK 42,328 (27,216), an increase of 56 per cent. This was due to the large orders received during the year. Bookings of medium-sized orders also grew, 22 per cent, and amounted to MSEK 11,839 (9,729). Bookings of small orders were in line with 2019 and amounted to MSEK 13,267 (13,288). A total of 91% (85) of order bookings was attributable to defence related operations during the year and 70% (71) was related to markets outside Sweden.

In 2020, index and price changes had a positive effect on order bookings of MSEK 588, compared to MSEK 1,378 in 2019.

The order backlog at the end of the period amounted to MSEK 99,816, compared to MSEK 93,293 at the beginning of the year.

In total, 71 per cent (69) of the order backlog is attributable to markets outside Sweden.

Order backlog duration:

2021: SEK 31.4 billion
 2022: SEK 21.9 billion
 2023: SEK 16.7 billion
 2024: SEK 15.2 billion
 After 2024: SEK 14.6 billion

SALES GROWTH

Per cent	2020	2019
Organic sales growth	1	6
Acquisitions	-	-
Currency effects regarding revaluation of foreign subsidiaries	-1	1
Total sales growth	0	7

SALES

Sales amounted to MSEK 35,431 (35,433). Excluding project estimate adjustments related to Covid-19 sales amounted to MSEK 36,762, corresponding to an increase of 4 per cent.

Dynamics reported positive sales growth thanks to strong execution and a high level of deliveries. Also Support and Services significantly grew sales due to solid project execution and positive effects from GlobalEye. Surveillance and Kockums also grew sales compared to 2019. Sales volumes in IPS were negatively affected by the steep decline in demand from the civil aviation industry due to Covid-19. Aeronautics reported negative growth following the project estimate adjustments due to Covid-19.

Sales from markets outside Sweden increased to MSEK 22,769 (22,245), corresponding to 64 per cent (63) of total sales. 88 per cent (85) of sales were related to the defence market

INCOME, MARGIN AND PROFITABILITY

The gross margin in 2020 was 16.0 per cent (22.7). Adjusted for items affecting comparability the gross margin was 20.6 per cent. The decline is mainly

explained by adjustments to project estimates due to Covid-19 and the downturn in the civil operations.

Total depreciation, amortisation and write-downs amounted to MSEK 1,518 (1,368). Depreciation of tangible fixed assets amounted to MSEK 1,169 (1,106).

Total R&D expenditures amounted to MSEK 7,440 (7,643), or about 21 per cent (22) of sales. Expenditures for internally funded investments in R&D amounted to MSEK 2,450 (2,387), of which MSEK 1,353 (1,392) 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 MSEK 349 (262), of which amortisation and write-downs of capitalised development expenditures amounted to MSEK 233 (142). The increase is mainly explained by amortisation of airborne surveillance systems, MSEK 94.

The share of income in associated companies and joint ventures amounted to MSEK -180 (-5).

Operating income amounted to MSEK 1,315 (2,937) with an operating margin of 3.7 per cent (8.3). Excluding adjustments to project estimates, capital gain from divestment of Vicon and other items affecting com-

parability, operating income amounted to MSEK 2,738 and the operating margin to 7.4 per cent.

In accordance with the temporary rules introduced in Sweden in connection with Covid-19 Saab has received compensation for all sick leave costs in the Swedish operations during parts of the year. The support is paid to all Swedish employers and does not require an application. The support amounts to MSEK 35 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).

Current and deferred taxes amounted to MSEK -20 (-582). The tax rate was affected by a tax exempt income from the divestment of the joint venture Vicon.

The return on capital employed was 4.3 per cent (9.1) and the return on equity was 5.1 per cent (10.0). Performance indicators for return on capital employed and return on equity have been significantly impacted by items affecting comparability during the year.

Consolidated statement of comprehensive income

MSEK	2020	2019
Net income for the year	1,092	2,025
Other comprehensive income/loss:		
Items that will not be reversed in the income statement:		
Revaluation of net pension obligations	-252	-612
Tax attributable to revaluation of net pension obligations	54	124
Total	-198	-488
Items that may be reversed in the income statement:		
Translation differences	-663	215
Net gain/loss on cash flow hedges:		
Change in value	1,304	33
Reversed through profit or loss	-436	168
Tax attributable to net gain/loss on cash flow hedges	-180	-43
Total	25	373
Other comprehensive income/loss for the year	-173	-115
Net comprehensive income/loss for the year	919	1,910
of which Parent Company's shareholders' interest	926	1,857
of which non-controlling interest	-7	53

Revaluation of net pension obligations has had a pre-tax effect of MSEK -252 (-612) on net comprehensive income for the year, see note 31 for more information.

The after-tax effect of net gain/losses of cash flow hedges on net comprehensive income amounted to MSEK 688 (158), see note 35 for more information.

FINANCIAL NET MSEK	2020	2019
Financial net related to pensions	-73	-91
Net interest items	-70	-78
Currency gains/losses	110	-32
Lease liability interest	-93	-104
Other net financial items	-77	-25
Total	-203	-330

The financial net related to pensions is the financial cost for net pension obligations recognised in the balance sheet. See note 31 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.

Derivatives are used to reduce interest rate risk in the investment portfolio, which consists of long-term interestbearing securities.

Consolidated statement of financial position

MSEK	Note	31-12-2020	31-12-2019
ASSETS			
Fixed assets:			
Intangible fixed assets	15	11,520	10,465
Tangible fixed assets	16	6,608	6,223
Biological assets	18	376	368
Right-of-use assets	17	2,516	2,549
Shares in associated companies and joint ventures	19	496	672
Financial investments	35	30	26
Long-term receivables	23	617	752
Deferred tax assets	13	231	266
Total fixed assets		22,394	21,321
Current assets:			
Inventories	24	10,252	10,475
Derivatives	35	1,677	1,444
Tax receivables		28	26
Accounts receivable	25	4,062	5,198
Contract assets	4,25	9,900	12,234
Other receivables	23	899	710
Prepaid expenses and accrued income	26	979	969
Short-term investments	35	8,104	5,794
Liquid assets	27	2,273	1,687
Total current assets		38,174	38,537
TOTAL ASSETS		60,568	59,858
EQUITY AND LIABILITIES			
Equity	28		
Capital stock		2,174	2,174
Other capital contributions		6,099	6,099
Other reserves		474	434
Retained earnings		12,719	11,828
Equity attributable to Parent Company's shareholders		21,466	20,535
Non-controlling interest		178	274
Total equity		21,644	20,809
Liabilities			
Long-term liabilities:			
Long-term lease liabilities	17	2,095	2,138
Other long-term interest-bearing liabilities	29	5,291	6,513
Other liabilities	33	100	180
Provisions for pensions	31	6,445	6,014
Other provisions	32	2,197	1,344
Deferred tax liabilities	13	56	40
Total long-term liabilities		16,184	16,229
Current liabilities:			
Short-term lease liabilities	17	444	434
Other short-term interest-bearing liabilities	29	2,168	1,322
Contract liabilities	4	8,409	8,899
Accounts payable		3,302	3,221
Derivatives	35	965	1,706
Tax liabilities		42	71
Other liabilities	33	778	1,193
Accrued expenses and deferred income	34	5,939	5,272
Provisions	32	693	702
Total current liabilities		22,740	22,820
Total liabilities		38,924	39,049
TOTAL EQUITY AND LIABILITIES		60,568	59,858

For information on the Group's assets pledged and contingent liabilities, see note 36.

Consolidated statement of financial position

STATEMENT OF FINANCIAL POSITION

At the end of December 2020, net debt was MSEK 4,273, an decrease of MSEK 2,796 compared to year-end 2019, when net debt amounted to MSEK 7,069.

Cash flow from operating activities amounted to MSEK 5,800 (1,194).

Due to invoicing and milestone payments in large projects as well as adjustment of project estimates related to Covid-19, contract assets decreased by MSEK 2,334 compared to year-end 2019. At the same time contract liabilities decreased by MSEK 490 due to utilisation of advances.

Net provisions for pensions, excluding the special employer's contribution, amounted to MSEK 5,067 as of 31 December 2020, compared to MSEK 4,722 at year-end 2019. The change had a negative effect on net debt of MSEK 345. For further information on Saab's defined-benefit pensionplans, see note 31.

Tangible fixed assets amounted to MSEK 6,608 (6,223) at the end of the year.

Right-of-use assets recognised in the balance

sheet amounted to MSEK 2,516 (2,549).

Net investments during the year amounted to MSEK 2,868 (2,769).

Investments in tangible fixed assets amounted to MSEK 1,269 (1,231).

Investments in intangible fixed assets amounted to MSEK 1,622 (1,588), of which MSEK 1,353 (1,392) related to capitalised R&D expenditures. Capitalised R&D in the balance sheet increased by MSEK 1,119. The increase is mainly related to investments to develop Gripen E/F for future exports. Of the total investments in intangible fixed assets, MSEK 269 (196) related to other intangible fixed assets. The increase mainly relates to IT security.

As of 31 December 2020, short-term investments and liquid assets amounted to MSEK 10,377, an increase of MSEK 2,896 compared to year-end 2019.

Capital employed increased by MSEK 743 during the year to MSEK 36,709. The increase in capital employed is mainly related to the Gripen programmes and future deliveries within Dynamics.

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

To secure the delivery of shares to participants in Saab's various share matching plans, the authorisation from the Annual General Meeting to repurchase shares was utilised. During the year, series B shares were repurchased for MSEK 242.

NET LIQUIDITY/DEBT

MSEK	Note	31-12-2020	31-12-2019
Assets			
Liquid assets	27	2,273	1,687
Short-term investments	35	8,104	5,794
Total liquid investments		10,377	7,481
Short-term interest-bearing receivables	23	64	58
Long-term interest-bearing receivables	23	351	521
Long-term receivables attributable to pensions	23	-	28
Total interest-bearing assets		10,792	8,088
Liabilities			
Lease liabilities	17	2,539	2,572
Liabilities to credit institutions	30	7,412	7,789
Liabilities to associated companies and joint ventures	29	39	45
Other interest-bearing liabilities	29	9	1
Provisions for pensions ¹⁾	31	5,067	4,750
Total interest-bearing liabilities		15,065	15,157
Net liquidity (+) / debt (-)		-4,273	-7,069

The average net liquidity/debt during 2020 amounted to MSEK -6,850 (-6,490). Net liquidity/debt excluding interest-bearing receivables, net pension obligations and lease liabilities amounted to MSEK 2,918 (-354) on 31 December 2020.

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

Consolidated statement of changes in equity

MSEK	Capital stock	Ongoing rights issue	Other capital contributions	Other reserves			Retained earnings	Total parent company's shareholders' interest	Non-controlling interest	Total shareholder's equity
				Net result of cash flow hedges	Translation reserve	Revaluation reserve				
Opening balance, 1 January 2019	1,746	428	6,099	-386	447	11	11,067	19,412	221	19,633
Net comprehensive income/ loss for the year				158	204		1,495	1,857	53	1,910
Transactions with shareholders:										
Rights issue	428	-428								
Repurchase of shares							-301	-301		-301
Share matching plan							185	185		185
Dividend							-601	-601	-4	-605
Acquisition and sale of non-controlling interest							-17	-17	4	-13
Closing balance, 31 December 2019	2,174	-	6,099	-228	651	11	11,828	20,535	274	20,809
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 year				686	-635		875	926	-7	919
Reallocation of revaluation reserve						-11	11			
Transactions with shareholders:										
Repurchase of shares							-242	-242		-242
Share matching plan							187	187		187
Dividend									-9	-9
Acquisition and sale of non-controlling interest							60	60	-80	-20
Closing balance, 31 December 2020	2,174	-	6,099	458	16	-	12,719	21,466	178	21,644

For a definition of other reserves, see note 28.

Consolidated statement of cash flows

MSEK	Note	2020	2019
Operating activities:			
Income after financial items		1,112	2,607
Adjustments for items not affecting cash flow	40	2,033	2,132
Dividend from associated companies and joint ventures		63	20
Income tax paid		-144	-408
Cash flow from operating activities before changes in working capital		3,064	4,351
Cash flow from changes in working capital:			
Contract assets and liabilities		1,704	-1,649
Inventories		95	-1,141
Other current receivables		805	176
Other current liabilities		468	-218
Provisions		-336	-325
Cash flow from operating activities		5,800	1,194
Investing activities:			
Capitalised development costs		-1,353	-1,392
Investments in intangible fixed assets		-269	-196
Investments in tangible fixed assets		-1,269	-1,213
Sales and disposals of tangible fixed assets		23	32
Investments in and sale of short-term investments		-2,312	3,219
Investments in financial assets, associated companies and joint ventures		-97	-171
Sale of financial assets, associated companies and joint ventures		1,110	35
Investments in operations	40	-4	-
Sale of subsidiaries	40	169	-
Cash flow from investing activities		-4,002	314
Financing activities:			
Repayment of loans		-3,077	-990
Amortisation of lease liabilities		-437	-415
Raising of loans		2,728	8
Rights issue		-	11
Repurchase of shares		-242	-301
Dividend paid to Parent Company's shareholders		-	-601
Dividend paid to non-controlling interests		-12	-24
Transactions with non-controlling interests		-85	8
Cash flow from financing activities		-1,125	-2,304
CASH FLOW FOR THE YEAR	40	673	-796
Liquid assets at beginning of year		1,687	2,451
Exchange rate difference in liquid assets		-87	32
Liquid assets at year-end	40	2,273	1,687

CAPITAL EXPENDITURES

The cash flow effect of capital expenditures in tangible fixed assets amounted to MSEK 1,269 (1,231).

Investments in intangible fixed assets amounted to MSEK 1,622 (1,588), of which MSEK 1,353 (1,392) was related to capitalised development costs and MSEK 269 (196) to other intangible fixed assets.

CASH FLOW

Cash flow from operating activities, excluding taxes and other financial items, amounted to MSEK 5,641 (1,469), see note 40.

Operational cash flow amounted to MSEK 2,773 (-1,300). Good project execution and deliveries in several of Saab's programmes resulted in improved working capital, which explains the positive cash flow. Operating cash flow 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.

Free cash flow amounted to MSEK 3,753 (-2,036). For more detailed information on cash flow, see note 40.

Saab has during the year, as part of the state support package for Swedish companies in connection with the Covid-19 pandemic, applied and received a deferment of taxes and fees for three months for the Swedish part of the Group. The deferment has been repaid in full and has had no effect on cash flow for the full year.

Saab has an established programme to sell trade receivables in order to increase the financial flexibility. As of 31 December 2020, receivables with a value of MSEK 0 (0) had been sold.

Parent company income statement

MSEK	Note	2020	2019
Sales	4,42	21,986	21,960
Cost of goods sold	42	-19,518	-17,341
Gross income		2,468	4,619
Marketing expenses		-1,393	-1,587
Administrative expenses		-863	-867
Research and development costs		-1,998	-1,944
Other operating income	6,42	90	26
Other operating expenses	6,42	-300	-65
Operating income		-1,996	182
Result from financial items:	11		
Result from shares in Group companies		515	807
Result from shares in associated companies and joint ventures		889	-63
Result from other securities and receivables held as fixed assets		41	55
Other interest income and similar items		149	352
Interest expenses and similar items		-260	-189
Income after financial items		-662	1,144
Appropriations	12	309	-103
Income before taxes		-353	1,041
Taxes	13	258	-248
Net income for the year		-95	793

SALES AND INCOME

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.

Parent company comprehensive income

MSEK	2020	2019
Net income for the year	-95	793
Other comprehensive income/loss:		
Items that may be reversed in the income statement:		
Translation differences	-	-
Other comprehensive income/loss for the year	-	-
Net comprehensive income/loss for the year	-95	793

Parent company balance sheet

MSEK	Note	31-12-2020	31-12-2019
ASSETS			
Fixed assets:			
Intangible fixed assets	15	780	658
Tangible fixed assets	16	4,183	3,967
Financial fixed assets:			
Shares in Group companies	38	6,342	6,178
Receivables from Group companies	21	91	78
Shares in associated companies and joint ventures	20	354	383
Receivables from associated companies and joint ventures	21	290	463
Other long-term securities holdings	22	27	24
Other long-term receivables	23	19	18
Deferred tax assets	13	384	131
Total financial fixed assets		7,507	7,275
Total fixed assets		12,470	11,900
Current assets:			
Inventories	24	6,833	6,996
Current receivables:			
Accounts receivable	25	2,047	2,125
Receivables from Group companies		3,336	3,797
Receivables from associated companies and joint ventures		18	10
Contract assets		7,591	10,095
Other receivables	23	697	378
Prepaid expenses and accrued income	26	1,849	1,961
Total current receivables		15,538	18,366
Short-term investments		8,076	5,783
Cash and bank balances		1,598	1,007
Total current assets		32,045	32,152
TOTAL ASSETS		44,515	44,052
EQUITY AND LIABILITIES			
Equity	28		
Restricted equity:			
Capital stock		2,174	2,174
Revaluation reserve		656	663
Statutory reserve		543	543
Unrestricted equity:			
Share premium reserve		5,557	5,557
Retained earnings		5,327	4,582
Net income for the year		-95	793
Total equity		14,162	14,311
Untaxed reserves	39	2,199	2,508
Provisions			
Provisions for pensions and similar commitments	31	235	238
Other provisions	32	2,304	1,344
Total provisions		2,539	1,582
Liabilities			
Liabilities to credit institutions	30	7,412	7,788
Liabilities to Group companies		6,496	5,428
Contract liabilities	4	3,504	5,147
Accounts payable		2,166	2,191
Liabilities to associated companies and joint ventures		39	45
Tax liabilities		6	29
Other liabilities	33	972	988
Accrued expenses and deferred income	34	5,020	4,035
Total liabilities		25,615	25,651
TOTAL EQUITY AND LIABILITIES		44,515	44,052

LIQUIDITY, FINANCING, CAPITAL EXPENDITURES AND NUMBER OF EMPLOYEES

The Parent Company's net debt amounted to MSEK 1,224 at 31 December 2020 compared to MSEK 2,777 at 31 December 2019.

Investments in tangible fixed assets amounted to MSEK 668 (686). Investments in intangible assets amounted to MSEK 250 (156).

At year-end, the Parent Company had 10,094 employees, compared to 9,885 at the beginning of the year.

For information on the Parent Company's assets pledged and contingent liabilities, see note 36.

Statement of changes in equity for the parent company

MSEK	Restricted equity				Unrestricted equity			Total equity
	Capital stock	Ongoing rights issue	Revaluation reserve	Statutory reserve	Share premium reserve	Retained earnings	Net comprehensive income for the year	
Opening balance, 1 January 2019	1,746	428	669	543	5,557	5,293	-	14,235
Items reported directly in equity:								
Change in revaluation reserve			-6			6		-
Net comprehensive income/loss for the year							793	793
Transactions with shareholders:								
Rights issue	428	-428						-
Repurchase of shares						-301		-301
Dividend						-601		-601
Share matching plan						185		185
Closing balance, 31 December 2019	2,174	-	663	543	5,557	4,582	793	14,311
Opening balance, 1 January 2020	2,174		663	543	5,557	5,375	-	14,311
Items reported directly in equity:								
Change in revaluation reserve			-7			7		-
Net comprehensive income/loss for the year							-95	-95
Transactions with shareholders:								
Repurchase of shares						-242		-242
Share matching plan						187		187
Closing balance, 31 December 2020	2,174	-	656	543	5,557	5,327	-95	14,162

Parent company statement of cash flows

MSEK	Note	2020	2019
Operating activities:			
Income after financial items		-662	1,144
Adjustments for items not affecting cash flow	40	580	387
Income tax paid		-21	-254
Cash flow from operating activities before changes in working capital		-103	1,277
Cash flow from changes in working capital:			
Contract assets and -liabilities		1,255	-1,783
Inventories		325	-863
Other current receivables		-207	79
Other current liabilities		371	253
Provisions		-250	-183
Cash flow from operating activities		1,391	-1,220
Investing activities:			
Shareholders' contributions paid/repaid		-326	-7
Investments in intangible fixed assets		-251	-156
Investments in tangible fixed assets		-666	-686
Sale of tangible fixed assets		6	8
Sale of and investments in short-term investments		-2,312	3,227
Investments in financial assets		-42	-142
Sale of financial assets		1,092	6
Investments in operations		-	-1
Sale of subsidiaries		99	9
Cash flow from investing activities		-2,400	2,258
Financing activities:			
Change in receivables/liabilities from Group companies		1,333	-669
Raising of loans		2,725	15
Repayment of loans		-3,068	-985
Rights issue		-	11
Repurchase of shares		-242	-301
Dividend paid to shareholders		-	-601
Group contributions and dividends received		852	876
Cash flow from financing activities		1,600	-1,654
CASH FLOW FOR THE YEAR		591	-616
Liquid assets at beginning of year		1,007	1,623
Liquid assets at year-end	40	1,598	1,007

NOTE 1 ACCOUNTING PRINCIPLES**OPERATIONS**

Saab AB is a Swedish limited company with its registered address in Linköping. The company's Series B shares are listed on Nasdaq Stockholm's large cap list. The operations of Saab AB with its subsidiaries, joint ventures and associated companies (jointly referred to as Saab or the Group) were divided into six business areas in 2020: Aeronautics, Dynamics, Surveillance, Support and Services, Industrial Products and Services and Kockums. In addition, Corporate comprises Group staff, Group departments, and secondary operations. The operations in each business area are described in note 3.

On 25 February 2021, the Board of Directors and the President approved this annual report and consolidated accounts for publication, and it will be presented to the Annual General Meeting on 13 April 2021 for adoption.

CONFORMITY TO STANDARDS AND LAWS

The consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as approved by the EU.

The consolidated accounts have also been prepared in accordance with the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups, which contains certain additional disclosure requirements for Swedish consolidated accounts prepared in accordance with IFRS.

The annual report for Saab AB has been prepared according to the Annual Accounts Act, the Swedish Financial Reporting Board's recommendation RFR 2 Reporting by Legal Entities and the pronouncements of the Swedish Financial Reporting Board. Differences between the accounting principles applied by the Parent Company and the Group are the result of limitations on opportunities to apply IFRS by the Parent Company owing to the Annual Accounts Act, the Act on Safeguarding Pension Commitments and in certain cases current tax rules. Significant differences are described below under "Significant differences between the Group's and the Parent Company's accounting principles."

ASSUMPTIONS IN THE PREPARATION OF THE FINANCIAL REPORTS

The Parent Company's functional currency is Swedish kronor (SEK), which is also the reporting currency for the Parent Company and for the Group. The financial reports are presented in SEK. All amounts, unless indicated otherwise, are rounded off to the nearest million.

The preparation of the financial reports in accordance with IFRS requires the Board of Directors and Management to make estimates and assumptions that affect the application of the accounting principles and the carrying amounts of assets, liabilities, revenue and expenses. These estimates and assumptions are based on historical experience and knowledge of the industry that Saab operates in, and under current circumstances seem reasonable. The result of these estimates and assumptions is then used to determine the carrying amounts of assets and liabilities that otherwise are not clearly indicated by other sources. Actual outcomes may deviate from these estimates and assumptions.

Estimates and assumptions are reviewed regularly, and the effect of changed estimates is recognised in profit or loss unless the assessment relates to a item reported in other comprehensive income.

Estimates made by the Board of Directors and Management in applying the accounting principles in compliance with IFRS that may have a significant impact on the financial reports as well as estimates that may necessitate significant adjustments in financial reports in subsequent years are described in more detail in note 2.

The accounting principles described below for the Group and the accounting principles concerning significant profit/loss and balance sheet items described in the respective note disclosure have been applied consistently for all periods presented in the Group's financial reports, unless otherwise stated.

The consolidated accounts have been prepared with acquisition cost as valuation basis unless otherwise stated below or in the accounting principles in each note.

IMPACT FROM COVID-19 ON THE FINANCIAL REPORTS

The pandemic has affected Saab's financial reports in a number of areas. The financial effect from revised estimates and assumptions that have been classified as items affecting comparability due to Covid-19 are summarised in note 42. Covid-19 has also affected the Group's measurement of account receivables which is disclosed in note 25.

During the year, Saab has as a consequence of Covid-19 evaluated whether revisions of estimates and assumptions have been necessary. In note 2, the impact from Covid-19 on the areas subject to estimates and assumptions of greatest importance to the Group is disclosed. Furthermore, the pandemic has given rise to various support measures from public entities to private companies. Saab has received some such supports, see note 7 Government grants.

In addition to the financial effects summarised above, the impact on the group from the pandemic is disclosed outside of the financial reports and the notes disclosures in the Administration report in general and more specifically in the descriptions of the development in each business area, in this Annual and Sustainability report.

APPLICATION OF NEW AND REVISED ACCOUNTING RULES

A number of changes to existing accounting standards have entered into force during the year. None of these that has not already been early adopted has had any material effect on the Group.

NEW AND AMENDED STANDARDS AND INTERPRETATIONS THAT HAVE NOT YET ENTERED INTO FORCE

IASB has issued a number of amendments and standards that have not yet entered into force. None of these are expected to have a material effect on the Group.

CLASSIFICATION OF ASSETS AND LIABILITIES

Current assets and current liabilities generally consist of amounts that can be recovered or paid within twelve months of the closing day. Other assets and liabilities are recognised as fixed assets or long-term liabilities.

CONSOLIDATION PRINCIPLES**Group companies**

Group companies are companies in which Saab AB has a decisive influence. Decisive influence exists when Saab has right to and can affect the variable return from the company through a direct or indirect shareholding amounting to more than 50 per cent of the votes, other than in exceptional circumstances where it can be clearly demonstrated that such ownership does not constitute a decisive influence. Decisive influence also exists when the parent owns not more than half of the voting power of an entity but otherwise has a decisive influence over more than half the voting rights or the power to govern the company's financial and operating policies under a statute or agreement. When determining whether a decisive influence exists, potential voting shares that can be exercised or converted without delay are taken into account.

Subsidiaries and acquired operations (business combinations) are recognised according to the purchase accounting method. This means that a business combination is treated as a transaction whereby the Group indirectly acquires the business's assets and takes over its liabilities and contingent liabilities. The Group's cost is determined through an acquisition analysis with regard to the acquisition of operating entities. Cost is comprised of the sum of the fair value of what is paid in cash on the acquisition date through the assumption of liabilities or shares issued. Contingent consideration is included in cost and recognised at its fair value on the acquisition date. The subsequent effects of revaluations of contingent consideration are recognised in profit or loss. Acquired identifiable assets and assumed liabilities are initially recognised at their acquisition-date fair value. The exceptions to this principle are acquired tax assets/liabilities, employee benefits, share-based payment and assets held for sale, which are valued in accordance with the principles described in each respective note disclosure. Exceptions are also made for indemnification assets and repurchased rights. Indemnification assets are valued according to the same principle as the indemnified item. Repurchased rights are valued based on the remaining contractual period regardless of whether other market players might consider opportunities for contract extensions in connection with valuations.

Recognised goodwill consists of the difference between, on the one hand, the cost of Group company's interests, the value of non-controlling interests in the acquired company and the fair value of the previously owned interest and, on the other, the carrying amount of the acquired assets and assumed liabilities in the acquisition analysis. Non-controlling interests are recognised on the acquisition date either at fair value or their proportionate share of the carrying amount of the acquired company's identified assets and liabilities. Acquisitions of non-controlling interests are recognised as transactions affecting the owners' equity.

The financial reports of Group companies are included in the consolidated accounts from the point in time when a decisive influence arises (acquisition date) until this influence ceases. When decisive influence over the Group company ceases but the Group retains an interest in the company, the remaining shares are initially recognised at fair value. The gain or loss that arises is recognised in profit or loss.

Associated companies and joint ventures

Associated companies are companies over which the Group has a significant, but not decisive, influence. Joint ventures are companies that the Group, through a cooperative agreement with one of more parties, shares a decisive influence over. Associated company and joint venture are recognised according to the equity method in the consolidated accounts. See note 19 for further information.

Note 1, cont.

Eliminated transactions

Intra-Group receivables and liabilities, revenue or expenses, and gains or losses that arise from transactions between Group companies are eliminated in their entirety in the preparation of the consolidated accounts.

Gains that arise from transactions with associated companies and joint ventures are eliminated to an extent corresponding to the Group's ownership interest in the company. Losses are eliminated in the same way as gains, but only to the extent that there is no impairment loss.

FOREIGN CURRENCY

Functional currencies are the currencies in each primary economic environment where units of the Group conduct their operations.

Transactions and assets and liabilities in foreign currency

Transactions in foreign currency are recognised in the functional currency at the exchange rate on the transaction day. Monetary assets and liabilities are translated to the functional currency on the closing day at the exchange rate then in effect. Exchange rate differences that arise through these translations are recognised in profit and loss. Non-monetary assets and liabilities recognised at fair value are translated to the functional currency at the rate in effect at the time of valuation at fair value. Changes in exchange rates are then recognised in the same way as other changes in value of the asset or liability.

Translation of financial reports of foreign operations to SEK

Assets and liabilities in operations with a functional currency other than SEK are translated to SEK at the closing day exchange rate. Revenue and expenses in foreign operations are translated to SEK at the average rate. Translation differences that arise through currency translations are recognised directly in other comprehensive income. The amount is recognised separately as a translation reserve in equity.

SIGNIFICANT DIFFERENCES BETWEEN THE GROUP'S AND THE PARENT COMPANY'S ACCOUNTING PRINCIPLES

The Parent Company follows the same accounting principles as the Group with the following exceptions.

Business combinations

Transaction costs are included in the cost of business combinations.

Associated companies and joint ventures

Shares in associated companies and joint ventures are recognised by the Parent Company according to the acquisition cost method. Revenue includes only dividends received.

Intangible fixed assets

All development costs are recognised in profit or loss.

Tangible fixed assets

Tangible fixed assets are recognised after revaluation, if necessary.

Right-of-use assets and lease liabilities

The Parent Company do not recognise leases in the balance sheet as right-of-use assets and lease liabilities. Leasing fees are expensed on a straight-line basis over the lease term in accordance with the exemption from IFRS 16 in RFR 2, Accounting for Legal Entities.

Financial assets and liabilities and other financial instruments

The Parent Company does not apply IFRS 9 in full but the rules for financial instruments in RFR 2. This means among other things that financial fixed assets are measured at cost less any write-down and current financial assets according to the lowest value principle. If the reason for write-down has ceased, it is reversed.

Derivatives and hedge accounting

Derivatives not classified as hedging instruments are carried by the Parent Company according to the lowest value principle. For derivatives classified as hedging instruments, recognition is determined by the hedged item. This means that the derivative is treated as an off-balance sheet item until the hedged transaction has occurred.

Employee benefits

The Parent Company complies with the provisions of the Law on Safeguarding of Pension Commitments and the regulations of the Swedish Financial Supervisory Authority, since this is a condition for tax deductibility.

Untaxed reserves

The amounts allocated to untaxed reserves constitute taxable temporary differences. Due to the connection between reporting and taxation, the deferred tax liability is recognised in the Parent Company as part of untaxed reserves.

Group contributions and shareholders' contributions

Group contributions received are recognised through profit and loss in financial income and expenses. Group contributions paid are capitalized in the shares and participating interests of the parent. Shareholders' contributions are recognised directly in the equity of the recipient and capitalised in the shares and participating interests of the contributor, to the extent write-down is not required.

NOTE 2 ASSUMPTIONS IN THE APPLICATION OF THE ACCOUNTING PRINCIPLES

The Board of Directors and Group Management together have identified the following areas where estimates and assumptions in the application of the accounting principles may have a significant impact on the accounting of the Group's results of operations and financial position and may result in significant adjustments in subsequent financial reports. Developments in these areas are monitored continuously by Group Management and the Board of Directors' Audit Committee.

