



SAAB



**Keeping people
and society safe**

Annual and sustainability report 2019

Partnerships for greater security

Vision: It is a human right to feel safe.

Mission: To make people safe by pushing intellectual and technological boundaries.

It is a basic human need and a human right to feel safe. Safety is subjected to many different types of threats. This includes military threats, terrorism, accidents or natural disasters.

Saab develops innovative, high-tech and cost-efficient systems to increase security for societies and individuals. At the same time, there is a realisation throughout the business that some of the systems and solutions that contribute to greater security can also be used in conflicts. This entails a major responsibility. By acting responsibly in everything we do, we earn the confidence of customers, employees and society and contribute to a safer world.

Value creation

Saab is an international company that contributes to increased security and defence capabilities in Sweden and other countries. By working toward our strategic priorities, we create long-term value.

→ 8

Strategy

Saab's strategic direction means working closely with customers, continuously developing our portfolio, focusing on operating efficiency and embracing innovation as a business-critical imperative.

→ 14

Saab as an investment

Saab is on a growth journey. Recent years have seen strong international growth through strategic collaborations and research and development. This has laid the foundation for a unique position as Saab enters an execution phase and focus is on cash flow.

→ 34



Sustainability report

Sustainability is an integral part of Saab's strategy. The sustainability report provides an overview of Saab's sustainability work with goals and results.

→ 54

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About this report

Sustainability priorities are integrated throughout the annual report. Pages 54–70 describe Saab's sustainability work in greater detail. The formal annual report comprises pages 38–139. 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.

A year of good progress

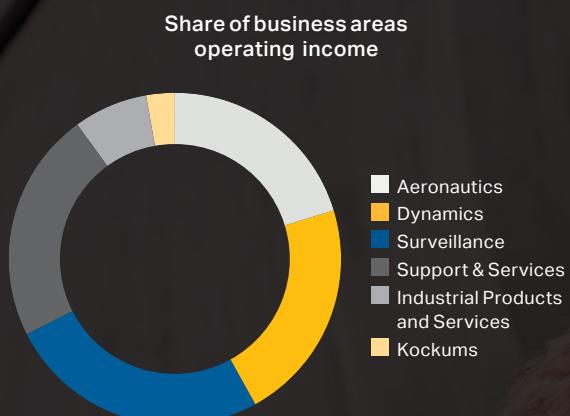
- **Organic growth** of 6% driven by a strong order backlog, increased deliveries and successful project execution.
- **Operating income increased** 15% and the margin improved to 8.3% (7.7). Profitability strengthened in four business areas during the year.
- **The improved results** was driven by a high activity level and continued focus on cost efficiency.
- **Strategic investments** in the U.S. with a new production facility as well as in innovation and development.
- **Cash flow** strengthened and was positive in the fourth quarter due to key milestone payments.
- **Healthy balance sheet** that supports further growth.

ORGANIC GROWTH

6%

SALES

**35,433
MSEK**

OPERATING MARGIN
(EBIT)**8.3%**EQUITY/ASSETS
RATIO**34.8%**

DIVIDEND PAYOUT RATIO

32%

A strong Swedish base and growing global presence

Saab has seen substantial international growth in recent years with an increased presence in key countries and with international partners. This has been possible thanks to the company's strong Swedish base and a competitive product portfolio. Saab is now taking further steps in its growth journey, while maintaining a focus on sustainability and creating greater value – for society and all of the company's stakeholders.



In a global and highly competitive defence market, a clear and focused strategy is vital. For Saab, this means a focus on selected markets, an attractive portfolio, continuous technological development, securing talent and sustainability. This is key to becoming even more competitive.

In 2019, Saab's operations continued to develop positively, while progress was made in executing the strategy. Several of Saab's business areas reported growth and strengthened their market position. Management and employees successfully drove the business forward during the year as Saab is progressing toward its long-term goals.

AN INNOVATIVE GLOBAL COMPANY

Staying on the forefront of technological development, with a modern and advanced portfolio of defence and security products, requires continuous investment in research and development as well as in human resources. Saab has made significant investments in the last decade, which, combined with strategic partnerships, have facilitated the company's growth and resulted in a strong position in the global defence market.

WITH STRONG EXPORT POTENTIAL

Through a strong product portfolio, Saab can offer modern and cost-efficient solutions to both current and new customers. Thanks to the major investments made in the last decade, the company has an offering on the absolute cutting edge of technology. The Gripen E/F, the new advanced trainer T-7A, the A26 submarine, a radar portfolio including Global Eye and the new generation of the Carl-Gustaf ground combat weapon are just a few, but important, examples. With several contracts for these systems being delivered, Saab has a strong and clear position in the export market. To build on this, the company will continue to invest in its core technologies going forward.

A VISION THAT AFFECTS EVERY ASPECT OF THE OPERATIONS

Saab began its journey just before World War II with the aim of developing and supplying fighter aircraft to Sweden. It was a way for the country to increase its defence capabilities and guarantee access to materiel. Sweden is Saab's strongest base, but sales are increasingly coming from abroad and development and production capabilities are being added in a growing number of countries.

Today we find ourselves in a situation where political structures are changing and geopolitical developments have deteriorated. This affects what countries are doing to improve their defence capabilities. Saab's vision to keep people safe is just as important today as it was when the company was founded. With a growing export business, Saab also has a responsibility to support more countries in this effort. This is something Saab's Board of Directors attaches great importance to.

THE JOURNEY CONTINUES

During the year, Håkan Buskhe decided to step down as President and CEO of Saab after having been with the company for nearly ten years. I want to thank Håkan for his contribution in transforming Saab into a growing and even more international company. The Board of Directors has appointed Micael Johansson as his successor as CEO. I am convinced that Micael, with his experience and expertise, is the right person to lead Saab forward.

FOCUS ON SUSTAINABILITY AND VALUE CREATION

A commitment to sustainability sets the foundation for a company's long-term development and growth. Saab creates value by providing security and defence capabilities to Sweden and other countries. This is the basis of our sustainability commitment.



↑ Marcus Wallenberg, Chairman

As a company in the defence industry, it is of great importance to work actively to live up to laws and regulations on anti-corruption, information security and exports. Saab's compliance programmes in these areas should be world-class in the industry. The business also has to continue to operate responsibly for people and the environment throughout the entire value chain. We have zero tolerance for corruption in the company, and it is my firm belief that Saab can only be profitable in the long term if we operate in a socially and environmentally sustainable way.

Finally, Saab's employees are very important to our ability to achieve the long-term goals. I want to thank all our employees for their passion and contributions to the Group during the year. Now we look forward to taking further steps toward Saab's goals and to create sustainable long-term value for both society and all of the company's stakeholders.

Stockholm, February 2020

Marcus Wallenberg
Chairman

A unique position for continued growth

In October, Micael Johansson took over as the new President and CEO of Saab. Micael has worked at Saab since 1985 and in the last three years served as Deputy CEO and thereby played an important role in Saab's development.

↓ Micael Johansson, President & CEO



WHAT POSITION DOES SAAB HAVE TODAY?

For several years, Saab has been making investments to guarantee world-leading products to the market. In doing so, we have strengthened our market position by establishing a broad international base with development and production in a number of countries. These investments have helped Saab to greatly increase the order backlog and facilitated ongoing growth. This has included contracts for major systems as well as what we describe as small and medium-sized orders. With a strong product portfolio, established markets and cutting edge technological expertise, Saab is uniquely positioned for further growth. With a clear focus, we are taking new steps forward every day.

WHAT HAPPENED DURING THE YEAR ON THE BUSINESS SIDE?

Saab has continued to win business. Finland's choice of Saab as combat system provider and integrator for the Squadron 2020 programme, the United Arab Emirates' decision to purchase two additional GlobalEye aircraft and the contract to support the German Army's combat training centre (GÜZ) are three good examples of this. Order bookings during the year amounted to SEK 27.2 billion and at the end of 2019 the order backlog was SEK 93.3 billion, of which 69 per cent are orders outside Sweden. Our order backlog is now 2.6 times larger than our sales.

INNOVATION IS IMPORTANT TO SAAB. TELL US MORE?

One important thing we decided during the year is to make the portfolio, which is strongly tied to innovation, a focus area in the strategy. This is not a change in our strategy, but rather a sharpening. It means focusing our R&D investments on the parts of the portfolio with the greatest potential. Our portfolio contained over 600 products at the start of the year and we realised that fewer products would free up resources that can be invested in core areas that generate volume today and in the future. We have decided to eliminate products that have reached the end of their lifecycle and do not have synergies, such as technologies or expertise that fall outside our core areas.





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

In a changing world distinguished by rapid technological development and tough competition, Saab has to constantly stay a step ahead. We do so through continued investments in R&D. In 2019, we invested 21 per cent of sales in R&D and we have been successful at further developing and improving our products and converting new technology into products and systems.

COST EFFICIENCY IS A COMPETITIVE FACTOR. HOW DOES SAAB WORK WITH THIS?

During the year, we reached several milestones in our major development programmes. Examples include the launch of the second Gotland-class submarine, the maiden flight of Brazil's Gripen E and that GlobalEye flew for the first time to Dubai. Saab continued during the year to improve efficiency, which was initiated in October 2018. Part of this has been working with the portfolio, but we have also digitised internal processes, increased efficiency in the marketing organisation and re-evaluated the number of consultants and personnel needs.

Saab is an innovative and cost-efficient company, but we continue to work internally to ensure that we remain an attractive supplier and partner.

HOW DO YOU MAKE SURE THAT SUSTAINABILITY IS INTEGRATED IN THE BUSINESS?

We at Saab think and act long-term in all our decisions. Our agreements stretch for 10, 20 and even 30 years. It is important therefore that every part of the company rests on a principled foundation. This is essential if we are going to maintain long-term relationships with the governments that buy defence equipment from us. We are convinced therefore that high ethical standards and responsibility in our operations are also critical to long-term profitability. All employees contribute to Saab's development by acting responsibly and in accordance with Saab's values and Code of Conduct. Three particular areas of importance are the rules and internal processes on anti-corruption, information security and defence exports. During the year, Amnesty International published a report on the defence industry's responsibility for human rights in connection with exports. Amnesty sent let-

ters to 22 defence contractors from 11 countries and Saab was one of eight companies that chose to respond since we welcome a dialog on these complex issues. We are continuously developing in the area of sustainability and the UN Global Compact's principles for human rights, working conditions, the environment and anti-corruption are an important base.

WHAT IS YOUR FOCUS GOING FORWARD?

Saab is growing and we will continue with that. Growth is good for Saab, but it also benefits our customers, not least Sweden and its defence capabilities. During the year, sales increased 7 per cent to SEK 35.4 billion. Operating income rose to SEK 2,937 billion. This represents an improvement in the operating margin, which amounted to 8.3 per cent. Our aim, as already announced, is to continue to improve the operating margin – the 10% target will be reached. We will also continue invest in R&D and marketing to secure Saab's long-term position.

ANYTHING TO ADD IN CONCLUSION?

Saab was founded to support Sweden's defence capabilities and that remains our core mission. Being able to contribute as CEO to this work, together with my very talented colleagues, is a great responsibility but also stimulating. I want to especially thank all of Saab's employees, who with their talents, engagement and ambition contributed to our success during the year. In addition, I would like to conclude by saying that sustainable long-term improvements are key for Saab. We are now entering the delivery stage of several major programmes, where the working capital Saab has built up will be put to use and contribute to cash flows, capital efficiencies and improved returns. I feel that Saab has a unique position for continued growth, and that we will use well.

Stockholm, February 2020

Saab's business model

Saab is an international company that contributes to increased security and defence capabilities in Sweden and other countries. A large part of the sales is from exports and Saab has extensive international partnerships.

Saab was founded over 80 years ago after the Swedish government asked the manufacturing industry, including the co-founding Wallenberg family, for help in expanding the defence industry's capabilities. It was a turbulent time and as a small, non-aligned country, Sweden had to ensure access to materiel. Sweden invested in its defence and during the Cold War the military had equipment specially designed for its needs. After the fall of the Berlin Wall, the threatening landscape changed and the Swedish defence budget decreased. To survive, preserve its capabilities and remain part of Sweden's defence, the industry had to increase exports and as modern defence systems became more complex and costly, Sweden and other nations also saw a greater need for international cooperation.

Market and strategy

Market factors such as geopolitical uncertainty, growing information security needs and rapid technological development in areas such as AI, machine learning and automation are the basis for Saab's strategy. To fulfil our mission, Saab has chosen to work with the following strategic focus areas:

- Market
- Innovation
- Portfolio
- Performance
- Sustainability
- Employees



R&D in five core areas

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 suppliers and customers and participate in broad-based innovation partnerships between industry, academia and the public sector. The strategy is to concentrate investments in five core areas:

- Aeronautics
- Advanced weapons systems
- Command and control systems
- Sensors
- Underwater systems



Well positioned in a complex world

The global geopolitical landscape has gone through a shift in recent years. Increased tensions are leading to higher demand for security, which means that countries and alliances are investing more in their defence capabilities. A growing global defence market supports the demand for Saab's products, services and solutions.

SAAB'S MARKETS

Saab is active in the defence market and in commercial aeronautics, infrastructure security and traffic management. The company delivers solutions, services and products both as a main supplier directly to end customers and as a subcontractor of subsystems and components.

THE GLOBAL DEFENCE MARKET

While the U.S. has long been the world's leading military power, its share of total global defence investment is decreasing. At the same time, China is investing heavily in its military capabilities. China and Russia are not markets for Saab's defence-related products, however. With respect to Europe, countries are feeling pressure today from outside, and to some extent within the continent, to take greater responsibility for their military defence.

SAAB'S STRENGTHS IN TODAY'S MARKET

- Reliable, high-performance products.
- Development of products and platforms in a timely and cost efficient way.
- Emphasis on development of modular and flexible products with long lifecycles.
- Investment in R&D and talent to stay on the technological forefront.
- Strong local presence and collaborations in strategic markets.

SAAB IN THE WORLD

Saab's products are used in over 100 countries and the company has operations on every continent. Saab's international operations and expansion are concentrated in Europe, the U.S., Australia and Brazil. An important part of Saab's innovative capabilities are cooperations with universities and academies. Saab works with several universities around the world and during the year started a partnership with Purdue University in West Lafayette, Indiana, in the U.S.

NEW TECHNOLOGY IMPROVES CAPABILITIES

In the defence market, the same types of platforms for sea, land and air as a decade ago are still in demand. The difference is that the rapid development of new technologies and new innovations is steadily improving the capabilities of these products. Progress is speeding up, range is increasing, sensors are becoming better, systems are becoming more interconnected and it is becoming harder to avoid detection. Cyber capabilities are becoming increasingly important and at the same time are creating new security needs.



85% of Saab's sales comes from defence-related products and services. The remaining 15% is from the commercial market.



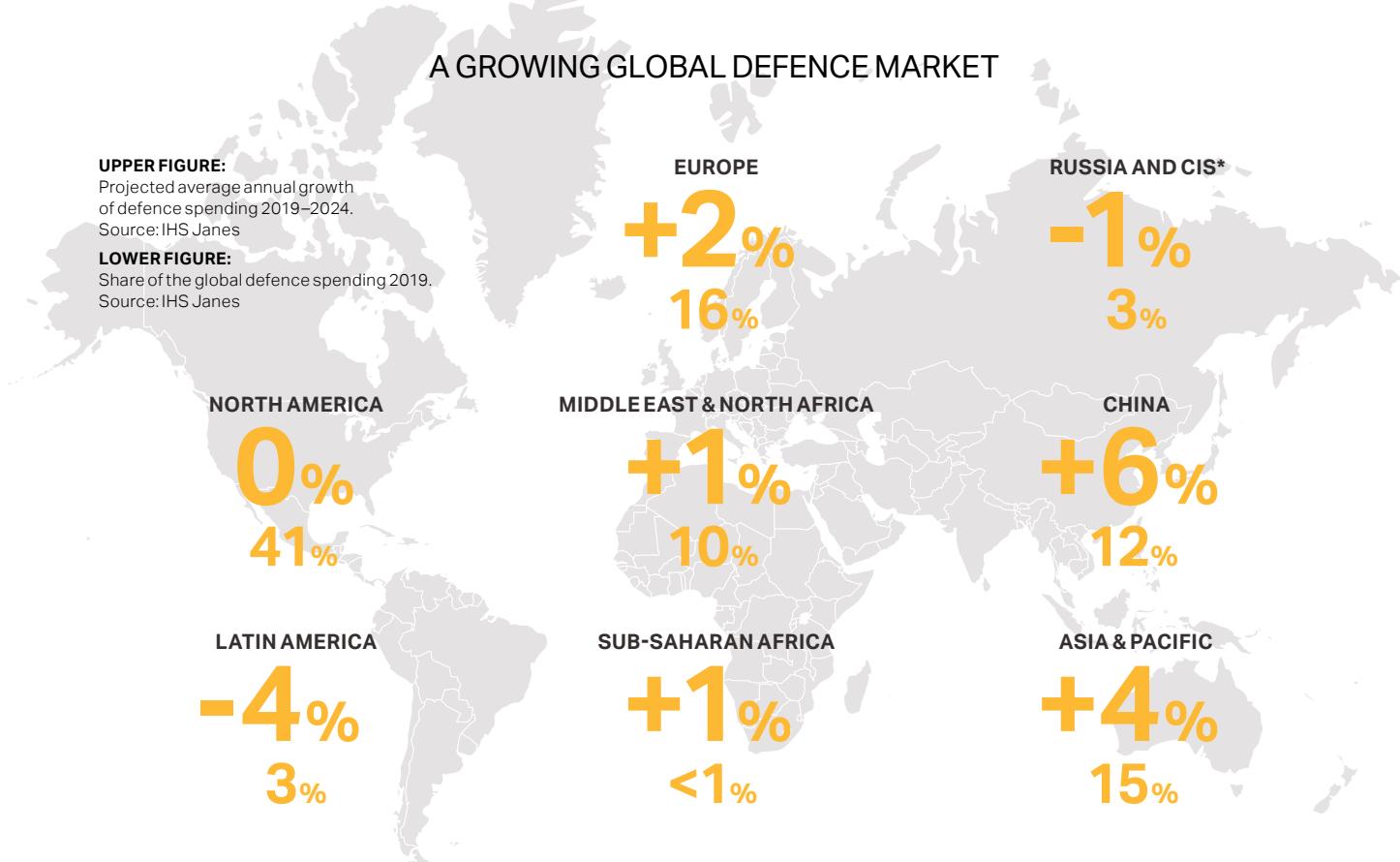
A GROWING GLOBAL DEFENCE MARKET

UPPER FIGURE:

Projected average annual growth of defence spending 2019–2024.
Source: IHS Janes

LOWER FIGURE:

Share of the global defence spending 2019.
Source: IHS Janes



* Commonwealth of
Independent States

Trends that create opportunities

Saab is active in a global market and works strategically to analyse and adapt to global trends that affect the company's operations. These include security policy, technology and other factors. Listed here are the world's six most important drivers right now and how Saab is responding to them.

Global drivers

Saab's response

1

GEOPOLITICAL TENSIONS

Global turmoil has forced several countries to reassess their defence capabilities, both nationally and multilaterally.

→ ORGANISATION FOR CLOSE RELATIONSHIPS

Customers are seeking integrated solutions for their defence needs from suppliers that understand global interdependencies as well as their specific situation. Saab's organisation has been built with local hubs to facilitate close and lasting relationships with customers on site.



2

INTERNATIONAL COLLABORATIONS

Alliances and multinational peacekeeping forces bring various countries together. This means that defence systems must be designed to easily interact.

→ COORDINATION AND SYSTEMS INTEGRATION

Since the start, Saab has collaborated with customers and partners in the development of its solutions and products. It is a core competence and success factor for the company that we can develop cost-efficient and intelligent systems designed for coordination and integration with other systems.



3

INCREASED COST EFFICIENCY DEMANDS

Due to limited defence spending, coupled with increased demand for defence systems, the market wants products and solutions that are cost-efficient for their entire lifecycle.

→ EFFICIENT PRODUCTION REDUCES COSTS

Saab has always had to integrate systems from different suppliers in its products and solutions. Collaboration and cost efficiency are critical factors in both development and production. Saab's work with MBD and additive manufacturing are examples of this. By continuously monitoring manufacturing costs, Saab ensures that its systems and solutions have a low lifecycle cost.



Global drivers

4

INCREASED FOCUS ON CYBERSECURITY

The digitisation of society is making us more vulnerable and making cybersecurity more important. Rapid developments in AI, machine learning and automation are paving the way for new systems and higher efficiency.

→ R&D IN CLOSE DIALOGUE

Saab reinvests a large share of its sales in research and development. A close, continuous dialogue with customers, partners and universities keeps us a technological leader. To meet new customer needs, Saab has for example created a business unit for cybersecurity. New technology is also utilised to improve delivery efficiency.

5

IMPORTANT WITH RESPONSIBLE ACTORS

The UN's Global Sustainability Goals map out a path for nations, companies and other actors to take responsibility in a world with challenges such as inequality and poverty, limited energy resources, pollution and climate threats.

→ SUSTAINABLE OPERATIONS

Saab's sustainability work involves concrete commitments and targets that are evaluated and reported annually. The company develops solutions that combine better energy performance with lower cost and less environmental impact. Saab also contributes to technological and economic development in the markets where it is active.

6

INDUSTRIAL COLLABORATIONS AND TECHNOLOGY TRANSFERS

More and more countries today demand extensive industrial cooperations in connection with defence purchases. This can mean transfers of technology and knowledge as well as other help.

→ LOCAL PRESENCE

Saab's systems and solutions are known for interoperability and systems integration. A strong local presence in selected markets also gives Saab a better understanding of local needs, capabilities and procurement processes. This creates a good ground for collaboration and technology transfers.

Saab's response

Investment in R&D in 2019

**7.6
SEK
billion**

Reduction of greenhouse gas emissions by 2030 compared to 2017.

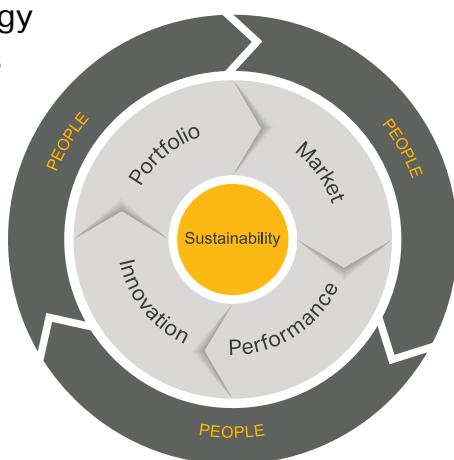
33%



A26

A strategy that support our goals

Saab's strategy is based on four priority areas: working closely with customers, focusing on operational efficiency, innovation as a business-critical effort, and continuously sharpening our portfolio. To emphasise this, "portfolio" was made a separate focus area in the strategy during the year. Sustainability affects everything we do and is the core of our strategy. Engaged employees who develop their skills through continuous learning makes all parts of the strategy work together and supports Saab to reach its goals.



Mobile Camouflage System (MCS)

Our priority areas

MARKET

Further increase local presence and partnerships in strategic markets while maintaining position in Sweden. Focus export sales efforts to established markets. For more information see page 16.

INNOVATION

Explore and enable scaling of new opportunities through managing innovation as business critical, supporting our innovation performance and promoting an innovation friendly culture. For more information see page 18.

PORTFOLIO

Improve R&D efficiency by concentrating product development and industrialization to core areas. Explore opportunities for investments in product development and innovation in strategic markets. For more information see page 20.