UNCERTAINTIES IN ESTIMATES AND ASSUMPTIONS

Long-term customer contracts

A majority of all long-term customer contracts contain significant development aspects, which are associated with risks. Before a contract is signed with a customer on delivery of a product or service, a thorough analysis is always made of the pre-requisites and risks of the delivery through a project management process established within Saab. In the execution stage, continuous reviews are made of the work in the project according to the same process.

An important aspect is to identify risks and assess them and the measures that are taken to mitigate the risks with the help of a risk assessment method.

The Group recognise revenue over time for long-term contracts. An estimation of total costs including an estimate of technical and commercial risks is critical in revenue recognition. Changed estimates of the projects' total costs cause retroactive effects that affect sales and revenue recognition. Saab has during 2020 and during recent years conducted several large customer projects in the development phase, which means greater uncertainties in risks to take into consideration in revenue recognition and estimation of total costs. Covid-19 has during the year affected Saab's assessment of the total costs needed to fulfill the Group's obligations in a number of material contracts. These revised estimates has led to adjustments of project estimates in the business area Aeronautics, among others. Adjustments to project estimates with a direct and material impact from Covid-19 have been classified as items affecting comparability, refer to note 42. In addition to the adjustments of project estimates that have been classified as items affecting comparability,

ongoing assessments of risks in projects and total costs of projects are part of Saab's operations. These ongoing assessments also results in changes to project estimates, both positive and negative. In these changes to project estimates, Covid-19 might also have had certain impacts, however, not material. Accordingly, they have not been classified as items affecting comparability. The accounting of long-term customer contracts also affects balance sheet items such as contract assets and contract liabilities, accounts receivables, inventories and project loss provisions. Making delivery according to project plan and milestones are important for the cash flow since payments are made upon achievement of milestones or deliveries in projects. See note 4 for more information regarding long-term customer contracts.

Recovery of value of development costs

The Group has invested considerable amounts in research and development. The reported amounts in the statement of financial position are primarily due to development projects relating to the airborne early warning and control system, GlobalEye, and an export version of Gripen. Capitalised development costs amount to MSEK 5,699 (4,580). The recognition of development expenditures as an asset on the statement of financial position requires an assumption that the product is expected to be technically and commercially usable in the future and that future economic benefits are likely. Covid-19 has not affected this assessment as Saab has not identified that the current pandemic would affect the long-term business plans supporting capitalisation and the value of these assets. Amortisation of capitalised development costs is made on a straight-line basis over the period of use, up to a maximum of 10 years. The carrying amount of capitalised development costs is tested on each closing day for any indication of impairment. If an indication exists, the asset's recoverable amount is calculated. For assets not yet ready for use recoverable amount is calculated annually, irrespective of whether there is any indication of impairment or not. See note 15 for further information.

Impairment testing of goodwill

In the calculation of cash-generating units' recovery value to determine whether there is a need for impairment of goodwill, assumptions have been made with regard to the calculation of value in use, based on discounted cash flow projections. A significant deviation in the conditions could necessitate impairment of goodwill. The carrying amount for goodwill amounts to MSEK 5,141 (5,355). See note 15 for further information.

In the measurement of the value in use in 2020, with regards to Covid-19, the Group has not needed to revise its principles for determining the discount rate for future cash flows. Saab has analysed different scenarios and performed stress tests of the calculations of value in use through negative adjustments of key judgments such as growth rate and profitability level during the forecast period and in the terminal value. These stress test have not led to any identified need of impairment.

NOTE 3 SEGMENT REPORTING**OPERATING SEGMENTS**

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, advanced weapons system and command and control 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 South Africa, Australia, the US and other selected countries globally.

Segment information is presented based on management's view, and operating segments are identified based on internal reporting to the company's chief operating decision maker. Saab has identified the Chief Executive Officer as its chief operating decision maker, while the internal reports used by the CEO to oversee operations and make decisions on allocating resources serve as the basis of the information presented. The segments are monitored at the operating income level. In the segment's reporting, all leasing agreements are recognised as operational leasing commitments. In addition to IFRS 16, the accounting principles for reportable segments conform to the principles applied by the Group as a whole. Sales of goods and services between segments are made on market terms. Saab's operations are divided into six business areas, which are also operating segments:

- Aeronautics
- Dynamics
- Surveillance
- Support and Services
- Industrial Products and Services
- Kockums

The business areas are described below. Complementing the six segments is Corporate, which comprises Group staffs and departments as well as other non-core operations.

Aeronautics

Aeronautics is a world-leading manufacturer of innovative aerial systems and is engaged in development of military aviation technology. It also conducts long-term future studies of manned and unmanned aircraft as preparation for new systems and further development of existing products.

Dynamics

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

Pensions

Saab has two types of pension plans: defined-benefit and defined-contribution. In defined-benefit plans, post-employment compensation is based on a percentage of the recipient's salary. The present value of defined-benefit obligations amounts to MSEK 12,774 (12,132). The value of the pension obligation is determined through a number of actuarial assumptions, because of which the obligation can significantly increase or decrease if the actuarial assumptions change. Changes in actuarial gains and losses directly affect the pension obligation and hence the Group's financial position. See note 31 for further information.

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, 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. The wholly owned, independent subsidiary Combitech are included in the business area.

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.

Significant non-recurring items not affecting cash flow

Significant items affecting comparability that do not affect cash flow are divided by operating segment as follows: Aeronautics MSEK 1,153 (0), Dynamics MSEK 15 (0), Surveillance MSEK 166 (0), Support and Services MSEK 118 (0), Industrial Products and Services MSEK 315 (0), Corporate MSEK 653 (0). For further information regarding items affecting comparability see note 42.

Information on large customers

In 2020, Saab had three 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 MSEK 10,683 (10,876). The Brazilian State is a customer primarily to business area Aeronautics and total sales amounted to MSEK 4,211 (3,921). United Arab Emirates is a customer primarily to business areas Surveillance and Support and Services and total sales amounted to MSEK 3,828 (2,316).

Information on geographical areas

External sales are distributed to the market where the customer is domiciled, while fixed assets are distributed to the market where the asset is geographically located.

Seasonal variation

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

Note 3, cont.

Group	Aeronautics		Dynamics		Surveillance		Support and Services		Industrial Products and Services		Kockums		Corporate		Eliminations		Group	
MSEK	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
External order bookings	1,722	2,737	8,935	6,468	13,622	9,136	11,818	3,641	4,462	4,189	1,748	1,031	21	14	-	-	42,328	27,216
Internal order bookings	303	242	296	238	306	254	127	458	1,149	1,326	53	185	-	-	-2,234	-2,703	-	-
Total	2,025	2,979	9,231	6,706	13,928	9,390	11,945	4,099	5,611	5,515	1,801	1,216	21	14	-2,234	-2,703	42,328	27,216
External order backlog	36,667	42,104	16,360	14,066	21,947	16,241	13,912	8,611	7,692	7,834	3,430	4,690	-192	-253	-	-	99,816	93,293
Internal order backlog	171	16	167	198	236	224	326	375	1,102	1,201	201	162	-	-	-2,203	-2,176	-	-
Total	36,838	42,120	16,527	14,264	22,183	16,465	14,238	8,986	8,794	9,035	3,631	4,852	-192	-253	-2,203	-2,176	99,816	93,293
External sales	7,158	7,949	6,595	5,931	7,595	7,471	6,369	5,685	4,598	5,118	3,003	2,984	113	295	-	-	35,431	35,433
Internal sales	149	269	318	209	293	228	152	136	1,248	1,438	24	23	-	-	-2,184	-2,303	-	-
Total sales	7,307	8,218	6,913	6,140	7,888	7,699	6,521	5,821	5,846	6,556	3,027	3,007	113	295	-2,184	-2,303	35,431	35,433
Operating income before share in income of associated companies and joint ventures	-453	703	796	677	505	853	711	742	-398	239	119	88	215	-360	-	-	1,495	2,942
Share in income of associated companies and joint ventures	-47	-26	33	39	-	-	-	-	-	-1	-	-	-166	-17	-	-	-180	-5
Operating income	-500	677	829	716	505	853	711	742	-398	238	119	88	49	-377	-	-	1,315	2,937
Financial income	-	1	2	3	7	20	-	9	-	2	-	1	428	339	-207	-185	230	190
Financial expenses	-124	-108	-67	-58	-75	-92	-52	-44	-73	-58	-12	-14	-237	-331	207	185	-433	-520
Income before taxes	-624	570	764	661	437	781	659	707	-471	182	107	75	240	-369	-	-	1,112	2,607
Taxes ¹⁾	-187	-207	-32	-43	-57	-111	21	-8	66	-25	-17	-7	186	-181	-	-	-20	-582
Net income for the year	-811	363	732	618	380	670	680	699	-405	157	90	68	426	-550	-	-	1,092	2,025
Assets	12,857	11,106	7,869	7,317	15,528	16,431	5,621	6,272	6,273	7,066	4,816	4,437	33,201	29,225	-25,597	-21,996	60,568	59,858
Of which shares in associated companies and joint ventures	36	110	252	241	4	4	-	-	4	3	-	-	200	314	-	-	496	672
Liabilities	11,780	9,760	5,239	4,866	9,279	10,249	3,476	4,104	4,904	5,062	3,635	3,314	18,571	15,978	-17,960	-14,284	38,924	39,049
Operational cash flow	-2,226	-1,591	551	158	1,281	1,156	1,856	11	1,028	-302	983	-70	-700	-662	-	-	2,773	-1,300
Capital employed	6,790	5,237	4,402	4,182	7,969	7,813	3,387	4,255	3,969	5,064	1,230	1,236	8,962	8,179	-	-	36,709	35,966
Investments	1,219	1,143	156	216	756	583	131	89	57	81	26	33	546	656	-	-	2,891	2,801
Depreciation	69	60	88	76	347	298	77	20	76	86	34	36	827	792	-	-	1,518	1,368

¹⁾ Current taxes in the Parent Company are reported in Corporate

Geographical areas

Group	Sweden		Rest of Europe		North America		Latin America		Asia	
MSEK	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
External sales	12,662	13,188	6,239	5,677	3,938	3,889	4,527	4,314	6,336	6,464
as % of sales	36	37	18	16	11 ¹⁾	11	13 ²⁾	12	18 ³⁾	18
Fixed assets	18,624	17,211	1,270	1,183	1,563	1,749	95	165	243	386

Group	Africa		Australia, etc.		Total	
MSEK	2020	2019	2020	2019	2020	2019
External sales	180	357	1,549	1,544	35,431	35,433
as % of sales	1	1	4	4	100	100
Fixed assets	392	467	207	160	22,394	21,321

¹⁾ Which of US represents 10 (10) % of the Group's total sales.

²⁾ Which of Brasil represents 12 (12) % of the Group's total sales.

³⁾ Which of United Arab Emirates represents 11 (7) % of the Group's total sales.

Note 3, cont.

Sales by operating segment

MSEK	Parent Company	
	2020	2019
Aeronautics	7,172	7,959
Dynamics	1,390	1,332
Surveillance	5,825	5,434
Support and Services	5,865	5,083
Industrial Products and Services	1,783	2,152
Corporate	-49	-
Total	21,986	21,960

Sales by geographical market

MSEK	Parent Company	
	2020	2019
Sweden	7,523	8,510
Rest of Europe	3,430	3,154
North America	1,669	2,020
Latin America	4,344	4,088
Asia	4,755	3,778
Africa	121	235
Australia, etc.	144	175
Total	21,986	21,960

NOTE 4 SALES**ACCOUNTING PRINCIPLES****Sales**

Revenue recognition is based on a contract for the sale of a good or service between two parties. The company recognises revenue when it satisfies the obligation to deliver the promised goods or services to the customer, which means that revenue is recognised when the customer obtains control over the good or service and has the ability to use or obtain the benefits from the good or service. The main principles of revenue recognition are based on a five-step model:

1. Identify the contract
2. Identify the performance obligations
3. Determine the transaction price
4. Allocate the transaction price to each obligation
5. Recognise revenue when the obligation is satisfied.

Long-term customer contracts

A large part of the Group's operations involves long-term customer contracts for the development and manufacture of complex systems that stretch over several reporting periods. The analysis of these contracts according to the five-step model has mainly meant determining the number of performance obligations (step 2) and when they are fulfilled (step 5), i.e. over time or at a given point in time.

Since Saab's long-term customer contracts involve considerable customisation and integration of goods and services, it usually means that a single performance obligation has been identified. A performance obligation is satisfied at a given point in time or over time. If a performance obligation is satisfied over time, one of the following criteria must be met: a) the customer must obtain immediate benefits when the obligation is satisfied, b) Saab's performance creates or improves an asset that the customer controls, or c) Saab's performance does not create an asset with an alternative use to the company and Saab has the right to payment for costs incurred to date, including profit, in the event that the customer terminates the contract for reasons other than the company's failure to perform as promised.

Since Saab's long-term customer contracts involve considerable customisation and integration of goods and services and because the cost to adapt the asset and sell it to a new customer would not be insignificant, the conclusion is most often that the asset is not deemed to have an alternative use. Since the contracts also contain clauses that include the right to payment plus a reasonable profit for costs incurred, it means that the criteria for recognising revenues from long-term customer contracts over time are satisfied. Revenue and costs are therefore recognised in the income statement in relation to the contract's stage of completion.

The stage of completion is based on a determination of the relationship between expenditures incurred as of the closing day and estimated total expenditures to satisfy the contract. Of the total revenue, the portion corresponding to the stage of completion is recognised in each period. The stage of completion can also be determined in certain cases based on milestones or number of units delivered. An expected loss is recognised in the income statement as soon as it is identified. In some long-term customer contracts Saab receives advance payments or build-up material contract assets. If there is a significant financing component, the time

value effect is recognised only for contracts where the advance payment still remain after twelve months. Occasionally, the content of the contractual relationship between Saab and the customer is changed through i.e. an additional order. Saab evaluates whether additional orders and other changes to contracts should be recognised as a part of the original contract or as a new contract. The evaluation is based on whether additional goods or services are added, that are distinct from the original contract, and whether the price of such goods or services correspond to a stand-alone selling price. If both these prerequisites are met the additional order is treated as a new contract.

Products

A share of Saab's revenue is attributable to products where development, customisation and integration are relatively minor and relates for the most part only to the manufacture of products, as well as the resale of spare parts, for example. Revenue from these contracts is recognised at a given point in time, i.e. normally when control of the good has transferred to the customer in accordance with the terms of the contract.

Service assignments

For Saab's service assignments, which include the sale of consulting hours and support services, at a fixed price or on current account, the customer normally obtains the benefits when the obligation is satisfied. Revenue is mainly recognised over time as the assignment is performed according to the contract.

Saab is active in the military defence market as well as the commercial aircraft and security market. In 2020, sales of defence materiel accounted for 88 per cent (85) of Saab's sales. Saab's international sales represent more than half of its total operations and as a rule entail considerable sums that stretch over long periods of time. In 2020, 64 per cent (63) of Saab's sales was to markets outside Sweden.

A large share of Saab's sales comes from a limited number of customers and relatively few contracts. The European market including Sweden is Saab's most important market. The Swedish Defence Material Administration (FMV) is Saab's most important customer, accounting for 30 per cent (31) of Saab's sales in 2020.

Saab's operations are distinguished by complex, multi-year development assignments on the cutting edge of technology. In its long-term customer projects, Saab implements and delivers cost-efficient high-tech solutions in accordance with the customer contract. The contract model for major development projects according to which Saab is often engaged in development work is complex and entails risks. Contracts are often signed where the customer orders a product with specifications on its features and which problems it will solve. Saab then commits to deliver in accordance with the specifications and produces the required product or system. Consequently, when contracts are signed, the product in some cases has not been developed and will normally be delivered several years later. Most of the contracts are signed with a fixed-price component. In 2020 Long-term customer contracts accounted for 62 per cent (62) of total sales.

The majority of Saab's sales relates to projects that in most cases are recognised in revenue and income over time. This places high demands on project planning and control as well as monitoring to ensure that at any given time the commitments and estimates of project costs and revenue provide a satisfactory basis for recognition of sales and income. Saab continuously updates cost estimates for long-term customer contracts, which has a retroactive effect, both positive and negative, on sales. The impact during 2020 of retroactive effects from project estimates related to Covid-19 were significant, see note 2 and 42. The impact from regular revisions of projects estimates were insignificant in relation to sales. Approximately 80 percent of sales is recognised over time in pace with project completion.

Accounting for long-term customer contracts affects balance sheet items such as contract assets and contract liabilities as well as accounts receivable, for which customary payment terms are applied. Many of Saab's large contracts with customers are based on a payment model according to which the majority of the payment is not made until or after the product or system has been delivered or partially delivered. Saab has during 2020 and during recent years conducted several large customer projects in the development phase. During 2020, many of the Group's large projects reached far in the project execution phase which has led to that the Group has reached material milestones. This has led to a decrease of contract assets of MSEK 2,334 during the year. Opening contract liabilities as of 1 January 2020 were practically all recognised in revenue in the financial year.

Provision for guarantees in connection with products or services sold is normally recognised if a reliable calculation of the provision can be made; see note 32 for further information.

The Group has no significant commitments or obligations relating to product returns.

Saab has not identified any customer contracts where a significant financing component exists.

Future revenue from contracts with customers

The order backlog is expected to be realised and recognised as revenue according to the following table:

Note 4, cont.

Order backlog duration:

MSEK	2020	2019
Within 1 year	31,373	28,896
Within 2 years	21,869	22,255
Within 3 years	16,748	16,087
Within 4 years	15,247	13,205
4 years and forward	14,579	12,850
Total	99,816	93,293

	Aeronautics		Dynamics		Surveillance		Support and Services		Industrial Products and Services		Kockums		Corporate/elimination		Group	
MSEK	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Sales per customer:																
Military customers	7,155	7,948	6,294	5,607	7,581	7,435	5,794	4,859	1,169	1,114	3,003	2,984	93	279	31,089	30,226
Civilian customers	3	1	301	324	14	36	575	826	3,429	4,004	-	-	20	16	4,342	5,207
Total external sales	7,158	7,949	6,595	5,931	7,595	7,471	6,369	5,685	4,598	5,118	3,003	2,984	113	295	35,431	35,433
Sales by significant source:																
Long-term customer contracts	6,282	6,840	2,062	2,258	5,503	5,083	3,396	2,376	2,300	2,954	2,323	2,216	42	279	21,908	22,006
Services	853	897	864	699	1,421	1,646	2,469	2,556	1,991	1,891	657	734	40	15	8,295	8,438
Products	23	212	3,669	2,974	671	742	504	753	307	273	23	34	31	1	5,228	4,989
Total external sales	7,158	7,949	6,595	5,931	7,595	7,471	6,369	5,685	4,598	5,118	3,003	2,984	113	295	35,431	35,433
Sales by domain:																
Air	7,151	7,949	327	543	3,698	3,449	4,806	3,888	298	364	-	-	63	121	16,343	16,314
Land	7	-	4,747	3,977	1,311	1,256	921	931	481	493	-	-	13	-	7,480	6,657
Naval	-	-	1,501	1,192	2,431	2,516	169	230	11	13	3,003	2,984	68	174	7,183	7,109
Civil Security	-	-	6	210	3	8	220	159	1,871	2,024	-	-	-43	-	2,057	2,401
Commercial Aeronautics	-	-	-	-	-	-	253	477	1,164	1,478	-	-	6	-	1,423	1,955
Other	-	-	14	9	152	242	-	-	773	746	-	-	6	-	945	997
Total external sales	7,158	7,949	6,595	5,931	7,595	7,471	6,369	5,685	4,598	5,118	3,003	2,984	113	295	35,431	35,433
Sales recognition method:																
Over time	7,111	7,716	2,522	2,931	6,523	6,321	5,392	4,455	2,986	3,050	2,840	2,813	84	279	27,458	27,565
Point in time	47	233	4,073	3,000	1,072	1,150	977	1,230	1,612	2,068	163	171	29	16	7,973	7,868
Total external sales	7,158	7,949	6,595	5,931	7,595	7,471	6,369	5,685	4,598	5,118	3,003	2,984	113	295	35,431	35,433

Sales by customer

	Parent Company	
MSEK	2020	2019
Military customers	20,053	19,432
Civilian customers	1,933	2,528
Total	21,986	21,960

Sales by significant source

	Parent Company	
MSEK	2020	2019
Long-term customer contracts	15,739	15,761
Services	4,762	4,729
Products	1,485	1,470
Total	21,986	21,960

Sales by domain

	Parent Company	
MSEK	2020	2019
Air	15,378	15,659
Land	2,758	2,269
Naval	1,887	1,525
Civil Security	567	558
Commercial Aeronautics	1,396	1,949
Total	21,986	21,960

Sales recognition method

	Parent Company	
MSEK	2020	2019
Over time	18,192	17,771
Point in time	3,794	4,189
Total	21,986	21,960

NOTE 5 OPERATING EXPENSES**Operating expenses**

The income statement is classified according to function as follows:

Cost of goods sold comprises costs for material handling and manufacturing costs, including salary and material costs, purchased services, premises, and the depreciation/amortisation and write-down of intangible and tangible fixed assets other than self-financed capitalised development cost (see below). Customer-financed research and development is recognised in cost of goods sold.

Administrative expenses relate to expenses for the Board of Directors, Group Management and staff functions as well as expenses attributable to business area and business unit managements.

Marketing expenses comprise expenses for the in-house marketing and sales organisation as well as external marketing and selling expenses.

Research and development costs are recognised separately and comprise the cost of self-financed new and continued product development as well as amortisation of capitalised development costs.

Operating expenses classified by the type of cost, excluding other operating income and expenses, are distributed as follows:

MSEK	Group	
	2020	2019
Materials and components	8,942	8,259
Purchased services	4,523	4,599
Personnel costs	14,667	14,225
Depreciation/amortisation and write-downs	1,966	1,398
Other external costs	4,736	4,151
Total	34,834	32,632

Depreciation/amortisation and write-downs include write-downs and reversal of write-downs on inventory.

NOTE 6 OTHER OPERATING REVENUE AND EXPENSES**ACCOUNTING PRINCIPLES****Other operating revenue and expenses**

Other operating revenue and expenses relate to operating activities that fall outside of core operations, costs not directly attributable to functions in the income statement, exchange rate differences on items of an operating nature, government grants, changes in the value of derivatives of an operating nature and capital gains/losses on the sale of tangible fixed assets. Also included at the Group level are capital gains/losses on the sale of subsidiaries, operations, associated companies and joint ventures.

Other operating revenue

MSEK	Group		Parent Company	
	2020	2019	2020	2019
Gain on sale of associated companies/joint ventures	997	5	-	-
Gain on sale of Group companies	110	-	-	-
Government grants	48	22	41	15
Exchange rate gains on operating receivables/liabilities and change in value of derivatives	41	32	11	7
Gain from other operating activities	13	11	-	-
Repayment of purchase price previous acquisition	13	-	-	-
Insurance compensation	9	2	9	2
Change in fair value of biological assets	8	19	-	-
Gain on sale of tangible fixed assets	8	13	4	1
Gain on sale of transfer activity	-	72	-	-
Other	44	41	25	1
Total	1,291	217	90	26

Other operating expenses

MSEK	Group		Parent Company	
	2020	2019	2020	2019
Provision for disputes and legal proceedings	-300	-	-300	-
Impairment of receivables from associated companies	-59	-	-	-
Exchange rate gains on operating receivables/liabilities and change in value of derivatives	-22	-	-	-
Loss from other operating activities	-5	-9	-	-
Loss on sale and disposal of tangible fixed assets	-2	-1	-	-
Provisions for guaranteed residual value regarding short term lease	-	-65	-	-65
Other	-5	-1	-	-
Total	-393	-76	-300	-65

NOTE 7 GOVERNMENT GRANTS**ACCOUNTING PRINCIPLES**

Saab receives government grants, mainly various grants from EU related to research and development projects. These are recognised when there is reasonable certainty that the grant will be received and that the Group will meet the conditions associated with the grant. Project-related government grants are systematically recognised in the income statement primarily as cost deduction over the same periods as the expenses for which the grants are intended to compensate.

Government grants received during 2020 related to compensation for sick leave costs in connection with Covid-19 are recognised as other operating income in the income statement.

During 2020, MSEK 148 (147) was received in project-related support. MSEK 80 (153) has been recognised through profit or loss by mainly reduce research and development expenditures and cost of goods sold. In the statement of financial position at year-end, MSEK 113 (45) is recognised as prepaid income.

In addition to project-related support 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. The support is paid to all Swedish employers and does not require an application. The support amounts to 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).

No contingent liabilities or contingent assets are reported.

NOTE 8 EMPLOYEES AND STAFF COSTS

The average number of employees in 2020 amounted to 17,822 (17,174), of whom 77 per cent (77) were men. For information about number of employees per locality and by country see page 162.

Average number of employees¹⁾

	2020	of whom men	2019	of whom men
Parent company				
Sweden	9,818	77%	9,523	77%
Rest of Europe	9	88%	13	85%
North America	0	-	4	100%
Latin America	21	86%	21	81%
Asia	50	83%	17	76%
Africa	-	-	9	89%
Parent company, total	9,898	77%	9,587	77%
Group companies				
Sweden	4,792	77%	4,519	77%
Rest of Europe	1,078	84%	899	82%
North America	712	74%	741	75%
Latin America	80	66%	57	61%
Asia	191	79%	195	79%
Africa	548	72%	716	72%
Australia, etc	523	81%	460	83%
Group companies, total	7,924	77%	7,587	77%
Group, total	17,822	77%	17,174	77%

¹⁾ The average number of employees has been calculated as an average of the number of Full Time Equivalents (FTE). The term Full-Time Equivalents excludes long-term absentees and consultants. Fixed term employees and probationers are however included in the calculation.

Gender distribution of corporate management

	Parent Company	
	2020	2019
Share of women, per cent		
Board of Directors	36	40
Other senior executives	31	33

Salaries, other remuneration and social security expenses

MSEK	2020		2019	
	Salaries and other remuneration	Social security expenses	Salaries and other remuneration	Social security expenses
Parent Company	5,589	2,769	5,493	2,733
of which pension costs ¹⁾		1,018		1,001
Group companies	4,779	1,530	4,602	1,397
of which pension costs ²⁾		639		553
Group, total	10,368	4,299	10,095	4,130
of which pension costs ³⁾		1,657		1,554

¹⁾ Of the Parent Company's pension costs, MSEK 10 (8) referred to the Parent Company's Board and President, including deputies and Executive Vice President. The company's outstanding pension obligations for these individuals, amount to MSEK 10 (10), of which MSEK 9 (9) referred to former Board members and President, including deputies and Executive Vice Presidents.

²⁾ Adjusted according to different accounting principles regarding defined-benefit plans between Parent Company and Group. See notes 1 and 31 for more information.

³⁾ Of the Group's pension costs, MSEK 21 (21) referred to the Group's and Group companies' Boards and Presidents. The Group's outstanding pension obligations for these individuals amounted to MSEK 10 (10), of which MSEK 9 (9) referred to former board members and Presidents.

Salaries and other remuneration distributed between Board members, President and Executive Vice Presidents and other employees

MSEK	2020		2019	
	Board, President and Executive Vice Presidents	Other employees	Board, President and Executive Vice Presidents	Other employees
Parent Company	33	5,556	35	5,458
Group companies	81	4,698	91	4,511
Group, total	114	10,254	126	9,969

Of the salaries and remuneration paid to other employees in the Group, MSEK 40 (31) referred to senior executives other than Board members, the President and Executive Vice Presidents. Of the salaries and remuneration paid to Board members, President and Executive Vice Presidents during 2019, MSEK 3 referred to the prior President.

For information on post-employment benefits, see note 31.

SENIOR EXECUTIVES' BENEFITS**Remuneration to Board members**

In accordance with the resolution of the Annual General Meeting, the fees paid to members of the Board, for the term April 2020 – April 2021, amount to SEK 7,560,000 (7,560,000), consisting of SEK 1,900,000 (1,900,000) to the Chairman, SEK 700,000 (700,000) to the Deputy Chairman and SEK 620,000 (620,000) to each of the other members elected by the Annual General Meeting, with the exception of the President.

For audit committee work during the term April 2020 – April 2021, committee chairman Joakim Westh also received a fee of SEK 250,000 (250,000) and committee members Erika Söderberg Johnson and Daniel Nodhäll each received a fee of SEK 165,000 (165,000).

For remuneration committee work, during the term April 2020 – April 2021, committee chairman Sten Jakobsson also received a fee of SEK 150,000 (150,000) and committee members Marcus Wallenberg and Bert Nordberg each received a fee of SEK 90,000 (90,000).

Remuneration to Board members and committee members recognised as cost for fiscal year 2020 is shown in the table on page 117.

Remuneration to the President

The remuneration to the President and CEO consists of a fixed salary. No short-term variable remuneration is paid. The preparation process for compensation issues regarding the President is handled by the Board's Remuneration Committee according to the principles laid down by the Annual General Meeting and then voted on by the Board.

In the period 1 January through 31 December 2020, the cost for salary and other benefits to President and CEO Micael Johansson amounted in total to SEK 19,951,266 (3,405,627), of which other benefits, including share related plans, amounted to SEK 4,774,431 (645,036). The comparative figures for Micael Johansson refer to his period as President and CEO, 23 October to 31 December 2019. Micael Johansson has participated in ongoing Share Matching plan 2016-2020, in Performance Share Plan 2016-2020 and in Saab's performance programme Special Projects Incentive 2017-2020. For more detailed information regarding Saab's long-term incentive programmes, see page 118-119.

Håkan Buskhe was President and CEO until 22 October 2019. In the period 1 January through 22 October 2019, President Håkan Buskhe received salary and other benefits totalling SEK 37,809,117, of which other benefits, including share related plans, amounted to SEK 25,827,439. In accordance with the terms of the long-term incentive programmes, the Board of Directors has resolved that outgoing President Håkan Buskhe has the right to participate in future matches in all ongoing incentive programmes, i.e. the Share Matching Plan, Performance Share Plan and Special Projects Incentive, which he participated in at the time of his termination as President. Shares in these plans will be allotted or matched on the scheduled dates, but the remuneration was expensed in its entirety in 2019, representing SEK 17,826,016 of the total remuneration for share related plans of SEK 25,696,377.

Pension terms

The retirement age for the President is at least 62 years. The President has a defined contribution pension plan and may decide himself on the payment term, though within the provisions of Swedish income tax law. The pension cost for Saab consists of pension premiums amounting to 35 per cent of the fixed salary. Pension premiums are paid as long as the President remains an employee of the company, but not beyond the age of 65. To this is added the cost of pension premiums according to the ITP plan. The pension commitment is vested.

Note 8, cont.

For 2020 the cost of President Micael Johansson's pension including ITP, was SEK 4,819,063 (896,527). For 2019, the cost of President Håkan Buskhe's pension, including ITP, was SEK 4,350,679.

Severance terms

If terminated by the company, the President will receive a salary and pension benefits for a period of six months (period of notice). Thereafter he will receive severance pay equivalent to one year of salary, based on his current fixed salary. If the President does not obtain new employment, he will receive an additional six months of severance pay. The severance will be deducted from income received from other employment during the same period. If the President resigns voluntarily, there is a six-month period of notice with salary and pension benefits, but no severance pay. The President's agreement includes a non-compete clause.

Remuneration to other senior executives

The group of other senior executives included 12 individuals (11) at 31 December 2020: the Executive Vice President, the Heads of the Business Areas and the Heads of Group staffs. At 31 December 2020, Group Management was comprised of Micael Johansson (President), Christian Luiga, Görgen Johansson, Anders Carp, Jonas Hjelm, Lars Tossman, Christian Hedelin, Dean Rosenfield, Ellen Molin, Annika Bäreemo, Jessica Öberg, Sebastian Carlsson och Lena Eliasson.

The remuneration paid to other senior executives consists of a fixed salary. No short-term variable remuneration is paid. Compensation issues regarding the other senior executives are prepared by the Head of Group Human Resources and presented to the President, who makes a decision that is presented to the Compensation Committee and the Board.

Of the other senior executives, one individual received cash settlement of a non-recurring nature upon recruitment according to a resolution 2018. An amount totalling SEK 850,500 will be paid during a period of 36 months from the start of employment. The payments are made monthly in the form of pension premiums and are conditional upon the recipients not giving notice of termination of employment. SEK 283,500 (283,500) has been paid during 2020.

All eligible executives have participated in ongoing Performance Share Plan 2016-2020 and Share Matching plan 2016-2020. As of May 2017, all eligible executives participate in Saab's performance programme Special Projects Incentive 2017-2020.

In 2020, the cost for salaries and other benefits to other senior executives totalled SEK 77,692,124 (62,767,605), of which other benefits, including share related plans, amounted to SEK 27,647,957 (22,298,248). For more detailed information regarding Saab's long-term incentive programmes, see page 118-119.

Pension terms

The pension age of 62 years applies to all other senior executives. However, three (two) persons have a pension age according to existing law and collective agreement.

In addition to ITP, 9 members (9) of the group are affiliated with the Saab plan, which is defined-contribution and vested. The Saab plan provides pension benefits in addition to ITP or its equivalent on salary levels between 20 and 30 basic amounts as well as on salary segments over 30 basic amounts. The individuals themselves can decide on the payment term, though within the provisions of Swedish income tax law. Moreover, an insurance policy finances the period between the agreed pension age, 62 years, and 65 years.

The pension cost for Saab consists of pension premiums, which are based on a percentage of qualifying salaries. The percentage rate is determined by each executive's time remaining until agreed pension age, 62 years, when joining the plan. The aggregate insurance balance should cover a targeted pension from 65 years of approximately 32.5 per cent of salary levels between 20 and 30 basic amounts and approximately 50 per cent of segments over 30 basic amounts of qualifying salaries. Premium payments continue as long as the individuals remain in their positions or as employees of the company.

Pension obligations are vested. In 2020, pension costs for other senior executives, including ITP and its equivalent, amounted to SEK 15,771,150 (14,639,146). Other senior executives are entitled, or obliged if the company so requests, to retire on pension as of the agreed retirement age of 62 years.

Severance terms and severance pay

Upon termination by the company, the group of other senior executives normally receives salary and pension benefits for six months (period of notice). Thereafter 9 (9) senior executives receive severance pay, according to agreement, equivalent to a maximum of 18 months of salary, based on their fixed salary. Severance is paid monthly with the first payment in the month after the employment has ended. Severance is not paid for the period falling after the contractual pension age. Together, the term of notice and severance may not exceed 24 months.

The severance will be deducted from income received from other employment during the same period. Upon termination by themselves, there is a six-month period of notice with salary and pension benefits, but no severance pay.

Other benefits

All senior executives have medical insurance and are entitled to a company car. Several senior executives also have benefits in the form of overnight housing and travel.

Note 8, cont.

Summary of compensation and other benefits during 2020

SEK	Base salary/ Board and committee fee	Variable compensation remuneration	Share related plans ²⁾	Other benefits ¹⁾	Pension cost	Total
Chairman of the Board						
Marcus Wallenberg	1,990,000					1,990,000
Deputy Chairman						
Sten Jakobsson	850,000					850,000
Other Board members						
Sara Mazur	620,000					620,000
Cecilia Stegö Chilò	620,000					620,000
Joakim Westh	870,000					870,000
Bert Nordberg	710,000					710,000
Danica Kragic Jensfelt	620,000					620,000
Daniel Nodhäll	785,000					785,000
Erika Söderberg Johnson	785,000					785,000
Johan Menckel	620,000					620,000
President and CEO Micael Johansson	15,176,835		4,482,338	292,093	4,819,063	24,770,329
Other senior executives	49,760,667	283,500 ³⁾	24,592,914	3,055,043	15,771,150	93,463,274
Total	73,407,502	283,500	29,075,252	3,347,136	20,590,213	126,703,603

¹⁾ Including compensation for the additional costs incurred due to the benefits.²⁾ Share related plans relate to Share Matching Plans, Performance Share Plans and Special Projects Incentive.³⁾ Including remuneration to one senior executives, which, as agreed, was paid in the form of pension premiums.

Guidelines for remuneration and other benefits for senior executives are described in the administration report.

Following The Remuneration Committee's recommendation, The Board of Directors proposes that the Annual General Meeting approve remuneration guidelines with the same terms and conditions as those adopted by the Annual General Meeting 2020. The Proposed remuneration guidelines are more detailed than before in purpose to meet the new legal requirements, but do not result in any changes in the remuneration structure.

Summary of compensation and other benefits during 2019

SEK	Base salary/ Board and committee fee	Variable compensation remuneration	Share related plans ²⁾	Other benefits ¹⁾	Pension cost	Total
Chairman of the Board						
Marcus Wallenberg	1,952,500	-	-	-	-	1,952,500
Deputy Chairman						
Sten Jakobsson	843,750	-	-	-	-	843,750
Other Board members						
Sara Mazur	615,000	-	-	-	-	615,000
Cecilia Stegö Chilò	615,000	-	-	-	-	615,000
Joakim Westh	858,750	-	-	-	-	858,750
Bert Nordberg	705,000	-	-	-	-	705,000
Danica Kragic Jensfelt	615,000	-	-	-	-	615,000
Daniel Nodhäll	776,250	-	-	-	-	776,250
Erika Söderberg Johnson	776,250	-	-	-	-	776,250
Johan Menckel	465,000	-	-	-	-	465,000
President and CEO Micael Johansson	2,760,591	-	632,832	12,204	896,527	4,302,154
President and CEO Håkan Buskhe	11,981,678	-	25,696,377 ⁴⁾	131,062	4,350,679	42,159,796
Other senior executives	40,185,857	283,500 ³⁾	19,930,748	2,367,500	14,639,146	77,406,751
Total	63,150,626	283,500	46,259,957	2,510,766	19,886,352	132,091,201

¹⁾ Including compensation for the additional costs incurred due to the benefits.²⁾ Share related plans relate to Share Matching Plans, Performance Share Plans and Special Projects Incentive.³⁾ Including remuneration to one senior executives, which, as agreed, was paid in the form of pension premiums.

⁴⁾ In accordance with the terms of the long-term incentive programmes, the Board of Directors has resolved that outgoing CEO Håkan Buskhe has the right to participate in future matches in all ongoing incentive programmes, i.e. the Share Matching Plan, Performance Share Plan and Special Projects Incentive, which he participated in at the time of his termination as CEO. Shares in these plans will be allotted or matched on the scheduled dates, but the remuneration was expensed in its entirety in 2019, representing SEK 17,826,016 of the total remuneration for share related plans of SEK 25,696,377.

Note 8, cont.

SHARE-BASED PAYMENT**ACCOUNTING PRINCIPLES**

Share-based payment refers solely to remuneration to employees, including senior executives. Share-based payment settled with the company's shares or other equity instruments is comprised of the difference between the fair value at the time these plans were issued and the consideration received. This remuneration is recognised as staff costs during the vesting period. To the extent the vesting conditions in the plan are tied to market factors (such as the price of the company's shares), they are taken into consideration in determining the fair value of the plan. Other conditions (such as earnings per share) affect staff costs during the vesting period by changing the number of shares or share-related instruments that are expected to be paid.

Saab has a Share Matching Plan where all permanent employees are entitled to participate. The payroll expenses for matching shares in the plan are recognised during the vesting period based on the fair value of the shares. The employees pay a price for the share that corresponds to the share price on the investment date. Three years after the investment date, employees are allotted as many shares as they purchased three years earlier, provided that they are still employees of the Saab Group and that the shares have not been sold. In certain countries, social security expenses are paid on the value of the employee's benefit when matching takes place. During the vesting period, provisions are allocated for these estimated social security expenses. Share repurchases to fulfil the commitments of Saab's Share Matching Plans are recognised in equity.

In addition, there is a Performance Share Plan for senior executives and other key employees that entitles them to performance shares, depending on the employee category to which they belong, as well as a Special Projects Incentive, as a complement to the Performance Share Plan. The plans entitle the employee to performance shares depending on group affiliation, provided that they are still employed after three years and that the performance targets were met.

Long-term incentive programme

The Annual General Meeting of Saab has resolved for a number of years to offer a long-term incentive programme consisting of three parts: a Share Matching Plan, a Performance Share Plan and a Special Projects Incentive. The Board considers it important that Saab's employees share a long-term interest in the appreciation of the company's shares. The table below shows the maximum number of shares in the ongoing programmes and the maximum number of participants of the performance programmes.

Ongoing incentive programmes	Maximum number of shares	Maximum number of participants ¹⁾
Share Matching Plan 2016	900,000	
Share Matching Plan 2018	900,000	
Share Matching Plan 2019	900,000	
Share Matching Plan 2020	993,000	
Share Matching Plan 2021	993,000	
Performance Share Plan 2016	440,000	175
Performance Share Plan 2018	360,000	175
Performance Share Plan 2019	310,000	175
Performance Share Plan 2020	310,000	175
Performance Share Plan 2021	258,000	200
Special Projects Incentive 2018	130,000	45
Special Projects Incentive 2019	130,000	45
Special Projects Incentive 2020	162,000	45
Special Projects Incentive 2021	214,000	100

¹⁾ Permanent employees working in a country where the Share Matching Plan is introduced are offered to participate in the Share Matching Plan, thus there is no maximum numbers of participants.

Since 2017 the plans are designated by calendar year, which corresponds to the savings period. For this reason, there are no Share Matching Plan 2017 or Performance Share Plan 2017.

Performance Share Plan 2021 and Special Projects Incentive 2021, adopted by the Annual General Meeting 2020 have corresponding terms and conditions as the Long-Term Incentive program adopted by the Annual General Meeting 2019, with some changes to the performance targets and an increase of the total number of participants.

Share Matching Plan

Since 2007, Saab offers permanent employees the opportunity to participate in the Share Matching Plan. Employees can withhold up to 5 per cent of their gross base salary to purchase Series B shares on Nasdaq Stockholm during a twelve-month period. Provided that a participant retains the purchased shares for three years after the investment date and is still employed by the Saab Group, the participant will be allotted a corresponding number of Series B shares free of charge. Currently, Share

Matching Plans 2016–2021 are ongoing.

In the Share Matching Plan 2016, shares have been matched three times in 2020 and once in February 2021. In Share Matching Plan 2018, shares will be matched three times in 2021 and once in February 2022.

Performance Share Plan

Since 2008, Saab also has a Performance Share Plan for senior executives and key employees. The Performance Share Plan is directed at a limited number of key employees, see the table above, including the President. Participants can save up to 7.5 per cent of their base salary to purchase Series B shares during a twelve-month period, while participating in the Share Matching Plan as well, but only up to a maximum of 5 per cent of base salary. Depending on which category they belong to, participants are entitled to 2–7 performance shares for each purchased share. Participants are entitled to matching of performance shares, free of consideration, provided that the performance targets are achieved and the participants have retained the purchased shares for three years after the investment date and remain employed by the Saab Group.

The number of performance shares is linked to the performance targets established by the Board of Directors. The terms for the performance matching are based on three independent targets for a one-year performance period: organic sales growth¹⁾, EBIT margin²⁾ and free cash flow³⁾. The Board of Directors decides on the performance matching after the end of the one-year performance period. If the performance outcome falls short of the maximum level but exceeds the minimum level, a linear proportionate performance matching will occur. No performance matching will occur if the performance outcome is equal to or below the minimum level. Before the performance matching is ultimately determined, the Board of Directors will assess whether it is reasonable in relation to the company's financial results and position, conditions in the stock market and other circumstances. If it determines that this is not the case, the Board of Directors will reduce the number of performance shares that will be matched to the lower number of shares it considers appropriate.

Performance shares are allotted three years after the investment. Currently, Performance Share Plans 2016–2021 are ongoing. In Performance Share Plan 2016, performance matching has occurred three times in 2020 and once in February 2021. In Performance Share Plan 2018, performance matching will take place three times in 2021 and once in February 2022.

After the end of the one-year performance period for the Performance Share Plan 2020, on 31 December 2020, it was determined that the targets had partly been achieved and the Board of Directors approved performance matching as follows. Performance matching will take place three times in 2023 and once in February 2024.

¹⁾ Adjusted for acquisitions and divestments as well as exchange rate differences.

²⁾ Adjusted for acquisitions and divestments as well as non-recurring items.

³⁾ Adjusted for acquisitions and divestments as well as non-recurring items.

Performance Share Plan 2020	Reported outcome	Outcome performance targets, %	Weighted, %	Allotment, %
Organic sales growth	1%	26	30	8
EBIT margin	7.4%	-	40	-
Free cash flow	MSEK 2,495	100	30	30
Total allotment				38

Performance Share Plan 2019	Reported outcome	Outcome performance targets, %	Weighted, %	Allotment, %
Organic sales growth	6%	100	30	30
EBIT margin	8.3%	70	40	28
Free cash flow	MSEK -2,036	100	30	30
Total allotment				88

Special Projects Incentive

In 2017 the Annual General Meeting decided to introduce a new programme, the Special Projects Incentive (SPI), as a complement to the Performance Share Plan. The Special Projects Incentive is directed at a limited number of key employees, see the table above, including the President. Participation in SPI presupposes participation in the Performance Share Plan or the Share Matching Plan. The programme entitles the employee to allotment of performance shares corresponding to 15–52.5 per cent of the cash base salary for the current financial year depending on group affiliation, provided that the employment remains for three years and that performance targets are reached. For the President and other members of the Group Management, the total allotment of shares in SPI and the Performance Share Plan together amounts to a maximum of 75 per cent of the cash base salary for the President and 60 per cent of the cash base salary for the other members of the Group Management. Performance shares are allotted after three years based on the

Note 8, cont.

achievement during the current financial year of eight equally weighted performance targets in SPI 2018–SPI 2020. As of SPI 2021 the programme is based on 10 equally weighted performance targets.

After the end of the one-year performance period for the Special Projects Incentive (SPI) 2020, on 31 December 2020, it was determined that five of the eight performance targets had been met. The eight performance targets in SPI 2020 were operating goals and milestones related to the product areas Gripen, AEW&C and submarines. The milestones consisted, for example, of various steps in a development project that were essential to its implementation and the long term contracts. The targets were tied to among other things construction and design approvals in the Design Reviews and Acceptance Tests. There were also performance targets tied to the physical delivery or maiden flight of new platforms. The performance targets in previous SPI programmes have been of a similar nature as in SPI 2020. Due to the nature of the defence industry, further information on the individual performance targets cannot be provided. Performances have been reviewed by Saab's internal audit and the external auditor, PwC.

The performance shares in SPI 2020 will be allotted in February 2023. In 2020, a total of 66 687 shares have been allotted in SPI 2017.

Number of Series B shares purchased and number of participants, Share Matching Plans, 2016–2020

Share Matching Plan	Number of shares	Number of participants
2016	348,290	6,501
2018	434,874	6,996
2019	584,225	7,519
2020	633,079	7,891

Number of Series B shares purchased and number of participants, Performance Share Plans, 2016–2020

Performance Share Plan	Number of shares	Number of participants
2016	35,168	155
2018	41,726	162
2019	52,722	158
2020	53,075	162

Share Matching Plan (number of shares in thousands)

	2016	2018	2019	2020	Total
Number of matching shares eligible at beginning of the year	324	428	478	-	1,230
Allotted during the year (purchased shares)	-	-	95	633	728
Early share matching	-6	-14	-13	-5	-38
Ordinary share matching	-257	-	-	-	-257
Forfeited	-5	-14	-20	-9	-48
Number of matching shares eligible at year-end	56	400	540	619	1,615
Average remaining maturity, years	-	0.8	1.8	2.8	

Performance Share Plan (number of shares in thousands)

	2016	2018	2019	2020	Total
Number of matching shares eligible at beginning of the year	33	41	44	-	118
Allotted during the year (purchased shares)	-	-	8	53	61
Early share matching	-	-3	-3	-	-6
Ordinary share matching	-28	-	-	-	-28
Forfeited	-	-3	-1	-1	-5
Number of matching shares eligible at year-end	5	35	48	52	140
Average remaining maturity, years	-	0.8	1.8	2.8	

Total number of shares eligible at year-end (number of shares in thousands)

	2016	2018	2019	2020	Total
Share Matching Plan	56	400	540	619	1,615
Performance Share Plan	5	35	48	52	140
Less: Shares included in both plans	-5	-35	-48	-52	-140
Total	56	400	540	619	1,615

Recognised expense for above-mentioned plans, including social security expenses, MSEK

	2020	2019
Share Matching Plan 2015	-	26
Share Matching Plan 2016	25	52
Share Matching Plan 2018	57	60
Share Matching Plan 2019	64	26
Share Matching Plan 2020	26	-
Performance Share Plan 2015	-	5
Performance Share Plan 2016	2	8
Performance Share Plan 2018	10	18
Performance Share Plan 2019	15	12
Performance Share Plan 2020	3	-
Special Projects Incentive 2017	1	11
Special Projects Incentive 2018	6	10
Special Projects Incentive 2019	8	11
Special Projects Incentive 2020	8	-
Total	225	239

The expense for the share matching plans is included in operating income and is recognised in the balance sheet as equity and accrued expenses (social security expenses). Administrative expenses for the share matching plans amounted to MSEK 7 (8) in 2020.

The expense is based on the share price of the matching shares that are expected to be allotted. The share price is determined at the time of the participants' investment adjusted by the dividend that does not accrue to the employee during the vesting period.

NOTE 9 AUDITORS' FEES AND COMPENSATION

	Group		Parent Company	
MSEK	2020	2019	2020	2019
PwC				
Audit assignments	20	21	12	12
where of PwC Sweden	15	15	-	-
Audit work in excess of the audit assignment	1	1	1	1
where of PwC Sweden	1	1	-	-
Tax advice	0	0	0	0
Other services	1	0	0	0
where of PwC Sweden	0	0	-	-
Other audit firms				
Audit assignments	4	3	-	-
Total	26	25	13	13
where of PwC Sweden	16	16	-	-

Audit assignments refer to expenses for the statutory audit, i.e. the work that was necessary to issue the audit report as well as advice in connection with the audit assignment.

Audit work in excess of the audit assignment relates to expenses for opinions and other assignments associated to a fairly high degree with audits and which are normally performed by the external auditor, including consultations on advisory and reporting requirements, internal control and the review of interim reports. For 2020, the external auditors' assignment as mandated by law amounted to a negligible sum.

Other services relate to expenses that are not classified as audit assignments, audit work in excess of the audit assignment and tax advice.

NOTE 10 DEPRECIATION/AMORTISATION AND WRITE-DOWNS

MSEK	Group	
	2020	2019
Depreciation/amortisation		
Capitalised development costs	-233	-142
Other intangible fixed assets	-116	-119
Operating properties	-96	-89
Plant and machinery	-277	-246
Equipment, tools and installations	-331	-322
Right-of-use assets	-465	-450
Total	-1,518	-1,368

MSEK	Parent Company	
	2020	2019
Depreciation/amortisation		
Goodwill	-40	-40
Other intangible fixed assets	-84	-74
Buildings	-55	-57
Plant and machinery	-166	-148
Equipment, tools and installations	-233	-212
Total	-578	-531

No write-downs were recognised in the Group or in the Parent Company during 2020 or 2019.

NOTE 11 FINANCIAL INCOME AND EXPENSES

MSEK	Group	
	2020	2019
Interest income on loans receivable	71	80
Financial income from revaluation and disposal of financial assets and liabilities measured at fair value through profit or loss	110	85
Other financial income	49	25
Financial income	230	190
Interest expenses on loans and financial liabilities	-191	-185
Interest expenses on lease liabilities	-93	-104
Financial expenses from revaluation and disposal of financial assets and liabilities measured at fair value through profit or loss	-46	-110
Financial expenses related to pensions	-73	-91
Other financial expenses	-30	-30
Financial expenses	-433	-520
Net financial income and expenses	-203	-330

Parent Company MSEK	Result from shares in Group companies		Result from shares in associated companies/joint ventures	
	2020	2019	2020	2019
Dividends	23	40	41	-
Group contributions received	463	757	-	-
Capital gain on sale of shares	105	9	1,005	-
Write-downs	-75	-	-157	-63
Other	-1	1	-	-
Total	515	807	889	-63

Parent Company MSEK	Result from other securities and receivables held as fixed assets		Other interest income and similar profit/loss items	
	2020	2019	2020	2019
Interest income, Group companies	-	-	102	111
Other interest income	-	-	47	241
Capital gain on sale of shares	0	3	-	-
Dividend	0	1	-	-
Translation differences	-4	15	-	-
Net change in value from revaluation of financial assets/liabilities	133	59	-	-
Write-downs of financial assets	-54	-4	-	-
Other	-34	-19	-	-
Total	41	55	149	352

Parent Company MSEK	Interest expenses and similar profit/loss items	
	2020	2019
Interest expenses, Group companies	-5	-15
Other interest expenses	-255	-174
Total	-260	-189

NOTE 12 APPROPRIATIONS

MSEK	Parent Company	
	2020	2019
Plant and machinery as well as equipment, tools and installations	-123	-65
Total difference between tax depreciation and depreciation according to plan	-123	-65
Tax allocation reserve	432	-38
Total	309	-103

NOTE 13 TAXES
ACCOUNTING PRINCIPLES

Income taxes are recognised in the income statement and consist of current tax and deferred tax. When the underlying transaction is recognised in other comprehensive income, for example the revaluation of the net pension obligations, the related tax effect is also recognised in other comprehensive income.

Current tax is the tax to be paid or received for the current year, applying the tax rates that have been set as of the closing day. Adjustment is made for current tax attributable to previous periods.

Deferred tax is calculated according to the balance sheet method based on temporary differences. Temporary differences constitute the difference between the carrying amount of assets and liabilities and their value for tax purposes.

Deductible temporary differences are not taken into account in the initial reporting of assets and liabilities other than a business combination and which, at the time of the transaction, do not affect either the recognised or taxable result. Moreover, temporary differences are not taken into account if they are attributable to shares in subsidiaries, associated companies, and joint ventures that are not expected to be reversed within the foreseeable future. The valuation of deferred tax is based on when assets or liabilities are expected to be realised or settled. Deferred tax is calculated by applying the tax rates and tax rules that have been set as of the closing day.

Deferred tax assets from deductible temporary differences and tax loss carry forwards are only recognised to the extent it is likely that they will be utilised. The value of deferred tax assets is reduced when it is no longer considered likely that they can be utilised. Deferred tax assets are set off against deferred tax liabilities when the receivable and liability relate to the same tax authority. Deferred tax assets and deferred tax liabilities arising from a single transaction are set off both in the statement of financial position and in the disclosures. No temporary difference arise on initial recognition on such items that emerge from a single transaction.

Tax recognised in the income statement

Taxes comprise current tax and deferred tax. Current tax is calculated based on applicable tax laws in the countries in which the parent company and subsidiaries operate and generate taxable income.

MSEK	Group	
	2020	2019
Current tax expense (-)/tax income (+)		
Taxes for the year	-121	-378
Adjustment for taxes related to previous years	7	6
Total	-114	-372
Deferred tax expense (-)/tax income (+)		
Deferred tax related to temporary differences	34	-145
Deferred tax related to value of tax loss carry forwards capitalised during the year	59	11
Deferred tax expense due to utilisation of previously capitalised tax value in tax loss carry forwards	-18	-87
Deferred tax related to previous years	6	-5
Deferred tax related to changed tax rates	13	16
Total	94	-210
Total recognised tax in the Group	-20	-582

The Group's total deferred tax amounted to MSEK 94 (-210) and current tax expense for the year amounted to MSEK -114 (-372), leading to a total recognised tax of MSEK -20 (-582) in the consolidated income statement.

The table "Change in deferred tax in temporary differences and tax loss carry forwards" for the Group, on the following page, specifies how deferred tax affected income.

MSEK	Parent Company	
	2020	2019
Current tax expense (-)/tax income (+)		
Taxes for the year	7	-234
Adjustment for taxes related to previous years	-2	3
Total	5	-231
Deferred tax expense (-)/tax income (+)		
Deferred tax related to temporary differences	239	-15
Deferred tax related to changed tax rates	14	1
Deferred tax related to previous years	0	-3
Total	253	-17
Total recognised tax in the Parent Company	258	-248

Reconciliation of effective tax

MSEK	Group			
	2020 (%)	2020	2019 (%)	2019
Income before taxes		1,112		2,607
Tax according to current tax rate for the Parent Company	-21.4	-238	-21.4	-558
Effect of other tax rates for foreign operations	0.4	5	-1.4	-36
Effect on changed tax rate	1.3	15	0.6	16
Non-deductible expenses	-2.1	-24	-1.2	-30
Tax-exempt income	22.6	252	1.9	48
Tax on additional non-capitalised tax loss carry forwards	-2.1	-24	-1.0	-26
Revaluation of previously non-capitalised deferred tax assets	0.8	9	0.5	12
Tax related to previous years	1.2	13	0.0	1
Effect on tax from associated companies	-3.5	-38	0.0	-1
Other	1.0	10	-0.3	-8
Reported effective tax	-1.8	-20	-22.3	-582

Current and deferred taxes amounted to MSEK -20 (-582), equivalent to an effective tax rate of 1.8 per cent (22.3). Capital gains/losses from sale of Group companies, associated companies and other shares have affected tax-exempt income by MSEK 1,107 (85).

MSEK	Parent Company			
	2020 (%)	2020	2019 (%)	2019
Income before taxes		-353		1,041
Tax according to current tax rate for the Parent Company	21.4	76	-21.4	-223
Effect on changed tax rate	-0.3	-1	0.1	1
Tax allocated to foreign operations	2.2	8	-0.1	-1
Non-deductible expenses	-23.9	-84	-4.8	-50
Tax-exempt income	73.2	256	2.4	25
Revaluation of previously non-capitalised deferred tax assets	1.3	5	-	-
Tax related to previous years	-0.6	-2	-	-
Reported effective tax	73.3	258	-23.8	-248

Tax items recognised directly against other comprehensive income

MSEK	Group	
	2020	2019
Provisions for pensions	54	124
Cash flow hedges	-180	-43
Total	-126	81

Expiration of recognised and unrecognised tax loss carry forwards in the Group

MSEK	Recognised tax loss carry forwards	Unrecognised tax loss carry forwards
Expiration		
Unlimited expiration	737	469
2022	21	-
2023	5	11
2024	-	27
2027	-	1
Total tax loss carry forwards	763	508
Recognised deferred tax asset	166	

At the close of 2020, the Saab Group's unrecognised tax loss carry forwards amounted to MSEK 508 (410).

Note 13, cont.

Change in deferred tax in temporary differences and tax loss carry forwards

Group, MSEK	Intangible fixed assets	Tangible fixed assets ¹⁾	Inventories	Provisions for pensions	Other provisions	Tax allocation reserves	Contingency reserve ²⁾	Tax loss carry forwards	Other	Total	Tax set-off	Deferred tax assets/liabilities, net
Closing balance 31 Dec 2018	-711	-506	265	1,148	227	-407	-107	197	260	366		366
Effects of change in accounting principles	-	93	-	-	-	-	-	-	-93	-		-
Opening balance 1 Jan 2019	-711	-413	265	1,148	227	-407	-107	197	167	366		366
Recognised in the income statement	-246	-42	40	31	42	-7	107	-76	-59	-210		-210
Recognised in other comprehensive income	-	-	-	124	-	-	-	-	-43	81		81
Acquisition/divestment of operations	-	-	-	-	-	-	-	-	-	-		-
Translation differences	-3	-8	1	0	0	-	-	7	-8	-11		-11
Closing balance 31 Dec 2019	-960	-463	306	1,303	269	-414	-	128	57	226		226
Of which, deferred tax assets	1	13	306	1,303	269	-	-	128	267	2,287	-2,021	266
Of which, deferred tax liabilities	-961	-476	-	-	-	-414	-	-	-210	-2,061	2,021	40
Reclassification												
Opening balance 1 Jan 2020	-960	-463	306	1,303	269	-414	-	128	57	226		226
Recognised in the income statement	-222	-5	57	25	126	94	-	41	-22	94		94
Recognised in other comprehensive income	-	-	-	54	-	-	-	-	-180	-126		-126
Acquisition/divestment of operations	-	-	-	-	-	-	-	-	-	-		-
Translation differences	1	2	-20	0	-9	-	-	-3	10	-19		-19
Closing balance 31 Dec 2020	-1,181	-466	343	1,382	386	-320	-	166	-135	175		175
Of which, deferred tax assets	1	13	343	1,382	386	-	-	166	156	2,447	-2,216	231
Of which, deferred tax liabilities	-1,182	-479	-	-	-	-320	-	-	-291	-2,272	2,216	-56

¹⁾ Includes from 2019 deferred tax on right-of-use assets and lease liabilities.²⁾ Attributable to Lansen Försäkrings AB.

The Group's total deferred tax income/expense in the 2020 income statement amounted to MSEK 94 (-210). The Group's total deferred tax income/expense in the statement of comprehensive income amounted to MSEK -126 (81). The closing balance on 31 December 2020, MSEK 175 (226), consisted of deferred tax assets of MSEK 231 (266) and deferred tax liabilities of MSEK -56 (-40).

The net change in the year's tax loss carry forwards, excluding acquisition/divestment of operations and translation differences, amounted to MSEK 41 (-76), which is the amount of deferred tax on capitalised tax value in tax loss carry forwards, MSEK 59 (11), and deferred tax expense due to utilisation of previously capitalised tax value in tax loss carry forwards, MSEK -18 (-87).

Other amounts in the "Recognised in the income statement" row in the table above amounted to MSEK 53 (-134), which is the total of deferred tax related to temporary differences and deferred tax attributable to previous years.

On transition to IFRS 16, as of 1 January 2019, Saab has treated lease liabilities and right-of-use assets as attributable to a single transaction whereby no temporary difference arise on transition. Deferred tax assets and liabilities from temporary differences that have arisen after transition are offset in the statement of financial position and the category Tangible fixed assets above. Deferred tax assets from lease liabilities that existed prior to transition have been reclassified from category Other.

Note 13, cont.

Parent Company MSEK	Deferred tax assets 31-12-2020	Deferred tax liabilities 31-12-2020	Net
Tangible fixed assets	-	-204	-204
Inventories	145	-	145
Accounts receivable	12	-	12
Provisions for pensions	119	-	119
Other provisions	241	-	241
Long-term liabilities	2	-	2
Accrued expenses and deferred income	36	-	36
Tax loss carry forwards	6	-	6
Other	27	-	27
Tax assets/liabilities, total	588	-204	384
Set-off	-204	204	-
Tax assets/liabilities, net	384	-	384

Parent Company MSEK	Deferred tax assets 31-12-2019	Deferred tax liabilities 31-12-2019	Net
Tangible fixed assets	-	-216	-216
Inventories	107	-	107
Accounts receivable	5	-	5
Provisions for pensions	123	-	123
Other provisions	81	-	81
Long-term liabilities	2	-	2
Accrued expenses and deferred income	40	-	40
Other	-	-11	-11
Tax assets/liabilities, total	358	-227	131
Set-off	-227	227	-
Tax assets/liabilities, net	131	-	131

The change in deferred tax assets and liabilities in the Parent Company, Saab AB, has been recognised in the income statement.