PERFORMANCE

Deliver on-going contracts according to plan and focus on continuous efficiency improvements and sustainable business. Consolidate product portfolio in order to strengthen future offerings. For more information see page 22.

The core of our strategy

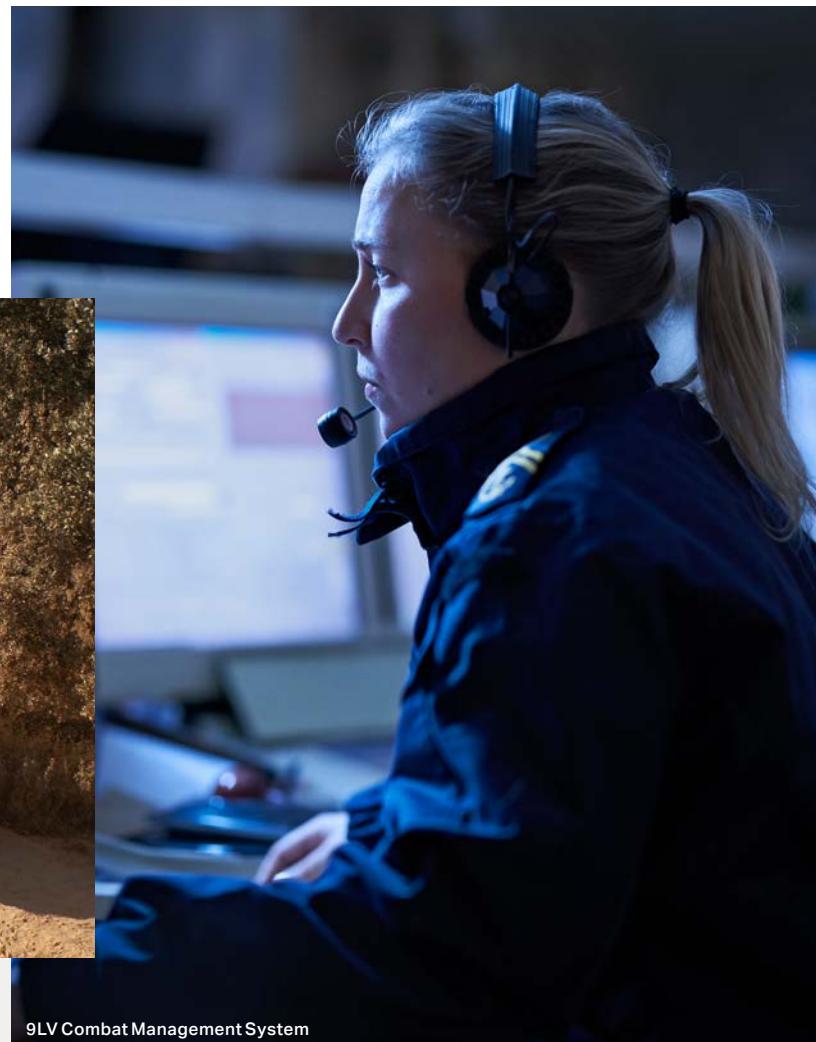
SUSTAINABILITY

Sustainability is integrated in all aspects of our strategy and focuses on three strategic commitments: defence and security capability, leading compliance programs and sustainability throughout the value chain. For more information see page 24.

The key to our strategy and goals

PEOPLE

Fully implemented workforce planning and aligned competence development in place. For more information see page 32.



FINANCIAL GOALS

Organic sales growth will average 5 per cent per year over a business cycle.

The operating margin (EBIT) will average at least 10 per cent per year over a business cycle.

The equity/assets ratio will exceed 30 per cent.

ACHIEVED 2019

→ Organic sales growth was 6 per cent in 2019.

→ The operating margin (EBIT) was 8.3 per cent in 2019.

→ The equity/assets ratio was 34.8 per cent at the end of 2019.

SUSTAINABILITY GOALS

Audit at least five marketing consultants per year from a corruption perspective.

Reduce greenhouse gas emissions by 33 per cent by 2030 (base year 2017).

At least 25 per cent of employees and 30 per cent of managers will be women by 2025.

University collaborations is an important part of Saab's innovation capacity. Saab shall have at least 30 employees per year working as PhD candidates.

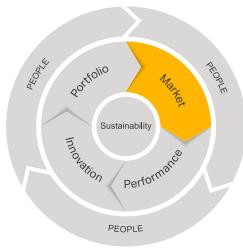
ACHIEVED 2019

→ During 2019, five marketing consultants were audited.

→ Increase in greenhouse gas emissions of 4.8 per cent in 2019 (due to temporarily increased test flight activities)

→ 23 per cent of employees and 25 per cent of managers were women in 2019.

→ Saab had 45 PhD candidates during 2019.



Focus on targeted growth

Saab is active in a constantly changing market and has to react quickly to stay a step ahead. The focus is on a number of selected markets and areas where the company already has a strong position to build on for future growth.

STARTING POINT IN SWEDEN

Sweden is and will remain the hub of Saab's operations and the company's home market. The Swedish armed forces are Saab's main reference customer. It is our highest priority that Sweden maintains trust in Saab and that the company retains a strong position in the Swedish market.

INTERNATIONAL GROWTH

It is outside Sweden that Saab has the biggest opportunities to grow. The company has internationalised in recent years by strengthening its position in a number of strategic markets with the greatest potential. The broadening of our global footprint has been achieved through an increased local presence as well as partnerships and industrial collaborations. In 2019, Saab defined three strategic markets: Australia, the UK and the U.S., where its local presence will be further strengthened. Saab's marketing organisation has been reorganised to more clearly focus on marketing and sales in key markets and strengthen international growth.

FOCUS MARKETS

Saab's sales and marketing are focused on established countries where the company already has a strong position and in areas with opportunities for growth. The goal is to secure a steady inflow of small to large orders in combination with carefully selected platform orders. In this way, Saab has the best chances of profitable growth going forward.

EXPORT COMPLIANCE

In every contract, Saab ensures that regulations on defence exports are followed. The large share of Saab's exports is from Sweden, where the Swedish Agency for Non-Proliferation and Export Controls (ISP) determines on behalf of the government which defence products Swedish industry may sell to which countries.

ZERO TOLERANCE FOR CORRUPTION

Corruption has serious consequences for society and business. Saab has zero tolerance for corruption. The company is guided by its fundamental values, code of conduct, current laws, industry codes of conduct and clearly defined internal processes to prevent corruption risks.

KEY EVENTS IN 2019

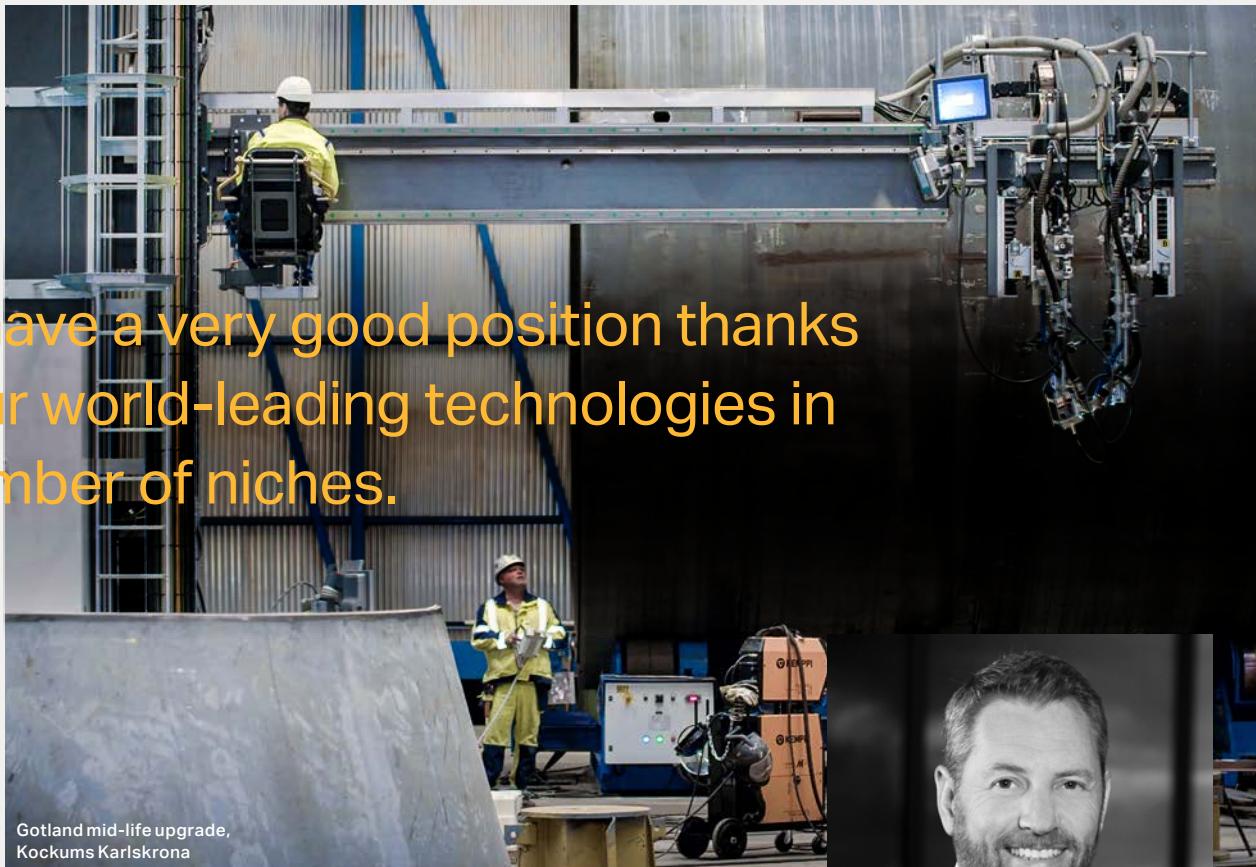
- In June 2019, a new ten-year framework agreement was signed with the Swedish Defence Materiel Administration (FMV) to supply the Swedish Armed Forces with the Carl-Gustaf M4 system.
- A new production facility will be located in West Lafayette, Indiana, in the U.S. Initially, it will handle production and final assembly of Saab's parts for the Boeing T-7 advanced trainer for the U.S. Air Force.
- A major order was received in 2019 to provide and integrate the combat system for the Finnish Navy's new Pohjanmaa-class corvettes as part of the Squadron 2020 programme.
- During the year, Saab continued its successful collaboration with Raytheon. The aim is to develop the next-generation Carl-Gustaf system with guided functionalities.

71%

Share of orders from outside Sweden

6%

Organic sales growth



Case MARKET

In 2019, Saab implemented a new central marketing organisation. It is led by Dean Rosenfield, who took over as Chief Marketing Officer (CMO) in early 2020.

↑ Dean Rosenfield, CMO and member of Group Management.

AS THE NEW CMO AT SAAB, WHAT ARE YOUR PRIORITIES IN THE COMING YEAR?

If we are going to stay on the forefront and have an attractive offer that the market wants, we have to better understand our customers' needs at any early stage. This is where the new marketing organisation plays a key role. We will also focus and intensify our marketing and sales in Saab's key markets. Another priority is to establish and deepen our collaborations with existing and potential strategic partners.

WHERE DOES SAAB FIT IN THE GLOBAL DEFENCE MARKET?

We have a very good position thanks to our world-leading technologies in a number of niches. One success factor is that we are also a relatively small and agile company, which allows us to bring solutions to the market faster than the competition. We also see today that it is a big advantage to have a fully transparent business.

WHAT ARE THE BIGGEST DIFFERENCES BETWEEN THE DEFENCE MARKET AND THE COMMERCIAL MARKET?

The defence market is more complex than the commercial market. In the defence market, political decisions in the customer's country often lay the foundation for major procurements, and in many cases the choice between systems depends on the relationship between the countries. This means that a close cooperation between the nations and with the national defence industry is critical. In the defence market, it is also very important to have reference customers. Saab has good relationships with our customers and the nations we trade with and are seen as a reliable partner in both the defence and commercial markets.



Strong focus on innovation

Only by constantly challenging, questioning and refining new innovations can Saab stay on the forefront and remain a leader in the development of cost-efficient systems and products. For this, Saab needs skilled and engaged employees with a diversity of perspectives.

BUSINESS-CRITICAL INNOVATION

For Saab, innovation is business-critical. The company invests strategically to identify new opportunities that can be scaled up. A significant share of annual sales is devoted to research and development (R&D) in product areas where Saab is, or can become, a technology leader. The company also works in many ways to promote an innovative corporate culture.

NEW TECHNOLOGIES AND BUSINESS MODELS

An important part of Saab's strategy is to invest and seek out opportunities in new and disruptive areas such as automation, cyber, cloud computing and space technology. The company also considers new business models that make it possible to capitalise on technologies and data that belong to Saab or others. In addition, Saab sees potential in partnerships and carefully monitors what is happening outside the company to broaden access to new innovations.

SAAB VENTURES

Occasionally, Saab's development projects result in product ideas that fall outside the core business. These projects are managed by Saab Ventures, which further develops them and if possible together with outside 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.

DIVERSITY DRIVES INNOVATION

We at Saab have a firm belief, supported by research, that diversity is a source of innovation in an organisation by introducing different perspectives. Diversity among employees is encouraged and is 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.

KEY EVENTS IN 2019

- In 2019, long-term innovation goals were set. Saab has begun to implement ISO 56002, the new standard for innovation management. A number of innovation managers have been appointed in the organisation.
- At Imperial College London, Saab has opened an innovation hub to tap British expertise in various areas. Initially, the focus is on radar technology.
- In an AI research project connected with the Wallenberg Artificial Intelligence, Autonomous Systems and Software Program, Saab together with three Swedish universities, Ericsson and Axis demonstrated a cloud-based system for autonomous sea rescue operations. The aim is to develop the ability to carry out complex tasks using both manned and autonomous systems.
- One of Saab's research projects investigated whether a damaged fighter aircraft could be repaired in the field using spare parts manufactured with 3-D printers. The possibilities are practically endless, not least with respect to future business models.

21%

Share of sales devoted to self-funded research and development

28%

Female managers in Sweden



Scanning the space



Case INNOVATION

Saab is often on the absolute cutting edge of technology, but at the same time always tries to find solutions that are cost efficient for its customers. One example of this is the digital radar technology that has caught the interest of Christer Fuglesang, Saab's space advisor and Sweden's first astronaut.

L-band Rocket Artillery Mortar (LRAM) is the name of a technology demonstrator Saab has developed in partnership with FMV. It applies a completely new type of technology that translates radar information from analogue to digital form at a very early stage, making it possible to design a powerful radar more cost-efficiently.

"The work we are doing is truly basic research, an area where Saab is highly advanced. By utilising digital technology, the number of microwave components in the radar system can be reduced, which lowers costs at the same time that it improves performance," says Torild Lorentzon, coordinator for space operations at Saab.

The potential for the technology stretches all the way out to space. So says former astronaut Christer Fuglesang, now a professor of particle and astroparticle physics at the Royal Institute of Technology and part-time employee at Saab. He is helping the company to identify business concepts related to space and bring them to the space market.

"There is a big need both commercially and

militarily to keep an eye on everything flying in low orbit around the earth, i.e. up to 2 000 km above the surface. Commercially, this means among other things helping satellites to avoid crashing with space debris. Militarily, it is interesting to know exactly when an enemy's satellites are tracking what is happening on the ground. Then you can adapt your operations accordingly," he explains.

Being able to aim a powerful radar into space would generate widespread interest. FMV financed a feasibility study during the year that Saab presented in November. It looked at possible design options and the limitations that a space radar system based on LRAM would have. It is conceivable to build a system that would be able to detect objects as small as 5 cm in size.

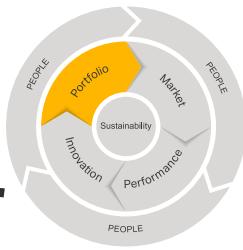
"There is a big international interest in the technology. One idea is that it could be Sweden's ticket to EUSST (European Space Surveillance and Tracking), a consortium where the participating countries contribute various assets to space projects," says Torild Lor-

entzon. "The next development step would be a test where the technology demonstrator is actually used in space radar surveillance."

"If such a system becomes necessary, Sweden is in good position geographically to monitor satellites, since many of them pass in a polar orbit over the North Pole. In addition, we have an existing space infrastructure with Esrange, for example," says Christer Fuglesang.

Could the technology be important to space travel and the astronauts who follow in his footsteps?

"Yes, perhaps indirectly, since the space radar could help in preventing collisions by keeping an eye on things up there. Then, of course, we could speculate as to whether the technology could be used in satellites themselves. The problem there is that radar requires a lot of energy, which is difficult to access up in space," concludes Christer Fuglesang.



Optimized portfolio for increased competitiveness

Saab has broad expertise in military systems and can also offer competitive systems in civil security. To ensure future profitability, the company works strategically and long-term to further sharpen its portfolio. The goal is to concentrate development in product areas that give customers the most value.

STRATEGIC MARKETS

To further develop its portfolio, Saab wants to have important reference customers as well as research and development in selected strategic markets. In this way, the company can build up local intellectual property and fully benefit from industrial partnerships, collaborations with universities, mergers and acquisitions.

FIVE CORE AREAS

Saab's strategy is to concentrate product development in five core areas, within which the company will build a deeper understanding of customers' long-term needs:

- Aeronautics
- Advanced weapons systems
- Command and control systems
- Sensors
- Underwater systems

NEW TECHNOLOGICAL OPPORTUNITIES

Saab has made major investments in digitisation, software defined systems and virtualisation. The company will strategically capitalise on the opportunities this generates to further develop its portfolio in a way that creates value for the customer. The opportunities that are identified will be scaled up from demonstrations in the innovation lab, through development and industrial adaptation, and ultimately to final delivery.

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. During the year, Saab's engineers received training, and many components for various products were printed with efficiency improvements.

OPTIMIZED PORTFOLIO

In 2019, Saab will work intensely to consolidate its portfolio as part of the Re-shaping initiative. The work will continue in 2020 and in the long term the aim is to significantly increase R&D efficiency by reducing the number of unique or special-order platforms and increase the number of shared components.

RESOURCE-EFFICIENT PRODUCTS

Saab's products are designed for a long operating life. By using resources efficiently through the entire lifecycle, we create products with less environmental impact and low lifecycle costs, which distinguishes Saab's products. One of Gripen's competitive advantages, aside 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 impacts, see page 30.

KEY EVENTS IN 2019

- In November 2019, Saab carried out the first Gripen flight tests with the new Electronic Attack Jammer Pod (EAJP), which can be used to jam an opponent's radar.
- In September 2019, a successful test firing was conducted of the Ground-Launched Small Diameter Bomb (GLSDB), which Saab has developed in collaboration with Boeing.
- In October 2019, Sabertooth functionality was demonstrated in Norway. The ability to remain stationary underwater was demonstrated in both land-guided and fully autonomous operations. This reduces the need for surface vessels in connection with underwater repairs for the oil and gas industry. The ability to measure an object by laser was also successfully demonstrated.

20%

Reduction of products
in portfolio



↑ Petter Bedoire, Chief Technology Officer.

It will be even more fun to be an engineer at Saab

GlobalEye

Case PORTFOLIO

Petter Bedoire took over during the year as Chief Technology Officer at Saab. His job is to ensure that the company uses development resources in the best way to maintain a modern and competitive product portfolio.

The job means among other things making sure that Saab keeps up with future technologies such as artificial intelligence and quantum technology, including close collaborations with institutes of technology, universities and other partners in these areas.

"We have to understand the benefits that new technologies offer and how we can adapt them to our systems with special requirements in terms of security and reliability. Here I believe that we at Saab can be faster than our competition. We are relatively small from an international perspective, are experts at technology and know how to create effective collaborations and solutions," says Petter Bedoire.

ARE THERE ANY AREAS YOU ARE ESPECIALLY FOCUSED ON?

To further improve the innovation climate at Saab, we will focus on getting innovation labs

up and running in especially prioritized technology areas. For example, we recently opened a lab in England.

WHAT DO YOU SEE AS THE BIGGEST CHALLENGE ON THE TECHNOLOGY FRONT?

We have seen how new technology such as cloud services has revolutionised industries and paved the way for totally new types of business models. The challenge is to understand how we can utilise this technology in our products, since we are strict when it comes to security.

WHAT DO THE NEW TECHNOLOGIES MEAN FOR SAAB'S EMPLOYEES?

I believe that those of our engineers who have experience in developing complete systems develop are needed to structure and guide

those with less experience. They will at the same time have to adopt methods and technologies that are new to them. This is why we are going to have to work even more in cross-functional teams, where new engineers collaborate with those with more experience. This creates an interesting and innovative dynamic. Curiosity and experience in harmony. It will make it even more fun to be an engineer at Saab.

WHAT DISTINGUISHES SAAB?

What makes Saab a fantastic company is our innovation climate. We have good partnerships with customers, public authorities, universities and other industries. This is why we can compete internationally.



Increased efficiency for sustainable profitability

High efficiency and short lead times are essential for Saab to meet its customers' needs and to compete in the market. The focus is on fulfilling current commitments and continuously work to increase efficiency, not least with the help of digitisation.

RELIABILITY IS FUNDAMENTAL

Reaching its long-term financial goals is Saab's highest priority. In order to achieve this, the company has a strategic focus on meeting contractual obligations with its counterparties. Saab is investing to improve project execution at every level, and follow-ups are made to address any deviations early on. This includes systematically ensuring that all suppliers act responsibly.

EFFICIENCY THROUGHOUT

Saab is working continuously on efficiency improvements, cost-cutting and improving processes at every level. In addition to its ongoing productivity work, Saab has two overarching initiatives, Re-sizing and Re-shaping, to achieve better profitability in every business unit.

The purpose of Re-sizing is to reduce the number of consultants and number of employees mainly in administration and thereby raise the company's efficiency in terms of sales per employee. These measures have to a large part been completed. This does not mean, however, that Saab stops its focus on costs and continued efficiencies.

Re-shaping has three parts:

- Review of Saab's product portfolio
- Market efficiency
- Digitisation and automation

The review and work to optimize the product portfolio is continuing and Saab sees great potential for efficiencies through this initiative.

To improve marketing efficiency, it was decided to launch a new marketing organisation as of 1 January 2020. The new organisation will work to improve Saab's market position.

Within the framework of Re-shaping, a number of processes have been digitised and automated, mainly to improve administrative efficiency in areas such as HR and finance. Saab sees additional efficiency potential in further digitisation and automation.

INCREASED DIGITISATION AND FURTHER DEVELOPMENT

Rapid technological development offers great potential to raise operating efficiency. Increased digitisation, automation and artificial intelligence can not only improve many of Saab's products, but also help the company to work smarter and more efficiently. Saab also works innovatively in ways other than digitally to further improve its routines and achieve higher efficiency.

A PORTFOLIO FOR THE FUTURE

Saab continuously adapts its portfolio of products and solutions 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 have to be changed or eventually divested.

CLEAR ROLES AND MARKET FLEXIBILITY

For Saab to reach its business objectives, the company has to clearly define roles and responsibilities within the organisation. This applies to business development as well as winning business and implementation. Saab's marketing organisation is also being adapted so that it will can quickly and flexibly add resources where needed at the moment.

Profit responsibility is delegated within the organisation. Saab's Group Management has authorised that responsibility be given to each business area manager, but encourages it to be further broken down. Profit responsibility within Saab is critical and profit targets have to be met, which is why those with profit responsibility within Saab have been given the authority to do their job.