Estimated utilisation dates of recognised deferred tax assets

MSEK	Group	Parent Company
Deferred tax assets expected to be recovered within one year	197	121
Deferred tax assets expected to be recovered after one year	2,250	467

Estimated utilisation dates of recognised deferred tax liabilities

MSEK	Group	Parent Company
Deferred tax liabilities due for payment within one year	246	10
Deferred tax liabilities due for payment after one year	2,026	194

NOTE 14 EARNINGS PER SHARE

	2020	2019
Net income for the year attributable to Parent Company's shareholders (MSEK)	1,073	1,983
Weighted average number of common shares outstanding:		
before dilution (thousands)	133,010	133,245
after dilution (thousands)	133,877	133,929
Earnings per share, before dilution (SEK)	8.07	14.88
Earnings per share, after dilution (SEK)	8.01	14.81

The weighted average number of shares outstanding before dilution refers to the total number of shares in issue less the average number of repurchased treasury shares. The weighted average number of shares outstanding after dilution is based on the effects of all potential shares (long-term incentive programmes) that give rise to a dilution effect.

NOTE 15 INTANGIBLE FIXED ASSETS**ACCOUNTING PRINCIPLES****Goodwill**

Goodwill is distributed among cash-generating units and tested annually for impairment in the fourth quarter. Goodwill arising through the acquisition of associated companies and joint ventures is included in the carrying amount of the shares in the associated company and joint venture.

In acquisitions where the cost is less than, on the one hand, the net of the cost of the Group company's shares, the value of non-controlling interests in the acquired company and the fair value of the previously owned interest and, on the other, the carrying amount of the acquired assets and assumed liabilities in the acquisition analysis, the difference is recognised directly through profit or loss.

Research and development

Expenditures for research undertaken in an effort to gain new scientific or technological knowledge are expensed when incurred.

Expenditures for development, where the research results or other knowledge is applied to new or improved products or processes, are recognised as an asset in the statement of financial position from the time when the product or process in the future is expected to be technically and commercially usable, the company has sufficient resources to complete development and subsequently use or sell the intangible asset, and the product or process is likely to generate future economic benefits. The carrying amount includes expenditures for material, direct expenditures for salaries and, if applicable, other expenditures that are considered directly attributable to the asset. Other expenditures for development are recognised in profit or loss as an expense when they arise. Development expenditures are recognised in the statement of financial position at cost less accumulated amortisation and any impairment losses. Customer-financed research and development is recognised in cost of goods sold rather than capitalised.

Other intangible fixed assets

Other intangible fixed assets, which include licenses for operating systems, design and implementation of new operating systems, as well as acquired assets such as trademarks and customer relations, are recognised at cost less accumulated amortisation and any impairment losses.

Amortisation

Amortisation is recognised in profit or loss over the intangible fixed assets' estimated periods of use, provided such periods can be determined. Intangible fixed assets, excluding goodwill and other intangible fixed assets with indeterminate periods of use, are amortised from the day they are available for use. Estimated periods of use and amortisation methods are as follows:

- Patents, trademarks, customer relations and other technical rights: 5–10 years on a straight line basis.
- Capitalised development costs: Self-financed capitalised development costs are amortised on a straight line basis over a maximum period of 10 years. Acquired development costs are amortised on a straight line basis over a maximum of 10 years.
- Goodwill: In the Parent Company, goodwill is amortised over a maximum 20 years. Goodwill is not amortised in the Group.

Periods of use are tested annually and unfinished development work is tested for impairment at least once a year regardless of any indications of diminished value.

Impairment of goodwill, capitalised development costs and other intangible assets

The carrying amount of intangible fixed assets is tested on each closing day for any indication of impairment. If an indication exists, the asset's recoverable amount is calculated.

For goodwill and other intangible fixed assets with an indeterminate period of use and intangible fixed assets not yet ready for use, recoverable values are calculated annually in the fourth quarter.

The recoverable amount of an asset is the higher of its fair value less selling expenses and value in use. Value in use is measured by discounting future cash flows using a discounting factor that takes into account the risk-free rate of interest adjusted for the risk associated with the specific asset.

If essentially independent cash flows cannot be isolated for individual assets, the assets are grouped at the lowest levels where essentially independent cash flows can be identified (cash-generating units). An impairment loss is recognised when the carrying amount of an asset or cash-generating unit exceeds its recoverable value. Impairment losses are charged against the income statement.

Impairment losses attributable to a cash-generating unit (pool of units) are mainly allocated to goodwill, after which they are divided proportionately among other assets in the unit (the pool of units). Impairment of goodwill is not reversed. Impairment losses from other assets are reversed if a change has occurred in the assumptions that served as the basis for determining recoverable value. Impairment is reversed only to the extent the carrying amount of the assets following the reversal does not exceed the carrying amount that the asset would have had if the impairment had not been recognised, taking into account the amortisation that would have been recognised.

MSEK	Group		Parent Company	
	31-12-2020	31-12-2019	31-12-2020	31-12-2019
Goodwill	5,141	5,355	213	253
Capitalised development costs	5,699	4,580	-	-
Other intangible assets	680	530	567	405
Total	11,520	10,465	780	658

Goodwill

MSEK	Group		Parent Company	
	2020	2019	2020	2019
Acquisition value				
Opening balance, 1 January	6,052	6,007	784	784
Business combinations	4	-	-	-
Divestments	-40	-17	-	-
Translation differences	-178	62	-	-
Closing balance, 31 December	5,838	6,052	784	784
Amortisation and write-downs				
Opening balance, 1 January	-697	-697	-531	-491
Amortisation for the year	-	-	-40	-40
Closing balance, 31 December	-697	-697	-571	-531
Carrying amount, 31 December	5,141	5,355	213	253

Acquisitions through business combinations 2020 relates to Saab Sensores e Serviços Brasil Ltda. Divestments during 2020 relates to Quality Positioning Services (Q.P.S).

Capitalised development costs

MSEK	Group		Parent Company	
	2020	2019	2020	2019
Acquisition value				
Opening balance, 1 January	10,500	9,084	2,000	2,000
Internally developed assets	1,353	1,392	-	-
Translation differences	-30	24	-	-
Closing balance, 31 December	11,823	10,500	2,000	2,000
Amortisation and write-downs				
Opening balance, 1 January	-5,920	-5,756	-2,000	-2,000
Amortisation for the year	-233	-142	-	-
Translation differences	29	-22	-	-
Closing balance, 31 December	-6,124	-5,920	-2,000	-2,000
Carrying amount, 31 December	5,699	4,580	-	-

Note 15, cont.

Other intangible assets

MSEK	Group		Parent Company	
	2020	2019	2020	2019
Acquisition value				
Opening balance, 1 January	2,510	2,276	1,879	1,730
Investments	269	196	251	156
Disposals and reclassifications	-2	24	-5	-7
Translation differences	-44	14	-	-
Closing balance, 31 December	2,733	2,510	2,125	1,879
Amortisation and write-downs				
Opening balance, 1 January	-1,980	-1,857	-1,474	-1,406
Amortisation for the year	-116	-119	-84	-74
Disposals and reclassifications	4	8	-	6
Translation differences	39	-12	-	-
Closing balance, 31 December	-2,053	-1,980	-1,558	-1,474
Carrying amount, 31 December	680	530	567	405

Amortisation is included in the following lines in the income statement

MSEK	Group		Parent Company	
	2020	2019	2020	2019
Cost of goods sold	116	119	124	114
Research and development costs	233	142	-	-

Development expenditures

The total capitalisation largely relates to development projects for the GlobalEye Airborne Early Warning & Control system and an export version of Gripen.

Development expenditures are capitalised only in the consolidated accounts. In legal entities, all development expenditures are expensed. Capitalisation of development expenditures in the Parent Company relates to acquired development expenditures.

Impairment tests for goodwill

In connection with business combinations, goodwill is allocated to the cash-generating units, or groups thereof, that are expected to obtain future economic benefits in the form of, for example, synergies from the acquisition. Acquired operations normally have access to knowledge, technology and solutions that will benefit large parts of the Group, and the acquired operations are usually integrated with other operations shortly after acquisition. Consequently, goodwill is allocated to and tested for impairment at the business area level, which also corresponds to the lowest level at which goodwill is monitored in internal governance. For the business area Industrial Products and Services, however, it is considered that there are no significant synergy effects between the business units, impairment testing is therefore done directly at business unit level.

Goodwill in the Parent Company relates to goodwill arising from the purchase of the net assets of Saab Microwave Systems.

Goodwill is distributed by business area as follows:

MSEK	31-12-2020	31-12-2019
Dynamics	672	681
Surveillance	3,030	3,129
Support and Services	333	330
Industrial Products and Services	810	918
Kockums	264	264
Corporate	32	33
Total goodwill	5,141	5,355

Impairment testing of cash-generating units is based on the calculation of value in use. This value is based on discounted cash flow forecasts according to the units' business plans. Saab's assessment is that this does not cause any impairment. In the measurement of the value in use in 2020, with regards to Covid-19, the Group has not needed to revise its principles for determining the discount rate for future cash flows. Saab has analysed different scenarios and performed stress tests of the calculations of value in use through negative adjustments of key judgments such as growth rate and profitability level during the forecast period and in the terminal value. These stress test have not led to any identified need of impairment.

VARIABLES USED TO CALCULATE VALUE IN USE**Volume/growth**

Growth in the cash-generating units' business plans is based on Saab's expectations with regard to development in each market area and previous experience. It is also based on estimates of cash flows that are distributed over the long projects and are dependent on the timing and size of advances and milestone payments. The first five years are based on the five-year business plan formulated by Group Management and approved by the Board. For cash flows after five years, the annual growth rate has been assumed to be 0 (0) per cent.

Operating margin

The operating margin is based on the units' operating income after depreciation and amortisation. Each unit's operating margin is calculated against the backdrop of historical results and Saab's expectations with regard to the future development of markets where the units are active. All business areas have a substantial order backlog of projects that stretch over a number of years. The risks and opportunities affecting the operating margin are managed through continuous cost forecasts for all significant projects. The operating margin is based on current projections of final costs.

Capitalised development costs

In the five-year business plans, consideration is given to additional investments in development considered necessary for certain units to reach the growth targets in their respective markets.

Discount rate

Discount rates are based on the weighted average cost of capital (WACC). The WACC rate that is used is based on a risk-free rate of interest in ten years adjusted for, among other things, market risks. The discount rate is in line with the external requirements placed on Saab and similar companies in the market.

All units have sales of defence materiel, unique systems, products and support solutions in the international market as their primary activity, and their business risk in this respect is considered equivalent.

Recent years' order bookings have increased the share of projects across business areas and changed the composition of the order backlog for certain units, which complicates a differentiation of discount rates between business areas. As a result, Saab has decided to apply a uniform discount rate in the impairment tests. The discount rate (WACC) used in 2020 was 10 per cent (10) pre-tax.

Sensitivity analysis

Group Management considers that reasonable possible changes in the above variables would not have such a large impact that any one variable individually would reduce the recoverable amount to less than the carrying amount.

NOTE 16 TANGIBLE FIXED ASSETS**ACCOUNTING PRINCIPLES**

Tangible fixed assets are recognised as an asset in the statement of financial position if it is likely that future economic benefits will accrue to the Group and the cost of the asset can be reliably estimated.

Tangible fixed assets are recognised at cost after deducting accumulated depreciation and any write-down. Cost includes the purchase price and costs directly attributable to putting the asset into place and condition to be utilised in accordance with the purpose of the purchase. Examples of directly attributable expenditures included in cost are delivery and handling, installation, title and consulting services.

The cost of fixed assets produced by Saab includes expenditures for material, expenditures for employee benefits and, where applicable, other production costs considered directly attributable to the fixed asset. The cost of tangible fixed assets includes estimated costs for disassembly and removal of the assets as well as restoration of the location or area where these assets are found.

The carrying amount of a tangible fixed asset is excluded from the statement of financial position when the asset is sold or disposed of or when no future economic benefits are expected from its use. The gain or loss that arises on the sale or disposal is comprised of the difference between the sales price and the asset's carrying amount less direct selling expenses. Such gains and losses are recognised as other operating income/expenses.

Incremental expenditures

Incremental expenditures are added to cost only if it is likely that the future economic benefits tied to the incremental expenditures will accrue to the Group and the expenditures can be reliably estimated. All other incremental expenditures are recognised as costs in the period they arise.

The determining factor whether an incremental expenditure is added to cost is whether it relates to the replacement of identifiable components, or parts thereof. If so, the cost is capitalised. Also in cases where a new component is created, the expenditure is added to cost. Any undepreciated carrying amount of replaced components, or parts of components, is disposed of and expensed in connection with the replacement. Repairs are expensed as incurred.

Depreciation

Depreciation is recognised on a straight-line basis based on the asset's cost less estimated residual value at the end of the period of use, over the asset's estimated period of use. Land is not depreciated. Component depreciation is applied, which means that fixed assets consisting of various components, or where significant parts have different periods of use, are depreciated as separate assets based on their periods of use.

Estimated periods of use:

- Operating properties/buildings: 20–90 years.
- Plant and machinery: 5–10 years.
- Equipment, tools, installations and computers: 3–10 years.

Each asset's residual value and period of use are estimated annually.

Impairment of tangible assets

The carrying amount of fixed assets, with the exception of assets measured at fair value, is tested on each closing day for indications of impairment. If an indication exists, the asset's recoverable amount is calculated.

The recoverable amount of an asset is the higher of its fair value less selling expenses and value in use. Value in use is measured by discounting future cash flows using a discounting factor that takes into account the risk-free rate of interest adjusted for the risk associated with the specific asset. If essentially independent cash flows cannot be isolated for individual assets, the assets are grouped at the lowest levels where essentially independent cash flows can be identified (cash-generating units). An impairment loss is recognised when the carrying amount of an asset or cash-generating unit exceeds its recoverable value. Impairment losses are charged against the income statement.

Impairment losses are reversed if a change has occurred in the assumptions that served as the basis for determining recoverable value. Impairment is reversed only to the extent the carrying amount of the assets following the reversal does not exceed the carrying amount that the asset would have had if the impairment had not been recognised, taking into account the depreciation that would have been recognised.

MSEK	Group		Parent Company	
	31-12-2020	31-12-2019	31-12-2020	31-12-2019
Operating properties/buildings and land ¹⁾	2,740	2,270	1,613	1,489
Plant and machinery	1,706	1,598	1,105	1,005
Equipment, tools and installations	1,095	1,071	775	701
Construction in progress	1,067	1,284	690	772
Total	6,608	6,223	4,183	3,967

¹⁾ In the Group, the reported amount refers to operating properties. In the Parent Company, the reported amount refers to buildings and land.

Operating properties/buildings and land¹⁾

MSEK	Group		Parent Company	
	2020	2019	2020	2019
Acquisition value				
Opening balance, 1 January	5,257	5,145	2,285	2,161
Effects of change in accounting principles IFRS 16	-	-151	-	-
Investments	537	387	197	130
Reclassifications	96	4	-18	-
Divestments and disposals	-98	-127	-	-6
Translation differences	-45	-1	-	-
Closing balance, 31 December	5,747	5,257	2,464	2,285
Depreciation and write-downs				
Opening balance, 1 January	-2,987	-3,094	-1,693	-1,638
Effects of change in accounting principles IFRS 16	-	79	-	-
Depreciation for the year	-96	-89	-55	-57
Divestments and Reclassifications	57	123	-	2
Translation differences	19	-6	-	-
Closing balance, 31 December	-3,007	-2,987	-1,748	-1,693
Revaluations				
Opening balance, 1 January	-	-	897	897
Closing balance, 31 December	-	-	897	897
Carrying amount, 31 December	2,740	2,270	1,613	1,489

¹⁾ In the Group, the reported amount refers to operating properties. In the Parent Company, the reported amount refers to buildings and land.

Plant and machinery

MSEK	Group		Parent Company	
	2020	2019	2020	2019
Acquisition value				
Opening balance, 1 January	5,422	5,589	3,263	3,078
Effects of change in accounting principles IFRS 16	-	-473	-	-
Investments	373	342	249	233
Reclassifications	112	-6	19	-1
Divestments and disposals	-112	-82	-82	-47
Translation differences	-164	52	-	-
Closing balance, 31 December	5,631	5,422	3,449	3,263
Depreciation and write-downs				
Opening balance, 1 January	-3,824	-3,735	-2,258	-2,153
Effects of change in accounting principles IFRS 16	-	104	-	-
Depreciation for the year	-277	-246	-166	-148
Reclassifications	-50	9	-	-
Divestments and disposals	106	81	80	43
Translation differences	120	-37	-	-
Closing balance, 31 December	-3,925	-3,824	-2,344	-2,258
Carrying amount, 31 December	1,706	1,598	1,105	1,005

Note 16, cont.

Equipment, tools and installations

MSEK	Group		Parent Company	
	2020	2019	2020	2019
Acquisition value				
Opening balance, 1 January	3,124	2,779	1,975	1,747
Investments	402	370	302	267
Reclassifications	-63	22	5	-2
Divestments and disposals	-71	-85	-23	-37
Translation differences	-58	38	-	-
Closing balance, 31 December	3,334	3,124	2,259	1,975
Depreciation and write-downs				
Opening balance, 1 January	-2,053	-1,779	-1,274	-1,099
Depreciation for the year	-331	-322	-233	-212
Reclassifications	44	-8	-	1
Divestments and disposals	63	70	23	36
Translation differences	38	-14	-	-
Closing balance, 31 December	-2,239	-2,053	-1,484	-1,274
Carrying amount, 31 December	1,095	1,071	775	701

Construction in progress

MSEK	Group		Parent Company	
	2020	2019	2020	2019
Acquisition value				
Opening balance, 1 January	1,284	1,224	772	716
Investments	-43	114	-82	56
Reclassifications	-146	-56	-	-
Translation differences	-28	2	-	-
Carrying amount, 31 December	1,067	1,284	690	772

Investments in construction in progress refer to a net of new investments and reclassifications to other asset classes.

Collateral

On 31 December 2020 property with a carrying amount of MSEK 0 (0) was pledged as collateral for bank loans.

NOTE 17 LEASING

The Group's and the Parent Company's obligations as a lessee mainly involve premises and buildings for production and/or administration. The Group's other leases mainly relate to aircraft and vehicles. Leases are normally signed for fixed periods over several years, but may include an option to extend, as described in more detail below. The Group or the Parent Company has no material obligations as a lessor.

The terms are negotiated separately for each lease and contain a large number of contractual terms. The leases do not contain any special terms or restrictions whereby the contracts could be terminated if the terms are not met, but the leased assets may not be used as collateral for loans.

In addition to the leases reported as of the closing day, the Group has not signed any significant new lease agreements.

ACCOUNTING PRINCIPLES

Leases are recognised as right-of-use assets and a corresponding liability on the date the leased asset is available for use by the Group. Each lease payment is divided between amortisation of the liability and financial cost. The financial cost is allocated over the lease term so that each reporting period is charged with an amount corresponding to a fixed interest rate for the liability recognised in that period. The right-of-use asset is depreciated on a straight-line basis over the shorter of the asset's period of use and the term of the lease.

Assets and liabilities arising from leases are initially recognised at present value. Lease liabilities are initially recognised at the present value of future lease payments, which includes fixed fees, variable lease fees that depend on an index or a price, the guaranteed residual value that is expected to be paid to the lessor, the redemption price for a call option, if it is reasonably certain that the option will be exercised, and any penalties to terminate the lease, if the lease term reflects the assumption that this option will be exercised. The lease payments are discounted by the implicit interest rate if that rate can easily be determined, or otherwise by the incremental borrowing rate.

Saab sets the incremental borrowing rate for different maturities by constructing a rate curve based on the interbank interest rate swap curve adjusted with Saab's credit risk. The credit risk of a liability with the underlying asset type as col-

lateral is added. The rate is recalculated if the lessee within the Saab Group has a functional currency other than SEK. The rate is also adjusted for differences in credit risk between the Group company in question and the Saab Group. Saab uses market data in the form of swap rates, for example, to calculate the incremental borrowing rate. If a quote is not available for a variable for a specific maturity, interpolation or extrapolation is applied. The key judgments made in determining the incremental borrowing rate mainly comprise assumptions about the mark-up for lessee-specific credit risk and collateral-specific credit risk. The mark-up for the credit risk is based on listed bonds with similar underlying credit risk.

Right-of-use assets are initially measured at the lease liability's value plus lease fees paid on or before the start date. Right-of-use assets are subsequently measured after deducting accumulated depreciation and any impairment losses. An impairment test is conducted if circumstances indicate that the carrying amount of the right-of-use asset exceeds its recoverable amount.

Right-of-use assets and lease liabilities are presented as separate items in the balance sheet as Right-of-use assets and Long- and short-term lease liabilities.

Lease payments for short-term leases and leases of low-value assets are expensed on a straight-line basis in the income statement. Short-term leases are leases of 12 months or less.

Options to extend and terminate are included in a number of the Group's leases on premises and buildings. The terms are used to maximise the flexibility in managing the contracts. When determining the term of the lease, available information is taken into account if it provides an economic incentive to exercise an extension option, or to not exercise an option to terminate a lease. Possibilities to extend a lease are included in the term of the lease only if it is reasonably certain that the lease will be extended (or not terminated). The key judgments made when determining the lease term have been based on Saab's judgments when dividing leases into groups based on whether they are of a strategic nature or not. Strategic nature refers to premises that contain production equipment which is difficult to move or for which Saab for some other reason has an economic incentive to exercise an option. The lease term for these contracts is regularly assessed, whereupon extension options are more likely to be included the shorter the remaining term is. For leases that are not of a strategic nature, Saab has determined that there are no economic incentives to exercise options that affect the lease term. It happens, however, that options to extend which have not been taken into account in the calculation of the lease liability are exercised even though the initial judgment was that there was no significant economic incentive to exercise the extension option.

Interest costs on lease liabilities are presented as financial costs in the income statement.

Cash flows from leases are classified and presented as follows:

- The lease liability's amortisation is included in financing activities.
- Interest payments are included in cash flows from operating activities.
- Payments for short-term leases and payments for leases for which the underlying asset has a low value and is not included in the valuation of the lease liability are presented in operating activities.

The following tables provide information on leases.

Right-of-use assets

MSEK	Properties	Other	Group
Opening balance, 1 January 2019	2,172	553	2,725
New leases	159	76	235
Depreciation	-331	-120	-451
Revaluation ¹⁾	29	-	29
Translation differences	11	-	11
Closing balance, 31 December 2019	2,040	509	2,549
Opening balance, 1 January 2020	2,040	509	2,549
New leases	220	95	315
Depreciation	-344	-121	-465
Revaluation ¹⁾	164	-10	154
Translation differences	-33	-4	-37
Closing balance, 31 December 2020	2,047	469	2,516

¹⁾ Revaluation primarily refers to extensions of existing contracts but also indexation and early termination of contracts.

Note 17, cont.

Lease liabilities MSEK	Group	
	2020	2019
Opening balance lease liabilities, 1 January	2,572	2,695
of which long-term leases	2,138	2,296
of which short-term leases	434	399
New leases	324	232
Expensed interest	93	102
Lease fees paid	-530	-517
Revaluation ¹⁾	160	33
Translation differences	-80	27
Closing balance, 31 December	2,539	2,572
of which long-term leases	2,095	2,138
of which short-term leases	444	434

¹⁾ Revaluation primarily refers to extensions of existing contracts but also indexation and early termination of contracts.

Of the lease liabilities, undiscounted lease fees due within one year from the closing day amount to MSEK 552 (541), MSEK 1,316 (1,079) in the range from one to three years and MSEK 1,196 (1,464) are due later than three years from the closing day. Lease fees during periods in scope of an extension option which have not been included in the calculation of the lease liability amount to MSEK 1,244 (1,118). The amount has been calculated on the basis of one extension period per contract.

Result from leases that are not recognised as right-of-use assets and lease liabilities

MSEK	Group	
	2020	2019
Costs for short-term leases	53	58
Costs for leases for assets of low-value	7	9
Summa	60	67

Lease fees paid for leases that are not recognised as right-of-use assets and lease liabilities amounted to MSEK 60 (67) whereby the Group paid total lease fees of MSEK 590 (584). Contractual obligations for short-term leases amounted to MSEK 25 (22) as of 31 December 2020.

The following table provide the result of lease contracts for the Parent Company.

MSEK	2020		2019	
	Buildings and land	Plant and machinery	Buildings and land	Plant and machinery
Expensed lease fees	286	136	283	154
of which variable lease fees	-	-	-	-
Contracted lease fees				
Within 1 year	287	110	275	118
1 to 3 years	703	335	640	189
Later than three years	1,046	-	1,138	217
Total contracted	2,036	445	2,053	524

NOTE 18 BIOLOGICAL ASSETS

ACCOUNTING PRINCIPLES

Biological assets in the form of forests are carried at fair value less deduction for estimated selling expenses. Fair value is based on the valuation of an independent appraiser.

MSEK	Group	
	2020	2019
Living forest		
Carrying amount, 1 January	368	349
Investments	-	-
Change in fair value	19	33
Less fair value logging	-11	-14
Carrying amount, 31 December	376	368
Of which fixed assets	376	368

On 31 December 2020, biological assets consisted of approximately 392,000 m³sk of spruce, 793,000 m³sk of pine and 95,000 m³sk of hardwood. Forest growth is estimated at 41,000 m³sk per year. During the year, approximately 24,000 m³sk of timber was felled, which had a fair value in the Group, after deduction of selling expenses, of MSEK 11 on the felling date.

The valuation of forests has been done by independent appraisers. The forestry property has been valued according to the market comparison method. In the valuation according to the market comparison method, the environmental impact from a firing range within the property has not been taken into account. An adjustment for the environmental impact has therefore been made by reducing fair value by an amount corresponding to the market value of the size of the firing range (4,457 hectares) less the value of the timber.

NOTE 19 SHARES IN ASSOCIATED COMPANIES AND JOINT VENTURES

ACCOUNTING PRINCIPLES

Associated companies are companies over which the Group has a significant, but not decisive, influence over operating and financial controls, usually through a shareholding of between 20 and 50 per cent of the votes. Joint ventures are companies in which the Group, through a cooperative agreement with one or more parties, shares a decisive influence over operating and financial controls. As of the date that significant influence in an associated company and shared decisive influence in a joint venture arises, the shares in the associated company or joint venture are recognised according to the equity method in the consolidated accounts. The equity method is applied until the date when significant or shared decisive influence ceases.

The equity method means that the carrying amount of the shares in associated companies and joint ventures corresponds to the Group's share of the associated companies' and joint ventures' equity based on an application of the Group's accounting principles as well as Group goodwill and any remaining Group surplus or deficit values. "Share in income of associated companies and joint ventures" in the income statement comprises the Group's share of the net income after tax and the non-controlling interests in associated companies and joint ventures adjusted for any amortisation/depreciation, write-downs or dissolution of acquired surplus and deficit values determined in the same way as for business combinations. Dividends received from associated companies and joint ventures reduce the carrying amount of the investment.

If the Group's share of the accumulated deficit in an associated company or joint venture exceeds the carrying amount of the shares in the Group, the value of the shares is reduced to zero. Losses are also offset against long-term uncollateralised financial balances that in their economic significance represent part of the owner-company's net investment in the associated company or joint venture. Subsequent losses are not recognised as a liability in the consolidated accounts as long as the Group has not issued any guarantees to cover losses arising in the associated company or joint venture.

When significant influence over the associated company or shared decisive influence over the joint venture ceases but the Group retains an interest in the company, the remaining shares are initially recognised at fair value. The gain or loss that arises is recognised in profit or loss.

Note 19, cont.

Associated companies and joint ventures MSEK	Group	
	2020	2019
Carrying amount, 1 January	672	646
Acquisition of associated companies and joint ventures	2	38
Sales of associated companies and joint ventures	-78	-51
Share in income of associated companies and joint ventures ¹⁾	-180	-5
New share issues/infusion of capital	204	44
Translation differences	-61	20
Dividends	-63	-20
Carrying amount, 31 December	496	672

¹⁾ Share in associated companies' and joint ventures' net income and non-controlling interests.

The Group's associated companies and joint ventures are held for operating purposes, i.e. they are related to operations of the business areas or in the venture portfolio and are therefore recognised in operating income.

In 2020, Saab has divested all its shares in the joint-venture Vricon Inc. Infusion of capital made during the year refers primarily to conversion of loan receivable to UMS Skeldar AG.

Aggregate net income for Saab's associated companies amounted to MSEK -49 (-127) and other comprehensive income/loss to MSEK -87 (56), producing net comprehensive income/loss of MSEK -136 (-71).

For Saab's joint ventures, net income amounted to MSEK -27 (216) and other comprehensive income to MSEK 0 (8), producing net comprehensive income of MSEK -27 (224).

Saab's share in income of associated companies and joint ventures amounts to MSEK -180 (-5). Share in income includes write-downs of shares in Akaer Participações S.A, AVIA SATCOM Co., Ltd and Kedtech Holding AB totaling MSEK -145. The write-downs are made by reason of low business activity and deteriorated future prospects for these companies.

Shares in associated companies and joint ventures as of 31 December 2020 include goodwill of MSEK 48 (115).

The Group's share of sales, income, assets, liabilities, equity, and the carrying amount of shares in associated companies and joint ventures is as follows.

2020, MSEK	Country	Sales	Income	Assets	Liabilities	Equity	Ownership interest, % ¹⁾	Share in income of associated companies and joint ventures	Carrying amount, shares in associated companies and joint ventures
Associated companies									
Akaer Participações S.A.	Brazil	103	-34	260	174	86	42,2%	-47 ²⁾	36
FFV Services Private Limited	India	45	4	163	19	144	49,0%	2	71
S.N. Technologies SA	Switzerland	165	16	99	6	93	50,0%	8	47
Taurus Systems GmbH	Germany	1,788	73	628	498	130	33,0%	24	43
UMS Skeldar AG	Switzerland	152	-110	607	300	307	47,0%	-52	144
Wah Nobel (Pvt) Ltd	Pakistan	227	-4	341	49	292	27,0%	-1	79
Other associated companies, mainly in the ventures portfolio		783	6	892	663	229		-105 ³⁾	76
Total associated companies		3,263	-49	2,990	1,709	1,281		-171	496
Joint ventures									
Järfälla-Veddesta Holdings AB	Sweden	-	-27	690	690	0	35%	-9	0
Total joint ventures		-	-27	690	690	0		-9	0
Total		3,263	-76	3,680	2,399	1,281		-180	496

¹⁾ The ownership interest of each holding represents both ownership and voting rights.

²⁾ Includes write-down of Saab's share with MSEK 32. See note 42 Items affecting comparability.

³⁾ Includes write-downs of Saab's share in AVIA SATCOM Co., Ltd and Kedtech Holding AB, totaling MSEK 113. See note 42 Items affecting comparability.

2019, MSEK	Country	Sales	Income	Assets	Liabilities	Equity	Ownership interest, % ¹⁾	Share in income of associated companies and joint ventures	Carrying amount, shares in associated companies and joint ventures
Associated companies									
Akaer Participações S.A.	Brazil	162	-66	465	189	276	39,9%	-26	110
AVIA SATCOM Co., Ltd	Thailand	22	-	510	56	454	25,1%	-	114
FFV Services Private Limited	India	49	22	178	29	149	49,0%	11	73
S.N. Technologies SA	Switzerland	70	6	94	17	77	50,0%	3	39
Taurus Systems GmbH	Germany	629	55	1,612	1,509	103	33,0%	18	34
UMS Skeldar AG	Switzerland	148	-127	389	382	7	47,0%	-60	3
Wah Nobel (Pvt) Ltd	Pakistan	259	28	368	63	305	27,0%	7	82
Other associated companies, mainly in the ventures portfolio		627	-45	903	678	225		-12	74
Total associated companies		1,966	-127	4,519	2,923	1,596		-59	529
Joint ventures									
Järfälla-Veddesta Holdings AB	Sweden	-	-14	699	699	0	35,0%	-5	0
Vricon Inc.	USA	506	230	511	113	398	50,0%	115	199
Total joint ventures		506	216	1,210	812	398		110	199
Other adjustments of associated companies and joint ventures								-56	-56
Total		2,472	89	5,729	3,735	1,994		-5	672

¹⁾ The ownership interest of each holding represents both ownership and voting rights.

**NOTE 20 PARENT COMPANY'S SHARES
IN ASSOCIATED COMPANIES
AND JOINT VENTURES**

MSEK	Parent Company	
	2020	2019
Accumulated acquisition value		
Opening balance, 1 January	383	366
Acquisitions ¹⁾	211	80
Divestments	-83	-
Dividends	-	-
Write-downs ²⁾	-157	-63
Closing balance, 31 December	354	383
Carrying amount, 31 December	354	383

¹⁾ Refers primarily to conversion of loan receivable to UMS Skeldar AG

²⁾ Refers to Akaer Participações S.A., Avia Satcom Co Ltd and Kedtech Holding AB

**Specification of Parent Company's (co-owner's) directly owned holdings
of shares in associated companies and joint ventures**

2020 MSEK	% of votes and capital	Carrying amount
Associated companies		
Akaer Participações S.A., Brazil	42.2	36
Kedtech Holding AB, 556945-3748, Stockholm	23.0	0
Skill Scandinavia AB, 556060-5478, Linköping	33.0	2
AVIA SATCOM Co Ltd, Thailand	25.1	0
Aerostructures Assemblies India Pvt Ltd	50.0/26.0	9
UMS Skeldar AG, CHE-113.226.140, Switzerland	47.0	258
Combient AB, 556985-1560, Järfälla	24.9	35
Joint ventures		
Järfälla-Veddesta Holdings AB, 559025-4024, Linköping	35.0	14
Industrigruppen JAS AB, 556147-5921, Stockholm	80.0	0
Total		354

2019 MSEK	% of votes and capital	Carrying amount
Associated companies		
Akaer Participações S.A., Brazil	39.9	112
Kedtech Holding AB, 556945-3748, Stockholm	23.0	23
Skill Scandinavia AB, 556060-5478, Linköping	33.0	2
AVIA SATCOM Co Ltd, Thailand	25.1	54
Aerostructures Assemblies India Pvt Ltd	50.0/26.0	9
UMS Skeldar AG, CHE-113.226.140, Switzerland	47.0	61
Combient AB, 556985-1560, Järfälla	24.9	35
Joint ventures		
Vricon Inc., USA	50.0	83
Järfälla-Veddesta Holdings AB, 559025-4024, Linköping	35.0	4
Industrigruppen JAS AB, 556147-5921, Stockholm	80.0	0
Total		383

NOTE 21 RECEIVABLES FROM GROUP COMPANIES

Parent Company MSEK	Long-term receivables from Group companies		Long-term receivables from associated companies and joint ventures	
	2020	2019	2020	2019
Accumulated acquisition value				
Opening balance, 1 January	78	68	463	391
Change in reserve for excepted credit losses	-	-	-54	-3
Settled receivables	13	15	95	77
Additional receivables	-	-5	-209	-10
Translation differences	-	-	-5	8
Closing balance, 31 December	91	78	290	463

NOTE 22 OTHER LONG-TERM SECURITIES HOLDINGS

MSEK	Parent Company	
	2020	2019
Accumulated acquisition value		
Opening balance, 1 January	41	42
Acquisitions	3	2
Divestments	-	-3
Closing balance, 31 December	44	41
Accumulated write-downs		
Opening balance, 1 January	-17	-17
Closing balance, 31 December	-17	-17
Carrying amount, 31 December	27	24

Acquisition in 2020 refers to AMEXCI AB.

**NOTE 23 LONG-TERM RECEIVABLES
AND OTHER RECEIVABLES**

MSEK	Group	
	31-12-2020	31-12-2019
Long-term receivables held as fixed assets		
Receivables from associated companies, interest-bearing	147	308
Receivables from joint ventures, interest-bearing	204	213
Receivables attributable to pensions, interest-bearing	-	28
Other non interest-bearing receivables	266	203
Total	617	752

The change in provision for expected credit losses on interest-bearing receivables amounted to MSEK 54 (3) of which MSEK 59 was attributable to one specific receivable, see note 42.

MSEK	Group	
	31-12-2020	31-12-2019
Other receivables held as current assets		
Receivables from associated companies, interest-bearing	-	2
Receivables from associated companies, non interest-bearing	19	38
Receivables from joint ventures, non interest-bearing	15	7
Advance payments to suppliers	299	81
Other interest-bearing receivables	64	56
Other non interest-bearing receivables	502	526
Total	899	710

Note 23, cont.

MSEK	Parent Company	
	31-12-2020	31-12-2019
Other long-term receivables		
Non interest-bearing receivables	19	18
Total	19	18

MSEK	Parent Company	
	31-12-2020	31-12-2019
Other receivables held as current assets		
Non interest-bearing receivables	697	378
Total	697	378

MSEK	Parent Company	
	2020	2019
Long-term receivables		
Accumulated acquisition value		
Opening balance, 1 January	18	18
Additional receivables	1	-
Closing balance, 31 December	19	18

NOTE 24 INVENTORIES

ACCOUNTING PRINCIPLES

Inventories are valued at the lower of cost and net realisable value. The net realisable value is the estimated selling price in continuing operations after deducting estimated expenses for completion and expenses incurred in selling.

Cost is calculated by applying the first-in first-out method (FIFO) or the weighted average method and includes expenses to acquire inventory assets and bring them to their present location and condition. For finished and semifinished goods, cost consists of direct manufacturing expenses and a reasonable share of indirect manufacturing expenses as well as expenses to customise products for individual customers. Calculations take into account normal capacity utilisation.

MSEK	Group	
	31-12-2020	31-12-2019
Raw materials and consumables	5,001	4,664
Work in progress	4,331	4,720
Finished goods and goods for resale	920	1,091
Total	10,252	10,475

The Group's cost of goods sold includes inventory write-downs of MSEK 396 (103). Write-downs for 2020 comprises two items, in total MSEK 255, classified as items affecting comparability. Write-down of spare parts related to civil aviation in connection with Covid-19 and changes to product portfolio. See note 42. The reversal of previous write-downs amounted to MSEK 51 (73).

MSEK	Parent Company	
	31-12-2020	31-12-2019
Raw materials and consumables	2,622	2,545
Work in progress	3,245	3,594
Finished goods and goods for resale	781	834
Advance payments to suppliers	185	23
Total	6,833	6,996

Cost of goods sold for the Parent Company includes inventory write-downs of MSEK 286 (94) after the reversal of previous write-downs of MSEK 50 (68).

NOTE 25 ACCOUNTS RECEIVABLE

ACCOUNTING PRINCIPLES

Accounts receivable are recognised initially at fair value and subsequently at amortised cost at the amount expected to be received based on an individual evaluation. Accounts receivable have a short expected maturity, due to which they are normally recognised at their nominal amount without discounting.

Impairment losses on accounts receivable and contract assets from defence-related operations are evaluated based on expected credit losses due to defaults within the coming twelve months. These tests are done individually by counterparty. The evaluation is primarily based on counterparty credit risk after consideration of collateral received. Data primarily include official credit rating grades for counterparties.

Impairment losses on accounts receivable from commercial operations are tested based on a probability-weighted outcome for expected credit losses. The calculation is based on an individual assessment of the solvency of the customer and on incurred customer losses in the last ten financial years, from which a worse-case scenario, default scenario and better-case scenario have been calculated. The default scenario has been calculated using the average of actual customer losses during these ten years. The other two scenarios have been calculated based on historical information as well as forward-looking information such as future confidence and economic forecasts. Each scenario has been assigned a probability, where the default scenario is weighted 70 (80) per cent in the calculation and the other two scenarios 15 (10) per cent each. During 2020, the weight assigned to the default scenario has been decreased to reflect a greater uncertainty about the future due to the ongoing pandemic. Finally, an evaluation is performed, both for defence-related and civil operations, in order to identify whether adjustments to the calculated provision is needed to capture credit risk that is not captured by the calculation models. This evaluation has resulted in an increased loss provision related to the civil operations of MSEK 30 (0).

Contract assets recognised in the balance sheet for work to be billed essentially have the same risk characteristics as work already billed for the same type of contract. The Group therefore applies the same assessment for expected credit losses in contract assets as for account receivables.

Impairment of accounts receivable is recognised in operating expenses.

Accounts receivable are written off when the counterparty is no longer expected to be able to pay its debt which can be indicated by final settlement from liquidation of the counterparty or other information that cause Saab to deem that no reimbursement is likely.

Saab has a trade receivable sales programme with an independent party. When a receivable is sold, the entire credit risk is transferred to the counterparty, accordingly, accounts receivable are reduced by the proceeds received and derecognised.

As of 31 December 2020 the Group's outstanding accounts receivable amounted to MSEK 4,062 (5,198) of which MSEK 3,522 (4,238) were attributable to defence-related operations. Contract assets amounted to MSEK 9,900 (12,234) of which 8,971 (11,166) were attributable to defence-related operations. Saab's trade receivable sales programme that was established to strengthen its financial position and increase financial flexibility has not been utilised as of 31 December 2020.

Defence-related sales accounted for 88 per cent (85) of total sales, accordingly counterparties in the major part of accounts receivables are nations with high creditworthiness. The Group's receivables are mainly within the EU, which accounted for 52 per cent (69) of the total. Where counterparties' creditworthiness is deemed unsatisfactory, bank or insurance guarantees or guarantees from EKN are secured.

Write-downs of accounts receivable and contract assets amounted to MSEK 103 (39) as of 31 December 2020, corresponding to 2.5 per cent (0.8) of total accounts receivable. Write-downs are entirely attributable to accounts receivable. MSEK 48 (18) of the write-down is attributable to defence-related operations and MSEK 55 (21) to civil operations.

Accounts receivable in the Parent Company amounted to MSEK 2,047 (2,125). During the year, receivables were written down by MSEK 40 (4). Reversals of previous write-downs amounted to MSEK 4 (0).

Note 25, cont.

Write-downs of accounts receivable, Group

MSEK	2020		
	Defence-related operations	Civil operations	Total
Write-downs, 1 January	-18	-21	-39
Write-downs for calculated losses	-37	-39	-76
Reversal of previous write-downs	6	2	8
Actual credit losses	0	3	3
Translation differences	1	0	1
Write-downs, 31 December	-48	-55	-103

MSEK	2019		
	Defence-related operations	Civil operations	Total
Write-downs, 1 January	-11	-30	-41
Write-downs for calculated losses	-8	-2	-10
Reversal of previous write-downs	-	1	1
Actual credit losses	1	10	11
Translation differences	-	-	-
Write-downs, 31 December	-18	-21	-39

Age analysis of the Group's overdue receivables

MSEK	2020		
	Defence-related operations	Civil operations	Total
<30 days	423	38	461
30 to 90 days	241	24	265
91 to 180 days	43	7	50
>181 days	231	31	262
Accounts receivable overdue	938	100	1,038
Accounts receivable not overdue	2,584	440	3,024
Total accounts receivable	3,522	540	4,062

MSEK	2019		
	Defence-related operations	Civil operations	Total
<30 days	279	139	418
30 to 90 days	146	23	169
91 to 180 days	37	8	45
>181 days	270	29	299
Accounts receivable overdue	732	199	931
Accounts receivable not overdue	3,505	762	4,267
Total accounts receivable	4,237	961	5,198

NOTE 26 PREPAID EXPENSES AND ACCRUED INCOME

MSEK	Group		Parent Company	
	31-12-2020	31-12-2019	31-12-2020	31-12-2019
Prepaid expenses	546	489	529	429
Capitalised changes in value related to forward contract rollovers	-	-	945	1,074
Accrued service income	176	130	127	40
Other accrued income	257	350	248	418
Total	979	969	1,849	1,961

Prepaid expenses primarily relate to pension premiums, rents, licenses and insurance.

NOTE 27 LIQUID ASSETS**ACCOUNTING PRINCIPLES**

Liquid assets consist of cash and cash equivalents, immediately accessible balances with banks and similar institutions, and short-term liquid investments with a maturity from acquisition date of less than three months, which are exposed to no more than an insignificant risk of fluctuation in value.

MSEK	Group	
	31-12-2020	31-12-2019
Cash and bank balances	1,123	891
Bank deposits	1,150	796
Total according to statement of financial position	2,273	1,687
Total according to statement of cash flows	2,273	1,687

Bank deposits relate to short-term investments, with a maturity of less than three months. The Group's unutilised account overdraft facility amounted to MSEK 56 (78) at year-end. With regard to the Group's other loan facilities, refer to notes 30 and 35.

NOTE 28 SHAREHOLDERS' EQUITY

The shares in the Parent Company are divided into two series, A and B. Both classes of shares carry equal rights, with the exception that each Series A share is entitled to ten votes and each Series B share one vote. The shares have a quota value of SEK 16.

Outstanding shares at 31 December 2020	Number of shares	Number of shares, %	Number of votes, %
Series A shares	2,383,903	1.8%	15.5%
Series B shares	129,863,170	98.2%	84.5%
Total	132,247,073	100.0%	100.0%

Outstanding shares at 31 December 2019	Number of shares	Number of shares, %	Number of votes, %
Series A shares	2,383,903	1.8%	15.4%
Series B shares	130,542,460	98.2%	84.6%
Total	132,926,363	100.0%	100.0%

Change in number of outstanding shares 2020	Series A	Series B	Total
Number of outstanding shares at 1 January	2,383,903	130,542,460	132,926,363
Repurchase of shares	-	-1,135,000	-1,135,000
Matching and allotment in long-term incentive programmes	-	455,710	455,710
Number of outstanding shares at 31 December	2,383,903	129,863,170	132,247,073

In 2020, 1,135,000 Series B shares were repurchased on the market to secure Saab's Share Matching Plans and Performance Share Plans. During the year, 455,710 shares were matched or allotted in Saab's long-term incentive programmes. Transferred shares correspond to 0.3 per cent of the share capital. A total of 3,598,774 shares are held in treasury after this year's matching.

No dividend to shareholders were paid during 2020.

Proposed disposition of earnings 2020

The Board of Directors and the President propose that the unappropriated earnings in the Parent Company at disposal of the Annual General Meeting, amounting to:

SEK	
Retained earnings	5,327,279,926
Share premium reserve	5,557,130,127
Net income for the year	-94,501,727
Total	10,789,908,326

be disposed as follows:

To the shareholders, a dividend of SEK 4.70 per share	621,561,243
To share premium reserve	5,557,130,127
Funds to be carried forward	4,611,216,956
Total	10,789,908,326

Note 28, cont.

Management of the Group's capital

The Group's capital under management consists of equity. The Group's capital management goal is to facilitate continued operating growth and to remain prepared to capitalise on business opportunities. Saab's equity/asset goal is at least 30 per cent.

Net result of cash flow hedges

The net result of cash flow hedges comprises the effective share of the cumulative net change in fair value of a cash flow hedging instrument attributable to hedge transactions that have not yet taken place.

Translation reserve

The translation reserve comprises exchange rate differences that arise from the translation of financial reports from operations that have prepared their reports in a currency other than the currency of the Group's financial reports. The Parent Company and the Group present their financial reports in SEK. The translation reserve at year-end amounts to 16 (651). Of the translation reserve MSEK -25 (0) has been reclassified to the income statement.

Revaluation reserve

The revaluation reserve comprises the difference between the fair value and carrying amount of operating properties reclassified as investment properties. Transfer of MSEK 11 from the revaluation reserve to retained earnings has been made in 2020 related to the sale of investment property in Tannefors, Linköping.

PARENT COMPANY

Restricted reserves

Restricted reserves may not be reduced through profit distributions.

Revaluation reserve

When a tangible or financial fixed asset is revaluated, the revaluation amount is allocated to a revaluation reserve.

Statutory reserve

Provisions to the statutory reserve have previously amounted to at least 10 per cent of net income for the year, until the statutory reserve corresponded to at least 20 per cent of the Parent Company's capital stock. As of 2006 provisions are voluntary and the Parent Company makes no provisions to the statutory reserve.

Unrestricted equity

Share premium reserve

Amounts exceeding the quota value per share received in connection with rights issue. The amount is available for distribution to the shareholders.

Retained earnings

Retained earnings consist of previous year's unrestricted equity after eventual profit distribution. Retained earnings together with net income for the year comprise unrestricted equity, available for distribution to the shareholders.

Liabilities to credit institutions consist of Medium Term Notes (MTN) and Schuldschein loans. For more information on financial risk management, see note 35.

The fair value of MTNs and Schuldschein loans exceeds book value by MSEK 19 (78). Saab considers that there is no significant difference between book and fair value as for the rest of the interest-bearing liabilities.

NOTE 30 LIABILITIES TO CREDIT INSTITUTIONS

MSEK	Parent company	
	31-12-2020	31-12-2019
Current liabilities		
Overdraft facilities: Available credit/limit	56	31
Short-term portion of bank loans: Unutilised portion	-56	-30
Utilised credit amount	-	1
Credit facilities: Commercial paper	5,000	5,000
Unutilised portion of commercial paper	-5,000	-5,000
Utilised credit amount	-	-
Credit facility: Medium Term Notes (MTN)	1,318	1,275
Credit facility: Schuldschein (SSD)	803	-
Total	2,121	1,276
Long-term liabilities		
Credit facilities: Available credit/limit (revolving credit facility)	10,000	6,000
Unutilised portion of revolving credit facility	-10,000	-6,000
Utilised credit amount	-	-
Credit facility: Medium Term Notes (MTN)	5,090	5,470
Credit facility: Schuldschein (SSD)	201	1,042
Total	5,291	6,512
Total liabilities to credit institutions	7,412	7,788

Since 2009, Saab has a Medium Term Note programme (MTN) to enable the issuance of long-term loans on the capital market. During 2018, the MTN programme was increased to MSEK 10,000. Under the terms of this programme, Saab has issued fixed rate bonds as well as Floating Rate Notes (FRN). During the year bonds matured amounted to MSEK 850. Repurchases amounted to MSEK 708 while MSEK 1,225 of new bonds were issued. As a result, outstanding loans under the MTN programme totaled MSEK 6,412, with a corresponding carrying value of MSEK 6,408. In December 2015, Saab signed Schuldschein loan agreements amounting to MEUR 100.

During the first quarter of 2020, Saab 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 during the year.

NOTE 29 INTEREST-BEARING LIABILITIES

MSEK	Group	
	31-12-2020	31-12-2019
Long-term liabilities		
Liabilities to credit institutions	5,291	6,512
Other interest-bearing liabilities	-	1
Total	5,291	6,513
Current liabilities		
Liabilities to credit institutions	2,121	1,277
Liabilities to associated companies and joint ventures	39	45
Other interest-bearing liabilities	8	-
Total	2,168	1,322
Total interest-bearing liabilities	7,459	7,835

Terms and repayment schedules

Collateral for bank loans amounts to MSEK 0 (0). Of the long-term liabilities, MSEK 3,266 (5,513) falls due between one and five years of the closing day and MSEK 2,025 (1,000) later than five years of the closing day. The undiscounted cash-flows in the interval between one and five years from the closing day are MSEK 3,406 (5,237) and MSEK 2,289 (1,528) later than five years from the closing day. The interest rate curve as of the closing day has been used to calculate future cashflows from floating rate liabilities.

NOTE 31 POST-EMPLOYMENT BENEFITS

The Saab Group's post-employment benefits refer to pensions. These pensions comprise both defined-contribution and defined-benefit plans. A defined-contribution plan is a pension plan according to which the Group pays fixed fees to a separate legal entity that assumes the obligations to employees. Other pension plans are defined-benefit and refer to pension obligations that are retained by the Group, secured through its own pension funds or through insurance.

ACCOUNTING PRINCIPLES GROUP**Defined-contribution plans**

Obligations for fees to defined-contribution plans are expensed through the income statement.

Defined-benefit plans

Saab has around ten different types of defined-benefit plans. Defined-benefit plans mainly relate to the Swedish operations, where the ITP2 plan accounts for 93 per cent (93) of the total obligation.

The Group's net obligation for defined-benefit plans is calculated separately for each plan by estimating the future compensation that employees have earned through employment in present and previous periods. This compensation is discounted to present value. Most of the liability is met through provisions to a pension fund. The net obligation on the closing day is estimated as the net of the fair value of the fund assets and the present value of the pension liability.

The discount rate to estimate the obligation at present value is based on the interest rate on the closing day for first-class corporate bonds, if available, with a maturity corresponding to the pension obligation. The discount rate for Sweden is based on Swedish covered mortgage bonds (AAA) taking into account the duration of all cash flows. The calculation is made by qualified actuaries using the Projected Unit Credit Method.

When the compensation terms in a plan are improved, the portion of the increased compensation attributable to the employees' service in previous periods is expensed through the income statement.

If the obligation calculated on the closing day deviates from the estimated obligation, actuarial gains or losses arise and are recognised directly in other comprehensive income. The same interest rate is used to calculate financial income on assets under management as to discount pension liabilities.

If pension obligations are lower than assets under management, this amount is recognised as an asset.

When there is a difference between how the pension cost is determined for a legal entity and for the Group, a liability or receivable is recognised for the special employer's contribution based on this difference.

The following tables provide information on defined-benefit pension plans.

Sweden

The predominant plan in Sweden is the ITP plan under collective agreements between the Confederation of Swedish Enterprise and the Negotiation Cartel for Salaried Employees in the Private Business Sector (PTK). The ITP2 plan, which is based on an employee's final salary, covers individuals born 1978 and before and is a defined-benefit plan, while the ITP1 plan is a defined-contribution plan and covers individuals born 1979 and after.

Saab's defined-benefit pension plans in Sweden are secured either through transfers to the Group's own pension fund, as liabilities in the balance sheet or are funded through insurance mainly with Alecta. The Saab Pension Fund, which secures part of the ITP2 plan, had assets of MSEK 7,096 (6,741) as of 31 December 2020, compared to an obligation of MSEK 11,929 (11,262), calculated according to IAS 19, which means that the solvency margin amounted to 59 per cent (60).

The following applies to the portion of the defined-benefit pension obligation for retirement and family pensions secured through insurance with Alecta. According to a pronouncement by the Swedish Financial Reporting Board, this is a defined-benefit plan for multiple employers. Alecta is unable to provide the information that would allow Saab to report these obligations as a defined-benefit plan, owing to which they are reported as a defined-contribution plan. All newly earned pensions are secured through the pension fund solution. As a result, no additional premiums are paid to Alecta. The collective funding ratio is calculated as the market value of Alecta's assets as a percentage of the insurance obligations calculated according to Alecta's actuarial methods and assumptions, which differ from IAS 19.

The collective funding ratio is normally permitted to range between 125 and 155 per cent. At year-end 2020, Alecta's surplus in the form of the collective funding ratio was 167 per cent (169).

USA

The US has a defined-benefit plan for certain employees and a supplementary plan for individuals in executive positions.

The plans are company-specific according to an agreement in 1986 between the employees and the company and include retirement and survivor's pensions. The pension is not vested during the first five years of employment, and the retirement age is 65. Payments corresponding to accrued pensions are made yearly to an external trustee to cover the obligation. Payments during 2020 amounted to MSEK 0 (0).

Switzerland

Switzerland has a defined-benefit plan that includes all employees and where minimum benefits are prescribed by law. The company is affiliated with a collective foundation for the purpose of insuring its employees' retirement and survivor's pension, and payments are made annually. Provisions for pensions are made by both employer and employees. The employee may elect to receive the full pension as a lump sum at retirement.

Other countries

The pension plans in other countries are of insignificant amounts and are therefore reported together with Sweden below.

Disclosures regarding defined-benefit plans

31-12-2020	Group			
MSEK	Sweden	USA	Switzerland	Total
Wholly or partially funded obligations				
Present value of defined-benefit obligations	12,192	304	278	12,774
Fair value of assets under management	-7,141	-290	-276	-7,707
Present value of net obligation	5,051	14	2	5,067
Share funded	59%	95%	99%	60%
Average duration of pension obligation	20	14	17	
The net amount and the special employer's contribution is reported in the following items in the statement of financial position				
Provisions for pensions (excluding special employer's contribution)	5,051	14	2	5,067
Provisions for pensions (related to special employer's contribution)	1,378	-	-	1,378
Long-term receivables	-	-	-	

31-12-2019	Group			
MSEK	Sweden	USA	Switzerland	Total
Wholly or partially funded obligations				
Present value of defined-benefit obligations	11,529	317	286	12,132
Fair value of assets under management	-6,792	-345	-273	-7,410
Present value of net obligation	4,737	-28	13	4,722
Share funded	59%	109%	95%	61%
Average duration of pension obligation	20	13	17	
The net amount and the special employer's contribution is reported in the following items in the statement of financial position				
Provisions for pensions (excluding special employer's contribution)	4,737	-	13	4,750
Provisions for pensions (related to special employer's contribution)	1,264	-	-	1,264
Long-term receivables	-	28	-	28

Note 31, cont.

Cost reported in the income statement

2020	Group			
MSEK	Sweden	USA	Switzerland	Total
Current service costs	334	12	9	355
Net interest expense	73	-	-	73
Cost of defined-benefit plans in the income statement	407	12	9	428
Cost of defined-contribution plans				920
Special employer's contribution				309
Total cost of post-employment benefits				1.657

2019	Group			
MSEK	Sweden	USA	Switzerland	Total
Current service costs	313	11	8	332
Net interest expense	92	-1	-	91
Cost of defined-benefit plans in the income statement	405	10	8	423
Cost of defined-contribution plans				837
Special employer's contribution				294
Total cost of post-employment benefits				1,554

Items included in the statement of cash flow

2020	Group			
MSEK	Sweden	USA	Switzerland	Total
Deposits to pension fund and other funding	-1	-	-6	-7
Payments	-286	-49	-12	-347
Withdrawals	0	49	12	61
Total impact on cash flow	-287	-	-6	-293

2019	Group			
MSEK	Sweden	USA	Switzerland	Total
Deposits to pension fund and other funding	-3	-	-6	-9
Payments	-280	-36	-2	-318
Withdrawals	-	36	2	38
Total impact on cash flow	-283	-	-6	-289

Estimated payments during 2021 amount to approximately MSEK 322.

Actuarial gains and losses are reported in other comprehensive income.

Actuarial loss related to pensions amounted to MSEK -252 net in 2020 primarily due to the following:

The net of revised assumptions related to discount rate and inflation amounted to a loss of MSEK -643. The loss mainly relate to the Swedish pension plans for which the assumed discount rate has been reduced by 50 basis points, from 1.50% to 1.00% and the inflation assumption has been reduced by 25 basis points, from 1.75% to 1.50% compared to the beginning of the year.

Positive experience adjustment, mainly related to lower inflation and salary increase than expected, has resulted in an actuarial gain of MSEK 141.

Actuarial loss related to special employer's contribution amounted to MSEK -46.

The return on assets under management was higher than expected, which produced an actuarial gain of MSEK 296.

Changes in net obligation for defined-benefit plans reported in the statement of financial position

MSEK	Group	
	2020	2019
Net obligation for defined-benefit plans, 1 January	4,722	4,099
Compensation paid	-347	-318
Deposits to pension fund and other funding	-7	-9
Cost reported in the income statement	428	423
Income (-)/cost (+) reported in other comprehensive income	211	488
Settlement/translation differences	-1	1
Withdrawals from pension funds	61	38
Net obligation for defined-benefit plans, 31 December	5,067	4,722

Change in pension obligation

MSEK	Group	
	2020	2019
Fair value, 1 January	12,132	10,752
Benefits vested during the year	355	332
Interest expense	184	244
Pension disbursements	-347	-318
Settlement	-3	4
Actuarial gain (-)/loss (+)	502	1 096
Translation differences	-49	22
Fair value, 31 December	12,774	12,132

Change in assets under management

MSEK	Group	
	2020	2019
Fair value, 1 January	7,410	6,653
Financial income	111	153
Withdrawals	-61	-38
Settlement	-6	3
Contributions	7	9
Actuarial gain (+)/loss (-)	296	608
Translation differences	-50	22
Fair value, 31 December	7,707	7,410

Interest expense on the pension obligation less financial income on assets under management is classified as financial expense. Other pension costs are divided by function in the income statement in relation to how payroll expenses are charged to the various functions.

Sensitivity analysis (excluding special employer's contribution)

MSEK	Group	
	Change	Change in obligation
Discount rate	0.25%	-595
	-0.25%	638
Inflation	0.25%	613
	-0.25%	-575
Salaries	0.25%	123
	-0.25%	-113
Life span	+ 1 year	559

Return on assets under management

MSEK	Group	
	2020	2019
Actual return on assets under management	407	761
Financial income on assets under management	-111	-153
Actuarial result from assets under management during the year	296	608

Note 31, cont.

Governance

The pension fund is governed by the Pension Board, which resumes 4–5 times per year and has the following responsibilities:

- Appoint the members of the Investment Committee
- Appoint the Fund Manager
- Annually establish the Investment Policy
- Decide on strategic (long-term) and tactical (short-term) asset allocation and allow deviations in accordance with the terms of the strategic and tactical mandate
- Annually approve the benchmark indices to track the fund's performance
- Annually approve the stop loss limit

Investment strategy and risk management

The pension fund manages the allocation and investment of assets with an aim to increase the consolidation level over time. Certain risks are accepted in order to achieve the desired return. The investment horizon is long-term and the allocation ensures that the investment portfolio is well diversified.

The Fund's investments are subject to a number of restrictions and limitations, the purpose of which is to limit investment losses. Treasury Operations continuously monitors the Fund's management and reports its findings to the Chairman of the Board and the Investment Committee.

Assets under management divided by asset class

Per cent	Group			
	2020	of which listed on an active market	2019	of which listed on an active market
Interest-bearing assets	26	100	31	100
Share-related assets	34	100	36	100
Hedge funds	14	-	13	-
Property	22	-	19	-
Liquid assets	4	-	1	-
Total assets	100	60	100	67

Assumptions for defined-benefit obligations

Per cent	Group				
	2020	2019	2018	2017	2016
Significant actuarial assumptions as of closing day (expressed as weighted averages)¹⁾					
Discount rate, 31 December	1.00	1.50	2.25	2.50	2.75
Future salary increase	2.50	2.75	3.00	2.75	2.75
Future increase in pensions	1.50	1.75	2.00	1.75	1.75
Employee turnover	3.00	3.00	3.00	3.00	3.00

¹⁾ Refers to Sweden since essentially all defined-benefit plans are in Sweden.

The following assumptions serve as the basis of the valuation of Saab's pension liability:

Discount rate: The valuation has been based on Swedish covered mortgage bonds (AAA), taking into account the duration of all cash flows. A nominal government bond whose duration corresponds to the average duration of the pension obligation is used as a basis. A premium is then added equal to the difference between the interest rate on a mortgage bond and a nominal government bond with similar maturities. The same discount rate has been used for all future disbursements.

Long-term salary increase assumption: The long-term salary increase assumption corresponds to a real salary increase of 1 per cent plus an inflation assumption of 1.50 per cent, rendering a future salary increase of 2.50 per cent.

Long-term inflation assumption: The long-term inflation assumption is based on market pricing of inflation on maturities corresponding to the pension liability's duration. For 2020, the assumption is 1.50 per cent.

Mortality: Mortality is the same assumption recommended by the Financial Supervisory Authority (FFFS 2007:31).

Employee turnover: The employee turnover is assumed to be 3 per cent per year.