REDUCED GREENHOUSE GAS EMISSIONS

Saab's environmental strategy includes the goal to reduce greenhouse gas emissions by at least 33 per cent by 2030 compared to 2017. The goal will contribute to the implementation of the Paris Agreement. For more information, see page 60.

15%

Improvement in operating income

3%

Increase in sales per employee



Case **PERFORMANCE**

"Breaking the norm" is the phrase you see when entering the project area for Saab and Boeing's new T-7A pilot training system in Linköping. The motto is well suited to a project that Aviation Week named a 2019 Game Changer. Thanks to efficiencies at every level, the aircraft went from initial drawing to maiden flight in just three years.

↑ Annika Meijer, chief engineer.

When Aviation Week presented its prestigious Program Excellence Awards to the aviation industry, the T-7 project was recognised for the innovative and efficient processes that Boeing and Saab used in design, development, production and work with the supply chain.

The development of the new trainer used model-based systems engineering. This

speeds up system and software development by producing designs that are closer to completion before series production and lets functions be simulated before software is implemented. The time saved in design and development meant that production-relevant jets were ready in 36 months. At the same time, the system has the flexibility to accommodate future changes.

Today the project is in the delivery stage, when our customer, U.S. Air Force, will get its new pilot training system on site.

"The biggest challenge is to get to know and understand the customer's needs, at the same time that we have to deliver the project. It is a tough job, but also a fun and exciting journey," says chief engineer Annika Meijer.



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.

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 we operate in an environmentally and socially sustainable way. A long-term approach is extremely important to Saab, not least because several of our projects extend over very long periods. We continuously measure and monitor key sustainability aspects and integrate them in our processes. In Saab's sustainability report (pages 54–70), we show our goals and performance in each area. 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 4, 5, 9, 13 and 16. For more information on how Saab contributes to the SDGs, see pages 56–57.





"All employees contribute to Saab's development by acting responsibly and in accordance with Saab's values and code of conduct."

Micael Johansson, CEO Saab

Saab's fundamental values

- **Expertise** – We combine a strong knowledge tradition with continuous learning.
- **Trust** – We are honest and reliable and we keep our promises.
- **Drive** – We have a passion for innovation, are open to change and are committed to being fast and flexible.



Security and defence capabilities

When Saab was founded 80 years ago, it was a turbulent time in the world and Sweden needed to better protect its borders. Since then, Saab has developed into an international partner that contributes to security and defence capabilities in Sweden and other countries.

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 we 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.

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. The organisation has 17 members and over 100 partners.

INDUSTRIAL COOPERATIONS

When Saab does business with other countries, the customer often demands industrial collaborations, many times with technology transfers as an important element. This type of demand is common in large defence contracts and is often a way for the customer's country to encourage innovation domestically while securing access to defence materiel. 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. To date, 251 Brazilian engineers have come to Sweden to work together with Saab's employees for one year. In total, nearly 400 will receive training at Saab.

SAFE TO USE

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.

INNOVATION CENTRES

Sweden is seen by many countries as a

251

Number of Brazilian engineers who have come to Sweden to date to work at Saab for one year.

45

Number of PhD candidates in 2019.



READ MORE...

about how Saab works with research and development, industrial cooperations and product security in sustainability report on pages 54–70.

Our radar system plays an extremely important role



Case SUSTAINABILITY

Saab's Arthur radar system is used on the closely guarded border between South and North Korea to help keep the conflict from erupting and spreading beyond the Korean Peninsula.

Despite the cease-fire between North and South since 1953, the conflict on the Korean peninsula lives on. A 4 km wide no man's land constitutes the demilitarised zone. From there it is just 56 km to South Korea's capital, Seoul.

"The main purpose of the Arthur radar system is to localise artillery with extremely high accuracy as soon as a projectile is in the air. This makes it pointless to launch artillery, since you reveal your location," says Saab's Project Manager Fredrik Sämfors. "Within 90 seconds, Arthur can warn Seoul if an enemy is attacking the capital. The system can scan 90° of the horizon in 32 nanoseconds and localise

an object no bigger than a coin from a distance of 60 km."

SAAB PERSONNEL ON THE BORDER

Saab guarantees service and spare parts and works closely with the South Korean Army to continuously refine the radar system.

Saab's presence in South Korea so that it can be on location when needed became especially important in 2015, when tensions between North and South flared up.

"Instead of travelling away from the conflict, our support personnel went right to the border to make sure that all the radar systems

were working optimally. We also flew project management and the head of security from Sweden to show that we stand behind the customer the whole way," says Fredrik Sämfors.

The efforts were appreciated by the South Korean Army, which presented Saab with a plaque as a thank you.

"I couldn't hold back the tears when we received this award. It's in situations like this that you realise our radar system plays an extremely important role for a country like South Korea to maintain its national security against outside threats."



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 an industry-leading compliance programme.

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 important therefore 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.

INFORMATION SECURITY

Saab manages information that is vitally important to the security of Sweden and other nations. In an increasingly uncertain world with growing cybersecurity challenges, continuous and systematic security is critical. To take advantage of the opportunities that new technologies offer, Saab must improve security management within the company, a key element of which is risk management. Every employee and manager has to understand their role in the security work and it has to be fully integrated with business and technological development. The goal is to make security an integral part of all central business processes.

STRICT EXPORT REGULATIONS

For Saab, it is essential to the company complies with regulations on defence exports. 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. The export of defence materiel requires a permit from the designated authority. Such permits can be issued if there are security and defence policy reasons for the export and it is consistent with Swedish foreign policy interests. 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. The UN Charter establishes that every country has the right – and obligation – to protect its citizens against acts of aggression. A military defence is the ultimate expression of this.

At the same time that defence materiel contributes to upholding human rights, it can, if used incorrectly and contrary to international law, also lead to human rights violations. The export of defence materiel therefore represents a great responsibility and is subject to strict regulations.

5

Number of marketing consultants Saab audited in 2019

READ MORE...

about how Saab works with anti-corruption, information security and export control in the sustainability report on pages 54–70.



Giraffe 1X

Zero tolerance for corruption



Case SUSTAINABILITY

Saab has zero tolerance for corruption. Chief Compliance Officer Petter Törnquist explains the reason for this position and what it means in practice.

↑ Petter Törnquist, Chief Compliance Officer.

IN WHAT WAYS DOES CORRUPTION AFFECT SOCIETY?

From a strictly business perspective, it compromises competition and market forces, so that customers end up paying dearly for subpar quality. From a broader perspective, corruption hurts economic development as well as prosperity and quality of life. Widespread corruption upends the social contract when citizens lose faith in the system and institutions. In general, the effects are most severely felt by those who are most deprived.

WHY IS ANTI-CORRUPTION IMPORTANT TO SAAB?

All businesses that are financed with taxpayers' money have to have the public's trust. High ethical standards are vital. Saab's operations must have legitimacy, particularly since our products and systems are often expensive and are sold in long sales cycles. This exposes us to greater corruption risks than many others. For this reason, our business is also closely watched by the media and authorities. We welcome this, since increased transparency contributes in the long run to trust in our operations.

We have to constantly keep these issues high up on the agenda, since the consequences of failed anti-corruption work could be devastating. A loss of trust in Saab would lock us out of future procurements. We would lose partners and export licenses and find it difficult to obtain financing from banks.

WHERE ARE THE LARGEST CORRUPTION RISKS WITHIN SAAB'S OPERATIONS?

We have good control over our own operations. The biggest risk is that a company which provides services for us commits an error that Saab can be held responsible for. This is especially true of the marketing consultants that help us to win deals or market our products to potential end customers. Financially, it makes sense to use some form of commission system to incentivise third parties, but at the same time it entails a risk of corruption.

WHAT IS SAAB DOING TO MITIGATE THE RISKS?

We try to do everything we can to ensure that the companies we work with share our values when it comes to ethical issues. This work has been consolidated in a central unit with nine

full-time employees who conduct extensive background checks of companies and individuals, including personal interviews. The companies contractually commit to comply with our values and we train them in what this means. Their work is continuously reported and we have extensive access to their operations. Saab periodically audits randomly selected third party providers.

There are markets and opportunities where we consider the risks to be so high that we are not prepared to work with third-party providers and instead handle sales and marketing ourselves. Then there are markets that we are completely shut out from.

WHAT ARE THE MOST IMPORTANT ASPECTS OF SAAB'S ANTI-CORRUPTION WORK?

Without a doubt, the most important thing is strong leadership where we are clear about our values. If we create a strong corporate culture distinguished by high ethical standards, we avoid a breeding ground for errors. Then other aspects such as policies, guidelines, systems and processes become less important in comparison.



Responsibility for people and the environment

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

RESPONSIBLE EMPLOYER

Saab is an inclusive, safe and healthy workplace. Diversity gives the organisation access to different perspectives and stimulates innovation. Equal treatment and non-discrimination are also aligned with human rights. Everyone who works with recruiting at Saab receives training in 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 62.

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

25%

Share of female managers globally



READ MORE...

about how Saab works with diversity, reducing environmental impacts, and health and security in the sustainability report on pages 54–70.

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

goals are to reduce greenhouse gas emissions from its operations by 33 per cent by 2030.

Saab is also working strategically to phase out hazardous substances in products and contribute to a non-toxic environment.

Environmental aspects and requirements are reflected in Saab's global management system and are integrated at every level of the lifecycle, from product development to disposal.

ENVIRONMENTALLY SUSTAINABLE INNOVATIONS

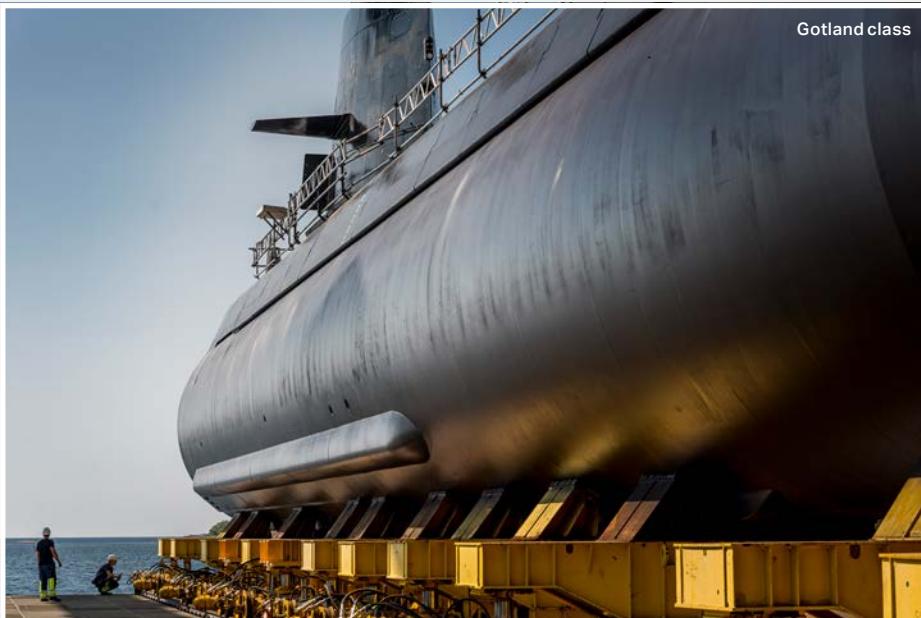
Saab's broad product portfolio contains products and services with less environmental impact. The company also participates in several research and development partnerships to create sustainable solutions for the future. Here are a few examples.

- Hull cleaning: With its unmanned underwater vehicles as a model, Saab has developed a remotely operated underwater vehicle to clean the hulls of ships without damaging their paint. This reduces the ship's environmental impact by drastically reducing fuel consumption, but also by reducing the spread of microorganisms between different marine environments.
- Solar Shading: Based on the technology used in its camouflage netting, Saab has developed a heat-reducing netting that can be used, for example, to cover portable offices, container barracks and field hospitals. The netting reflects up to 90 per cent of solar loading, creating the potential to save up to 25 per cent of the energy used for cooling.
- Air traffic control systems: Systems that increase efficiency at airports and imports, thereby reducing fuel consumption and climate impacts.
- Sorting machine for construction waste: With the help of Saab's stereo camera tech-

nology, the associated company Robowaste is developing a sorting machine for construction waste. Today, 90 per cent of Sweden's construction waste is incinerated. The new machine will provide both financial and environmental benefits.

- CleanSky: Saab is one of the main suppliers to Clean Sky, Europe's largest research programme dedicated to reducing aircraft emissions.
- Sustainable mining: Saab's wholly owned technical consulting company Combitech is participating in a project with LKAB, among others, to establish a new global standard for sustainable mining at great depth.
- Electrified cement production: Through Combitech, Saab is part of CemZero, a pilot study on electrified cement production. One of the electrically based heating technologies being studied is microwave heating, where Combitech is contributing its expertise.
- Carbon-free asphalt manufacture: Also through Combitech, Saab is part of a project called SMMART (Swedish Magnetite Microwave Asphalt Road Technology). Along with ten others, including LKAB, Skanska and the Swedish Transport Administration, Combitech will develop a microwave based technology to heat asphalt with magnetite. A technology that can reduce Sweden's carbon emissions by one per cent.





STATE-OF-THE-ART SURFACE TREATMENT

Saab's new surface treatment facility for submarines and surface vessels in Karlskrona is among the world's most modern. For employees, the new facility means a better work environment and better opportunities to work ergonomically. It also means improvements for the environment. The closed-loop system does not release any water, which instead is treated and reused to a large extent, leaving just a small percentage of hazardous waste.

DIFFERENCES ARE AN ASSET

HBTQ for beginners was the theme when Alexandra Larsson visited Saab's diversity network Minerva. She spoke about her journey as a trans person in the military. Today she works as a digitisation advisor at Saab's wholly owned technical consulting company Combitech. Minerva was started by employees in Göteborg and has now spread to more locations. The goal of the network is to make every employee feel included and appreciated by seeing differences as an asset.



SAAB'S CLIMATE FUND

During the year, Saab established a climate fund to further encourage the development of environmentally sustainable innovations and thereby help to reduce climate impacts. For every flight booked, a sum is donated to the fund. The idea is to use the money to develop environmentally sustainable innovations. This could range from improving an existing product to completely new product ideas. The money can also be used to contribute to the development of fossil-free alternatives.



BRIGHTER FUTURE FOR CHILDREN IN SLUMS

Saab began working during the year with the Hummingbird cultural network in São Paulo, Brazil. The operation serves children living in slums with the goal of preventing them from falling into poverty and criminality. The leaders have managed to lift themselves out of similar situations and now serve as a role model. The children, who are between the ages of 5 and 18, have the opportunity to participate in a number of activities from the arts and culture to education and sports. Saab supports similar initiatives in slum areas in Cape Town and Centurion, South Africa.

SMART AIR TRAFFIC CONTROL SYSTEM AT JFK IS SAVING THE ENVIRONMENT

The air traffic control system that Saab delivered to JFK Airport in New York is increasing efficiency while reducing fuel costs and carbon emissions. The figure below refers to the emission reduction over one year, according to an independent study conducted by MIT. Saab's air traffic control systems are used at 19 of the world's 20 busiest airports.

43,000

tonnes of carbon emissions per year



Landscape for continuous learning

Engaged and healthy employees with the right skills and opportunities to develop are essential for Saab to reach its goals and continue to grow. To achieve this, the company plans its HR development at a strategic level.

INCLUSIVE AND PERFORMANCE DRIVEN

Saab is creating a truly inclusive and performance-driven culture that encourages innovation. Saab stresses the importance of its values to every employee. For a culture of collaboration and understanding between people of different backgrounds to spread within the company, employees are offered several forms of skills and leadership training.

STRATEGIC HR PLANNING

Saab has introduced a process for strategic HR planning to track and predict what types of measures will be needed for the company's overarching strategy. In this way, Saab continuously knows which future needs will be critical and can focus on the long-term development of employees and the organisation.

FOCUS ON LEARNING

Saab invests in continuous learning for its employees. The company offers them skills and leadership training in various forms and promotes learning through networks, mentorships and by encouraging employees to take on new challenges. Working together on a daily basis, collaborating and sharing knowledge is the most important way for employ-

ees to develop. Every employee, together with their manager, sets personal development goals that are tied to Saab's overarching business objectives.

HEALTHY WORK ENVIRONMENT

To improve performance, we have to offer a safe, secure and healthy place of work. Saab has a global process to proactively address occupational health and safety and is now developing a health strategy to support a sustainable work environment for employees.

ATTRACTING TALENT

Saab's success is dependent on its ability to attract, retain and reward the right employees. The company works actively therefore to encourage interest in technology among youths and to position itself as an attractive employer to both entry-level and experienced professionals alike.

A BETTER WORK DAY

Saab is trying to tap the great potential offered by digitisation to simplify working life and make every day better for employees. This includes administrative efficiencies within the company with the help of standardisation and automation.

KEY EVENTS IN 2019

- Reverse mentoring program During the year, Saab had a mentoring programme where younger employees served as mentors to the management team. Digitisation, recruitment, leadership and a sustainable work-life balance were some of the topics that were discussed.
- Saab's award for "Female Role Model of the Year" in 2019 was shared by Saira Alladin, Director of Asset Operation and Maintenance at Vattenfall, and Emma Dahlin, a student at Chalmers University of Technology. The motivation for Saira was: "With an inner fervour, passion and great patience, she is unafraid to address gender equality issues no matter what the situation, from the board room to the lunchroom. With her openness and credibility, she inspires and motivates other women. For her, gender equality is an obvious success factor!" The motivation for Emma was: "She wants to smash prejudices. With her drive and inspiration, she wants to show that you don't have to be a nerd to like technology and it does not have to be hard, that in fact it is actually cool and impacts our future. She will not give up!".

232

Number of Master's thesis
at Saab in Sweden

78%

Share of employees who say
they are engaged in their work



Looking into the future

Case **PEOPLE**

Talent and Development specialist Pernilla Fischione explains why and how Saab works with strategic workforce and resource planning.

WHAT DOES STRATEGIC WORKFORCE AND RESOURCE PLANNING MEAN?

It means that we have to plan for and create opportunities to achieve the company's long-term strategy and business plan. We have to ensure that we have employees with the right skills, now and for the future. If NASA discovers that they need five astronauts next month, they would have had to recruit and train them long ago. Strategic workforce and resource planning is about avoiding this type of surprise.

WHY IS IT IMPORTANT TO WORK WITH THIS?

The pace of change in society and at work is increasing and it will become even more difficult to predict what skills will be needed in the future. Estimates show that around 65 per cent of current primary school students will have a job that doesn't exist today. To stay competitive, we have to be able to handle the increased rate of change and stay ahead of the competition.

HOW DOES SAAB WORK WITH THIS?

First, we identify competence and resource gaps based on current and future needs according to the business plan. Then, most importantly, we try to cover those gaps. An important part of the work is to encourage continuous learning. Because if we, as both a company and employees, are going to stay competitive, we have to stay on the forefront of change. We have to learn faster than the competitors. Even the fact that we will be older when we retire makes continuous learning an important focus.

Saab as an investment

Saab's strong growth in recent years has been supported by conscious choices in focus markets, international partnerships, and research and development. This has laid the foundation for a unique position, as Saab is entering a production and delivery phase and focus is on cash flow.

Key focus areas for profitable growth

- Strong focus on international expansion, local presence, long-term industrial partnerships and customer relations to continue to drive growth
- Faster innovation through investments in technology and development of core competence areas
- Continuous cost efficiency in every part of the business, optimisation of the product portfolio and increased automation and digitisation to maximise customer value
- Long-term cash flow generation and a strong balance sheet to support continued growth

1

Our proactive efforts to sharpen the product portfolio have led to

- New generation of the Gripen
- New generation of the GlobalEye Airborne Early Warning & Control system
- New ground-based and naval radar systems
- New generation of Carl-Gustaf
- New submarines

In 2019, a new marketing organisation was set up with a greater focus on Saab's key markets. At the same time, Saab continues to grow through collaborations.



2

This has resulted in new orders and strengthened the order backlog

- Gripen Sweden, 2013
- Gripen Brazil, 2015
- Blekinge-class (A26) and Gotland-class (MLU) submarines, 2015
- Anti-ship missile RBS15, 2017
- Global Eye, 2015 and 2018
- Trainer aircraft T-7A, 2018
- Finland Squadron, 2019

Since 2014, Saab has converted the order backlog into strong sales growth.



GlobalEye

3

Saab has a strong position and is ready for the next step

- Win new orders for our updated platforms
- Continue to grow through small and medium-sized orders as well as recurring business
- Optimise the product portfolio
- Further efficiency improvements
- Generate positive cash flow

Saab's aim is to grow profitably and has a long-term annual growth target of 5 per cent.



Saab's share

SHARE CAPITAL AND NUMBER OF SHARES

The share capital in Saab amounted to SEK 2,173,533,552 on 31 December 2019, 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 2019

Share class	Number of shares	% of shares	Number of votes ¹⁾	% of votes
Series A	2,383,903	1.8	23,839,030	15.4
Series B	133,461,944	98.2	130,542,460	84.6
Total	135,845,847	100	154,381,490	100

1) Number of votes excludes 2,919,484 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 51,699 shareholders at 31 December 2019, compared to 50,174 at 31 January 2019. Swedish investors accounted for 77.8 per cent (80.2) of the capital and 80.4 per cent (82.6) of the votes.

Saab's largest shareholders, December 31 2019

Owner	Number of shares	% of capital	% of votes ¹⁾
Investor	40,972,622	30.2	40.4
Knut and Alice Wallenberg Foundation	11,988,914	8.8	7.8
Första AP-fonden (AP1)	8,692,325	6.4	5.6
Swedbank Robur funds	5,073,991	3.7	3.3
AFA Försäkring	4,220,096	3.1	2.7
Vanguard	2,733,484	2.0	1.8
Nordea Fonder	2,140,377	1.6	1.4
Unionen	1,670,970	1.2	1.1
BlackRock	1,261,010	0.9	0.8
Amundi	1,130,158	0.8	0.7
Skandia Fonder	1,029,033	0.8	0.7
AllianceBernstein	1,027,631	0.8	0.7
Ugglasset HB	982,500	0.7	0.6
Fidelity Investments (FMR)	961,683	0.7	0.6
Keel Capital	776,423	0.6	0.5
Subtotal, 15 largest shareholders	84,661,217	62.3	68.7
Other Swedish shareholders	25,006,238	18.4	16.2
Other international shareholders	11,664,294	8.6	7.6
Anonymous shareholders	11,594,614	8.5	7.5
Repurchased shares	2,919,484	2.1	-
Total Summa	135,845,847	100	100

1) % of votes is calculated based on the number of shares, excluding treasury shares, at December 31 2019.