ACCOUNTING PRINCIPLES PARENT COMPANY

The parent company's accounting principles differ from IAS 19 in the following ways:

- The calculation does not take into account future salary increases
- The discount rate is determined by PRI
- Changes in the discount rate and other actuarial assumptions are recognised directly in the income statement and balance sheet
- Surplus in the pension plan cannot be recognised as an asset while the deficit should either be expensed or recovered through contributions to the pension fund

Parent Company's pension obligations

Funds allocated for pensions according to the balance sheet correspond to the net present value of existing pension obligations less funds that are secured by Saab's pension fund.

MSEK	31-12-2020	31-12-2019
Pension obligations ITP 2	4,792	4,649
Less funds secured in pension fund	-4,792	-4,649
Total ITP 2 and the book reserve method	-	-
Other pensions	104	97
Other provisions for pensions	131	141
Total	235	238
Of which credit guarantees in PRI Pensionsgaranti	36	40

MSEK	2020	2019
Amount related to pension obligations ITP 2 expected to be settled within 12 months	207	202

NOTE 32 PROVISIONS**ACCOUNTING PRINCIPLES**

A provision is recognised in the statement of financial position when the Group has a legal or informal obligation owing to an event that has occurred and it is likely that an outflow of economic resources will be required to settle the obligation and a reliable estimate of the amount can be made. Where it is important when in time payment will be made, provisions are estimated by discounting projected cash flow at a pre-tax interest rate that reflects current market estimates of the time value of money and, where appropriate, the risks associated with the liability.

Provisions for incremental costs for industrial cooperations

Some of Saab's contracts with customers contain requirements on technology and knowledge transfers as well as various forms of industrial cooperation. The related costs are included in the project's expenditures and expensed in relation to the stage of completion. The expenditures are then set against this provision, which can also occur after the delivery of goods and services under the contract.

Onerous contracts

A provision for an onerous contract is recognised when anticipated benefits are less than the unavoidable costs to fulfill the obligations as set out in the contract.

Guarantees

A provision for guarantees is normally recognised when the underlying products or services are sold if a reliable calculation of the provision can be made. The provision is based on historical data on guarantees for the products or similar products and an overall appraisal of possible outcomes in relation to the likelihood associated with these outcomes.

Restructuring

A provision for restructuring is recognised when a detailed, formal restructuring plan has been established and the restructuring has either begun or been publicly announced. No provision is made for future operating losses.

A provision is recognised in connection with termination of personnel only if the company is obligated to terminate an employment before the customary time, e.g., when compensation is paid in connection with a voluntary termination offer. In cases where the company terminates personnel, a detailed plan is drafted containing at the minimum the workplaces, positions and approximate number of individuals affected as well as compensation for each personnel category or position and a schedule for the plan's implementation.

Soil remediation

In accordance with the Group's publicly announced environmental policy and applicable legal requirements, periodic estimates are made of Saab's obligations to restore contaminated soil. Anticipated future payments are discounted to present value and recognised as an operating expense and a provision. Provision for environmental commitments is included in other provisions below.

Note 32, cont.

MSEK	Group	
	31-12-2020	31-12-2019
Provisions that are long-term liabilities		
Incremental costs for industrial cooperations	1,014	834
Onerous contracts	475	24
Guarantees	58	51
Expenditures for restructuring measures	4	3
Other	646	432
Total	2,197	1,344

Provisions that are current liabilities		
Incremental costs for industrial cooperations	15	15
Onerous contracts	175	205
Guarantees	207	115
Expenditures for restructuring measures	43	93
Other	253	274
Total	693	702

MSEK	Parent Company	
	31-12-2020	31-12-2019
Incremental costs for industrial cooperations	1,080	823
Onerous contracts	471	92
Guarantees	175	80
Expenditures for restructuring measures	44	96
Other	534	253
Total	2,304	1,344

Incremental costs for industrial cooperations

MSEK	Group	Parent Company
Opening balance, 1 January 2020	849	823
Provisions allocated during the year	257	334
Amount utilised during the year	-77	-77
Closing balance, 31 December 2020	1,029	1,080

Onerous contracts

MSEK	Group	Parent Company
Opening balance, 1 January 2020	229	92
Provisions allocated during the year	659	543
Amount utilised during the year	-234	-164
Translation differences and other	-4	-
Closing balance, 31 December 2020	650	471

Guarantees

MSEK	Group	Parent Company
Opening balance, 1 January 2020	166	80
Provisions allocated during the year	153	138
Amount utilised during the year	-46	-25
Reversal of unutilised amount	-4	-2
Reclassification	-	-16
Translation differences and other	-4	-
Closing balance, 31 December 2020	265	175

Expenditures for restructuring measures

MSEK	Group	Parent Company
Opening balance, 1 January 2020	96	96
Provisions allocated during the year	44	33
Amount utilised during the year	-93	-85
Closing balance, 31 December 2020	47	44

Other provisions

MSEK	Group	Parent Company
Opening balance, 1 January 2020	706	253
Provisions allocated during the year ¹⁾	373	309
Amount utilised during the year	-53	-24
Reversal of unutilised amount	-17	-4
Reclassification	-100	-
Translation differences and other	-10	-
Closing balance, 31 December 2020	899	534

1) Includes provisions amounting to MSEK 300 related to new assessment of ongoing disputes and legal proceedings for the Group. See note 42 Items affecting comparability.

Total provisions

MSEK	Group	Parent Company
Opening balance, 1 January 2020	2,046	1,344
Provisions allocated during the year	1,486	1,357
Amount utilised during the year	-503	-375
Reversal of unutilised amount	-21	-6
Reclassification	-100	-16
Translation differences and other	-18	-
Closing balance, 31 December 2020	2,890	2,304

Incremental costs for industrial cooperations

Some of Saab's contracts with customers contain requirements on technology and knowledge transfers as well as various forms of industrial cooperation. Provision for incremental costs for industrial cooperations relates to costs to meet future obligations for industrial cooperations in accordance with these contracts. The expenditure is expected to occur during the term of the projects but also after the delivery of goods and services under the contracts in accordance with the contract and the regulation for industrial cooperation.

Restructuring

Structural costs primarily relate to costs to adapt resources and transformation costs. The expenditure is expected to occur 2021.

Onerous contracts

Provisions for onerous contracts on the closing day relate to certain military projects as well as projects within commercial aeronautics. The provisions are utilised in pace with the project's completion.

Provisions allocated during the year includes MSEK 315 for onerous contract related to lower forecasted volumes and delivery rates in civil aviation as a result of Covid-19. The provision is classified as an item affecting comparability, see note 42.

Other provisions

Other provisions primarily relate to provisions for remaining costs in projects, environmental commitments, disputes and legal proceedings, provisions related to leasing as well as for royalty.

During the year, a new assessment of risks regarding the Group's ongoing disputes and legal proceedings was made and a provision of SEK 300 million was reported. The disputes are mainly attributable to deliveries in both ongoing and completed projects. Due to the state of negotiations in the legal proceedings, all information in accordance with the disclosure requirements in IAS37 Provisions, Contingent Liabilities and Contingent Assets can't be provided.

No provision has been made for liability risks associated with the production of civil aircraft or the production of sub-components for civil aircraft.

NOTE 33 OTHER LIABILITIES

MSEK	Group	
	31-12-2020	31-12-2019
Other long-term liabilities		
Liabilities to previous owners and minority owners	-	76
Liabilities related to employees	44	48
Other	56	56
Total	100	180
Of which liabilities due for payment more than five years after closing day	38	34
Other current liabilities		
Value-added tax	353	529
Employee withholding taxes	270	271
Liabilities to associated companies and joint ventures	3	175
Other	152	218
Total	778	1,193
MSEK	Parent Company	
	31-12-2020	31-12-2019
Value-added tax	91	236
Employee withholding taxes	156	166
Other	725	586
Total	972	988
Of which liabilities due for payment more than five years after closing day	18	15

Saab considers that there is no significant difference between book and fair value.

NOTE 34 ACCRUED EXPENSES AND DEFERRED INCOME

MSEK	Group		Parent Company	
	31-12-2020	31-12-2019	31-12-2020	31-12-2019
Accrued expenses				
Accrued project costs	2,177	2,120	2,071	1,637
Vacation pay liability	1,288	1,207	863	811
Social security expenses	809	794	659	641
Expected invoices	594	433	340	253
Personnel liabilities	395	335	247	191
Royalties and commissions	57	30	56	28
Claims reserve	5	13	4	5
Other	180	28	106	75
Total accrued expenses	5,505	4,960	4,346	3,641
Deferred income				
Capitalised changes in value related to forward contract rollovers	-	-	490	322
Government grants	113	45	97	29
Other	321	267	87	43
Total deferred income	434	312	674	394
Total	5,939	5,272	5,020	4,035

Saab considers that there is no significant difference between book and fair value.

NOTE 35 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Saab's financial assets and liabilities and contractual obligations give rise to financial risks. These risks are managed to a large extent with various financial instruments.

Group Treasury is responsible for managing the financial risks. The Board of Directors of Saab has established a Group Treasury Policy, which provides an overall description of the management of the financial risks and Treasury operations. The goal is to identify and actively manage the financial risks in order to reduce any negative impact on the Group's results, competitive strength and financial flexibility.

The financial risks are defined as follows:

- Foreign currency risk
- Liquidity risk
- Refinancing risk
- Interest rate risk
- Commodity price risk
- Credit and counterparty risk
- Pension obligations

Group Treasury has a risk mandate expressed as VaR (Value at Risk) of MSEK 50 (50) for the management of financial risks related to fixed price tenders. Risks are managed through various portfolios and are reported daily according to defined risk measures.

Management of the Group's funding and investment of liquid assets, customer financing, guarantees and insurance is centralised in Group Treasury.

ACCOUNTING PRINCIPLES**Recognition and valuation of financial assets and liabilities**

A financial asset or liability is recognised in the statement of financial position when the company becomes party to the instrument's contractual terms. Accounts receivable are recognised in the statement of financial position when an invoice has been sent.

A financial asset is removed from the statement of financial position when the rights in the contract are realised, expire or the company loses control over the asset. The same applies to part of a financial asset. A financial liability is derecognised from the statement of financial position when the obligation in the agreement has been discharged or otherwise extinguished. The same applies to part of a financial liability.

On each reporting date, Saab evaluates the need of impairment for expected credit losses for financial assets or pools of financial assets, which are not recognised at fair value through profit or loss. Financial assets and liabilities are offset and recognised as a net amount in the statement of financial position when there is a legal right to a set-off and when the intent is to settle the items with a net amount or to realise the asset and settle the liability at the same time.

Financial instruments are initially recognised at cost, corresponding to the instrument's fair value plus transaction expenses. This applies to all financial instruments with the exception of those in the category financial assets and liabilities at fair value through profit or loss, where fair value excluding transaction costs equals the acquisition cost. The instruments are subsequently recognised at fair value or amortised cost, depending on how they have been classified as described below. The fair value of listed financial assets and liabilities is determined using market prices. Saab also applies various valuation methods to determine the fair value of financial assets and liabilities traded on an inactive market or that are unlisted holdings. These valuation methods are based on the valuation of similar instruments, discounted cash flows or well-recognised valuation models such as Garman-Kohlhagen. Amortised cost is determined based on the effective interest rate calculated on the acquisition date.

Classification of financial assets and liabilities

The Group's financial assets and liabilities are classified according to the following categories, which determine how each item is valued.

Financial assets and liabilities at amortised cost:

Financial assets in this category are assets that are held to collect contractual cash flows that consist of principal and interest, such as liquid assets, accounts receivable, loans receivable, other receivables and contract assets.

Interest income is recognised as financial interest income by applying the effective interest rate method. Gains and losses that arise upon derecognition from the balance sheet are recognised directly in profit or loss together with FX effects.

Financial liabilities in this category refer to interest-bearing liabilities, accounts payable and other liabilities that are initially recognised at fair value, which corresponds to the amount received less deducting transaction costs. After acquisition, the liabilities are measured at amortised cost according to the effective interest rate method.

Note 35, cont.

Financial assets at fair value through other comprehensive income:

Financial assets in this category are assets that result in payments related only to principal and interest on the outstanding principal and where the financial asset is held under a business model whose purpose is achieved both by holding financial assets to collect contractual cash flows and selling financial assets. These assets are subsequently measured at fair value with changes in fair value recognised in other comprehensive income (OCI), except effective interest, impairments and their reversal as well as exchange rate gains and losses, which are presented in profit or loss. When the asset is derecognised from the balance sheet, accumulated gains and losses in OCI are reclassified to profit or loss.

Financial assets and liabilities at fair value through profit or loss:

Assets that do not satisfy the requirements to be recognised at amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. Gains or losses on assets and liabilities at fair value through profit or loss that are not included in a hedging relationship are offset in profit or loss in the period the gain or loss arises. Derivatives included in a hedging relationship are recognised in other comprehensive income for the portion determined to be an effective hedge. Equity instruments such as shares and participations are continuously measured at fair value with changes in value recognised in profit or loss.

Impairment of financial assets:

Financial assets that are not recognised at fair value through profit or loss are tested for impairment on each closing date using a model based on expected credit losses. Impairment losses are recognised in profit or loss. Derecognition from the balance sheet occurs when there is no longer a reasonable expectation of collecting payment. See also note 25 and 23.

Hedge accounting

To meet the requirements for hedge accounting there must be an economic relationship between the hedging instrument and the hedged item and the hedging relationship must be effective until the hedge matures.

To cover the Group's risks associated with changes in exchange rates and exposure to interest rates, derivatives, consisting of forward exchange contracts, options and swaps, are utilised. They are recognised initially and in subsequent revaluations at fair value, that is, at each reporting date.

Changes in the fair value of derivatives that do not meet the requirements for hedge accounting are recognised directly in profit or loss. If the underlying hedged items relate to operations-related receivables or liabilities, the effect on earnings is recognised in operating income, while the corresponding effect on earnings related to financial receivables and liabilities is recognised in financial net.

The Group applies hedge accounting to cash flow hedges as follows.

Cash flow hedges

Forward exchange contracts (hedge instruments) entered into mainly to hedge future receipts and disbursements against currency risks and classified as cash flow hedges (primarily related to contracted sales volumes) are recognised in the statement of financial position at fair value. Changes in value are recognised in other comprehensive income and separately recognised in the hedge reserve in equity until the hedged cash flow affects the operating income, at which point the cumulative changes in value of the hedging instrument are transferred to profit or loss to offset the effects on earnings of the hedged transaction.

When the hedged future cash flow refers to a transaction that will be capitalised in the statement of financial position, the hedge reserve is dissolved when the hedged item is recognised in the statement of financial position. If the hedged item is a non-financial asset or liability, the reversal is included in the acquisition cost of the asset or liability. If the hedged item is a financial asset or liability, the hedge reserve is dissolved gradually through profit or loss at the same rate that the hedged item affects earnings.

When a hedging instrument expires, is sold, terminated or exercised, or the company otherwise revokes the designation as a hedging relationship before the hedged transaction occurs and the projected transaction is still expected to occur, the recognised cumulative gain or loss remains in the hedge reserve in equity and is recognised in the same way as above when the transaction occurs.

If the hedged transaction is no longer expected to occur, the hedging instrument's cumulative gains and losses are immediately recognised in profit or loss in accordance with principles described above for derivatives.

It is the Group's assessment that there is uncertainty around STIBOR with regards to the Interest Rate Benchmark Reform. STIBOR is the only interest reference rate subject to hedge accounting in the Saab group through the exposure in MTN loans. The nominal amount of interest rate swaps in cash flow hedges total MSEK 4,450.

FINANCIAL INSTRUMENTS

Financial assets within the Group mainly consist of liquid assets, accounts receivable, shares, loans receivable, bonds receivable, derivatives with positive market values, certain accrued income and other receivables. The liability side includes accounts payable, loans payable, derivatives with negative market values, certain accrued expenses and other liabilities.

The following table shows classification and categorisation of financial assets and liabilities.

Classification and categorisation of financial assets and liabilities ²⁾

MSEK	Carrying amount	
	31-12-2020	31-12-2019
Financial assets		
Valued at amortised cost ⁴⁾ :		
Accounts receivable, contract assets and other receivables	15,000	18,542
Liquid assets	2,273	1,687
Long-term receivables	617	724
Valued at fair value through profit and loss ³⁾ :		
Short-term investments	8,104	5,794
Derivatives for trading	147	146
Financial investments	30	26
Valued at fair value through other comprehensive income ³⁾ :		
Derivatives identified as hedges	1,530	1,298
Total financial assets	27,701	28,217
Financial liabilities		
Valued at amortised cost:		
Interest-bearing liabilities ¹⁾	9,996	10,407
Other liabilities ⁴⁾	8,105	7,960
Valued at fair value through profit and loss ³⁾ :		
Derivatives for trading	46	15
Valued at fair value through other comprehensive income ³⁾ :		
Derivatives identified as hedges	919	1,691
Total financial liabilities	19,066	20,073
¹⁾ Fair value	10,015	10,485

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 863 (1,243).

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

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

Valuation of financial instruments at fair value are divided into the following three valuation levels:

Level 1

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

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

Level 2

According to accepted valuation models based on observable market data from Reuters Datascope:

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

Level 3

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

- *Unlisted shares and participations*

Note 35, cont.

As of 31 December 2020, the Group had the following financial assets and liabilities at fair value:

Assets at fair value

MSEK	2020	Level 1	Level 2	Level 3
Bonds and interest-bearing securities	8,104	8,104		
Forward exchange contracts	1,549		1,549	
Currency options	49		49	
Interest rate swaps	2		2	
Cross currency basis swaps	77		77	
Shares and participations	30			30
Total	9,811	8,104	1,677	30

Liabilities at fair value

MSEK	2020	Level 1	Level 2	Level 3
Forward exchange contracts	841		841	
Currency options	23		23	
Interest rate swaps	100		100	
Electricity derivatives	1	1		
Total	965	1	964	

FINANCIAL RISK MANAGEMENT**Foreign currency risk**

Foreign currency risk refers to the risk that fluctuations in exchange rates will negatively affect income or net assets.

Economic exposure

Income is affected when sales and the cost of goods and services sold are in currencies other than the functional currency. Foreign currency risk also arises when fixed-price tenders are issued in foreign currency.

Outstanding fixed-price tenders in foreign currency are usually managed in a special portfolio, the tender portfolio. The following table shows outstanding nominal net hedges for the most predominant currencies as of year-end.

Net hedges (million)	Forward contracts ¹⁾		Options ²⁾		Total hedge	
	2020	2019	2020	2019	2020	2019
USD	-21	-35	-125	-30	-146	-65
EUR	-44	-32	-30	-20	-74	-52
GBP	1	-13	-	-25	1	-38
CZK	100	-	-	-	100	-

¹⁾ Also including sold call- and put options.

²⁾ Net of bought call- and put options.

The tender portfolio's external hedges are measured in relation to the benchmark in order to allocate VaR. The benchmark corresponds to the external hedge that would optimally be done to entirely eliminate the exchange rate risk that a tender gives rise to in relation to the likelihood that a business contract is received. If the two correspond, the tender portfolio will by definition be risk-neutral – i.e. its VaR measure will be zero.

In 2020, about MSEK 35, expressed as VaR, was allocated to the tender portfolio, and at year-end VaR amounted to MSEK 4.4 (15.8). Hedge accounting is not applied to the portfolio's hedges, due to which the Group's result is affected by the extent of tenders and the exchange rate for the underlying currency pair. The portfolio's effect on the Group's result in 2020 was MSEK 110 (-32).

Translation exposure

Comprehensive income is affected when the results and net assets of foreign subsidiaries are translated to SEK. The value of net assets exposed to transaction exposure amounted to MSEK 5,866 (6,983) at year-end; see the following table.

Net assets translated to SEK

MSEK	31-12-2020	31-12-2019
USD	2,098	3,063
EUR	912	1,214
AUD	962	904
ZAR	654	534
GBP	301	413
DKK	188	172
BRL	123	158
Other currencies	628	525
Total	5,866	6,983

The effect on net assets as of 31 December 2020 of a change in exchange rates of +/- 10 per cent would be a change in value of MSEK 587 (698).

Foreign currency risk due to translation effects on the net assets of foreign subsidiaries is not hedged.

Transaction exposure

Contracted flows in the order backlog are exposed to transaction exposure. Saab hedges the currency exposure in the order backlog with currency derivatives (mainly forward exchange contracts), which means that changes in exchange rates do not affect the Group's future results with respect to the current order backlog. To reduce the transaction exposure, amounts in foreign currency are netted as well. Hedges are normally arranged for each specific contract. The average forward rate is then used as the contract's rate for revenue recognition.

In 2020, countries outside Sweden accounted for 64 per cent (63) of Saab's sales. Since a large share of production takes place in Sweden with expenses denominated in SEK, Saab has a large net exposure in foreign currencies.

The predominant contract currencies in the order backlog of SEK 99.8 billion (93.3) are SEK, USD, EUR and GBP. Of the total order backlog, 64 per cent (68) is in fixed prices with or without indexing, while the remaining 36 per cent (32) contains variable prices with index and/or currency clauses.

In the event the cash flow is far in the future, an extension strategy can be applied, the currency hedge can be shifted to an earlier date than when the cash flow is expected and hedge accounting for that time period is then applied to changes in the spot price.

Impairment testing of unprofitable contracts in foreign currency that are not hedged against foreign currency risk is based on the valuation of future cash flows at the spot rate. These contracts mainly refer to anticipated future orders as part of long-term commercial aircraft programmes in USD. Framework agreements contain both transaction and economic exposure and mainly apply to the various commercial aircraft programmes.

Hedge accounting is applied to derivatives that hedge the transaction exposure. The hedge is effective when the hedging relationship is entered and periodically evaluated to ensure that the criteria for effectiveness are still met. The factors that are examined to ensure the effectiveness are currency, timing of payment flows and amount. If the flow generated by the hedging instrument matches the flow from the hedged item in currency, timing and amount, the hedging relationship is considered effective. Until maturity, value changes from effective hedges are recognised in other comprehensive income and recognised separately in the hedge reserve in equity. Value changes in ineffective hedges are recognised in profit or loss. Ineffectiveness can arise if the timing and/or amount of cash flow changes. Since portions of the portfolio extend over long periods, effects from forward points could also be a source of ineffectiveness. Hedging relationships are arranged such that adjustments are made continuously to avoid this effect. Inefficiency affecting net income for the year amounted to MSEK 0 (0).

The market value of existing hedges of the order backlog and framework agreements amounted to MSEK 710 (-309). Currency sensitivity, i.e. the effect of a change in exchange rates of +/- 10 per cent, would affect the market value of derivatives as of 31 December 2020 by +/- MSEK 849 (587). The inefficiency in the cash flow hedges that affected net income for the year amounted to MSEK 0 (0).

Note 35, cont.

The following table shows the cash flows for derivatives recognised as cash flow hedges, expressed in millions in local currency.

Million	EUR			GBP			USD		
	Outflow	Inflow	Net	Outflow	Inflow	Net	Outflow	Inflow	Net
2021	-204	250	46	-84	49	-35	-495	1,205	710
2022	-55	89	34	-48	31	-17	-250	382	132
2023	-35	36	1	-42	15	-27	-138	183	45
2024	-24	33	9	-67	5	-62	-165	349	184
2025	-	26	26	-	4	4	-78	134	56
2026 and forward	-	15	15	-	4	4	-14	-	-14
Total flows 2020	-318	449	131	-241	108	-133	-1,140	2,253	1,113
Total flows 2019	-267	372	105	-271	88	-183	-1,181	2,099	918

Currency exposure

The Group's total outstanding currency derivatives related to all currency risks are shown in the following table.

The Group's outstanding derivatives

Currency derivatives			Fair value 2020			2019	
Million	Currency	Local currency	Asset SEK	Liability SEK	Net	Local currency	Net
Maturity up to 1 year	EUR	-61	118	77	41	-7	86
	GBP	38	39	48	-9	39	43
	USD	-813	685	348	337	-426	-291
	Other	-	30	29	1	-	12
Subtotal			872	502	370		-150
Maturity 1 to 3 years	EUR	-28	34	33	1	-78	-13
	GBP	49	22	85	-63	79	-9
	USD	-156	432	145	287	-462	-199
	Other	-	7	11	-4	-	17
Subtotal			495	274	221		-204
Maturity 3 to 5 years	EUR	-38	12	7	5	-19	-10
	GBP	59	4	17	-13	37	-4
	USD	-240	211	55	156	84	82
	Other	-	-	2	-2	-	-2
Subtotal			227	81	146		66
Maturity over 5 years	EUR	-13	3	-	3	-12	-6
	GBP	-2	1	-	1	-	-
	USD	14	-	7	-7	25	1
Subtotal			4	7	-3		-5
Currency derivatives, total¹⁾			1,598	864	734	-	-293

¹⁾ Of which derivatives used as cash flow hedge MSEK 821 (151).

The Parent Company's outstanding derivatives

Currency derivatives			Fair value 2020			2019	
Million	Currency	Local currency	Asset SEK	Liability SEK	Net	Local currency	Net
	EUR	-76	296	148	148	9	66
	GBP	146	71	156	-85	148	16
	USD	-901	1,314	862	452	-653	-386
	Other	-	36	43	-7	-	21
Currency derivatives, Parent Company total			1,717	1,209	508		-283

Liquidity risk

Liquidity risk refers to the risk of not being able to meet payment obligations due to insufficient liquidity. Liquidity risk is minimised by diversifying financing sources and maturities. For maturity analysis of the Group's financial liabilities, see tables for each class of derivatives in this note as well as information on interest-bearing liabilities in note 29. The Group's other financial liabilities include accounts payable with credit terms normally within 30-90 days as well as other operating liabilities which are classified as current.

The company consistently maintains unutilised credit facilities or liquid assets corresponding in value to MSEK 4,000, adjusted for loans with maturity dates within 12 months but never less than 10 per cent of sales (total sales) or a risk-weighted amount of bank guarantees that are covered by Saab. Treasury calculates all guarantees issued by banks as a risk weighted amount. Liquid assets must not fall short of the risk-weighted amount.

Saab has access to the following credit facilities:

Loan facilities	Facility	Utilised	Available
MSEK			
Revolving credit facility (Maturity 2022: BSEK 4, 2023: BSEK 6)	10,000	-	10,000
Overdraft facility (Maturity 2021)	56	-	56
Total confirmed credit facilities	10,056	-	10,056
Commercial paper	5,000	-	5,000
Medium Term Notes (MTN)	10,000	6,412	3,588
Total loan programmes	15,000	6,412	8,588
Total loan facilities	25,056	6,412	18,644

Note 35, cont.

Saab has three revolving credit facilities with an equivalent value of MSEK 10,000 (6,000) divided between eight banks. The two existing facilities, amounting to a total of MSEK 6,000, were extended from 2022 to 2023 during the year. Due to Covid-19 and uncertainty in the capital markets Saab also raised an additional facility of MSEK 4,000 maturing in 2022. Saab also has a commercial paper programme with a limit of MSEK 5,000 (5,000) and a Medium Term Note (MTN) programme with a limit of MSEK 10,000 (10,000). As of 31 December 2020, MSEK 0 (0) in commercial paper and MSEK 6,412 (6,745) in MTN had been issued.

In addition to these credit facilities, as part of efforts to diversify funding sources, Saab has borrowed MEUR 100 under a Schuldschein documentation. In addition, Saab has an established programme for the sale of trade receivables with a framework of MSEK 1,425, of which MSEK 0 (0) was utilised at 31 December 2020. Saab's aim is to utilise this programme in situations where greater financial flexibility is needed.

No financial covenants are attached to any of Saab's credit facilities.

Refinancing risk

Refinancing risk refers to the risk that Saab cannot replace maturing loans with either new loans or its own funds. To minimise this risk, Saab maintains a diversified loan maturity structure; see the table under funding. Capital is tied up in Saab's loan portfolio for an average in the range of 24–60 months. As of 31 December 2020 this amounted to 38 months (34).

Interest rate risk

Interest rate risk refers to the risk that Saab will be negatively affected by changes in interest rate levels. Interest rate futures and swaps are used to manage interest rate risks and achieve the desired interest rate duration. Lending to subsidiaries in foreign currency is normally financed in SEK and converted to the subsidiary's currency through swaps. Interest rate risk and foreign currency risk in external funding in foreign currency is managed with cross currency basis swaps.

Saab is exposed to interest rate risk when the market value of certain items in the statement of financial position is affected by changes in underlying interest rates. The item with the largest exposure is pension obligations due to the liability's long duration. Changes in market rates affect Saab's net financial items.

Loan portfolio

The loan portfolio consists of loans and interest rate derivatives. The portfolio's average duration falls in the range of 12–48 months (12–48). As of year-end, the loan portfolio's duration was 25 months (27).

The interest rates on long-term floating-rate funding are primarily hedged at fixed rates through interest rate swaps. Outstanding interest rate swaps cover approximately 70 (67) per cent of outstanding floating-rate loans as of 31 December 2020. Cash flow hedging is applied in the financial statements. The effectiveness of a hedge is evaluated when the hedging relationship is included and periodically evaluated to ensure that the relationship meets the requirement. The factors that are evaluated to ensure effectiveness are the timing of payment flows and amount of interest payments as well as the nominal amount of the hedging instrument and the hedged item. If the nominal amount of the hedging instrument does not exceed the nominal amount of the hedged item and the flows generated by the hedging instrument do not exceed the flows from the hedged item in timing and amount, the hedging relationship is considered effective. Until maturity, value changes in effective hedges are recognised in other comprehensive income and recognised separately, in the hedge reserve in equity. The value change is recognised in the financial net when it is transferred to profit or loss. Value changes in ineffective hedges are recognised in profit or loss. Inefficiency affecting net income for the year amounted to MSEK 0 (0). The interest rate benchmark reform could potentially affect hedge effectiveness in the future. An increase or decrease in market interest rates of +/- 0.10 per cent would affect financial income by +/- 0.5 MSEK (0.7) and other comprehensive income by +/- 16 MSEK (24) based on the loan portfolio as of 31 December 2020.

Financing (refers to utilised credit facilities)

MSEK (Nom) Maturities	Fixed interest	Of which effect from derivative agreements entered	Tied-up capital
1 year	3,238	-3,850	2,121
2 years	1,527	1,350	1,553
3 years	551	400	617
4 years	200	200	400
5 years and forward	1,900	1,900	2,725
Total	7,416	-	7,416

Investment portfolio

The investment portfolio consists of investments in interest-bearing securities and interest rate derivatives. The portfolio's average duration falls in the range of 3–24 months (3–24). As of year-end, the duration was 10 months (8).

An increase in market interest rates of 0.10 per cent units would affect financial income negatively by 8 MSEK (5). A corresponding decrease in market interest rates of 0.10 per cent units would positively affect financial income by 8 MSEK (5) based on the investment portfolio as of 31 December 2020.

Investments in interest-bearing securities and bank deposits

MSEK (Nom) Maturities	Fixed interest ¹⁾	Tied-up capital
1 year	7,367	4,032
2 years	100	1,391
3 years	328	1,364
4 years	620	1,328
5 years and forward	725	1,025
Total	9,140	9,140

¹⁾ Effects of derivative agreements entered are included in the fixed interest.

Forward exchange contracts

Forward exchange contracts used to hedge commercial currency flows contain an interest component. In certain cases, Saab may decide to shift the hedge to an earlier date than when the cash flow is expected. This primarily refers to very long-term customer contracts, which then generate an interest rate risk. The underlying cash flows that are exposed to extensions through forward exchange contracts amounted to MUSD 0 (0) at year-end.

Interest rate derivatives

The table below shows the Group's outstanding interest rate derivatives.

Interest rate derivatives			Fair value 2020			2019	
Million	Currency	Local currency	Asset SEK	Liability SEK	Net	Local currency	Net
Maturity up to 1 year	SEK	400	-	3	-3	725	-3
	EUR ²⁾	80	64	-	64		
Subtotal			64	3	61		-3
Maturity 1 to 3 years	SEK	1,750	-	20	-20	1,750	-15
	EUR ²⁾	20	12	-	12	85	100
Subtotal			12	20	-8		85
Maturity 3 to 5 years	SEK	700	2	19	-17	600	-
	EUR ²⁾	-				15	15
Subtotal			2	19	-17		15
Maturity over 5 years	SEK	1,600	1	58	-57	1,500	-65
Subtotal			1	58	-57		-65
Interest derivatives, total^{1) 3)}			79	100	-21		32

¹⁾ Market value includes accrued interest of MSEK -18 (-19).

²⁾ Refers to cross currency basis swaps (CCY).

³⁾ Of which derivatives used for cash flow hedges MSEK -80 (-63).

Commodity price risk

Commodity price risk refers to the risk that Saab will be negatively affected by changes in commodity prices. Purchasing costs for raw materials are managed primarily through contract clauses with customers and suppliers. Electricity costs are managed through hedging instruments. Electricity derivatives are managed through a discretionary management mandate. The market value of electricity derivatives at year-end was MSEK -1 (-1). Hedge accounting is applied to electricity derivatives. Projected electricity consumption is hedged using a model where 90 per cent of the coming year's consumption is hedged; the hedge ratio then drops on a straight-line basis to 0 per cent in quarter 13. The effectiveness of the hedge is periodically evaluated to ensure that the relationship meets the requirement. To ensure that the hedge is effective, an evaluation is made to determine that the hedged volume per quarter does not exceed the projected volume. Value changes in derivatives that exceed the projected volume in a quarter are recognised in profit or loss. Inefficiency affecting net income for the year amounted to MSEK 0 (0).

Note 35, cont.

The Group's outstanding electricity derivatives

Electricity derivatives	Fair value 2020			2019	
	Mega-watt	Asset MSEK	Liability MSEK	Net	Net
Maturity up to 1 year	14	0	0	0	14
Subtotal		0	0	0	1
Maturity 1 to 3 years	11	0	1	-1	11
Subtotal		0	1	-1	-2
Electricity derivatives, total¹⁾		0	1	-1	-1

¹⁾ Of which derivatives used for cash flow hedges MSEK -1 (-1).

Credit and counterparty risks

Credit risk is the risk that the counterparty in a transaction will not be able to fulfil the financial obligations of a contract. In the course of its day-to-day operations, Saab is exposed to credit risks as a result of transactions with counterparties in the form of customers, suppliers and financial players. The Group's aggregate credit risks consist of commercial credit risks and financial credit risks.

Commercial credit risks

Commercial credit risks consist of outstanding accounts receivable, contract assets and advances paid to suppliers. This type of credit risk is identified and managed on a case-by-case basis. Credit risks that arise in customer contracts are managed by utilising available banking or insurance products. In some cases, export credit institutions may be used as well. Commercial credit risks that arise through advances paid to suppliers are managed by maintaining bank-guaranteed collateral. At 31 December 2020, the Group had paid advances to suppliers of MSEK 299 (81).

Accounts receivable and contract assets represent a commercial credit risk. Where counterparties' creditworthiness is deemed unsatisfactory, bank or insurance guarantees or guarantees from EKN are secured to ensure that payment will be received. Since accounts receivable are generally secured through bank or insurance guarantees or are attributable to states, the commercial credit risk is low. For more information on the Group's accounts receivable including expected credit losses, see note 25.

Financial credit risks

Financial credit risk consists of exposures to financial institutions through deposits, securities investments and/or the market value of outstanding derivatives.

The Group's policy for managing financial credit risks is to ensure that all financial counterparties have a long-term credit rating of no lower than A- from Standard and Poor's or A3 from Moody's. Consequently, the risk of credit losses is considered low and there was no need for credit reserves at year-end.

Each financial counterparty is assigned a credit limit based on its long-term credit rating.

Saab has entered into ISDA master agreements with financial counterparties to net the positive and negative market values of outstanding derivatives; see the tables below.

Market value of financial assets and liabilities subject to netting arrangements

2020 MSEK	Gross amount	Set-off	Net amount in balance sheet	Master netting arrangements	Collateral received/ assets pledged	Net amount
Currency derivatives	1,598	-	1,598	-861	-	737
Interest rate derivatives	2	-	2	-2	-	-
CCY ¹⁾	77	-	77	-	-	77
Electricity derivatives	-	-	-	-	-	-
Assets	1,677	-	1,677	-863	-	814
Currency derivatives	864	-	864	-861	-	3
Interest rate derivatives	100	-	100	-2	-	98
CCY ¹⁾	-	-	-	-	-	0
Electricity derivatives	1	-	1	-	-	1
Liabilities	965	-	965	-863	-	102

¹⁾ Cross currency basis swaps.

2019 MSEK	Gross amount	Set-off	Net amount in balance sheet	Master netting arrangements	Collateral received/ assets pledged	Net amount
Currency derivatives	1,322	-	1,322	-1,239	-	83
Interest rate derivatives	4	-	4	-4	-	-
CCY ¹⁾	115	-	115	-	-	115
Electricity derivatives	3	-	3	-	-	3
Assets	1,444	-	1,444	-1,243	-	201
Currency derivatives	1,615	-	1,615	-1,239	-	376
Interest rate derivatives	87	-	87	-4	-	83
CCY ¹⁾	-	-	-	-	-	-
Electricity derivatives	4	-	4	-	-	4
Liabilities	1,706	-	1,706	-1,243	-	463

¹⁾ Cross currency basis swaps.

The exposure towards banks, mortgage institutions, corporates and the Swedish state as of 31 December 2020 amounted to MSEK 9,269 (7,846). The exposure is calculated using the market value of assets with each counterparty.

Hedge reserve

The hedge reserve before tax amounted to MSEK 578 (-260), of which the unrealised value of derivatives was MSEK 740 (87) and the realised effects arising from rollovers of derivatives was MSEK -162 (-377). For information on the amount recognised in other comprehensive income, see consolidated other comprehensive income. The inefficiency in cash flow hedges that affected net income for the year amounted to MSEK 0 (0).

Change in the hedge reserve per derivative

2020 (2019) MSEK	Currency derivatives	Interest rate derivatives	Electricity derivatives	Total
Reversed through profit or loss	-437 (179)	1 (14)	0 (-25)	-436 (168)
Change in value of existing derivatives	303 (-251)	-18 (-25)	1 (-6)	286 (-282)
Change in value of new derivatives	552 (28)	1 (5)	-1 (-4)	552 (29)
Change due to rollover	465 (285)	- (-)	- (-)	465 (286)
Total	884 (241)	-16 (-6)	0 (-35)	868 (201)

Effects in the hedge reserve per derivative

2020 MSEK	Currency derivatives	Interest rate derivatives	Electricity derivatives
Recognised amount in hedge reserve	821	-80	-1
Nominal amount	-8,465	4,450	25 ¹⁾
Maturity date	2021-2027	2021-2030	2021-2023
Hedge ratio	1:1	1:1	1:1
Change in value of outstanding derivatives since 1 January	670	-17	0
Change in value of hedged asset to determine effectiveness	-670	17	0

¹⁾ Megawatt

Pension obligation

The Saab Pension Fund was established in 2006 to secure the main part of the Group's pension obligation. The fund has a long-term real yield requirement that corresponds annual financial cost of pension liability to PRI Pensionsgaranti. Investment guidelines indicate asset allocation as follows 0-40 per cent equities, 0-20 per cent alternative assets, 10-100 per cent interest-bearing products and 0-30 per cent real estate. Investments are made in interest-bearing securities from issuers with a credit rating of no lower than BBB according to Standard & Poor's and Baa according to Moody's.

Of the fund's capital at year-end, 26 per cent (30) was invested in interest-bearing assets, 23 (19) per cent property related investments, 35 per cent (37) in equity and

Note 35, cont.

16 per cent (14) in alternative investments. The market value of the fund's assets as of 31 December 2020 was MSEK 7,096 (6,741) and the annual return was 5 per cent (11). In 2020, the fund was capitalised by MSEK 0 (0) and MSEK 0 (0) in refunds was paid. The table below shows the solvency margin for the pension fund.

MSEK	31-12-2020	31-12-2019	31-12-2018	31-12-2017
Fair value of assets under management	7,096	6,741	6,051	6,098
Present value of defined-benefit obligations ¹⁾	11,900	11,235	9,916	8,554
Solvency margin	60%	60%	61%	71%
Pension obligation according to PRI	6,239	6,043	5,776	5,522
Solvency margin	114%	112%	105%	110%

¹⁾ Refers to the pension obligation that the assets under management are designed to cover.

NOTE 36 ASSETS PLEDGED AND CONTINGENT LIABILITIES

ACCOUNTING PRINCIPLES

A contingent liability exists if there is a possible commitment stemming from events whose occurrence is dependent on one or more uncertain future events and there is a commitment that is not recognised as a liability or provision because it is unlikely that an outflow of resources will be required or the size of the obligation cannot be estimated with sufficient reliability. Information is disclosed as long as the likelihood of an outflow of resources is not extremely small.

MSEK	Group		Parent Company	
	31-12-2020	31-12-2019	31-12-2020	31-12-2019
Contingent liabilities				
Guarantees to insurance company, PRI Pensionsgaranti	125	121	125	121
Guarantees for Group companies' commitments to customers	-	-	3,980	4,618
Sureties for joint ventures	8	9	-	-
Sureties for associated companies	11	11	121	396
Total	144	141	4,226	5,135

In the ordinary course of business, Saab is occasionally involved in disputes and legal proceedings arising as a result of the Group's operations worldwide. For some of these legal proceedings and disputes Saab has provided MSEK 300 (0) due to a new assessment during the year, see notes 32 and 42. Other disputes and legal proceedings are not expected, either individually or collectively, to have any significant negative effect on Saab's financial result or position.

The table below shows the total sum of guarantees that do not represent contingent liabilities and a distribution by category.

MSEK	31-12-2020	Per cent of total	31-12-2019	Per cent of total
Bank Guarantees:				
On demand	15,400	100	17,435	97
Award	65	-	517	3
Bank Guarantees total	15,465	100	17,952	100
Type of Bank Guarantee:				
Advance Payment	8,319	54	9,611	54
Performance	6,768	44	7,744	43
Others	378	2	597	3
Bank Guarantees total	15,465	100	17,952	100

In the ordinary course of business, Saab AB issue Parent Company guarantees to subsidiaries and joint ventures on a case by case basis. These guarantees may cover all or part of the relevant subsidiary's or joint venture's general obligations, or be a defined amount for a specific purpose.

With regard to the Group's so-called fulfilment guarantees for commitments to customers, the likelihood of an outflow of resources is extremely small and, as a result, no value is recognised in the table of contingent liabilities.

NOTE 37 TRANSACTIONS WITH RELATED PARTIES

The Group's financial agreements conform to market principles. Saab has not had any significant transactions with Investor, Board members or members of Group Management. For information on remuneration, see note 8.

Of the Parent Company's sales, 7 (7) per cent referred to sales to Group companies, while 19 (22) per cent of the Parent Company's purchases were from Group companies.

Sales to and purchases from the Group's associated companies and joint ventures amounted to approximately MSEK 67 (201) and MSEK 409 (253), respectively. For information on receivables from and liabilities to associated companies and joint ventures, see notes 23 and 33.

Saab AB has in 2020 sold all shares, valued at market price, in the associated company Kalteback Property Invest AB to Saab's pension fund for an amount of MSEK 173.

NOTE 38 GROUP COMPANIES

Significant Group company holdings

Group company	Group company's registered office, country	Ownership share, per cent	
		2020	2019
Combitech AB	Växjö, Sweden	100	100
Combitech Oy	Finland	100	100
Saab Australia Pty Ltd	Australia	100	100
Saab Barracuda AB	Västervik, Sweden	100	100
Saab Barracuda LLC	USA	100	100
Saab Czech s.r.o.	Czech Republic	100	100
Saab, Inc.	USA	100	100
Saab Dynamics AB	Karlskoga, Sweden	100	100
Saab Danmark A/S	Denmark	100	100
Saab Grintek Defence (Pty) Ltd	South Africa	100	75
Saab Kockums AB	Malmö, Sweden	100	100
Saab Seaeye Ltd	UK	100	100
Saab Sensis Corporation	USA	100	100
Saab Sensor Systems Germany GmbH	Germany	100	100
Saab Technologies B.V.	The Netherlands	100	100

Total ownership of non-controlling interests amounted to MSEK 178 (274).

No non-controlling interests are considered material.

MSEK	Parent Company	
	2020	2019
Accumulated acquisition value		
Opening balance, 1 January	18,831	18,834
New issues/shareholders' contributions	326	-
Acquisitions	-	1
Sales and liquidations	-87	-4
Closing balance, 31 December	19,070	18,831
Accumulated write-downs		
Opening balance, 1 January	-12,653	-12,653
Write-downs for the year	-75	-
Closing balance, 31 December	-12,728	-12,653
Carrying amount, 31 December	6,342	6,178

Note 38, cont.

Specification of Parent Company's holdings of shares in Group companies

31-12-2020

Group company/Corp. ID no./Registered office	No. of shares	Share, per cent	Carrying amount, MSEK
Celsius AB, 556194-4652, Linköping, Sweden	5,000	100	144
Celsius Invest AB, 556164-6588, Stockholm, Sweden	1,720,000	100	158
Combitech AB, 556218-6790, Växjö, Sweden	100,000	100	1 064
EMC Services Elmiljöteknik AB, 556315-6636, Mölndal, Sweden	2,000	100	3
Fastighets AB Linköping Malmen 27, 556354-6349, Linköping, Sweden	20,000	100	4
Fastighets AB Stensholm-Huskvarna, 556030-2746, Jönköping, Sweden	150,000	100	42
FFV Ordnance AB, 556414-8194, Karlskoga, Sweden	100,000	100	10
Lansen Försäkrings AB, 516401-8656, Linköping, Sweden	500,000	100	51
Muskövarvet AB, 556675-3496, Haninge, Sweden	1,002	100	61
N. Sundin Dockstavarvet AB, 556193-6138, Kramfors, Sweden	5,100	100	85
Nordic Defence Industries A/S, Denmark	-	100	22
Saab Airport AB, 556366-8333, Linköping, Sweden	5,000	100	3
Saab Asia Pacific Co. Ltd, Thailand	-	100	12
Saab Barracuda AB, 556045-7391, Västervik, Sweden	200,000	100	107
Saab Canada, Inc., Canada	-	100	1
Saab Czech s.r.o, Czech Republic	-	100	25
Saab Danmark A/S, Denmark	-	100	103
Saab Digital Air Traffic Solutions AB, 559060-0747, Linköping, Sweden	295	59	35
Saab Dynamics AB, 556264-6074, Karlskoga, Sweden	500,000	100	357
Saab France S.A.S, France	-	100	-
Saab India Technologies Private Limited, India	-	100	-
Saab International AB, 556267-8994, Stockholm, Sweden	50,000	100	14
Saab Kockums AB, 556205-5623, Malmö, Sweden	500,000	100	340
SAAB LTD, United Arab Emirates	-	100	-
Saab Microwave Systems AB, 556028-1627, Mölndal, Sweden	300,000	100	49
Saab North America, Inc., USA	-	100	2 246
Saab Seaeye Holdings Ltd, UK	-	100	194
Saab Sensor Systems Germany GmbH, Germany	-	100	308
Saab South Africa (Pty) Ltd, South Africa	-	100	443
Saab Surveillance Systems AB, 556577-4600, Järfälla, Sweden	1,000	100	-
Saab Tactical Electronics AB, Linköping, Sweden	1,000	100	51
Saab Technologies B.V., The Netherlands	-	100	295
Saab Technologies BV, Belgium	-	100	29
Saab Technologies Ltd., Canada	-	100	18
Saab Technologies Norway AS, Norway	-	100	3
Saab Technologies s.r.o., Czech Republic	-	100	-
Saab Technologies UK Limited, UK	-	100	-
Saab Training Systems GmbH, Germany	-	100	3
Saab Training and Simulation GmbH, Germany	-	100	-
Saab Transpondertech AB, 556535-9790, Linköping, Sweden	1,000	100	-
Saab Ventures AB, 556757-5211, Linköping, Sweden	1,000	100	-
Dormant companies etc.	-	-	62
Carrying amount at year-end			6,342

NOTE 39 UNTAXED RESERVES

	Parent Company	
MSEK	2020	2019
Tax allocation reserve:		
Opening balance, 1 January	1,863	1,825
Provision for the year	-	360
Reversal for the year	-432	-322
Closing balance, 31 December	1,431	1,863
Accumulated accelerated/under depreciation		
Buildings and land:		
Opening balance, 1 January	-2	-2
Accelerated/under depreciation for the year	-	-
Closing balance, 31 December	-2	-2
Machinery and equipment:		
Opening balance, 1 January	647	582
Accelerated depreciation for the year	123	65
Closing balance, 31 December	770	647
Total untaxed reserves, 31 December	2,199	2,508

NOTE 40 STATEMENT OF CASH FLOWS, SUPPLEMENTAL INFORMATION

The Group's free cash flow, and a reconciliation between free cash flow and cash flow for the year from the statement of cash flows, are stated below.

FREE CASH FLOW

	Group	
MSEK	2020	2019
Cash flow from operating activities before changes in working capital, excluding taxes and other financial items¹⁾	2,905	4,626
Cash flow from changes in working capital:		
Contract assets and liabilities	1,704	-1,649
Inventories	95	-1,141
Other current receivables	805	176
Other current liabilities	468	-218
Provisions	-336	-325
Change in working capital	2,736	-3,157
Cash flow from operating activities, excluding taxes and other financial items	5,641	1,469
Investing activities:		
Investments in intangible fixed assets	-1,622	-1,588
Investments in tangible fixed assets	-1,269	-1,213
Sales and disposals of tangible fixed assets	23	32
Cash flow from investing activities²⁾	-2,868	-2,769
Operational cash flow	2,773	-1,300
Taxes and other financial items	-278	-690
Sale of and investments in financial assets	1,093	-46
Investments in operations	-4	-
Sale of subsidiaries	169	-
Free cash flow	3,753	-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 VERSUS CASH FLOW FOR THE YEAR IN STATEMENT OF CASH FLOWS

MSEK	2020	2019
Free cash flow	3,753	-2,036
Investing activities – interest-bearing:		
Short-term investments	-2,312	3,219
Other financial investments and receivables	-80	-90
Financing activities:		
Repayment of loans	-3,077	-990
Raising of loans	2,728	8
Rights issue	-	11
Repurchase of shares	-242	-301
Dividend paid to the Parent Company's shareholders	-	-601
Dividend paid to non-controlling interest	-12	-24
Transactions with non-controlling interest	-85	8
Cash flow for the year	673	-796

SUPPLEMENTAL INFORMATION ON STATEMENT OF CASH FLOWS

Liquid assets	Group	
MSEK	31-12-2020	31-12-2019
The following components are included in liquid assets:		
Cash and bank balances	1,123	891
Bank deposits	1,150	796
Total according to the statement of financial position	2,273	1,687
Total according to statement of cash flows	2,273	1,687

MSEK	Parent Company	
	31-12-2020	31-12-2019
The following components are included in liquid assets:		
Cash and bank balances	448	211
Bank deposits	1,150	796
Total according to balance sheet	1,598	1,007
Total according to statement of cash flows	1,598	1,007

Interest and dividend

	Group		Parent Company	
MSEK	2020	2019	2020	2019
Dividends received	63	20	103	34
Interest received	89	61	205	185
Interest paid	-258	-265	-188	-186
Total	-106	-184	120	33

Adjustments for items not affecting cash flow

	Group		Parent Company	
MSEK	2020	2019	2020	2019
Depreciation and amortisation	1,518	1,368	578	531
Capital gains/losses from sales of Group companies, associated companies and joint ventures	-1,103	-8	-1,110	-12
Provisions	1,286	632	1,206	438
Write-downs	59	-	232	63
Share of profits in associated companies and joint ventures	180	5	-	-
Dividends and Group contributions from/to Group companies	-	-	-527	-798
Other	93	135	201	165
Total	2,033	2,132	580	387

Note 40, cont.

Reconciliation of cash flows arising from liabilities in financing activities

Interest-bearing liabilities, MSEK	31-12-2019	Non-cash changes			31-12-2020
		Cash flows ¹⁾	Foreign exchange movement	New contracts / Revaluation	
Liabilities to credit institutions	7,789	-343	-34	-	7,412
Liabilities to associated companies and joint ventures	45	-6	-	-	39
Lease liabilities	2,572	-437	-80	484	2,539
Other interest-bearing liabilities	1	-	-	7	8
Total interest-bearing liabilities	10,407	-786	-107	484	9,998

¹⁾ These amounts refer to cash flows arising from liabilities in Financing activities in the Consolidated statement of cash flows.

Sale of subsidiaries

MSEK	Group	
	2020	2019
Divested assets and liabilities		
Intangible fixed assets	42	-
Tangible fixed assets	43	-
Current receivables	14	-
Liquid assets	43	-
Total assets	142	-
Current liabilities	20	-
Total liabilities	20	-
Sales price	233	-
Purchase price received	212	-
Less: Liquid assets in divested operations	-43	-
Effect on the Group's liquid assets	169	-

During 2020 QPS (Quality Positioning Services) and Fastighets AB Tannerfors 1:114 were divested. No divestments were made in 2019.

NOTE 41 INFORMATION ON PARENT COMPANY

Saab AB (publ) is a limited company registered in Sweden, with its registered office in Linköping. The Parent Company's B shares are registered on the Nasdaq Stockholm. The address of the head office is Saab AB, Olof Palmes gata 17, 5th floor, SE-111 22 Stockholm, Sweden.

The consolidated accounts for 2020 comprise the Parent Company and its Group companies, together referred to as the Group. The Group also includes the holdings in associated companies and joint ventures.

Saab AB also operates a small business in a South Korean branch.

NOTE 42 ITEMS AFFECTING COMPARABILITY

ACCOUNTING PRINCIPLES

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, macroeconomic developments, impairment charges and gains and losses from divestments of group companies, joint ventures or associated companies.

Item affecting comparability	Business Area	MSEK	Full Year 2020	Full Year 2019
Adjustment of project estimates, Covid-19	Aeronautics	Sales	-1,121	-
Adjustment of project estimates, Covid-19	Surveillance	Sales	-166	-
Adjustment of project estimates, Covid-19	Dynamics	Cost of goods sold	-15	-
Adjustment of project estimates, Covid-19	Corporate	Sales	-44	-
Provision for onerous contract, Covid-19	Industrial Products and Services	Cost of goods sold	-315	-
Write-down of inventory, Covid-19	Support and Services	Cost of goods sold	-118	-
Write-down of inventory, changes to product portfolio	Corporate	Cost of goods sold	-137	-
Write-down of shares in associated companies	Corporate	Share in income of associated companies	-113	-
Impairment of long-term receivable from associated companies	Corporate	Other operating expenses	-59	-
Write-down of shares in associated companies	Aeronautics	Share in income of associated companies	-32	-
Provision related to new assessment of ongoing disputes and legal proceedings for the Group	Corporate	Other operating expenses	-300	-
Capital gain from the divestment of shares in Vicon Inc	Corporate	Other operating income	997	-
Sum			-1,423	-

Refer to notes specified below for a more detailed description of items classified as affecting comparability:

Adjustment of project estimates - see note 2

Provision for onerous contract - see note 32

Write-down of inventory - see note 24

Write-down of shares in associated companies - see note 19

Impairment of long-term receivable from associated companies - see note 23

Provision related to new assessment of ongoing disputes and legal proceedings for the Group - see note 32

NOTE 43 EXCHANGE RATES USED
IN FINANCIAL STATEMENTS

Land			Year-end rate		Average rate	
			2020	2019	2020	2019
Australia	AUD	1	6.26	6.51	6.34	6.57
Brazil	BRL	1	1.57	2.31	1.81	2.40
Denmark	DKK	100	134.9	139.62	140.7	141.78
Euro	EUR	1	10.04	10.43	10.49	10.59
India	INR	100	11.16	13.06	12.43	13.43
Canada	CAD	1	6.39	7.13	6.86	7.13
Norway	NOK	100	95.32	105.77	97.88	107.47
Switzerland	CHF	1	9.25	9.57	9.80	9.52
UK	GBP	1	11.11	12.20	11.80	12.07
South Africa	ZAR	100	55.93	66.48	56.20	65.44
Czech Republic	CZK	100	38.33	40.96	39.67	41.23
USA	USD	1	8.18	9.33	9.21	9.46

NOTE 44 DEFINITIONS OF KEY RATIOS

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.

Capital turnover Sales divided by average capital employed.

Earnings per share Net income for the year attributable to the Parent Company's shareholders, divided by the average number of shares before and after full dilution. There is no dilution impact if the result is negative.

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 year.

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.

Interest coverage ratio Operating income plus financial income divided by financial expenses.

Net investments Acquisitions and divestments 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, macroeconomic developments, impairment charges and gains and losses from divestments of group companies, joint ventures or associated companies.

Operating margin Operating income (EBIT) as a percentage of sales.

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 adjusted sales.

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

Order backlog Total value of orders at the end of the year.

Order bookings Total value of orders received during the year.

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.

Profit margin Operating income plus financial income as a percentage of sales.

Return on capital employed Operating income plus financial income as a percentage of average capital employed.

Return on equity Net income for the year as a percentage of average equity.

R&D expenditures 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. Total research and development expenses also include the part of Saab's research and development that is conducted in cooperation with customers, which is reported as cost of goods sold.

Sales adjusted for items affecting comparability Sales adjusted for items classified as affecting comparability

NOTE 45 SIGNIFICANT EVENTS AFTER THE CONCLUSION OF THE PERIOD

- In January, Saab received the first order from prime contractor Thales, for the Multi-Shot Mine Neutralisation System (MuMNS). The order of approximately SEK 300 million was booked as order intake during the fourth quarter 2020. Deliveries of the first systems will take place in 2022.
- The Norwegian Armed Forces has in January signed a framework agreement with Saab for the Carl-Gustaf ® M4, the latest version of the portable, shoulder-launched, multi-role weapon system.
- In January, Saab and the Swedish Defence Materiel Administration, (FMV), have signed two agreements concerning the next generation of surface ships and corvettes. A Product Definition Phase for the Mid-Life Upgrades (MLU) of five Visby-class corvettes, as well as a Product Definition Phase for the next generation; Visby Generation 2 corvettes. The collected value of the contracts is SEK 190 million.
- Saab delivered the third GlobalEye aircraft to the United Arab Emirates on 20 February 2021

Dividend motivation

The Board of Directors' statement according to chapter 18, § 4 of the Companies Act with regard to the proposed dividend – Saab AB.

Saab is one of the world's leading high-technology companies, with operations that are characterised by complex development assignments on the cutting edge of technology. Over the years, Saab has conducted significant development projects and managed the associated risks with great success. See also risks and uncertainties in the annual report.

The Board of Directors is proposing a total dividend of MSEK 622, corresponding to SEK 4.70 per share. For the financial year 2019 the Board proposed a dividend of 4.70 SEK per share, totaling MSEK 625. Due to the uncertainty that the Covid-19 outbreak created, the Board decided to withdraw its dividend proposal to the Annual General Meeting 2020. The Annual General Meeting decided that no dividend will be paid to the Parent Company's shareholders.

Saab AB's unrestricted equity amounts to MSEK 10,790 and profit carried forward in the Group before the dividend is paid amounts to MSEK 12,719.

Net income for the year attributable to the Parent Company's shareholders amounted to MSEK 1,073 for the Group and MSEK -95 for the Parent Company.

After paying the dividend to the shareholders, the Group's equity/assets ratio amounts to 35.1 per cent, compared to the target of 30

per cent. Since the IPO in 1998, the equity/assets ratio has risen from 22 per cent to 35.7 per cent in 2020.

Saab's gross capital expenditure in 2020 amounted to MSEK 1,269. Investments are also made in research and development, which in 2020 amounted to MSEK 2,450, of which MSEK 1,353 was capitalised in the balance sheet.

At year-end, Saab had net debt, which includes liquid assets, short-term investments and interest-bearing receivables less interest-bearing liabilities, including provisions for lease liabilities and pensions, amounting to MSEK 4,273.

The proposed dividend is not expected to affect Saab's ability to carry out its commitments on a short- or long-term basis.

The proposed dividend is considered justifiable with regard to what is stated in chapter 17, § 3, paragraphs two and three of the Companies Act (2005:551):

1. the demands that the company's nature, scope and risks place on the size of its equity, and
2. the company's consolidation needs, liquidity or financial position in other respects.

The Board of Directors of Saab AB

Proposed disposition of earnings 2020

The Board of Directors and the President propose that the unappropriated earnings in the Parent Company at disposal of the Annual General Meeting, amounting to:

SEK	
Retained earnings	5,327,279,926
Share premium reserve	5,557,130,127
Net comprehensive income for the year	-94,501,727
Total	10,789,908,326

be disposed as follows:

To the shareholders, a dividend of SEK 4.70 per share	621,561,243
To share premium reserve	5,557,130,127
Funds to be carried forward	4,611,216,956
Total	10,789,908,326

After the proposed disposition, equity in the Parent Company will be as follows:

SEK	
Capital stock	2,173,533,552
Ongoing rights issue	542,471,135
Statutory reserve	656,520,566
Share premium reserve	5,557,130,127
Retained earnings	4,611,216,956
Total	13,540,872,336

The company's policy is to issue a dividend of 20–40 per cent of net income over a business cycle. The Board of Directors and the President propose that MSEK 622, or SEK 4.70 per share be issued as a dividend. This has been calculated based on the amount of outstanding shares on 31 December 2020, of 132,247,073. Saab's equity/assets ratio is currently 35.7 (34.8) per cent and after the proposed disposition of earnings will be 35.1.

The undersigned certify that the consolidated accounts and the annual report have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted for use in the European Union, and generally accepted accounting principles, and give a true and fair view of the financial positions and results of the Group and the Parent Company, and that the management report gives a fair review of the development of the operations, financial positions and results of the Group and the Parent Company and describes substantial risks and uncertainties that the Group companies faces.

Linköping 25 February 2021

Marcus Wallenberg
Chairman

Sten Jakobsson
Deputy Chairman

Danica Kragic Jensfelt
Board member

Sara Mazur
Board member

Johan Menckel
Board member

Daniel Nodhäll
Board member

Bert Nordberg
Board member

Cecilia Stegö Chilò
Board member

Erika Söderberg Johnson
Board member

Joakim Westh
Board member

Stefan Andersson
Board member

Göran Andersson
Board member

Nils Lindskog
Board member

Micael Johansson
President and Chief Executive Officer (CEO) and board member

Our audit report was submitted on 1 March 2021
PricewaterhouseCoopers AB

Peter Nyllinge
Authorised Public Accountant
Auditor in charge

Bo Hjalmarsson
Authorised Public Accountant

Auditor's report

To the general meeting of the shareholders of Saab AB (publ), corporate identity number 556036-0793

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Saab AB for the year 2020 except for the statutory sustainability report and the corporate governance statement on pages 60 to 82 and 84 to 93 respectively. The annual accounts and consolidated accounts of the company are included on pages 44 to 151 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2020 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2020 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act.

The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts. Our opinions do not include the statutory sustainability report and the corporate governance statement on pages 60 to 82 and 84 to 93 respectively.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the income statement and statement of financial position for the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for

accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of my (our) knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

OUR AUDIT APPROACH

Audit approach and scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls and the specific circumstances in larger customer projects.