Source: Modular Finance

Distribution of shareholders, December 31 2019

Number of shares	Number of shareholders	% of shareholders	Number of shares	% of share capital
1–500	44,430	85.9	4,626,185	3.4
501–1,000	3,582	6.9	2,671,330	2.0
1,001–5,000	3,201	6.2	6,382,649	4.7
5,001–10,000	225	0.4	1,593,779	1.2
10,001–20,000	108	0.2	1,503,441	1.1
20,001–50,000	62	0.1	1,961,205	1.4
50,001–	91	0.2	105,512,644	77.7
Anonymous shareholders			11,594,614	8.5
Summa	51,699	100	135,845,847	100

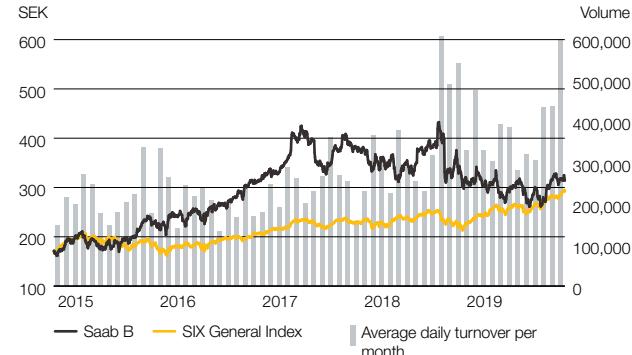
Source: Modular Finance

TRADING VOLUME AND STATISTICS

A total of 88,061,946 (88,022,032) of Saab's Series B shares were traded on Nasdaq Stockholm in 2019, or about 49.2 per cent of the total turnover in the Series B share. On other platforms, about 40.13 per cent Saab's Series B shares were traded on Cboe, 3.75 per cent on the London Stock Exchange and about 1.63 per cent on Turquoise.

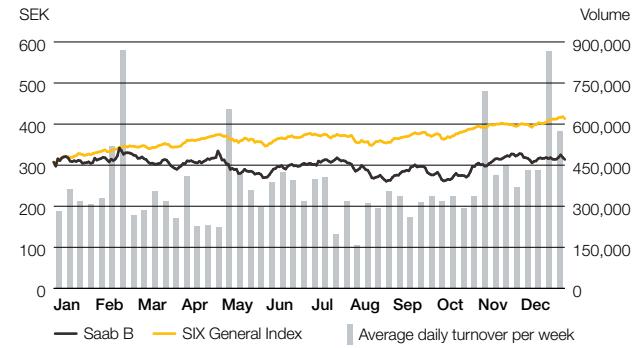
The Series B share traded at a 52-week high on Nasdaq Stockholm of SEK 348.90 on 18 February and a low of SEK 258.00 on 3 October.

Saab B, Share price performance in the last five years



Source: SIX

Saab B, Share price in 2019



Source: SIX

6,974

of Saab's employees have enrolled in Saab's Share Matching Plan 2019. Some participants are enrolled in several plans. The corresponding number last year was 6,608, which means an increase of 5.5%.

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 2019 resolved to adopt Long-Term Incentive plan 2020 (LTI 2020), consisting of Share Matching Plan 2020, Performance Share Plan 2020 and Special Projects Incentive 2020. For more information on the incentive plan, see the Administration Report on pages 84–85 and note 8.

AUTHORISATION

The Annual General Meeting 2019 resolved to authorise the Board of Directors to decide to acquire not more than 1,465,000 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 2019 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 June 2019, the Board resolved to utilise its authorisation to repurchase Saab Series B shares. Repurchases were made in July and August 2018 for an amount of MSEK 203.

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 2019, the Board of Directors is proposing a dividend of SEK 4.70 per share (4.50), corresponding to an increase of 4.4 per cent compared to the previous year. The proposed dividend corresponds to 32 per cent (46) of net income.

FIVE-YEAR SUMMARY

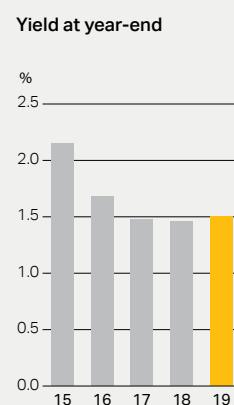
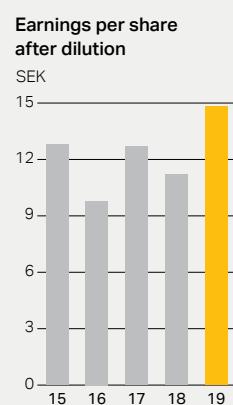
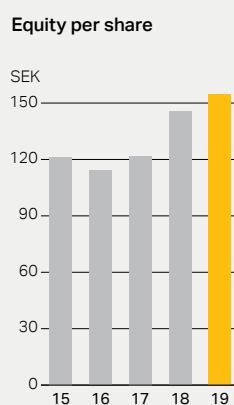
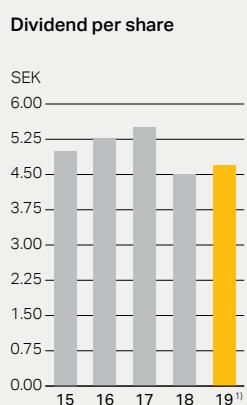
For information on data per share, see www.saabgroup.com

ANALYSTS WHO COVER SAAB

For information on analysts who cover Saab, see www.saabgroup.com.

Investor relations

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Head of Investor Relations
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1) See dividend and dividend policy.

Administration report and financial statements

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Gripen NG/Demo

Financial review 2019 – Group



FINANCIAL REVIEW 2019

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 and on the Large Cap list since 2006. The largest shareholder is Investor, with 30.2 per cent of the shares, corresponding to 40.3 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 2,919,484 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 68–77, 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 54–70.

OPERATIONS

As one of the world's leading high technology companies, Saab offers products, solutions and services for military defence and civil security. In 2019, 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 2019: 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 -377 million (-640) in 2019.

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 2019, organic sales growth was 6 per cent (4).

The operating margin (EBIT) will average at least 10 per cent per year over a business cycle. In 2019, the operating margin was 8.3 per cent (6.8). The operating margin excluding non-recurring items was 8.3 per cent (7.7).

The equity/assets ratio will exceed 30 per cent. At year-end 2019, the equity/assets ratio was 34.8 per cent (35.0).

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 2019 the Board of Directors is proposing a dividend of SEK 4.70 per share (4.50), corresponding to an increase of 4.4 per cent compared to the previous year. The proposed dividend corresponds to 32 per cent (46) of net income.

OUTLOOK 2020

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

The operating margin for 2020 is expected to improve compared to 2019.



Business area Aeronautics

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. Collaborations with other world-leading entities, both large and small, is a success factor.

SERVICES AND SOLUTIONS

- 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.
- Future manned and unmanned aircraft systems.
- Saab and Boeing have jointly developed the next generation trainer aircraft for the U.S. Air Force. In 2019, the aircraft was given the designation T-7A.

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

ORDERS

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

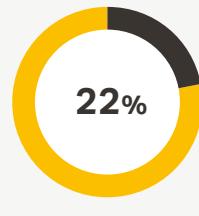
SALES, INCOME AND MARGIN

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

campaigns and tender work compared to the full year 2018.

CASH FLOW

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

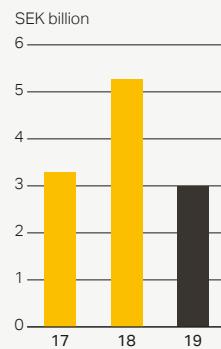


Share of sales 2019

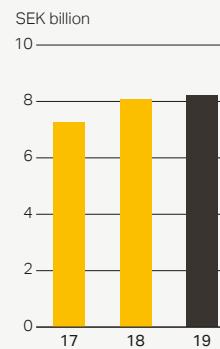
Key figures

MSEK	2019	2018
Order bookings	2,979	5,261
Order backlog	42,120	47,359
Sales	8,218	8,056
EBITDA	737	736
EBITDA margin, %	9.0	9.1
Operating income (EBIT)	677	680
Operating margin, %	8.2	8.4
Operational cash flow	-1,591	-1,096
No. of FTE's	3,421	3,212

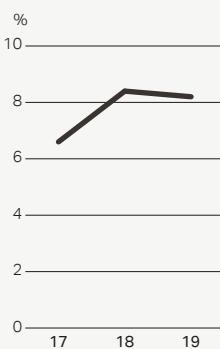
Order bookings



Sales



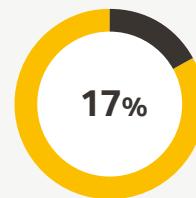
Operating margin





Business area Dynamics

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.



Share of sales 2019

PRODUCTS, SERVICES AND SOLUTIONS

- 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 systems for ground combat based on laser and radio as well as virtual training solutions.
- Advanced camouflage systems, including the products Barracuda MCS, ULCAS and SOTACS.

Products and solutions have been sold to more than 60 countries around the world. Dynamics includes the business units Ground Combat, Missile Systems, Underwater Systems, Training & Simulation, and Barracuda.

ORDERS

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

area's order backlog was at a historically high level.

SALES, INCOME AND MARGIN

Sales for the full year 2019 grew strongly, increasing 15%. This was due to increased deliveries compared to 2018.

The sales increase contributed to a higher operating margin for the full year.

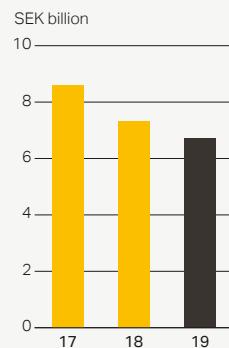
CASH FLOW

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

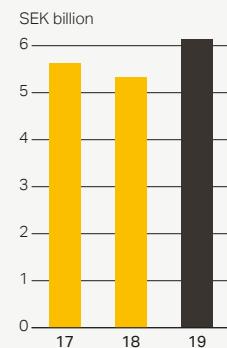
Key figures

MSEK	2019	2018
Order bookings	6,706	7,308
Order backlog	14,264	13,645
Sales	6,140	5,319
EBITDA	792	610
EBITDA margin, %	12.9	11.5
Operating income (EBIT)	716	535
Operating margin, %	11.7	10.1
Operational cash flow	158	-120
No. of FTE's	2,353	2,252

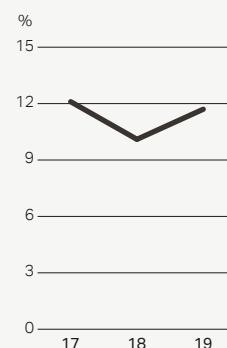
Order bookings



Sales



Operating margin





Business area Surveillance

Business area Surveillance provides efficient solutions for safety and security, for surveillance and decision support, and for threat detection, localization, and protection. Surveillance has world-leading microwave and antenna technology based on effective long-term product development that utilises synergies between the various product areas.

PRODUCTS, SERVICES AND SOLUTIONS

- The airborne surveillance systems GlobalEye and Saab Erieye AEW&C (Airborne Early Warning & Control) for defence and civil security.
- The surface radar family Giraffe, Sea Giraffe and Arthur for air and maritime surveillance and weapon locating.
- Combat management systems based on 9LV for navies air forces and armies.
- Signals intelligence (SIGINT) systems that provide real-time situational awareness to localise and identify threats, for both tactical and strategic applications.
- Self-protection systems that warn of threats and protect aircraft, helicopters, vehicles and vessels.
- Cybersecurity solutions such as Egira, a Swedish-based secure cloud solution.

- Nose radar for fighter aircraft, data links and laser rangefinders..

Surveillance includes the business units Combat Systems and C4I Solutions, Cyber Security, Electronic Warfare Systems and Radar Solutions.

ORDERS

In 2019, Surveillance strengthened its order backlog, primarily through a contract to provide and integrate the combat system and sensors for Finland's new corvettes. Contracts were also signed during the year for the Arthur and Sea Giraffe radar systems in the UK and the US., respectively. In the fourth quarter, the United Arab Emirates announced its intention to conclude a contract amendment with Saab for

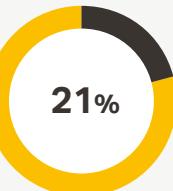
the purchase of two additional GlobalEye Airborne Early Warning & Control aircraft. A contract has not yet been signed with the customer.

SALES, INCOME AND MARGIN

Sales increased in 2019 compared to the previous year. Higher activity within Combat Systems and C4I Solutions contributed positively. Operating income improved as a result of the increased activity level and focus on costs.

CASH FLOW

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

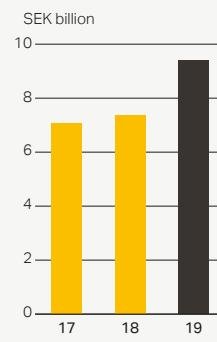


Share of sales 2019

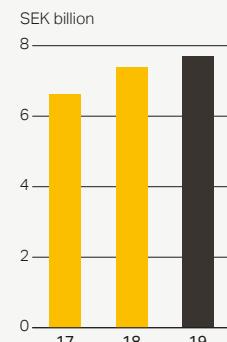
Key figures

MSEK	2019	2018
Order bookings	9,390	7,370
Order backlog	16,465	14,731
Sales	7,699	7,397
EBITDA	1,151	904
EBITDA margin, %	14.9	12.2
Operating income (EBIT)	853	631
Operating margin, %	11.1	8.5
Operational cash flow	1,156	-1,085
No. of FTE's	3,808	3,770

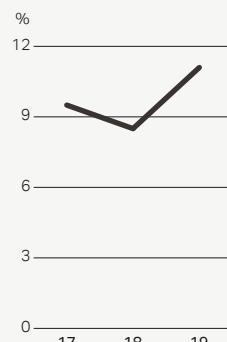
Order bookings



Sales



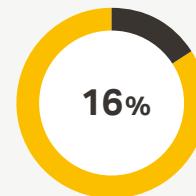
Operating margin





Business area Support and Services

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.



Share of sales 2019

PRODUCTS, SERVICES AND SOLUTIONS

- Customised support solutions in all areas – over the product's entire lifecycle.
- From individual spare parts to availability-based 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.

ORDERS

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

SALES, INCOME AND MARGIN

Sales improved for the full year 2019 compared to the previous year, as a result of higher

completion in a few larger projects. Operating income increased for the full year and corresponded to a margin of 12.8% (12.5%). Income for the third quarter of 2018 was affected by a non-recurring expense of SEK 50 million.

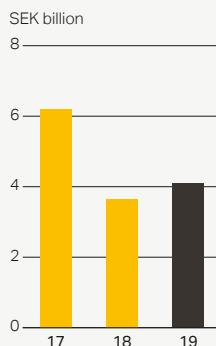
CASH FLOW

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

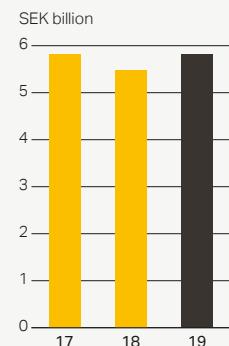
Key figures

MSEK	2019	2018
Order bookings	4,099	3,635
Order backlog	8,986	10,690
Sales	5,821	5,470
EBITDA	762	754.4894311
EBITDA margin, %	13.1	13.8
Operating income (EBIT)	742	685
Operating margin, %	12.8	12.5
Operational cash flow	11	369
No. of FTE's	1,912	1,851

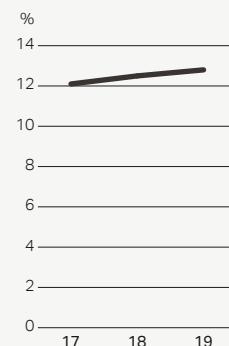
Order bookings



Sales



Operating margin





Business area Industrial Products and Services

The business units within 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 can be found in the intersection between them and works with a number of unique development projects with a focus on a more sustainable and digitised society.

PRODUCTS, SERVICES AND SOLUTIONS

- Technical consulting services for customers in industry, defence and the public sector through the independent subsidiary Combitech. The company offers a broad range of services, with cutting-edge expertise in cybersecurity and digitisation.
- 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 compo-

nents 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.

ORDERS

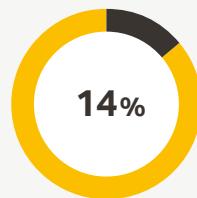
In 2019, order bookings slightly increased compared to the previous year, which was a result of higher demand in several of the business area's units. Aerostructures received major orders from Boeing during the year for work packages for the Boeing 787.

SALES, INCOME AND MARGIN

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

CASH FLOW

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

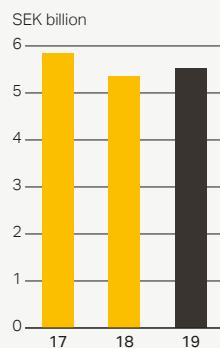


Share of sales 2019

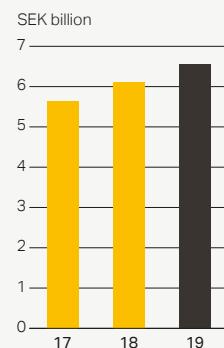
Key figures

MSEK	2019	2018
Order bookings	5,515	5,344
Order backlog	9,035	11,004
Sales	6,556	6,107
EBITDA	324	290
EBITDA margin, %	4.9	4.7
Operating income (EBIT)	238	202
Operating margin, %	3.6	3.3
Operational cash flow	-302	-351
No. of FTE's	3,635	3,566

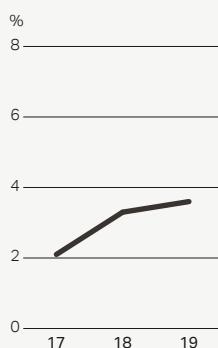
Order bookings



Sales



Operating margin





Business area Kockums

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.



Share of sales 2019

PRODUCTS, SERVICES AND SOLUTIONS

- 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 two business units: Submarines and Surface Ships.

ORDER BACKLOG

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

SALES, INCOME AND MARGIN

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

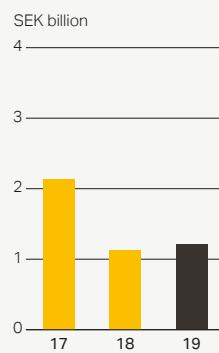
CASH FLOW

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

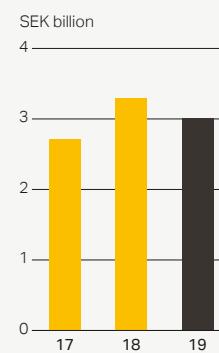
Key figures

MSEK	2019	2018
Order bookings	1,216	1,123
Order backlog	4,852	6,646
Sales	3,007	3,291
EBITDA	124	202,946
EBITDA margin, %	4.1	6.2
Operating income (EBIT)	88	173
Operating margin, %	2.9	5.3
Operational cash flow	-70	251
No. of FTE's	1,197	1,205

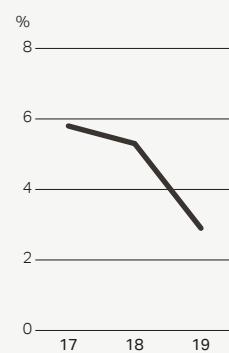
Order bookings



Sales



Operating margin



Other significant events

OTHER SIGNIFICANT EVENTS DURING THE PERIOD JANUARY–DECEMBER 2019

- On 3 January 2019, Saab completed a successful first flight with the second GlobalEye Airborne Early Warning & Control (AEW&C).
- Supported by the Swedish government, Saab in January submitted a proposal for the Finnish HX fighter procurement to the Finnish defence procurement agency, the Logistics Command of the Finnish Defence Forces.
- Saab's Annual General Meeting in Linköping on 11 April decided on a dividend of SEK 4.50 per share to the shareholders with Monday, 15 April 2019 as the record date. Payment was made by Euroclear Sweden AB on Thursday, 18 April 2019.
- In May, Saab announced a new U.S. production site for its parts of the T-7A jet trainer in West Lafayette, Indiana. Saab intends to invest USD 37 million in the facility from 2020.
- In June, Saab's Board of Directors decided to repurchase own shares. The decision was based on an authorisation from Saab's Annual General Meeting 2019.
- In June, the HMS Uppland was re-launched after comprehensive mid-life upgrades (MLU) in Karlskrona. As a result, two Gotland-class submarines have concluded MLU.
- In June, Saab signed a framework agreement with FMV to provide the Swedish Armed Forces with the Carl-Gustaf M4 weapon system.
- In June, Saab signed a multi-year framework agreement with the U.S. government,

which allows the U.S. Army, U.S. Marines and U.S. Special Forces to place orders for the AT4 disposable weapon system and ammunition to the Carl-Gustaf M4 recoilless rifle during a five-year period.

- In June, the Swiss defence procurement agency, armasuisse, recommended that Saab not participate with Gripen E in their planned fighter evaluation process in Switzerland. Therefore, Saab decided not to attend the Swiss flight tests planned in June.
- On July 19, the governments of Sweden and the United Kingdom signed a Memorandum of Understanding (MoU) regarding cooperation on the development of a future combat air system. Saab views the agreement as a starting point for a long-term collaboration to promote development of existing platforms, including Gripen.
- On August 11, Saab announced that President and CEO Håkan Buskhe is stepping down from his position.
- In August, Saab announced that it had received an order from the Australian Army to extend the support of their Ground Based Air Defence and Counter Rocket, Artillery and Mortar systems.
- On August 26, Saab announced that it had successfully completed the first flight with the Brazilian Gripen E.
- In August, Saab announced that it had appointed Dean Rosenfield as Chief Marketing Officer.
- In September, Saab appointed Merton Kaplan as the new Head of Investor Relations.

- On September 4, Saab's Board of Directors appointed Micael Johansson as the new President and CEO of Saab.
- In September, Saab presented a new type of camouflage called ARCASe (Advanced Reversible Camouflage Screen emissive) at the DSEI in London.
- On September 10, an important step were taken in the delivery of the first Gripen E to Brazil.
- In accordance with the resolution by Saab's Annual General Meeting 2019, the members of the Nomination Committee for 2020 were appointed based on the shareholder structure on 31 August 2019.
- In September, the Finnish government announced that it had selected Saab as a provider of the combat system for the Finnish Navy's Squadron 2020 programme. The contract is valued at EUR 412 million.
- In October, Håkan Buskhe notified the Board of Directors that his assignment as member of the Board of Saab AB will end in conjunction with him resigning from his position as President and CEO.
- The United Arab Emirates announced in November that it intends to conclude a contract amendment with Saab for the purchase of two additional GlobalEye Airborne Early Warning & Control aircraft.
- In December, Saab announced that it had signed a contract to support the Germany Army with the Gefechtsübungszentrum Heer (GÜZ) combat training centre in 2020-2026.
- The Dutch cabinet announced in December that Saab and Damen, together with two other contenders, will continue to the next phase for the replacement of the Walrus-class submarines.
- On 21 December, Sweden inaugurated its first new airport in 20 years, in Sälen. Saab is providing the on-site camera tower and the digital air traffic control services from Saab's remote tower centre in Sundsvall.

FOR SIGNIFICANT EVENTS AFTER THE CONCLUSION OF THE PERIOD, SEE NOTE 47.





"In June, the HMS Uppland was re-launched after comprehensive mid-life upgrades (MLU) in Karlskrona."

"In September, Saab presented a new type of camouflage called ARCASe."



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 managing risks.

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, market 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.

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 DAMAGE 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 damage prevention is to prevent incidents, property damage and disruptions. 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.

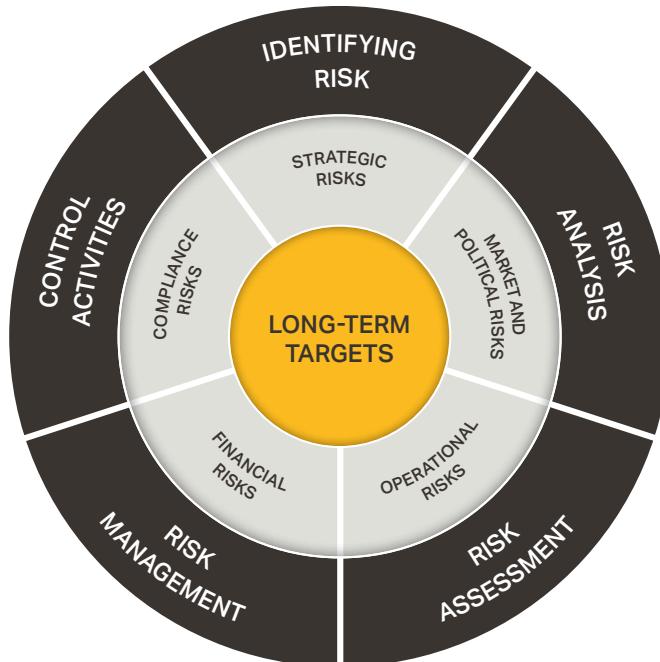
EXTERNAL ENVIRONMENTAL AND CLIMATE RISKS

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 mitigates these risks and invests in sustainable innovations that reduce environmental impacts. See examples on page 30.