In order to design an appropriate audit, we have updated our understanding of how the operations within Saab are organised, of important systems and processes as well as the internal controls implemented to give the Board of Directors and management confidence that the financial reporting is of high precision. For this purpose we have performed interviews with senior management at various levels in the group and leaders of group functions, as well as reviewed reports, policies, instructions and planning and steering documents. We have also had a regular dialogue with the internal audit and internal controls functions to share relevant information and to coordinate activities when and if deemed relevant.

A significant part of Saab's revenue and result is derived from long term customer contracts including substantial development and

customization for specific customers, which are associated with technical and commercial risks. Revenue and income are in many projects recognised using percentage of completion, which as such are based on management's estimates and measurement of percentage of completion, estimated profit margin as well as total costs and risks. This requires a high level of project control and monitoring to be able to, at any given time confirm the assumptions and estimates for project cost and revenue to give a satisfying base for recognizing revenue and income. In many cases the customer contracts have a significant element of integration with the customer and sub-contractors why the financial outcome is not only dependent on Saab's own activities but other parties as well.

In our audit we have focused on the operations in the parent company Saab AB and the subsidiaries Saab Dynamics AB, Saab Kockums AB, Combitech AB and Saab Barracuda AB. In addition entities in Australia, South Africa and the USA have been subject to review procedures. We have considered covid-19 and its impact in our audit and designed our audit procedures to meet new and/or changed risks in the audit. Overall, we have been able to carry out our audit, even though the pandemic has led to changes in working methods and increased use of digital tools for communication and collection of audit evidence.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the consolidated financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual

accounts and consolidated accounts of the current period. In the audit of Saab we have identified The matters below were addressed in the context of our audit of, and in forming

our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Key audit matter**Long term customer contracts**

Revenue and income are in many projects recognised over time using percentage of completion, which as such are based on management's estimates and measurement of percentage of completion, estimated profit margin as well as total costs and risks. If a project is expected to be in a loss position, the loss is recognised as soon as it can be determined.

Percentage of completion and the income recognised can be based on cost incurred, milestones reached, or units delivered.

The financial reporting risk in the financial reporting is that revenue and income recognised, not correctly reflect Saab's fulfilment of performance obligations in the long term customer contracts and that the risks in the contracts deviate from actual outcome, which can result in revenue being recognised at wrong margin. This in turn might lead to cut off errors in revenue and cost over the project's lifecycle.

Accounting for long term customer contracts also, besides revenue and cost of goods sold, affect balance sheet items such as receivables from customers, inventory and provision for loss contracts.

In the annual report risks related to long term contracts are described on page 50 and in the notes to the financial statements (note 2 and 4) the accounting principles are described in more detail.

How our audit addressed the Key audit matter

Saab has implemented processes, methods and controls to account for and monitor the long term customer contracts from tender, through execution and completion. These processes include among other project organisation, documentation, financial reviews and reporting as well as guidance on application of the accounting principles. This is further described in the annual report on page 56.

In our audit we have evaluated the design of these processes, methods and controls and tested on a sample basis that they work as designed. In this testing we have focused on the following:

- Test of monitoring controls on business area, business unit of where applicable on product level.
- Test of transaction controls for accounting for cost incurred related to long term customer contracts for procurement to projects.
- Test that project reviews and documentation has been approved according to methods applied within Saab.

We have further selected a sample of long term customer contracts for substantive testing. Our sample is based on quantitative and qualitative factors where we have selected long term contracts that are material from contract value, revenue recognised or risk in residual cost to complete. Contracts for Gripen E Sweden, Gripen NG Brazil and Airborne surveillance United Arab Emirates have been of specific interest in our audit.

For the selected contracts we have in detail obtained an understanding for the project though, among other procedures, review of contract clauses, project plans, analysis of

stage of completion and contract forecasts. Each quarter we review the projects together with the project leader, the project controller or similar. In these reviews we perform the following procedures focusing on whether significant risks are reasonably accounted for:

- We inspect management's assessment of the project execution and how this affects the financial reporting. This includes total contract value, level of completion, method for recognising stage of completion, cost incurred and estimated remaining cost.
- We reconcile management's assessment to underlying documentation and compare this with previous quarters.
- We reconcile financial information between reports and systems and recalculate calculations.

In these reviews we use our knowledge about Saab and how similar long term contracts have been treated to discuss and ask questions and challenge management's estimates and judgements. We also assess consistent application of accounting principles between contracts with similar circumstances. In this we also test items reported as work in progress. We test them from both quantitative and qualitative aspects and assess whether they are accounted for under Saab's accounting policies. and the audit committee. The projects complexity and judgements involved mean that the amounts recognized by nature is affected by uncertainty where future outcome can deviate significantly from management's judgements.

OTHER INFORMATION THAN THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1 to 43 and 157 to 163 as well as the statutory sustainability report on page 60 to 82. The other information also consists of the remuneration report, which we have had access to prior to the date of this audit report. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the

Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Directors' responsibilities and tasks in general, among other things oversee the company's financial reporting process.

AUDITOR'S RESPONSIBILITY

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Saab AB for the year 2020 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for

accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of

assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

THE AUDITOR'S EXAMINATION OF THE CORPORATE GOVERNANCE STATEMENT

The Board of Directors is responsible for the corporate governance statement on pages 84 to 93 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevR 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is differ-

ent and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

THE AUDITOR'S OPINION REGARDING THE STATUTORY SUSTAINABILITY REPORT

The Board of Directors is responsible for the statutory sustainability report on pages 60 to 83, and that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR:s auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statu-

tory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

PricewaterhouseCoopers AB, Stockholm, was appointed auditor of Saab AB (publ)'s by the general meeting of the shareholders on the 11 April 2019 and has been the company's auditor since the 7 April 2011.

Stockholm 1 March 2021
PricewaterhouseCoopers AB

Peter Nyllinge
Authorized public accountant
Partner in charge

Bo Hjalmarsson
Authorized public accountant

Auditor's Limited Assurance Report on Saab's Greenhouse Gas Emissions

TO SAAB AB (PUBL), CORPORATE IDENTITY NUMBER 556036-0793

Introduction

We have been engaged by the Board of Directors and Group Management to undertake a limited assurance engagement of Saab AB (publ) ("Saab") greenhouse gas (GHG) emissions for the year 2020, as disclosed on page 69 in the Annual Report 2020, more specifically in the diagrams "GHG emissions by source" and "GHG emissions relative to Saab's climate target 2030" (excluding forecasts)..

Responsibilities of the Board and Group Management

The Board of Directors and Group Management are responsible for the preparation of the GHG emissions data in accordance with the applicable criteria, as explained on page 68. The criteria consists of the Greenhouse Gas (GHG) Protocol – A Corporate Accounting and Reporting Standard, and the accounting and calculation principles that the company has developed. This responsibility includes the internal control relevant to the reporting of GHG emissions that is free from material misstatements, whether due to fraud or error.

Responsibilities of the auditor

Our responsibility is to express a conclusion on the reported GHG emissions based on the limited assurance procedures we have per-

formed. Our assignment is limited to the historical information that is presented and thus does not include future-oriented information.

We conducted our limited assurance procedures in accordance with ISAE 3410 Assurance Engagements on Greenhouse Gas Statements issued by IAASB. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the GHG emission data, and applying analytical and other limited assurance procedures. A limited assurance engagement has a different focus and a considerably smaller scope compared to the focus and scope of an audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

The audit firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent in relation to Saab according to generally accepted auditing standards in Sweden and have fulfilled our professional ethics responsibility according to these requirements.

The procedures performed in a limited assurance engagement do not allow us to obtain such assurance that we would become

aware of all significant matters that could have been identified if an audit was performed. The conclusion based on a limited assurance engagement, therefore, does not provide the same level of assurance as a conclusion based on an audit.

Our procedures are based on the criteria defined by the Board of Directors and the Group Management as described above. We consider these criteria suitable for the preparation of the GHG emission data.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion below.

Conclusion

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that Saab's GHG emissions data (as specified above) is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Group Management.

Stockholm, 1 mars 2021

PricewaterhouseCoopers AB

Peter Nyllinge
Authorized Public Accountant

Isabelle Hammarström
Sustainability Expert Member of FAR

Information to shareholders

ANNUAL GENERAL MEETING 2021

The Annual General Meeting will be held at 3:00 pm (CET) on Tuesday, 13 April 2021. Due to the coronavirus, and in order to reduce the risk of spreading the virus, the Board of Directors has decided that the Annual General Meeting shall be conducted online in accordance with temporary legislation applicable in 2021. This means that the Annual General Meeting will be conducted without the physical presence of shareholders, representatives or third parties. Consequently, the shareholders will only be able to exercise their voting rights at the Annual General Meeting by participating online or by postal voting.

Information on the right to participate and on notification of participation, on how shareholders will be able to exercise their voting rights, and on proxies and assistants, will be found in the notice of the Annual General Meeting. Information will also be found at the company's website www.saab.com/agm.

DIVIDEND

The Board of Directors proposes a dividend of SEK 4.70 per share and 15 April 2021 as the record day for the dividend. With this record day, Euroclear Sweden AB is expected to distribute the dividend on 20 April 2021.

DISTRIBUTION OF THE ANNUAL REPORT

The annual report will be available on Saab's website, www.saab.com, approximately three weeks prior to the Annual General Meeting on 13 April. A printed version of the annual report will be distributed to shareholders who request it. A printed version of the annual report can also be ordered by e-mail to annual.report@saabgroup.com.

Saab's share

SHARE CAPITAL AND NUMBER OF SHARES

The share capital in Saab amounted to SEK 2,173,533,552 on 31 December 2020, comprised of 2,383,903 unlisted Series A shares and 133,461,944 listed Series B shares. The Series A shares have ten votes each, while Series B shares have one vote each. The quota value per share is SEK 16. The Series B share is listed on Nasdaq Stockholm's Large Cap list. All Series A shares are owned by Investor AB.

Shares and votes, 31 december 2020

Share class	Number of shares	% of shares	Number of votes ¹⁾	% of votes
Series A	2,383,903	1.8	23,839,030	15.5
Series B	133,461,944	98.2	129,863,170	84.5
Total	135,845,847	100	153,702,200	100

1) Number of votes excludes 3,598,774 Series B shares repurchased to secure the Group's Share Matching Plan and Performance Share Plan. The repurchased shares are held as treasury shares.
Source: Modular Finance

OWNERSHIP STRUCTURE

Saab had 60,399 shareholders at 31 December 2020, compared to 51,699 at 31 December 2019. Swedish investors accounted for 76.7 per cent (77.8) of the capital and 79.4 per cent (80.4) of the votes.

Saab's largest shareholders, December 31 2020

Owner	Number of shares	% of capital	% of votes ¹⁾
Investor	40,972,622	30.2	40.4
Knut and Alice Wallenberg Foundation	11,981,083	8.8	7.8
Första AP-fonden (AP1)	5,945,786	4.4	3.9
AllianceBernstein	3,098,724	2.3	2.0
AFA Försäkring	2,965,261	2.2	1.9
Vanguard	2,575,842	1.9	1.7
Schroders	2,133,754	1.6	1.4
Unionen	1,905,970	1.4	1.2
Nordea Fonder	1,838,469	1.4	1.2
Swedbank Robur Fonder	1,786,610	1.3	1.2
Keel Capital	1,505,520	1.1	1.0
Zadig Asset Management	1,373,907	1.0	0.9
Livförsäkringsbolaget Skandia	1,365,839	1.0	0.9
Gladiator	1,304,596	1.0	0.8
Black Rock	1,222,436	0.9	0.8
Subtotal, 15 largest shareholders	81,976,419	60.3	67.3
Other Swedish shareholders	28,398,666	20.9	18.5
Other international shareholders	11,905,318	8.8	7.8
Anonymous shareholders	9,921,670	7.3	6.5
Repurchased shares	3,589,774	2.6	-
Total Summa	135,845,847	100	100

1) % of votes is calculated based on the number of shares, excluding treasury shares, at December 31 2020.
Source: Modular Finance

Distribution of shareholders, December 31 2020

Number of shares	Number of shareholders	% of shareholders	Number of shares	% of share capital
1–500	52,449	86.8	5,376,406	4.0
501–1,000	3,893	6.4	2,968,506	2.2
1,001–5,000	3,533	5.8	7,122,903	5.2
5,001–10,000	234	0.4	1,698,438	1.3
10,001–20,000	129	0.2	1,803,880	1.3
20,001–50,000	72	0.1	2,244,016	1.7
50,001–	89	0.1	104,719,028	77.1
Anonymous shareholders			9,921,670	7.3
Summa	60,399	100	135,845,847	100

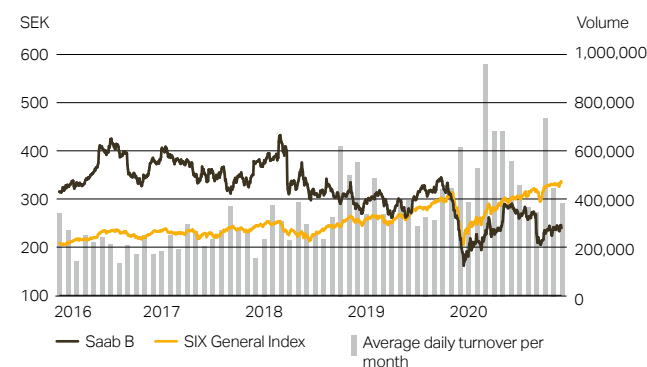
Source: Modular Finance

TRADING VOLUME AND STATISTICS

A total of 137,181,146 (88,061,946) of Saab's Series B shares were traded on Nasdaq Stockholm in 2020, or about 53 per cent of the total turnover in the Series B share. On other platforms, about 34.6 per cent Saab's Series B shares were traded on Cboe, 4.7 per cent on the London Stock Exchange and about 1.7 per cent on Turquoise.

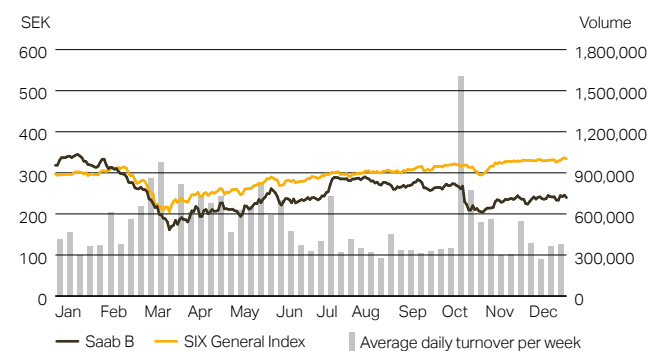
The Series B share traded at a 52-week high on Nasdaq Stockholm of SEK 344.9 on 20 January and a low of SEK 161.45 on 23 March.

Saab B, Share price performance in the last five years



Source: SIX

Saab B, Share price in 2020



Source: SIX

SAAB'S LONG-TERM INCENTIVE PROGRAMME

Since 2007, Saab offers permanent employees the opportunity to participate in a voluntary Share Matching Plan. Purchases are made through deductions of 1–5 per cent of the employee's monthly salary, after which Series B shares in Saab are purchased on Nasdaq Stockholm during a twelve-month period. If the employee retains the purchased shares for three years after the investment date and is still employed by the Saab Group, they will be allotted a corresponding number of Series B shares free of charge. The Performance Share Plan has been offered since 2008 to senior executives and other key persons. The Annual General Meeting in 2020 resolved to adopt Long-Term Incentive plan 2021 (LTI 2021), consisting of Share Matching Plan 2021, Performance Share Plan 2021 and Special Projects Incentive 2021. For more information on the incentive plan, see the Administration Report on pages 84–97 and note 8.

AUTHORISATION

The Annual General Meeting 2020 resolved to authorise the Board of Directors to decide to acquire not more than 1,135,000 Saab Series B shares to secure delivery of shares to participants in Saab's long-term Share Matching Plan, Performance Share Plan and Special Projects Incentive and for subsequent transfers through the market to cover certain costs associated with LTI 2020, mainly social security costs.

The Annual General Meeting 2020 also resolved to authorise the Board of Directors to decide to repurchase Saab Series B shares up to a maximum of 10 per cent of all the shares in the company.

In September 2020, the Board resolved to utilise its authorisation to repurchase Saab Series B shares. Repurchases were made in October and November 2020 for an amount of MSEK 242.

DIVIDEND AND DIVIDEND POLICY

Saab's long-term policy is to pay a dividend corresponding to 20–40 per cent of net income over a business cycle. For the financial year 2020, the Board of Directors is proposing a dividend of SEK 4.70 per share (0.00). The proposed dividend corresponds to 58 per cent (0) of net income.

FIVE-YEAR SUMMARY

For information on data per share, see www.saab.com/investors/financial-data.

ANALYSTS WHO COVER SAAB

For information on analysts who cover Saab, see www.saab.com/investors/our-share/analysts.

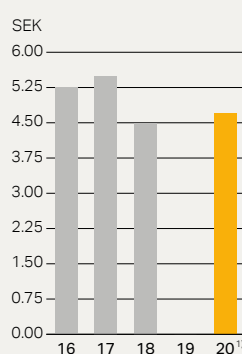
7,361

of Saab's employees have enrolled in Saab's Share Matching Plan 2021. Some participants are enrolled in several plans. The corresponding number last year was 6,974, which means an increase of 5.5%.

INVESTOR RELATIONS

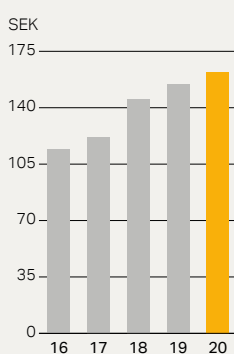
Merton Kaplan
Head of Investor Relations
merton.kaplan@saabgroup.com
+46 734 18 20 71

Dividend per share

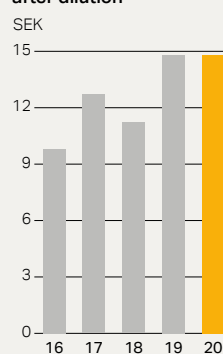


1) See dividend and dividend policy.

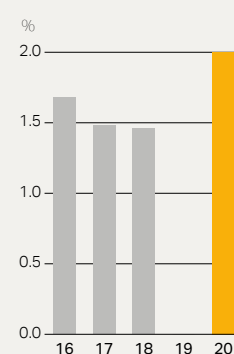
Equity per share



Earnings per share after dilution



Yield at year-end



Multi-year overview

MSEK, unless otherwise indicated	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Order bookings	42,328	27,216	27,975	30,841	21,828	81,175	22,602	49,809	20,683	18,907
Order backlog 31 December	99,816	93,293	102,184	107,233	107,606	113,834	60,128	59,870	34,151	37,172
Sales	35,431	35,433	33,156	31,666	28,631	27,186	23,527	23,750	24,010	23,498
Foreign market sales, %	64	63	59	58	57	58	55	59	64	63
Defence sales, %	91	85	85	84	83	82	79	81	82	84
Operating income before depreciation/ amortisation and write-downs (EBITDA)	2,833	4,305	3,182	3,089	2,743	2,859	2,523	2,367	3,168	4,088
EBITDA margin, %	8.0	12.1	9.6	9.8	9.6	10.5	10.7	10.0	13.3	17.4
Operating income (EBIT)	1,315	2,937	2,266	2,250	1,797	1,900	1,659	1,345	2,050	2,941
Operating margin, %	3.7	8.3	6.8	7.1	6.3	7.0	7.1	5.7	8.5	12.5
Financial income	230	190	193	121	90	169	103	62	153	162
Financial expenses	-433	-520	-663	-272	-276	-338	-239	-428	-202	-324
Income after financial items	1,112	2,607	1,796	2,099	1,611	1,731	1,523	979	2,003	2,783
Net income for the year	1,092	2,025	1,366	1,508	1,175	1,402	1,168	742	1,560	2,217
Net income attributable to Parent Company's shareholders	1,073	1,983	1,313	1,477	1,133	1,362	1,153	741	1,585	2,225
Total assets	60,568	59,858	56,128	44,998	41,211	35,088	29,556	27,789	28,938	31,799
– of which total equity	21,644	20,809	19,633	14,285	13,301	12,912	11,373	12,227	11,280	13,069
– of which equity attributable to Parent Company's shareholders	21,466	20,535	19,412	14,097	13,156	12,851	11,291	12,136	11,168	12,950
Equity per share, SEK ¹⁾	162.32	154.48	145.43	121.86	114.17	111.99	98.83	105.31	97.35	113.53
Net liquidity/debt excluding interest-bearing receivables and net provisions for pensions	2,918	-354	2,190	344	28	-1,880	185	1,953	3,837	4,735
Net liquidity/debt ⁶⁾	-4,273	-7,069	-1,460	-1,834	-1,836	-3,217	-2,113	813	1,996	5,333
Cash flow from operating activities	5,800	1,194	-490	3,164	4,154	358	-713	-662	350	2,392
Free cash flow⁶⁾	3,753	-2,036	-3,195	852	2,359	-726	-1,094	-1,460	-396	2,477
Free cash flow per share after dilution, SEK ³⁾	28.03	-15.20	-27.27	7.33	20.38	-6.30	-9.45	-12.35	-3.35	20.96
Average capital employed	36,338	34,485	28,151	22,495	21,135	18,454	15,897	15,454	15,131	13,987
Average equity	21,227	20,221	16,959	13,793	13,107	12,143	11,800	11,754	12,175	12,257
Return on capital employed, %	4.3	9.1	8.7	10.5	8.9	11.2	11.1	9.1	14.6	22.2
Return on equity, %	5.1	10.0	8.1	10.9	9.0	11.5	9.9	6.3	12.8	18.1
Profit margin, %	4.36	8.83	7.42	7.49	6.59	7.61	7.49	5.92	9.18	13.21
Capital turnover rate, multiple	0.98	1.03	1.18	1.41	1.35	1.47	1.48	1.54	1.59	1.68
Equity/assets ratio, %	35.7	34.8	35.0	31.7	32.3	36.8	38.5	44.0	39.0	41.1
Interest coverage ratio, multiple	3.57	6.01	3.71	8.72	6.84	6.12	7.37	3.29	10.91	9.58
Earnings per share before dilution, SEK ^{2) 5)}	8.07	14.88	11.27	12.79	9.85	11.90	10.03	6.45	13.86	19.57
Earnings per share after dilution, SEK ^{3) 5)}	8.01	14.81	11.21	12.70	9.79	11.81	9.96	6.27	13.41	18.82
Dividend, SEK	4.70⁴⁾	0.00	4.50	5.50	5.25	5.00	4.75	4.50	4.50	4.50
Gross capital expenditures for tangible fixed assets	1,269	1,213	1,481	1,093	807	799	732	543	328	325
Research and development costs	7,440	7,643	7,562	7,348	7,421	6,841	5,970	6,543	5,946	5,116
Number of employees at year-end	18,073	17,420	17,096	16,427	15,465	14,685	14,716	14,140	13,968	13,068

¹⁾ Number of shares, excluding treasury shares, as of 31 December 2020: 132,247,073; 2019: 132,926,363; 2018: 133,482,880; 2017: 115,685,451; 2016: 115,232,495; 2015: 114,746,834; 2014: 114,251,832; 2013: 115,241,831; 2012: 114,718,422; 2011: 114,069,871

²⁾ Average number of shares before dilution 2020: 133,009,986; 2019: 133,245,360; 2018: 116,467,822; 2017: 115,444,915; 2016: 114,971,098; 2015: 114,484,478; 2014: 114,929,422; 2013: 114,928,817; 2012: 114,395,790; 2011: 113,691,233

³⁾ Average number of shares after dilution 2020: 133,877,414; 2019: 133,929,292; 2018: 117,144,915; 2017: 116,310,466; 2016: 115,775,275; 2015: 115,280,946; 2014: 115,785,595; 2013: 118,205,015; 2012: 118,205,015; 2011: 118,205,015

⁴⁾ Board of Directors' proposal.

⁵⁾ Net income less non-controlling interest divided by average number of shares.

⁶⁾ For more information and explanations regarding the usage of these key ratios, please see saabgroup.com, investor, financial data, key ratios.

Financials for 2017 are restated according to the changed accounting principles for revenue from contracts with customers (IFRS 15).

Financials for 2013 are restated according to the changed accounting principles for joint arrangements (IFRS 11).

Financials for 2012 are restated according to the changed accounting principles for pensions (IAS 19).

Financials for 2012 and earlier are not restated to operational and free cash flow.

The average number of outstanding shares for the years 2017-2011 have been adjusted in accordance with IAS 33 "Earnings per share", in accordance with the terms of the rights issue 2018.

Glossary

9LV

Combat Management System

A26

Submarine programme for the Swedish Navy

AEW&C

Airborne Early Warning & Control

Arthur

Artillery Hunting Radar

AT4

Anti-Tank weapon

Carl-Gustaf

Man-portable multi-role weapons system

CBRN

Chemical, Biological, Radiological, Nuclear agents

CDP

Carbon Disclosure Project

Erieye

Airborne surveillance system (AEW&C)

FMV

Försvarets Materielverk (Swedish Defence and Materiel Administration)

FTE

Full time equivalent

Giraffe

Surveillance radar system

GHG

Greenhouse gas emissions

GlobalEye

Airborne surveillance system (AEW&C)

GLSDB

Ground Launched Small Diameter Bomb

GRI

Global Reporting Initiative

Gripen

Fighter system

ICT

Information and communication technology

ISP

Swedish Inspectorate of Strategic Products

ISR

Intelligence, surveillance and reconnaissance

LTI

Long-Term Incentive Programme

MBD

Model Based Design

MCS

Mobile Camouflage System Protection

Nasa

National Aeronautics and Space Administration

R&D

Research and Development

SOTACS

Special operations tactical suit

T-7 Program

The United States procurement programme for fighter trainers

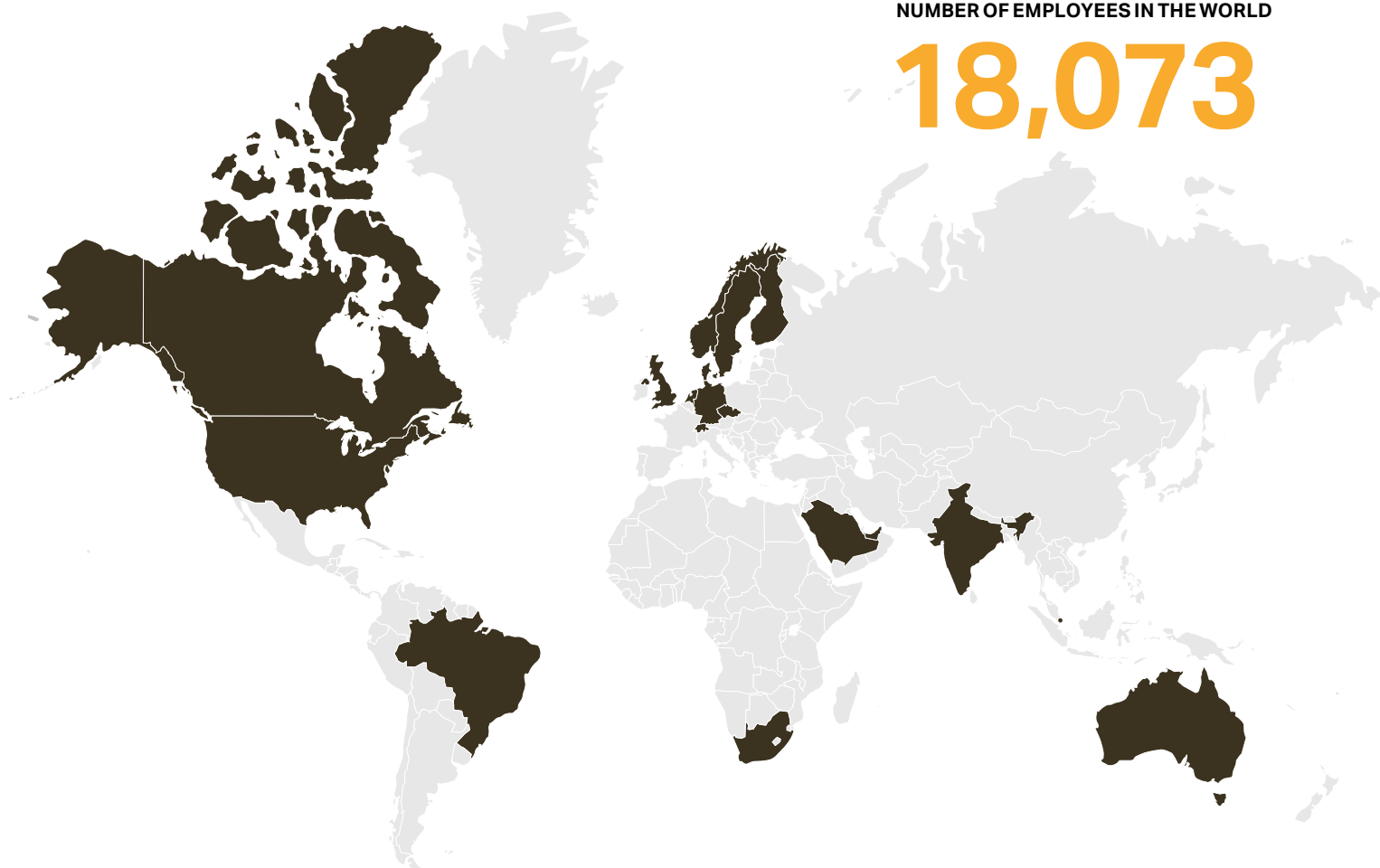
ULCAS

Ultra-lightweight camouflage screen

Saab in the world

NUMBER OF EMPLOYEES IN THE WORLD

18,073



NUMBER OF EMPLOYEES

	31 Dec 2020		31 Dec 2020
Linköping, Sweden	6611	Muskö, Sweden	70
Göteborg, Sweden	1701	Jönköping, Sweden	70
Järfälla, Sweden	1425	Sao Bernardo, Brazil	65
Karlskoga, Sweden	1103	Docksta, Sweden	64
Karlskrona, Sweden	758	Thun, Switzerland	63
Huskvarna, Sweden	588	Nyköping, Sweden	63
Arboga, Sweden	512	Lillington, USA	62
Malmö, Sweden	494	Frösön, Sweden	56
Centurion, South Africa	448	Rockingham, Australia	55
Syracuse, USA	447	Luleå, Sweden	55
Adelaide, Australia	406	Cape Town, South Africa	49
Växjö, Sweden	346	Singapore, Singapore	34
Stockholm, Sweden	255	Jyväskylä, Finland	33
Gardelegen, Germany	174	Ljungbyhed, Sweden	33
Trollhättan, Sweden	136	West Lafayette, USA	28
Östersund, Sweden	132	Norrköping, Sweden	28
Fareham, United Kingdom	125	Gaviao Peixoto, Brazil	28
Sonderborg, Denmark	120	New Delhi, India	26
Apeldoorn, Netherlands	111	New York, USA	26
Abu Dhabi, United Arab Emirates	100	Helsingborg, Sweden	26
Tampere, Finland	88	Västerås, Sweden	26
Nürnberg, Germany	88	Motala, Sweden	26
Slavkov, Czechia	86	Other	758
Gamleby, Sweden	75		
		Total	18,073

NUMBER OF EMPLOYEES BY COUNTRY

	31 Dec 2020
Sweden	14,900
USA	643
Australia	505
South Africa	497
Germany	274
United Kingdom	197
Finland	151
Denmark	135
Netherlands	119
Brazil	118
United Arab Emirates	105
Czech Republic	94
Switzerland	63
Norway	50
Canada	47
Singapore	34
India	28
Saudi Arabia	24
Other	89
Total	18,073

NUMBER OF EMPLOYEES IN SWEDEN

14,900

**CONTACT INFORMATION**

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SAAB