In 2019, Saab also launched 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 will continue in 2020.



Risk	Description	Management
STRATEGIC RISKS	<p>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.</p> <p>Development and introduction of new high-tech systems and products</p> <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>	<p>Strategic risks are managed through strategies and plans established by the Board of Directors, Group Management and the managements of the business areas.</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 multi-national 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	<p>Acquisitions and collaborations are an integral part of Saab's international growth strategy to further strengthen its presence in selected key markets.</p>	<ul style="list-style-type: none"> Joint ventures with other companies. 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. 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. Apply a structured process to develop employees and identify talents. Job rotation. 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>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. 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 new GDPR regulation has been implemented.

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.

Risk	Description	Management
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	<p>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.</p>	<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.
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 implementation 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 implementation – 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. 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.
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. In 2019, three strategic markets were also identified: Australia, the UK and the US, where the local presence 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.

Risk	Description	Management
Supply chain risks	<p>Saab is dependent on deliveries from subcontractors of e.g. subsystems, 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. 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.
FINANCIAL RISKS	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>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>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.
Refinancing risk	<p>The risk that Saab cannot replace 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.
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.</p> <p>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 are hedged to a limited extent through letters of credit and in certain specific contracts through export credit institutions. 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.

Risk	Description	Management
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 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. 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.



Ultra-Lightweight Camouflage Barracuda
Signature Protection





Sustainability report

Saab was founded 80 years ago at a turbulent time in the world when Sweden had to better protect its borders. Since then, Saab has developed into an international partner that contributes to increased security and defence capabilities in Sweden and other countries. This is the foundation of our sustainability commitment.



Gotland class

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 com-

prises all of the Group's operations for the financial year 2019, 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 www.saabgroup.com/responsibility. The information about Saab's carbon dioxide emissions has been subject to a limited assurance and the assurance statement can be found on page 144.

Since 2006, Saab reports carbon emissions to the Carbon Disclosure Project (CDP). For more information on CDP and Saab's complete report, see www.cdp.net.





Saab's sustainability commitment



Defence and security capability



Industrial cooperation



Product safety



Research & Development



Leading compliance programs



Anti-corruption



Export compliance



Information security



Responsibility for people and environment



Diversity



Environment



Health and safety

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.

Saab's priority sustainability aspects can be summarised in three commitments: security and defence capability, leading compliance programs, and responsibility for people and the environment across the value chain (see illustration below).

Saab's sustainability commitment		Defence and security capability		Industrial cooperation
	Leading compliance programs		Product safety	
	Responsibility for people and environment		Research & Development	
		Anti-corruption		
		Export compliance		
		Information security		
		Diversity		
		Environment		
		Health and safety		

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.

Goals and results

Saab's sustainability priorities can be summarised with three main commitments: security and defence capability, leading compliance programs and responsibility for people and the environment (see illustration on previous page). In this sustainability

report Saab reports its priority sustainability aspects based on the Annual Accounts Act's five areas for sustainability. The issues are integrated in the business strategy and business plan and contribute to Saab's strategic priorities. Saab contributes to several

of the UN's 17 Sustainable Development Goals, but has chosen to prioritise five of them that are closely tied to Saab's business strategy.

ANTI-CORRUPTION

Priority sustainability issue	Long-term goal	Results 2019	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 58-59.	Market	Target 16.5: Reduce corruption and bribery.

ENVIRONMENT

Priority sustainability issue	Long-term goal	Results 2019	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).	4.8% increase (due to temporarily increased test flight activities).	Performance	Goal 13: Climate action.
Phase out hazardous substances	Hexavalent chromium will not be used in new designs after 2025.	See page 60.	Portfolio	
Resource efficiency	Reduce the number of chemical products in the areas of adhesives and paints by 20% by 2025 (related to 2018).	Analysis of current status and establishment of measurement method. Measured as of 2020.	Portfolio	

EMPLOYEES

Priority sustainability issue	Long-term goal	Results 2019	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.)	3.2 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 25% 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.	Measured as of 2020 due to new process and system replacement.	Performance	

HUMAN RIGHTS

Priority sustainability issue	Long-term goal	Results 2019	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 64.	Market	Target 16.4: Reduce illicit arms flows.
Responsible supplier relationships	Saab will continuously collaborate with suppliers on social and environmental responsibility.	See page 64.	Performance	

SOCIETY

Priority sustainability issue	Long-term goal	Results 2019	Connection to strategic priority	Connection to the UN's SDGs ¹⁾
Information security	Integrate information security in all central processes.	35%	Performance	
Product safety	The safety level in Saab's systems and products will meet relevant laws, regulations, international standards and best practices.	See page 66	Performance	
Innovation and spreading knowledge	Saab will annually have at least 30 PhD candidates.	45 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 66	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 strategy above.



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 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.

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. Prior to each deal, Saab requires a corruption risk analysis.

SCRUTINY OF BUSINESS PARTNERS

Hiring external parties in the selling process is sometimes important to better understand how a market works, but can also mean greater exposure to corruption risks. Saab therefore applies a process in which cooperations with marketing consultants are managed by a central function that evaluates the consultant, estimates compensation and negotiates the contract. Saab's marketing consultants also have to undergo special training and pledge to abide by ethical values and guidelines. In addition, Saab has a process for other business relationships associated with a high corruption risk, e.g. industrial cooperations and joint ventures.

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

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 commitments with government agencies to be approved according to special procedures.

TRAINING

In addition to Code of Conduct training for all employees, Saab has separate web-based anti-corruption training. Employees in high-risk areas, such as marketing and sales, industrial cooperations and project management, also receive in-depth classroom training covering among other things general risk awareness, internal processes and the company's tools for corruption risk management. Every three years, the Board of Directors receives more extensive anti-corruption training. In 2019, Saab updated its strategy for anti-corruption training to accommodate future updates of digital HR and training systems.

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 for anonymous reporting online and by phone.

EXAMPLES OF ACTIVITIES IN 2019

- Updated the training strategy.
- Improved Saab's website with respect to anti-corruption work.
- Established annual certification of Code of Conduct and complementary rules for the Group's senior managers.
- Completed three policy audits in Australia, India and Czech Republic.
- Updated rules on gifts and hospitality.

PLANNED ACTIVITIES IN 2020

- Digitise the third party process.
- Launch a corruption risk tool for Enterprise Risk Management.
- Initiate an update of training for positions with a high exposure to corruption.
- Perform policy audits in at least four countries.

Performance indicators

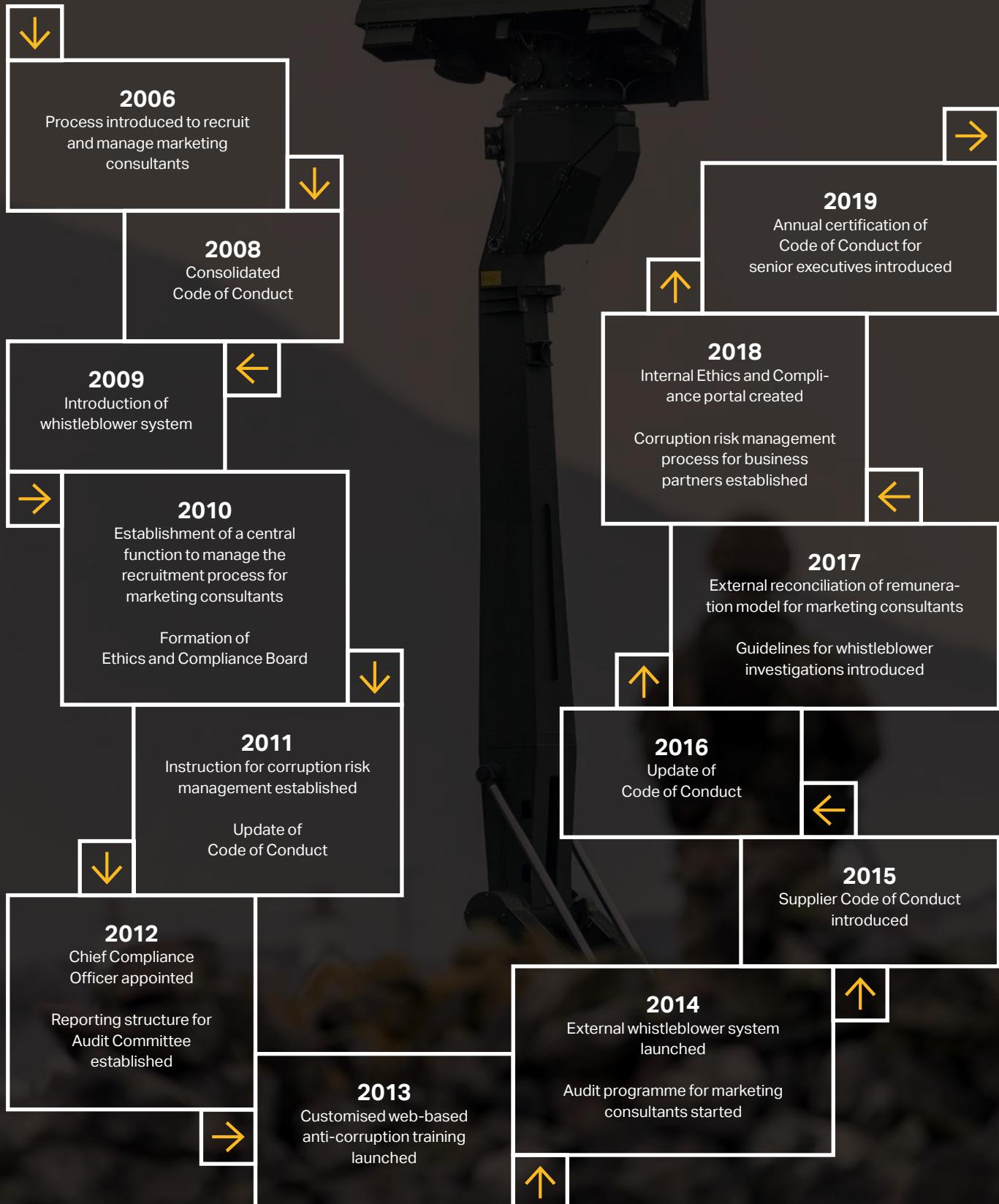
	2018	2019	Goal
Number of extended anti-corruption training sessions since 2011	116	125	-
Number of marketing consultants audited during the year	5	5	5

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
- Managing Business Partners
- Gifts and hospitality
- Sponsorships and social engagement



Environment

To stay competitive 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 its 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 level of the product lifecycle, from product development to disposal.

REDUCE CLIMATE IMPACT

In 2017, Saab set a goal to reduce greenhouse gas emissions by at least 33 per cent by 2030. The goal was set to contribute to the Paris Agreement. In 2019, Saab saw a temporary increase in emissions, which was due to increased test flight activities, primarily for the Airborne Early Warning & Control aircraft.

Climate aspects are an important consideration in Saab's long-term business strategy, since future climate change and requirements could affect our operations. During the year, Saab therefore launched 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 will continue in 2020.

To reduce emissions from its own operations, Saab is also improving energy efficiency in its properties, in addition to installing solar panels where possible.

The large share of Saab's carbon emissions comes from business travel. Because of this, we try in various ways to travel more efficiently and encourage the use of web conferencing. To identify measures with the best effect in terms of emissions and cost savings, Saab conducted travel habit surveys in a large part of its Swedish operations, partly with the help of the so-called CERO model.

In Sweden, train travel increased 12 per cent at the same time that air travel decreased slightly during the year.

During the year, Saab started a climate fund to contribute to reduced climate impact. For each airline trip booked, Saab donates to the fund. The idea is that the money will be used to develop sustainable innovations. This could range from improving an existing product to completely new product ideas. The money can also be used to contribute to the development of fossil-free alternatives.

Saab reports carbon dioxide emissions to the global reporting framework CDP. We are proud that in 2019 we received the rating A- for our work. For information on CDP and Saab's complete report, see www.cdp.net.

PHASE OUT HAZARDOUS SUBSTANCES

Saab works strategically to phase out hazardous substances that affect health and the environment. Extensive requirements are imposed by law and demanded by customers. Saab actively participates in global collaborations such as the International Aerospace Environmental Group (IAEG) to identify alternatives to chemical products, materials and surface treatment processes.

One example of progress during the year was that Saab qualified and introduced paint systems that do not contain hexavalent chromium for painting commercial aircraft parts and missile applications. In addition, we continued to implement chromium-free surface treatment systems.

Due to the high safety and technical performance standards in the aviation and defence fields, not all hazardous substances and materials can be replaced at present.

RESOURCE EFFICIENCY

Saab's products are designed for long operating lives. By utilising resources efficiently in the entire lifecycle, we create products with less environmental impact and lower lifecycle costs, which is typical for Saab's products. One example is Gripen, which besides an optimised design with light materials and low fuel consumption, has a unique maintenance concept that extends its operating life.

Saab conducted a study during the year on water consumption in its operations. This resulted in suggestions to reduce consumption, save energy and cut costs.

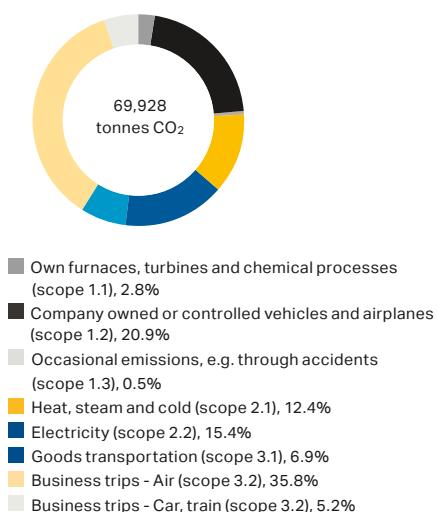
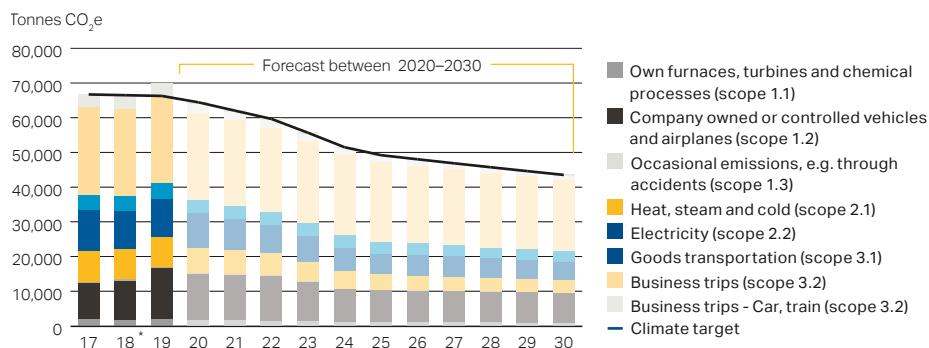
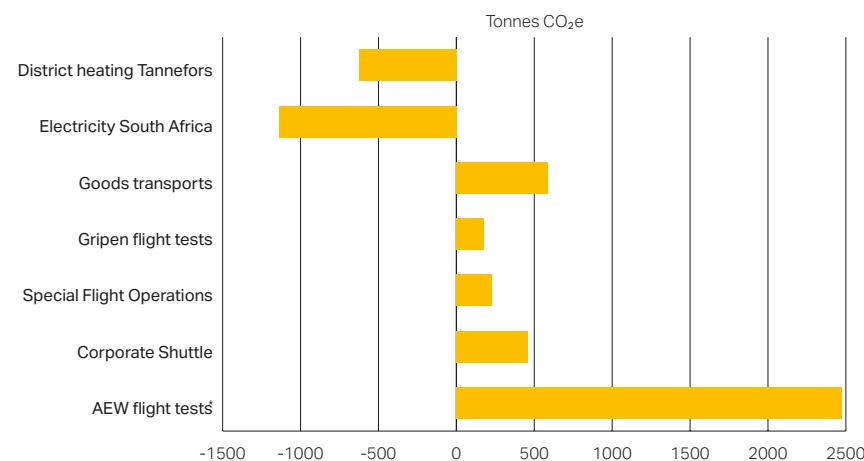
Saab's broad product portfolio contains products and services that contribute to a lower environmental impact, e.g. its traffic management system, which increases efficiency, thereby reducing fuel consumption. The company also participates in several research and development collaborations to create sustainable solutions for the future. For example, Saab is one of the main suppliers to Clean Sky, Europe's largest research program dedicated to reducing aircraft emissions. For more examples, see page 30 and www.saab-group.com.

EXAMPLES OF ACTIVITIES IN 2019

- Launched new environmental strategy.
- More than doubled the number of solar panels on Saab's facility in Göteborg.
- Saab's solar power facility in South Africa, together with other energy improvements, contributed to a 20% reduction in carbon dioxide emissions (corresponding to 1,140 tonnes).
- Conducted travel habit surveys and analysed possible targeted measures to reduce emissions from business and commuter travel.
- Completed a thesis on water consumption efficiencies.
- Actively participated in international research projects to develop alternatives to hazardous substances.
- Implemented IT support for monitoring goals, climate statistics and travel analysis.
- Launched internal climate fund.
- Took measures to optimise operations at the treatment and ventilation facilities in Linköping as well as lighting, resulting in energy savings of approximately 3,520 MWh/year.
- Conducted nightly surveillance of a number of Saab's offices and production facilities to identify energy thieves.
- Began work on moving the runway at Linköping Airport to reduce noise levels over the city.
- Opened another treatment plant at Saab in Karlskrona for process wastewater from rinsing and hydroblasting ship parts.
- Contributed to an update of the European Sustainable Aviation Roadmap for the European aerospace industry.

PLANNED ACTIVITIES IN 2020

- Continue to implement the new environmental strategy globally.
- Continue to analyse financial risks and opportunities associated with climate change based on TCFD's guidelines.
- Promote the climate fund.
- Work with energy efficiency with a focus on the facilities where the potential for improvement is highest.
- Continue to identify and substitute hazardous substances in products, production and maintenance.
- Conduct studies on resource efficiency in areas such as materials and waste.
- Ramp up a new treatment plant at Saab in Karlskrona for spillwater from the docks and for the water used to clean the docks before towing.

GHG emissions by source**GHG emissions relative to Saab's climate target 2030****Major changes in emissions in 2019 compared to 2018**

PwC has provided limited assurance on Saab's emissions of greenhouse gases as presented in the diagrams on page 61. The assurance statement is on page 144.

* Saab had during the year a period with increased test flights for the Air-borne Early Warning (AEW) aircraft. The test flight activities are cyclical and will decrease during the coming years.

PRIMARY RISKS:

- That Saab fails to reduce greenhouse gas emissions
- That Saab fails to develop acceptable alternatives to existing hazardous substances
- 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 through pulse surveys, the results of which serve as a basis for dialog and development between leaders and their employees.

Saab offers various forms of skills and leadership development. This includes training, some of which is mandatory for all employees, and e-learning, which is flexible and cost-efficient. We also promote learning in the form of networks and mentorships and by encouraging employees to take on new challenges.

To identify young talents, Saab uses a well-established talent process where individuals receive training before rising to a leadership position. Employees identified as top talents are given special development plans to gain a more in-depth understanding of the company. The Saab Graduate Leadership Programme is available for recent graduates and those starting out in their careers.

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.

An annual trainee program, offers of summer jobs and master's programmes, school visits, study visits and career fairs are a few examples.

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 66.

HEALTH AND SAFETY

A prerequisite for high performance is that Saab offers a safe, secure and healthy workplace from a physical, organisational and social perspective. Saab has an occupational health and safety policy that has been translated to several languages. During the year, Saab implemented a global process to support proactive occupational health and safety management.

The purpose of the updated process is to involve employees in risk analyses as well as reporting and investigating workplace injuries and incidents. Managers and employees both have to understand the factors that affect occupational health and safety. Training and communication material are continuously updated to increase awareness.

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 a 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.

An overwhelming 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 female managers in ten years, between 2007 and 2017. Saab has remained focused on gender equality and has now raised the target. Each business area's management team has an ambassador for gender equality, diversity and inclusion, who moves the work forward and is responsible for developing business area's action plan. The ambassadors, together with representatives from HR, form a work group for gender equality, diversity and inclusion. 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 due to apartheid. 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).

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 maintain a work-life balance
- That employee health is affected by organisational, social and physical risks in the workspace

PRIMARY POLICY DOCUMENTS:

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

EXAMPLES OF ACTIVITIES IN 2019

- Launched new HR strategy
- Implemented new uniform system support with standardised HR processes for recruiting, performance reviews, talent identification, skills training and handling personal data.
- Launched a new approach to performance reviews in the form of purposeful dialog, partly to give employees a better understanding of what is expected and partly to improve the feedback culture.
- Improved the introduction for new employees through a more digitised flow.
- Implemented a way to work with strategic talent and resource planning.
- Implemented a new strategy to attract the right future talents.
- Began certification of the ISO 45001 occupational health and safety system.
- Continued the implementation of the global occupational health and safety process..

PLANNED ACTIVITIES IN 2020

- Implement a new learning platform.
- Implement new digital support for employees, including shared support for all HR issues.
- Continue the work with strategic talent and resource planning.
- Create opportunities for Saab's managers to receive more time to develop and exercise their leadership.
- Continue the implementation of a new strategy to attract the right future talents.
- Continue the implementation of the ISO 45001 occupational health and safety management system.
- Continue the implementation of the global occupational health and safety process.

25%

Share of female
managers globally

23%

Share of female
employees globally

Performance indicators – Develop

	2018	2019	Goal
Number of training sessions completed by employees during the year (only training booked through Saab's internal training portal)	60,287	75,825	-
Share of employees who respond in the employee survey they are engaged in their work	76%	78,1%	80%
Share of employees who have discussed their personal goals, development and performance with their manager	Measured globally from 2019	Measured globally from 2020	100%
Employee turnover (Sweden)	7,5%	10%	-

Performance indicators – Attract

	2018	2019	Goal
Number of master's degree candidates (Sweden)	227	232	At least 150
Number of summer jobs (Sweden)	423	380	-
Rank in Universum's survey of Swedish engineering students' favourite places to work (Sweden)	6	9	-

Performance indicators – Health and safety

	2018	2019	Goal
Number of reported incidents per workplace injury (a higher propensity to report incidents reduces the risk of workplace injuries)	5	3.2*	10
Lost Time Injury Frequency Rate (LTIFR) (Sweden)	1.72	1.09	-
Number of reported workplace injuries	183	325*	-
Health index (percentage of employees who have taken less than 40 hours of sick leave in a year) (Sweden)	73.4%	74.5%	-
Sick leave (Sweden)	3.15%	3.09%	-
Sick leave, women (Sweden)	4.75%	4.59%	-
Sick leave, men (Sweden)	2.68%	2.64%	-
Number of employees who completed Saab's travel security training steps 1 and 2 as well as first aid training (L-ABC) since 2016	Step 1: 472 Step 2: 146 L-ABC: 167	Step 1: 693 Step 2: 221 L-ABC: 701	-

*Saab's global reporting process is being implemented. The change is largely due to an improved reporting routine globally.

Performance indicators – Diversity

	2018	2019	Goal
Share of women in Group Management	31%	33%	-
Share of women on the Board of Directors (AGM elected)	44 %	40%	-
Share of female summer workers (Sweden)	38%	40%	-
Share of female master's degree candidates (Sweden)	27%	35%	-
Share of women in the Saab skills programme (South Africa)	43%	40%	-
Share of employees outside Sweden	18%	17%	-
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	4	4	-
Share of female managers globally	25%	25%	30%
Share of female employees globally	23%	23%	25%
Share of female managers in Sweden	28%	28%	35%
Share of female employees in Sweden	23%	23%	30%

Human rights

As a responsible company in a global market, it is clear that Saab must respect basic human rights and not cause or contribute to adverse impacts on human rights.

Saab has pledged to apply the UN Global Compact's ten principles and 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 UN's 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 materiel contributes to upholding human rights, it can, if used incorrectly and contrary to international law, also lead to human rights violations. The export of defence materiel therefore represents a great responsibility and is subject to strict regulations.

The UN Charter establishes that every country has the right – and obligation – 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.

The large 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 and if it is consistent with Swedish foreign policy interests. 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 also has its own internal processes to weigh the risks associated with among other

things human rights to evaluate new business opportunities. Saab makes a comprehensive assessment in which several factors are considered.

The company's stance is that international trade can be a way to promote countries' development.

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 Control 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. A new web-based introductory training is scheduled to be available for Saab's employees in the first quarter 2020. 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 US.

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.

The 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 2019

- Held a seminar for employees in procurement to improve awareness and understanding of how responsibility in the supply chain creates sustainable communities and is good business for Saab.
- Began third party audits of suppliers' work from a sustainability perspective.
- Formed internal business area and cross-functional teams on sustainability in the supply chain.
- Launched an e-learning on modern slavery and updated the Supplier Code of Conduct with a section on modern slavery.
- Joined the Swedish Network for Business and Human Rights.
- Participated in Amnesty International's survey on human rights and exports in the defence industry.

PLANNED ACTIVITIES IN 2020

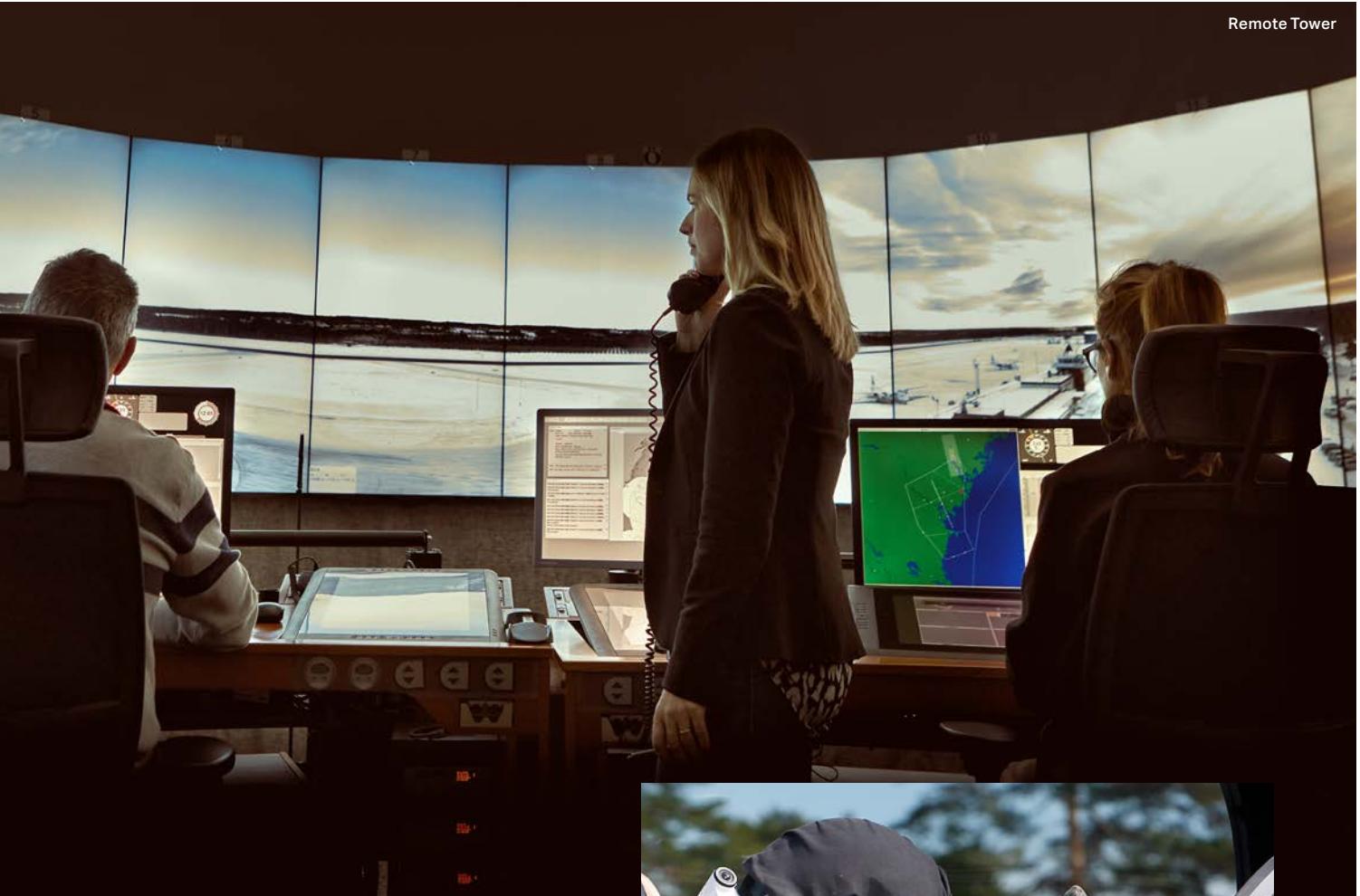
- Conduct third party audits of suppliers to evaluate compliance with Saab's Supplier Code of Conduct.
- Create e-learning on sustainability in the supply chain for the procurement organisation.
- Improve risk analyses of suppliers.
- Continue to integrate human rights in the company's processes.
- Launch new introductory training on export control.

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

Remote Tower

**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
- Occupational health and safety 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 for 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 as well.

Another initiative is designed to simplify partnerships with start-ups. During the year, Saab completed a cross-functional internal project to clarify how such an initiative works and how processes and templates can be simplified to facilitate partnerships. Saab also completed five proof of concepts with various start-ups.

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 coordi-

nates 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, matchmaking 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.saabgroup.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 program where students have close contact with Saab's businesses. See more examples at www.saabgroup.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 per-

sonal 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 information and IT security is critical.

We work continuously to improve global security management within the company, a key element of which is risk management. Every employee and manager has to understand their role in the security work.

Saab continuously trains employees in information security and has policies and processes in place for the work. To go from demand-driven to process-integrated security, Saab established a goal in 2019 to introduce control points for information security in all central processes.

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.

UNIVERSITIES SAAB MAINLY PARTNERS WITH:

- KTH Royal Institute of Technology in Stockholm
- The Institute of Technology at Linköping University
- Chalmers University of Technology, Göteborg
- The Swedish Defence University, Stockholm
- Lund University
- Aalto University, Finland
- Nanyang Technology University, Singapore
- Purdue University, West Lafayette
- Imperial College, London
- Cranfield University

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 2019

- Created process for collaborating with start-ups and implemented five proof of concepts.
- Launched innovation platform in customer countries.
- Provided summer technology school, study visits, technology competitions, mentorship programmes for children and young people from primary to secondary school.
- Introduced ISO 27001 information security management system in all Group functions.
- Made the decision to introduce ISO 27001 information security management systems throughout the Group.

PLANNED ACTIVITIES IN 2020

- Create a Group-level innovation lab in disruptive technologies to integrate them in our products.
- Start an incubator to develop good ideas and create opportunities for them to become a reality.
- Introduce ISO 27001 information security management system in all business areas.
- Develop a Group-wide concept for social engagement.

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

PRIMARY POLICY DOCUMENTS:

- Product safety policy
- Information security policy
- Policy on sponsorships and social engagement
- Code of Conduct

Performance indicators

	2018	2019	Mål
Number of PhD candidates (university collaborations and PhD candidates contribute to innovation capabilities)	54 PhD candidates	45 PhD candidates	Saab will annually have at least 30 PhD candidates
Number of participants in youth seminars on innovation and personal development in equestrian sports.	570	600	-
Participants in "Saab skills programme" (to promote engineering skills and assist those who have previously been locked out of the job market due to apartheid) (South Africa).	106	71	-
Information security will be integrated in all central processes.	-	35%	Information security will be integrated in all central processes.

Giraffe AMB



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 are responsible for monitoring, coordinating and developing corruption preventions and sharing expertise in this area, and Market Network Management, which oversees the process of hiring marketing consultants and other third parties.

REDUCE ENVIRONMENTAL IMPACT

The business areas perform the environmental work, which is ultimately the responsibility of the head of the business area. Goals set at the Group level are broken down for each business area. 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. The Group Environmental Council ensures that external and internal environmental requirements are embraced and met within the business areas. Follow-up and evaluation of the work takes place once a year through management's review, and at audits at different levels within the company.

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, each business area's management team has a diversity ambassador who drives the process forward and is responsible for the business area's activity plan.

The ambassadors from the business areas together with representatives from HR form a

working group for gender equality and diversity. The work is monitored 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 Control 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, HR policy, environmental 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 etc. 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 on Saab's global enterprise system. Saab is certified according to the ISO 14001 environmental management system.

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)
- Global Compact Network Nordic Countries
- CDP
- Global Reporting Initiative
- Green Chain

Stakeholder dialog and materiality analysis

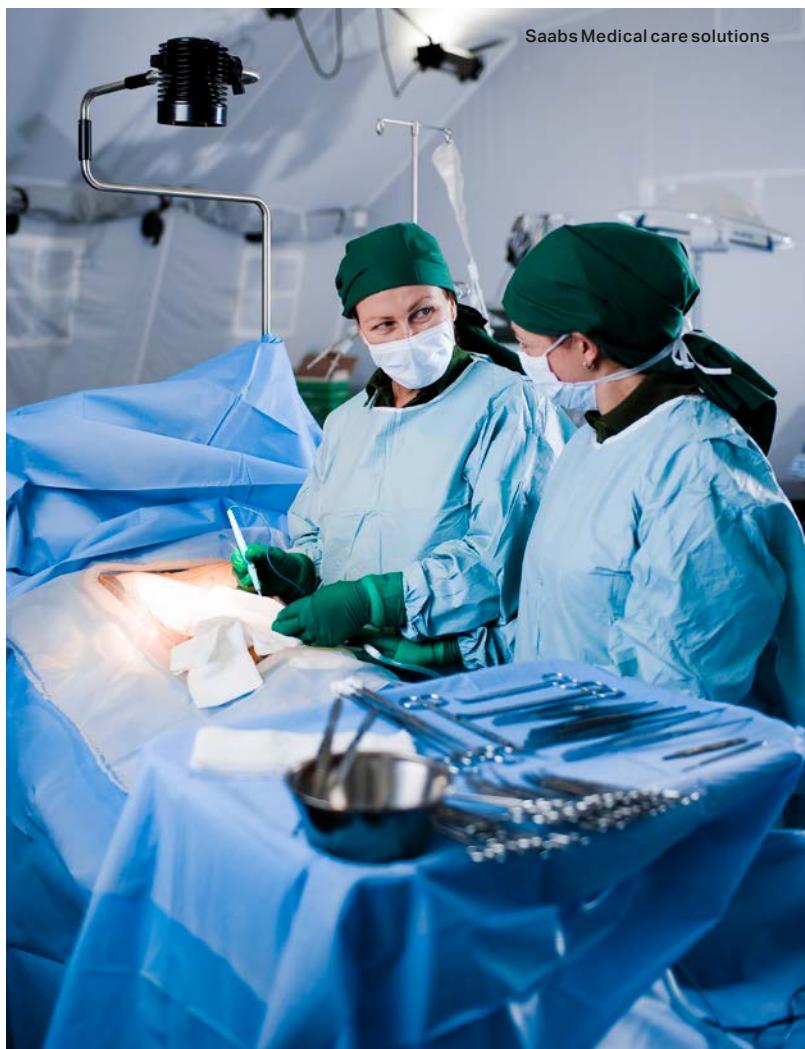
Stakeholders' expectations, together with Saab's own strategic assessment, serve as the basis for selecting priority aspects for Saab's sustainability work (see pages 56–57) and, as a result, the contents of this report. Saab receives input from stakeholders through a number of channels, several

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 opera-

tions are zero tolerance for corruption and export compliance.

Many also want to know more about how Saab works with sustainable innovations. Each stakeholder group also has expectations on Saab based on their specific area of interest.

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
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 och Försvar in Sälen • Collaborations with public organisations and authorities, e.g. the EU and FN • Volunteer work and collaborations with non-profits
Suppliers and partners	<ul style="list-style-type: none"> • Continuous contact with suppliers and partners



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 the 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 calibre weapons and the size of the manufacturing facilities. The environmental impact of these operations primarily arises from emissions of volatile organic compounds (VOCS) and aircraft emissions into the atmosphere, emissions of metals into waterways, the generation of industrial wastes and noise disturbing local surroundings. The operations subject to licensing requirements predominantly entail manufacturing. A new permit for the Tannefors operations was issued by the Land and Environmental Court and gained legal force early 2019.

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 licence in 1990.

With the exception of a few exceeded recommended values, Saab AB did not exceed any of the term of its permits or violate any injunctions in 2019.

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 the 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 runs 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 license by the county administrative board in Örebro.

Saab Bofors Test Center AB also runs operations subject to licensing in the municipalities of Degerfors, Lindesberg, and Härdjedalen. Applied Composites AB runs operations subject to licensing in the municipalities of Linköping (Malmstället). 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 waterways, generation of industrial wastes, storing and transfer of explosive goods, and noise disturbing local surroundings.

With the exception of a few exceeded recommended values, Saab's subsidiaries did not exceed any of the term of its permits or violate any injunctions in 2019.

OPERATIONS SUBJECT TO NOTIFICATION REQUIREMENTS

Saab AB has operations in Arboga, Huskvarna, Ljungbyhed, Linköping (Malmstället) and Nyköping which are subject to notification requirements pursuant to the Environment Code. The permit in Arboga was granted in 1993, but will expire and be replaced in 2020. 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 Stockholm Rules for Issuers, 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 2019. Saab's website, www.saab-group.com, has a special section on corporate governance issues, 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 2019.

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 shall be held within six months of the end of each financial year. Shareholders at the Annual General Meeting 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 2019 were carried out in accordance with the Code, and the AGM 2020 will also comply with the provisions of the Code. The Annual General Meeting of Saab was held on 11 April 2019 in Linköping and was attended by 597 shareholders, representing about 67 per cent of the total number of votes in the company. This year the Annual General Meeting will be held on 1 April 2020 in Stockholm; for more information, see page 145.

On 31 December 2019, 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 shares; see page 85. As of 31 December 2019, Saab held 2,919,484 of its own Series B shares, corresponding to 2.15 per cent of the share capital. For more information on the ownership structure, see page 36.

Largest shareholders, 31 December 2019

Source: Modular Finance	% of capital	% of votes
Investor	30.2	40.4
Knut and Alice Wallenberg Foundation	8.8	7.8
Första AP-fonden	6.4	5.6
Swedbank Robur Fonder	3.7	3.3
AFA Insurance	3.1	2.7
Vanguard	2.0	1.8
Nordea Fonder	1.6	1.4
Unionen	1.2	1.1
BlackRock	0.9	0.8
Amundi	0.8	0.7

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:

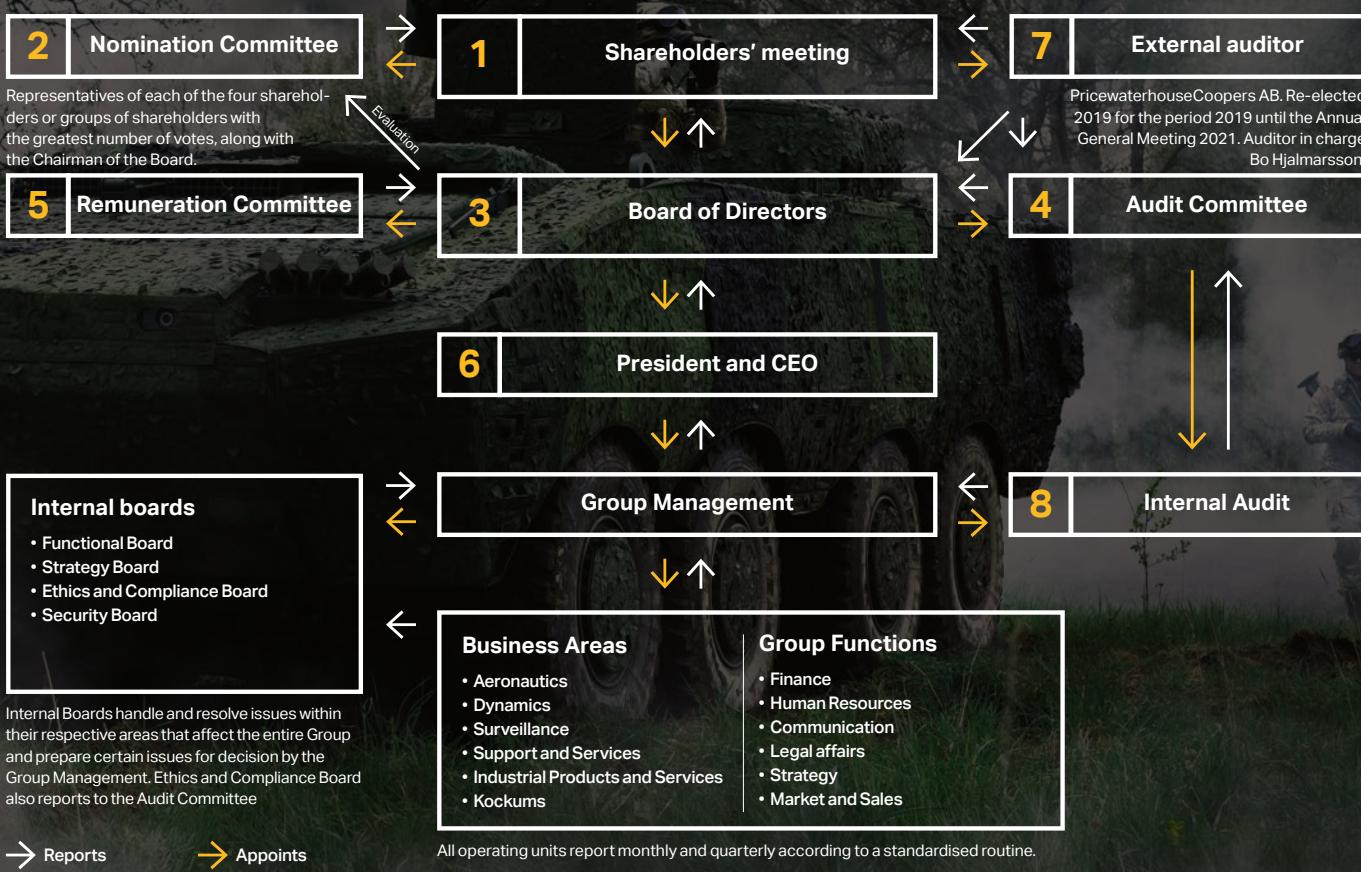
- a) Chairman of the shareholders' meeting
- b) Board of Directors
- c) Chairman of the Board
- d) Remuneration to the members of the Board, allocated between the Chairman and other members of the Board, and remuneration for committee work
- e) Election of auditor, (if applicable), and
- f) Fees paid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

Prior to the Annual General Meeting on 11 April 2019, the Nomination Committee issued a proposal for resolution on the Chairman of the shareholders' meeting, the Board of Directors, Board fees, auditor fee and auditor. The Nomination Committee announced that it had 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 1 April 2020, it was announced in a press release on 25 September 2019 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), Olof Jonasson (Första AP-fonden) and Jan Andersson (Swedbank Robur Fonder). In late November 2019, the composition of the Nomination Committee was changed when Ossian Ekdahl from Första AP-fonden replaced Olof Jonasson from Första AP-fonden. Petra Hedengran is Chairman of the Nomination Committee.

The Nomination Committee members represent in the aggregate approximately 57 per cent of the votes in Saab based on the ownership structure as of 31 August 2019.

GOVERNANCE AND REPORTING



The proposals of the Nomination Committee for resolution at the Annual General Meeting 2020 were announced in connection with the notice of the Annual General Meeting 2020.

Members of the Nomination Committee for Annual General Meeting 2020

Member	Representing	% of votes, 31 Aug 2019	% of votes, 31 Aug 2019
Petra Hedengran	Investor AB	39.69	30.16
Peter Wallenberg Jr	Knut and Alice Wallenberg Foundation	7.62	8.83
Ossian Ekdahl	Första AP-fonden	5.53	6.40
Jan Andersson	Swedbank Robur Fonder	4.54	5.25
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 11 April 2019, 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 11 April 2019, Håkan Buskhe, Sten Jakobsson, Danica Krägic Jensfelt, Sara Mazur, Daniel Nodhäll, Bert Nordberg, Cecilia Stegö Chilò, Erika Söderberg Johnson, Marcus Wallenberg and Joakim Westh were re-elected. Johan Menckel was elected as a new Board member. Marcus Wallenberg was elected Chairman of the Board. Håkan Buskhe later resigned from the Board when he

stepped down as President and CEO of Saab on 22 October 2019.

The current composition of the Board is the result of the Nomination Committee's work prior to the Annual General Meeting 2019 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. During the period 1 January–22 October 2019, only CEO Håkan Buskhe was 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 2019 is set forth in note 8.

Members of the Board elected by the shareholders' meeting

Regualrs

Marcus Wallenberg
Håkan Buskhe*
Sten Jakobsson
Danica Kragic, lensf

Sara Mazur
Johan Menckel
Daniel Nodhäll
Bert Nordberg

Cecilia Stegö Chilò
Erika Söderberg Johnson
Joakim Westh

* resigned on 22 October 2019

Employee representatives

Regulars

Regulars
Stefan Andersson
Göran Gustavsson
Nils Lindskog

Deputies

Deputies
Conny Holm
Magnus Gustafsson
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 78-79.

Independence requirement

The table below 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 2019

Member	Elected	Independent of company/ management	Independent of major shareholders
Marcus Wallenberg	1992	Yes	No ¹⁾
Håkan Buskhe ⁵⁾	2011	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 through 22 October 2019.

³⁾ Member of Investor AB's Board.

⁴⁾ Employed by Investor AB.

⁵⁾ Resigned on 22 October 2019.

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 2019, the Board held one statutory meeting, seven ordinary meetings and three extra meetings, a total of eleven meetings. The Board meetings in 2019 were held in Stockholm, with the exception of two held in connection with the Annual General Meeting in April, which was in Linköping.

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 labour 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 Bäremo, 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 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 2019 were addressed in December. The Board meeting in December 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 2019, 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 also worked during the year on the appointment of a new President and CEO and the Reshaping initiative.

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.

BOARD OF DIRECTORS' COMMITTEE WORK**4 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 2019 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 Bäremo, was Secretary to the Audit Committee in 2019.

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, oversee the performance 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 whistleblower 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 2019, the Audit Committee focused especially on current issues relating to the company's financial position, the financial reporting, execution of major projects, budget, risk management, internal control, assisted the Nomination Committee with its auditor's election proposal, and issues relating to the company's business ethical rules.

The Audit Committee keeps minutes of its meetings, which are distributed upon request to the other members of the Board. In 2019, the Committee held seven 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 2019 are Sten Jakobsson, Marcus 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 Bäremo, was Secretary to the committee in 2019.

The Remuneration Committee's tasks 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. The Remuneration Committee has no decision-making powers of its own. In 2019, 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, the appointment of a new President and CEO, and a review of the remuneration guidelines due to new regulatory requirements. The Remuneration Committee keeps minutes of its meetings, which are distributed upon request to the other members of the Board. In 2019, 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. In 2019, there was no CEO evaluation since the Board instead worked on appointing a new President and CEO.

6 CHIEF EXECUTIVE OFFICER

The President and CEO of Saab through 22 October 2019 was Håkan Buskhe, who during this period was also a member of the Board. The President and CEO from 23 October 2019 is Micael Johansson. His significant professional commitments outside the company, earlier positions and shareholding in the company are set forth in the presentation of the Group Management, see page 81. Micael Johansson does not own shares nor is he a partner in any company with which Saab has material business ties.

GUIDELINES FOR REMUNERATION AND OTHER BENEFITS FOR SENIOR EXECUTIVES

The guidelines for remuneration and other benefits for senior executives are explained on page 82 - 85.

Attendance and board remuneration in 2019

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	11	4	1,900		90	1,990
Håkan Buskhe			10 ⁵⁾					
Sten Jakobsson		x	11	4	700		150	850
Cecilia Stegö Chilö			11		620			620
Danica Krägic Jensfelt			11		620			620
Sara Mazur			11		620			620
Johan Menckel			8 ⁴⁾		620			620
Daniel Nodhäll	x		11	7	620	165		785
Bert Nordberg		x	11	4	620		90	710
Erika Söderberg Johnson	x		11	7	620	165		785
Joakim Westh	x		11	7	620	250		870

¹⁾ Of a total of 11 meetings in 2019.

²⁾ Of a total of 7 meetings of the Audit Committee in 2019 and 4 meetings of the Remuneration Committee in 2019.

³⁾ Refers to the remuneration resolved by the AGM 2019 for the period until the AGM 2020. CEO Håkan Buskhe does not receive remuneration.

⁴⁾ Elected by the AGM in April 2019; thereafter 8 of a total of 8 Board meetings.

⁵⁾ Resigned from the Board on 22 October 2019 and participated in all the meetings prior to his departure.

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 2019 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, auditor in charge. Other major audit assignments: Telefonaktiebolaget LM Ericsson.

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 2018–2019

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 2019 in addition to its audit assignments by consulting on accounting and tax issues.

Auditor's fees for the Group 2018–2019

MSEK	2019	2018
Audit assignments:		
PwC	21	22
Other	3	3
Other assignments:		
PwC	1	5

For further information, see note 9.

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 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 not only critical accounting issues and the financial reports presented by the company, but also matters of strategic importance, e.g. asset acquisitions and sales and how the company will obtain financing. It also covers issues such as internal control, regulatory compliance, any significant uncertainty in reported values, post-statement events, changes in estimates and judgements, and other circumstances that may affect the quality of the financial statements. The auditor, elected by the Annual General Meeting, participated in 5 of 7 meetings of the Audit Committee in 2019.

The Board of Directors has met with the auditor to discuss their review of the company for the financial year 2019. 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 powers 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 authorisation routines, account reconciliations, process compliance, performance analyses and authorisations.

Information and communication

Policies, Group directives and manuals are continuously updated, clearly communicated and available through Saab's internal enterprise management system, which is available on the internal web. 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.
- 8** • 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 reporting from the self-assessment process.
- The company's auditor annually reviews the status of Saab's internal control over financial reporting.

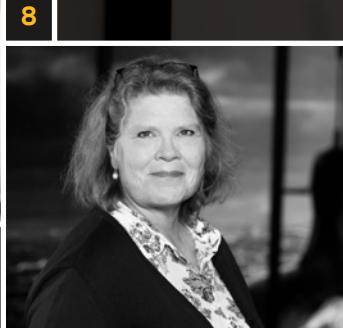
Board of Directors



1



5



8



2



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3



6



1. 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
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, Temasek Holding Ltd 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, Stora Enso Oyj, EQT Holdings AB and Hi3G Holding AB.

2. STEN JAKOBSSON

Member of the Board since 2008 and Deputy Chairman since 2010
Chairman of Saab's Remuneration Committee
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 Cyrlina. Production Manager for Asea Low Voltage Division, Asea central staff - Production trainee.

3. DANICA KRÄGIC JENSFELT

Member of the Board since 2017
Professor, School of Electrical Engineering and Computer Science, Royal Institute of Technology (KTH)
Director of the Centre for Autonomous Systems, KTH
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, the 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 Technical Committee on Computer and Robot Vision and Board member of Research Policy Committee at the KVA.

4. SARA MAZUR

Member of the Board since 2013
Director of Strategic Research, Knut och Alice Wallenbergs Stiftelse
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: 2,500

Other board commitments:
Chair of Wallenberg Autonomous System and Software Program (WASP). Board member of Investor AB, Ambient 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 Research, 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 SICS North Swedish ICT AB and Integrated Transport Research Lab, KTH. Member of Skolstyrelsen, the Strategic Counsel of the school of Electrical Engineering, KTH as well as the board of Wireless@KTH.

5. JOHAN MENCKEL

Member of the Board since 2019
President and CEO of Gränges AB
Born 1971
M.Sc. Engineering (industrial engineering and management), Royal Institute of Technology (KTH)
Shares in Saab: 4,000

Other board commitments:
Board member of Nederman Holding AB and World Materials Forum, France.

Former employment and positions:
Board member of Svenska postkodföreningen. 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.

6. DANIEL NODHÄLL

Member of the Board since 2017
Member of Saab's Audit Committee
Head of Listed Companies, Investor AB
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 Kunskapskolan Education Sweden AB. Investment Manager, Head of Capital Goods at Investor AB.

**7. BERT NORDBERG**

Member of the Board since 2016
Member of Saab's Remuneration Committee
Born 1956
Engineer
Shares in Saab: 10,625

Other board commitments:
Chairman of the Board of Vestas Wind Systems A/S and TDC Group A/S. Board member of Svenska Cellulosa 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 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.

8. CECILIA STEGÖ CHILÖ

Member of the Board since 2010
Adviser to management of corporations and organisations
Born 1959
Studies in political science and economics
Shares in Saab: 1,875

Other board commitments:
Board member of Spendrups Bryggeri AB, Investment AB Spiltan and Centre for Business History.

Former employment and positions:
Chairman of the Board of Gotlands Bryggeri AB, Fortum Värme AB (current Stockholm Energi Holding AB). Board member of AMF Fonder AB, Länsförsäkringar 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.

9. ERIKA SÖDERBERG JOHNSON

Member of the Board since 2017
Member of Saab's Audit Committee
Chief Financial Officer (CFO), Biotage AB (until end of March 2020)
Chief Financial Officer (CFO), Kinnevik AB (as from April 2020)

Other board commitments:
Board member of Qliro Group AB.

Former employment and positions:
CFO at Karo Bio AB, Affibody AB and Global Genomics AB. Investment Banking Advisor at Enskilda, SEB. Board member of Sectra AB and MedCap AB.

10. JOAKIM WESTH

Member of the Board since 2010
Chairman of Saab's Audit Committee
Born 1961
M.Sc. in Aeronautics, Royal Institute of Technology (KTH)
M.Sc. in Aerospace Engineering, Massachusetts 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 Arcam 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

11. STEFAN ANDERSSON

Member of the Board since 2008
President of the Local Salaried Employees' union Unioen at Saab Dynamics AB, Linköping
Born 1970
B.Sc. Mechanical Engineering, Dalarna University
Shares in Saab: 2,540

12. GÖRAN GUSTAVSSON

Member of the Board since 2017 and deputy Board member 1995-2000 and 2008-2016
President of the local trade union IF Metall at Saab AB, Linköping
Born 1953
Employed at Saab AB since 1972
Shares in Saab: 3,055

13. 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
Born 1955
M.Sc.E.E. Chalmers University of Technology
Shares in Saab: 1,489

Deputies

14. MAGNUS GUSTAFSSON

Deputy Board member since 2016
President of the Local Swedish Association of Graduate Engineers at Saab AB, Linköping
Born 1965
M.Sc. in Applied Physics and Electrical Engineering, Linköping Institute of Technology
Shares in Saab: 809

15. 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
Born 1947
Upper secondary engineering education
Shares in Saab: 1,083

16. TINA MIKKELSEN

Deputy Board member since 2016
President of the Local Salaried Employees' union, Unionen at Saab AB, Järfälla
Born 1973
Electrical Engineering, Stockholms Tekniska Institut (STI)
Shares in Saab: 2,024



Group Management

Standing from left:

GÖRGEN JOHANSSON

Senior Vice President and Head of Business Area Dynamics
Born 1964
MBA
Employed 2004
Shares in Saab: 13,941

MAGNUS ÖRNBERG

Executive Vice President and Chief Financial Officer (CFO)
Born 1965
MBA
Employed 2012
Shares in Saab: 21,643

CHRISTIAN HEDELIN

Senior Vice President and Chief Strategy Officer
Born 1969
MSc Electronic Engineering
Employed 2018
Shares in Saab: 488

ANDERS CARP

Senior Vice President and Head of Business Area Surveillance
Born 1971
Employed 2001
Shares in Saab: 6,095

ANNIKA BÄREMO

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: 12,418

JONAS HJELM

Senior Vice President and Head of Business Area Aeronautics
Born 1971
Employed 2006
Shares in Saab: 6,822

JESSICA ÖBERG

Senior Vice President and Head of Industrial Products and Service
Born 1972
Employed 1996
Shares in Saab: 4,726


Seated from left:
LENA ELIASSON

Senior Vice President and Head of Group Human Resources

Born 1967
M.Sc. in Engineering
Employed 2012
Shares in Saab: 13,856

ELLEN MOLIN

Senior Vice President and Head of Business Area Support and Services
Born 1973
MBA
Employed 2006
Shares in Saab: 4,435

DEAN ROSENFIELD

Senior Vice President and Chief Marketing Officer

Born 1968
Master of Management
Employed 2001
Shares in Saab: 1,568

MICHAEL JOHANSSON

President and Chief Executive Officer

Born 1960
B.Sc.+ in Mathematics and Computer Science at University of Uppsala
Employed 1985
Shares in Saab: 15,292

Other board commitments:

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

Former employment and positions:

Deputy CEO Saab AB, Senior Vice President and Head of Business Area Surveillance, Saab AB, President of Avionics and various senior positions within the Saab group.

SEBASTIAN CARLSSON

Senior Vice President and Head of Group Communication

Born 1984
Employed 2012
Shares in Saab: 1,009

Changes in the Group Management

During fourth quarter 2019 Håkan Buskhe left the President and Chief Executive Officer (CEO) position, and replaced by Micael Johansson.

During first quarter 2020, Dean Rosenfield took over as Chief Marketing Officer and joined the Group Management.

During first quarter 2020, Gunnar Wieslander left the position as Head of Business Area Kockums and the Group Management. He was replaced by Lars Tossman.

Other information

GUIDELINES ON REMUNERATION AND OTHER TERMS OF EMPLOYMENT FOR SENIOR EXECUTIVES 2019

Pursuant to the Swedish Companies Act, the Board of Directors shall propose to the Annual General Meeting remuneration guidelines for the company's senior executives. The Annual General Meeting 2019 adopted the Board's proposed guidelines for senior executives as described below.

The senior executives comprise the Chief Executive Officer (CEO) and other members of the Group Management. The members of this group are presented on the company's website. In special cases these guidelines apply to Saab AB Board members, as described below.

Saab shall offer market terms in order to recruit and retain senior executives. 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 against comparable industries and markets shall be practiced.

The guidelines are primarily based on agreements in effect between Saab AB and individual executives. No board fees are paid to members of the Group Management for participation on the boards of the business areas or Saab's subsidiaries.

The Remuneration Committee is responsible for developing and reviewing remuneration and other employment terms for the Group Management.

The Board is entitled to divert from the guidelines if there are reasonable grounds to do so in specific cases.

These guidelines apply as of the Annual General Meeting 2019.

Fixed remuneration

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

Variable remuneration

Saab's operations are dominated by the development of complex products and systems. The products are marketed, further developed, produced and maintained over long periods – in some cases, three or four decades – and normally involve significant investments and long-term relationships with customers

around the world. It is important therefore that senior executives share a long-term view and commitment to the company's operations and profits. As a result, long-term incentives are particularly well-suited to Saab and its shareholders, and consist of share based incentive programmes.

The CEO and senior executives are entitled to participate in the long-term share based incentive programmes adopted by the shareholders' meeting.

One-off agreements on variable cash remuneration may be made in extraordinary circumstances, provided that such agreements are made solely on an individual basis for recruitment or retention purposes or as compensation for extraordinary efforts above and beyond the individual's ordinary duties. Such remuneration shall never exceed the fixed annual salary and shall not be paid more than once a year per individual. Resolutions on such cash remuneration shall be made by the Board based on a proposal from the Remuneration Committee.

Variable cash remuneration shall not be paid under any other circumstances.

Other benefits

All members of the Group Management may be entitled to other benefits in accordance with local practice. The benefits shall help to facilitate the executive's ability to discharge of his or her duties. These benefits shall not constitute a material part of total compensation and shall be equivalent to what is considered reasonable in relation to market practice. Other benefits may for example include a company car, travel, overnight accommodation and medical insurance.

Pension

The retirement age is minimum 62 under pension agreements entered into after 1 January 2005. In addition to the ITP agreement, the pension is premium based and provisions are made annually. For the CEO the provision is limited to 35 per cent of fixed salary. For other senior executives the percentage is based on "Saab Plan" regulation. According to this plan, the percentage is dependent on the number of years remaining until retirement age upon joining the plan. The aggregate insurance balance should cover a targeted pension from age 65 of approximately 32.5 per cent of salary levels between 20 and 30 basic income amounts and approximately 50 per cent of segments above 30 basic income amounts.

All senior executives may also be entitled to enhanced disability pension and survivors' pension.

Other terms

All Group Management executives, including the CEO, may terminate their employment with a maximum of six months' notice. If employment is terminated by Saab the notice period is six months, after which severance equal to one year's salary is paid. An additional year's salary may be paid in the event no new employment is obtained during the first 18 months from the time notice of termination was served.

With respect to employment agreements signed after 1 January 2005 that are terminated by Saab, a maximum severance pay of 18 months may be payable in addition to the normal six-month notice period. The notice period and severance pay in total shall not exceed 24 months.

Severance pay is normally reduced by income from other employment during the corresponding time.

Consulting fees to Board member

In special cases Saab AB's shareholder-elected Board members may receive a fee for services rendered within their respective areas of expertise, separately from their Board duties and for a limited period of time. Compensation for these services shall be paid at market terms.

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 2019

The Board of Directors proposed that the Annual General Meeting 2019 resolve to adopt long-term incentive programme 2020 (LTI 2020), consisting of Share Matching Plan 2020, Performance Share Plan 2020 and Special Projects Incentive 2020. 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 2020

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 2019 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 2020 to adopt guidelines for remuneration that are essentially in line with those that were resolved at the Annual General Meeting in 2019. In order to meet new legal requirements, the proposed guidelines for remuneration are more detailed than the previous guidelines but do not entail any changes in the remuneration structure.

In light of the above, the Board of Directors proposes that the Annual General Meeting resolves on the following guidelines for remuneration and other terms of employment for senior executives. The final remuneration to senior executives is determined by the Board of Directors within the framework prescribed by the guidelines.

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.saabgroup.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 nor-

mally 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.

INCENTIVE PROGRAMME PROPOSED TO THE ANNUAL GENERAL MEETING 2020

The Board of Directors proposes that the Annual General Meeting resolve to adopt long-term incentive programme 2021 (LTI 2021), which consists of three parts: Share Matching Plan 2021, Performance Share Plan 2021 and Special Projects Incentive 2021. 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 resolved over a number of years 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 par-

ticipate 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 2015–2020 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 175 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, 40 per cent to EBIT margin and 30 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 2019 Annual General Meeting, the Performance Share Plan comprises a maximum of 310,000 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 2015–2020 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 45 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 eight 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 2019 Annual General Meeting, the plan covers a maximum of 162,000 shares.

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

The Annual General Meeting 2019 also 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 2020, mainly social security costs. Repurchases may be made on Nasdaq Stockholm.

Further, the Annual General Meeting 2019 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 may be made on Nasdaq Stockholm.

In June 2019, the Board of Directors resolved to utilise its authorisation to repurchase not more than 1,000,000 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 June and July 2019 for MSEK 301.

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Consolidated income statement

MSEK	Note	2019	2018
Sales	4	35,433	33,156
Cost of goods sold		-27,398	-25,392
Gross income		8,035	7,764
Other operating income	6	217	156
Marketing expenses		-2,609	-2,644
Administrative expenses		-1,488	-1,466
Research and development costs		-1,137	-1,267
Other operating expenses	6	-76	-263
Share in income of associated companies and joint ventures	19	-5	-14
Operating income		2,937	2,266
Financial income		190	193
Financial expenses		-520	-663
Net financial items	11	-330	-470
Income before taxes		2,607	1,796
Taxes	13	-582	-430
Net income for the year		2,025	1,366
Attributable to:			
Parent Company's shareholders		1,983	1,313
Non-controlling interest		42	53
Earnings per share before dilution (SEK)	14	14,88	11,27
Earnings per share after dilution (SEK)	14	14,81	11,21

SALES PER REGION

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

SALES PER MARKET SEGMENT

MSEK	2019	2018
Air	16,314	15,776
Land	6,657	5,590
Naval	7,109	6,910
Civil Security	2,410	2,263
Commercial Aeronautics	1,955	1,689
Other	997	928
Total	35,433	33,156

INCOME, MARGIN AND PROFITABILITY

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

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

Total R&D expenditures amounted to MSEK 7,643 (7,562), or about 22 per cent (23) of sales. Internally funded R&D expenditures amounted to MSEK 2,387 (2,223), of which MSEK 1,392 (1,140) was capitalised. Capitalised expenditures are mainly attributable to the development of Gripen E/F for future exports.

Amortisation and write-downs of intangible fixed assets amounted to MSEK 261 (304), of which amortisation and write-downs of capitalised development expenditures amounted to MSEK 142 (184). The share of income in associated companies and joint ventures amounted to MSEK -5 (-14).

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

Adjusted for non-recurring items (see note 43) the operating income for the comparative year of 2018 amounted to MSEK 2,564 with an operating margin of 7.7 per cent.

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

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

ORDERS

Order bookings amounted to MSEK 27,216 (27,975). During the year, Saab received a major order from Finland's Ministry of Defence to provide and integrate the combat system and sensors for Finland's new corvettes in the Squadron 2020 programme worth SEK 4.2 billions. Bookings of small-sized orders grew strongly, up 10 per cent compared to 2018 to MSEK 13,288 (12,057).

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

The order backlog at year-end amounted to MSEK 93,293, compared to MSEK 102,184 at the beginning of the year. During the year, an adjustment was made to the order backlog related to Saab's deliveries to the Airbus A380-programme following the decision of Airbus to terminate the A380-programme in 2021. In total, 69 per cent of the order backlog is attributable to markets outside Sweden.

Order backlog duration:

2020: SEK 28.9 billion

2021: SEK 22.3 billion

2022: SEK 16.1 billion

2023: SEK 13.2 billion

After 2023: SEK 12.8 billion

SALES GROWTH

Percent	2019	2018
Organic sales growth	6	4
Acquisitions	-	1
Currency effects regarding revaluation of foreign subsidiaries	1	-
Total sales growth	7	5

SALES

Sales amounted to MSEK 35,433 (33,156).

The increase is mainly related to a high level of deliveries within the business area Dynamics. In addition, Support and Services and Industrial Products and Services had a strong growth as a result of increased activity within several business areas.

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

Consolidated statement of comprehensive income

MSEK	2019	2018
Net income for the year	2,025	1,366
Other comprehensive income/loss:		
Items that will not be reversed in the income statement:		
Revaluation of net pension obligations	-612	-1,711
Tax attributable to revaluation of net pension obligations	124	308
Total	-488	-1,403
Items that may be reversed in the income statement:		
Translation differences	215	173
Net gain/loss on cash flow hedges:		
Change in value	33	-548
Reversed through profit or loss	168	401
Tax attributable to net gain/loss on cash flow hedges	-43	42
Total	373	68
Other comprehensive income/loss for the year	-115	-1,335
Net comprehensive income/loss for the year	1,910	31
of which Parent Company's shareholders' interest	1,857	-11
of which non-controlling interest	53	42

Revaluation of net pension obligations has had a pre-tax effect of MSEK -612 (-1,711) on net comprehensive income for the year, see note 32 for more information.

The after-tax effect of net gain/losses of cash flow hedges on net comprehensive income amounted to MSEK 158 (-105), see note 36 for more information.

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

The financial net related to pensions is the financial cost for net pension obligations recognised in the balance sheet. See note 32 for more information regarding defined-benefit pension plans.

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

Currency gains/losses recognised in the financial net are mainly related to hedges of the tender portfolio, which are measured at fair value through profit and loss. In the comparative year of 2018, net income was negatively affected by changes in the market

value of derivatives related to hedged tenders mainly in USD.

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

Other net financial items consist of unrealised results from the market valuation of short-term investments and derivatives as well as other currency effects, e.g. changes in exchange rates for liquid assets in currencies other than SEK. Derivatives are used to reduce interest rate risk in the investment portfolio, which consists of long-term interest-bearing securities.

Consolidated statement of financial position

MSEK	Note	31-12-2019	31-12-2018
ASSETS			
Fixed assets:			
Intangible fixed assets	15	10,465	9,057
Tangible fixed assets	16	6,223	6,129
Biological assets	18	368	349
Right-of-use assets	17	2,549	-
Shares in associated companies and joint ventures	19	672	646
Financial investments	22	26	27
Long-term receivables	24	752	554
Deferred tax assets	13	266	382
Total fixed assets		21,321	17,144
Current assets:			
Inventories	25	10,475	9,276
Derivatives	36	1,444	1,096
Tax receivables		26	67
Accounts receivable	26	5,198	5,199
Contract assets	4,26	12,234	10,466
Other receivables	24	710	507
Prepaid expenses and accrued income	27	969	919
Short-term investments	22	5,794	9,003
Liquid assets	28	1,687	2,451
Total current assets		38,537	38,984
TOTAL ASSETS		59,858	56,128
EQUITY AND LIABILITIES			
Equity			
Capital stock	29	2,174	2,174
Other capital contributions		6,099	6,099
Other reserves		434	72
Retained earnings		11,828	11,067
Equity attributable to Parent Company's shareholders		20,535	19,412
Non-controlling interest		274	221
Total equity		20,809	19,633
Liabilities			
Long-term liabilities:			
Long-term lease liabilities	17	2,138	-
Other long-term interest-bearing liabilities	30	6,513	8,196
Other liabilities	34	180	190
Provisions for pensions	32	6,014	5,113
Other provisions	33	1,344	1,081
Deferred tax liabilities	13	40	16
Total long-term liabilities		16,229	14,596
Current liabilities:			
Short-term lease liabilities	17	434	-
Other short-term interest-bearing liabilities	30	1,322	1,068
Contract liabilities	4	8,899	8,890
Accounts payable		3,221	4,077
Derivatives	36	1,706	1,234
Tax liabilities		71	147
Other liabilities	34	1,193	770
Accrued expenses and deferred income	35	5,272	5,097
Provisions	33	702	616
Total current liabilities		22,820	21,899
Total liabilities		39,049	36,495
TOTAL EQUITY AND LIABILITIES		59,858	56,128

For information on the Group's assets pledged and contingent liabilities, see note 37.

Consolidated statement of financial position

STATEMENT OF FINANCIAL POSITION

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

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

Due to the level of completion of large projects, contract assets increased by MSEK 1,768, compared to year-end 2018.

Inventories increased by MSEK 1,119 during the year. The increase mainly relates to future deliveries within business areas Surveillance and Dynamics.

Net provisions for pensions, excluding the special employer's contribution, amounted to MSEK 4,722 as of 31 December 2019, compared to MSEK 4,099 at year-end 2018. The change had a negative effect on net debt of MSEK 623. The increase in provisions is mainly due to a reduction in the discount rate used to

calculate the pension obligation to 1.5 per cent from 2.25 per cent during the year, though the effect was partly offset by a concurrent reduction in the inflation assumption to 1.75 per cent from 2.00 per cent. For further information on Saab's defined-benefit pension plans, see note 32.

Tangible fixed assets amounted to MSEK 6,223 at year-end. Finance leases on aircraft and properties that had previously been classified as tangible fixed assets have been reclassified in connection with the transition to IFRS 16 as right-of-use assets in the balance sheet, affecting the opening balance for 2019 by MSEK 441. Right-of-use assets of MSEK 2,549 have been added as a result of the transition to IFRS 16.

Net investments during the year amounted to MSEK 2,769 (2,796). Investments in tangible fixed assets amounted to MSEK 1,213 (1,481). Investments in intangible assets amounted to MSEK 1,588 (1,338) of which MSEK 1,392 (1,140) related to capitalised R&D expenditures.

Capitalised development expenditures in the balance sheet increased by MSEK 1,252. The increase is mainly related to investments to develop Gripen E/F for future exports. Of the total investments in intangible fixed assets, SEK 196 million (198) related to other intangible fixed assets.

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

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

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 301. In addition, a dividend of MSEK 601 was paid to the parent company's shareholders.

NET LIQUIDITY/DEBT

MSEK	Note	31-12-2019	31-12-2018
Assets			
Liquid assets	28	1,687	2,451
Short-term investments	22	5,794	9,033
Total liquid investments		7,481	11,454
Short-term interest-bearing receivables	24	58	-
Long-term interest-bearing receivables	24	521	449
Long-term receivables attributable to pensions	24	28	6
Total interest-bearing assets		8,088	11,909
Liabilities			
Lease liabilities	17	2,572	-
Liabilities to credit institutions	30	7,789	8,759
Liabilities to associated companies and joint ventures	30	45	43
Other interest-bearing liabilities	30	1	462
Provisions for pensions ¹⁾	32	4,750	4,105
Total interest-bearing liabilities		15,157	13,369
Net liquidity (+) / debt (-)		-7,069	-1,460

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

The average net liquidity/debt during 2019 amounted to MSEK -6,490 (-4,674). Net liquidity/debt excluding interest-bearing receivables, net pension obligations and lease liabilities amounted to MSEK -354 (2,190) on 31 December 2019.

Consolidated statement of changes in equity

MSEK	Capital stock	Ongoing rights issue	Other capital contributions	Other reserves				Total parent company's shareholders' interest	Non-controlling interest	Total shareholder's equity
				Net result of cash flow hedges	Translation reserve	Revaluation reserve	Retained earnings			
Opening balance, 1 January 2018	1,746		543	-302	270	11	11,829	14,097	188	14,285
Effects of change in accounting principles, IFRS 9				14			-18	-4		-4
Adjusted opening balance, 1 January 2018	1,746		543	-288	270	11	11,811	14,093	188	14,281
Net comprehensive income/loss for the year				-98	177		-90	-11	42	31
Transactions with shareholders:										
Rights issue	428		5,578					6,006		6,006
Issue costs			-22					-22		-22
Repurchase of shares						-203		-203		-203
Share matching plan						143		143		143
Dividend						-588		-588	-13	-601
Acquisition and sale of non-controlling interest						-6		-6	4	-2
Closing balance, 31 December 2018	1,746	428	6,099	-386	447	11	11,067	19,412	221	19,633
Opening balance, 1 January 2019	1,746	428	6,099	-386	447	11	11,067	19,412	221	19,633
Net comprehensive income/loss for the year				158	204		1,495	1,857	53	1,910
Transactions with shareholders:										
Rights issue	428		-428							
Repurchase of shares						-301		-301		-301
Share matching plan						185		185		185
Dividend						-601		-601	-4	-605
Acquisition and sale of non-controlling interest						-17		-17	4	-13
Closing balance, 31 December 2019	2,174	-	6,099	-228	651	11	11,828	20,535	274	20,809

For a definition of other reserves, see note 29.

Consolidated statement of cash flows

MSEK	Note	2019	2018
Operating activities:			
Income after financial items		2,607	1,796
Adjustments for items not affecting cash flow	41	2,132	1,808
Dividend from associated companies and joint ventures		20	39
Income tax paid		-408	-479
Cash flow from operating activities before changes in working capital		4,351	3,164
Cash flow from changes in working capital:			
Contract assets and liabilities		-1,649	-3,039
Inventories		-1,141	-1,057
Other current receivables		176	-1,044
Other current liabilities		-218	1,965
Provisions		-325	-479
Cash flow from operating activities		1,194	-490
Investing activities:			
Investments in intangible fixed assets		-196	-198
Capitalised development costs		-1,392	-1,140
Investments in tangible fixed assets		-1,213	-1,481
Sales and disposals of tangible fixed assets		32	23
Investments in and sales of short-term investments		3,219	-4,554
Investments in financial assets		-171	-48
Sale of financial assets		35	62
Investments in operations	41	-	15
Sale of subsidiaries	41	-	33
Cash flow from investing activities		314	-7,288
Financing activities:			
Repayment of loans		-990	-967
Amortisation of lease liabilities		-415	-
Raising of loans		8	3,820
Rights issue		11	5,967
Repurchase of shares		-301	-203
Dividend paid to Parent Company's shareholders		-601	-588
Dividend paid to non-controlling interests		-24	-24
Transactions with non-controlling interests		8	-14
Cash flow from financing activities		-2,304	7,991
CASH FLOW FOR THE YEAR	41	-796	213
Liquid assets at beginning of year		2,451	2,202
Exchange rate difference in liquid assets		32	36
Liquid assets at year-end	41	1,687	2,451

CAPITAL EXPENDITURES

The cash flow effect of capital expenditures in tangible fixed assets amounted to MSEK 1,213 (1,481).

Investments in intangible fixed assets amounted to MSEK 1,588 (1,338), of which MSEK 1,392 (1,140) was related to capitalised development costs and MSEK 196 (198) to other intangible fixed assets.

CASH FLOW

Cash flow from operating activities, excluding taxes and other financial items, amounted to MSEK 1,469 (-372), see note 41.

Operational cash flow amounted to MSEK -1,300 (-2,424). It is defined as cash flow from operating activities and acquisitions and divestments of intangible and tangible fixed assets. Cash flow from operating activities excludes taxes and other financial items but includes amortisation of lease liabilities.

Cash flow is negative mainly as a result of increased working capital related to contract assets and inventories and also utilisation of previous advances and milestone payments.

Free cash flow amounted to MSEK -2,036 (-3,195). For more detailed information on cash flow, see note 41.

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

Parent company income statement

MSEK	Note	2019	2018
Sales	4	21,960	20,998
Cost of goods sold		-17,341	-16,287
Gross income		4,619	4,711
Marketing expenses		-1,587	-1,589
Administrative expenses		-867	-876
Research and development costs		-1,944	-1,757
Other operating income	6	26	53
Other operating expenses	6	-65	-263
Operating income		182	279
Result from financial items:	11		
Result from shares in Group companies		807	941
Result from shares in associated companies and joint ventures		-63	51
Result from other securities and receivables held as fixed assets		55	144
Other interest income and similar items		352	125
Interest expenses and similar items		-189	-51
Income after financial items		1,144	1,489
Appropriations	12	-103	-114
Income before taxes		1,041	1,375
Taxes	13	-248	-300
Net income for the year		793	1,075

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		2019	2018
Net income for the year		793	1,075
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		793	1,075

Parent company balance sheet

MSEK	Note	31-12-2019	31-12-2018
ASSETS			
Fixed assets			
Intangible fixed assets	15	658	617
Tangible fixed assets	16	3,967	3,709
Financial fixed assets:			
Shares in Group companies	39	6,178	6,181
Receivables from Group companies	21	78	68
Shares in associated companies and joint ventures	20	383	366
Receivables from associated companies and joint ventures	21	463	391
Other long-term securities holdings	23	24	25
Other long-term receivables	24	18	18
Deferred tax assets	13	131	148
Total financial fixed assets		7,275	7,197
Total fixed assets		11,900	11,523
Current assets			
Inventories	25	6,996	6,159
Current receivables:			
Accounts receivable	26	2,125	2,250
Receivables from Group companies		3,797	3,540
Receivables from associated companies and joint ventures		10	12
Contract assets		10,095	8,548
Other receivables	24	378	409
Prepaid expenses and accrued income	27	1,961	2,053
Total current receivables		18,366	16,812
Short-term investments		5,783	9,000
Cash and bank balances		1,007	1,623
Total current assets		32,152	33,594
TOTAL ASSETS		44,052	45,117

LIQUIDITY, FINANCING, CAPITAL EXPENDITURES AND NUMBER OF EMPLOYEES

The Parent Company's net debt amounted to MSEK 2,777 at 31 December 2019 compared to MSEK 564 at 31 December 2018.

Investments in tangible fixed assets amounted to MSEK 686 (857). Investments in intangible assets amounted to MSEK 156 (187).

At year-end, the Parent Company had 9,885 employees, compared to 9,672 at the beginning of the year.

EQUITY AND LIABILITIES

Equity	29		
Restricted equity:			
Capital stock		2,174	2,174
Revaluation reserve		663	669
Statutory reserve		543	543
Unrestricted equity:			
Share premium reserve		5,556	5,556
Retained earnings		4,582	4,218
Net income for the year		793	1,075
Total equity		14,311	14,235
Untaxed reserves	40	2,508	2,405
Provisions			
Provisions for pensions and similar commitments	32	238	242
Other provisions	33	1,344	1,085
Total provisions		1,582	1,327
Liabilities			
Liabilities to credit institutions	31	7,788	8,758
Liabilities to Group companies		5,428	6,121
Contract liabilities	4	5,147	5,205
Accounts payable		2,191	2,908
Liabilities to associated companies and joint ventures		45	43
Tax liabilities		29	53
Other liabilities	34	988	607
Accrued expenses and deferred income	35	4,035	3,455
Total liabilities		25,651	27,150
TOTAL EQUITY AND LIABILITIES		44,052	45,117

For information on the Parent Company's assets pledged and contingent liabilities, see note 37.

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 2018	1,746		675	543		4,868		7,832
Effects of change in accounting principles, IFRS 9						-9		-9
Adjusted opening balance, 1 January 2018	1,746		675	543		4,859		7,823
Items reported directly in equity:								
Change in revaluation reserve			-6			6		-
Net comprehensive income/loss for the year							1,075	1,075
Transactions with shareholders:								
Rights issue		428			5,578			6,006
Issue costs					-22			-22
Repurchase of shares						-203		-203
Dividend						-588		-588
Share matching plan						143		143
Closing balance, 31 December 2018	1,746	428	669	543	5,556	4,218	1,075	14,235
Opening balance, 1 January 2019	1,746	428	669	543	5,556	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					-
Issue costs						-301		-301
Dividend						-601		-601
Share matching plan						185		185
Closing balance, 31 December 2019	2,174	-	663	543	5,556	4,582	793	14,311

Parent company statement of cash flows

MSEK	Note	2019	2018
Operating activities:			
Income after financial items		1,144	1,489
Adjustments for items not affecting cash flow	41	387	182
Income tax paid		-254	-265
Cash flow from operating activities before changes in working capital		1,277	1,406
Cash flow from changes in working capital:			
Contract assets and liabilities		-1,783	-3,078
Inventories		-863	-601
Other current receivables		79	-1,293
Other current liabilities		253	1,801
Provisions		-183	-329
Cash flow from operating activities		-1,220	-2,084
Investing activities:			
Shareholders' contributions paid/repaid		-7	-114
Investments in intangible fixed assets		-156	-186
Investments in tangible fixed assets		-686	-858
Sale of tangible fixed assets		8	2
Sale of and investments in short-term investments		3,227	-4,562
Investments in financial assets		-142	-77
Sale of financial assets		6	146
Investments in operations		-1	4
Sale of subsidiaries		9	-
Cash flow from investing activities		2,258	-5,645
Financing activities:			
Change in receivables/liabilities from Group companies		-669	-537
Raising of loans		15	3,820
Repayment of loans		-985	-860
Rights issue		11	5,967
Repurchase of shares		-301	-203
Dividend paid to shareholders		-601	-588
Group contributions and dividends received		876	582
Cash flow from financing activities		-1,654	8,181
CASH FLOW FOR THE YEAR		-616	442
Liquid assets at beginning of year		1,623	1,181
Liquid assets at year-end	41	1,007	1,623

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 2019: 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 21 February 2020, 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 1 April 2020 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.

APPLICATION OF NEW AND REVISED ACCOUNTING RULES

IFRS 16 Leases

The Group has for the financial year 2019 for the first time applied the new standard for lease recognition, IFRS 16 Leases, which is a new standard that replaces IAS 17 Leases.

See note 17 for accounting principles and disclosures related to the Group's obligations as a lessee and note 44 for transition effects in connection with the transition of IFRS 16.

Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest Rate Benchmark Reform

The reform was adopted by the EU in January 2020 and applies as of the financial year 2020 with the option of early application. The Group has opted to apply the rules early for the financial year 2019. The amendment provides reliefs for companies that apply hedge accounting where the hedged risk is, or is linked to, a

benchmark interest rate, since there is uncertainty as to how long or in which form current benchmark interest rates such as LIBOR, EURIBOR and STIBOR will remain. In brief, the amendment specifies that the uncertainty regarding benchmark interest rates will not require discontinuance of hedge accounting. Upon application, in Saab's judgment, there is uncertainty regarding STIBOR, which is the only benchmark interest rate in scope of hedge accounting in the Group. The nominal amount of interest rate swaps that hedge the MTNs with 3-month STIBOR as the base rate is MSEK 4,275.

In addition to above there are a number of additional amendments and interpretations that have entered into force during 2019. None of these have had a 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 or 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 carries financial fixed assets at cost less any write-down and financial current assets according to the lowest value principle. If the reason for write-down has ceased, it is reversed. The Parent Company does not apply the rules for setting off financial assets and liabilities.

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 and paid are recognised through profit or loss in financial income and expenses. 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 prerequisites 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. Today some of Saab's major projects are still under development phase, which means greater uncertainties in risks to take into consideration in revenue recognition and estimation of total costs. 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 4,580 (3,328). 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. 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 period of use is reviewed annually, which may result in necessitate impairment. 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 5,355 (5,310). See note 15 for further information.

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 12,132 (10,752). 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 32 for further information.

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.

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

During 2019, no significant non-recurring items not affecting cash flow were recognised.

Information on large customers

In 2019, Saab had two customers that accounted for 10 per cent or more of the Group's sales: the Swedish Defence Materiel Administration (FMV). FMV is a customer of all business areas and total sales amounted to MSEK 9,152 (10,521). The Brazilian state is mainly a customer to the business area of Aeronautics with sales in 2019 of MSEK 3,921 (3,514).

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	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	
External order bookings	2,737	5,060	6,468	7,084	9,136	7,202	3,641	3,513	4,189	4,006	1,031	1,108	14	2	-	-	27,216	27,975						
Internal order bookings	242	201	238	224	254	168	458	122	1,326	1,338	185	15	-	-	-2,703	-2,068	-	-						
Total	2,979	5,261	6,706	7,308	9,390	7,370	4,099	3,635	5,515	5,344	1,216	1,123	14	2	-2,703	-2,068	27,216	27,975						
External order backlog	42,104	47,316	14,066	13,477	16,241	14,532	8,611	10,634	7,834	9,694	4,690	6,645	-253	-113	-	-	93,293	102,184						
Internal order backlog	16	43	198	168	224	199	375	56	1,201	1,310	162	1	-	-	-2,176	-1,778	-	-						
Total	42,120	47,359	14,264	13,645	16,465	14,731	8,986	10,690	9,035	11,004	4,852	6,646	-253	-113	-2,176	-1,778	93,293	102,184						
External sales	7,949	7,684	5,931	5,042	7,471	7,082	5,685	5,336	5,118	4,654	2,984	3,275	295	83	-	-	35,433	33,156						
Internal sales	269	372	209	277	228	315	136	134	1,438	1,453	23	16	-	-	-2,303	-2,567	-	-						
Total sales	8,218	8,056	6,140	5,319	7,699	7,397	5,821	5,470	6,556	6,107	3,007	3,291	295	83	-2,303	-2,567	35,433	33,156						
Operating income before share in income of associated companies and joint ventures	703	695	677	487	853	631	742	685	239	203	88	160	-360	-581	-	-	2,942	2,280						
Share in income of associated companies and joint ventures	-26	-15	39	48	-	-	-	-	-1	-1	-	13	-17	-59	-	-	-5	-14						
Operating income	677	680	716	535	853	631	742	685	238	202	88	173	-377	-640	-	-	2,937	2,266						
Financial income	1	1	3	3	20	17	9	-	2	3	1	34	339	266	-185	-131	190	193						
Financial expenses	-108	-94	-58	-55	-92	-71	-44	-33	-58	-44	-14	-9	-331	-488	185	131	-520	-663						
Income before taxes	570	587	661	483	781	577	707	652	182	161	75	198	-369	-862	-	-	2,607	1,796						
Taxes ¹⁾	-207	-142	-43	-68	-111	-95	-8	4	-25	-58	-7	-35	-181	-36	-	-	-582	-430						
Net income for the year	363	445	618	415	670	482	699	656	157	103	68	163	-550	-898	-	-	2,025	1,366						
Assets	11,106	9,879	7,317	7,152	16,431	14,763	6,272	5,103	7,066	6,338	4,437	4,379	29,225	28,081	-21,996	-19,567	59,858	56,128						
Of which shares in associated companies and joint ventures	110	78	241	223	4	4	-	-	3	-	-	-	314	341	-	-	672	646						
Liabilities	9,760	9,084	4,866	4,978	10,249	9,115	4,104	3,071	5,062	4,539	3,314	3,278	15,978	14,287	-14,284	-11,857	39,049	36,495						
Operational cash flow	-1,591	-1,096	158	-120	1,156	-1,085	11	369	-302	-351	-70	251	-662	-392	-	-	-1,300	-2,424						
Capital employed	5,237	3,110	4,182	3,774	7,813	7,781	4,255	3,307	5,064	4,515	1,236	1,181	8,179	9,335	-	-	35,966	33,003						
Investments	1,143	917	216	187	583	589	89	121	81	67	33	65	656	873	-	-	2,801	2,819						
Depreciation ²⁾	60	56	76	75	298	273	20	69	86	88	36	30	792	325	-	-	1,368	916						

¹⁾ Current taxes in the Parent Company are reported in Corporate²⁾ Incremental depreciation as a result of the implementation of IFRS 16 Leases, MSEK 411

Group	Sweden				Rest of Europe				North America				Latin America				Asia		
	MSEK	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	
External sales		13,188	13,519		5,677		4,768		3,889		3,155		4,314		3,821		6,464		6,148
as % of sales		37	41		16		14		11 ¹⁾		10		12 ²⁾		12		18		19
Fixed assets		19,461	15,450		577		449		493		495		1		2		168		143

Group	Africa				Australia, etc.				Total			
	MSEK	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
External sales		357	361		1,544		1,384		35,433		33,156	
as % of sales		1	1		4		4		100		100	
Fixed assets		461	469		160		136		21,321		17,144	

¹⁾ Which of US represents 10 (8) % of the Group's total sales.²⁾ Which of Brasil represents 12 (10) % of the Group's total sales.

Note 3, cont.

Sales by operating segment

MSEK	Parent Company	
	2019	2018
Aeronautics	7,959	7,691
Dynamics	1,332	1,326
Surveillance	5,434	5,305
Support and Services	5,083	4,800
Industrial Products and Services	2,152	1,876
Total	21,960	20,998

Sales by geographical market

MSEK	Parent Company	
	2019	2018
Sweden	8,510	8,707
Rest of Europe	3,154	2,789
North America	2,020	1,688
Latin America	4,088	3,653
Asia	3,778	3,818
Africa	235	211
Australia, etc.	175	132
Total	21,960	20,998

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 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) the company's performance creates or improves an asset that the customer controls, or c) the company's performance does not create an asset with an alternative use to the company and the company 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 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 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.

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 2019, sales of defence materiel accounted for 85 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 2019, 63 per cent (59) 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 26 per cent (32) of Saab's sales in 2019.

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 2019 Long-term customer contracts accounted for 62 per cent (64) 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 of retroactive effects during the year was 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 several large customer projects in the development phase. Due to the level of completion of major projects, contract assets increased by MSEK 1,768 during the year. Opening contract liabilities as of 1 January 2019 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 33 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 long-term customer contracts

The order backlog is expected to be realised and recognised as revenue according to the following table:

Order backlog duration:

MSEK	2019	2018
Within 1 year	28,896	27,954
Within 2 years	22,255	20,647
Within 3 years	16,087	18,138
Within 4 years	13,205	13,282
4 years and forward	12,850	22,163
Total	93,293	102,184

Note 4, cont.

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

Sales by customer

MSEK	Parent Company	
	2019	2018
Military customers	19,432	18,593
Civilian customers	2,528	2,405
Total	21,960	20,998

Sales by significant source

MSEK	Parent Company	
	2019	2018
Long-term customer contracts	15,761	15,488
Services	4,729	4,361
Products	1,470	1,149
Total	21,960	20,998

Sales by domain

MSEK	Parent Company	
	2019	2018
Air	15,659	15,374
Land	2,269	2,121
Naval	1,525	1,251
Civil Security	558	589
Commercial Aeronautics	1,949	1,663
Total	21,960	20,998

Sales recognition method

MSEK	Parent Company	
	2019	2018
Overtime	17,771	17,335
Point in time	4,189	3,663
Total	21,960	20,998

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	
	2019	2018
Materials and components	8,259	7,535
Purchased services	4,599	4,037
Personnel costs	14,225	13,524
Depreciation/amortisation and write-downs	1,398	1,039
Other external costs	4,151	4,634
Total	32,632	30,769

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, exchange rate differences on items of an operating nature, 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.

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. Government grants are systematically recognised in the income statement in the same way and over the same periods as the expenses for which the grants are intended to compensate. Government grants related to assets are recognised in the statement of financial position as a reduction in the asset's carrying amount.

MSEK	Group		Parent Company	
	2019	2018	2019	2018
Gain on sale of transfer activity	72	30	-	30
Exchange rate gains on operating receivables/liabilities	32	29	7	10
Government grants	22	4	15	3
Change in fair value of biological assets	19	-	-	-
Gain on sale of tangible fixed assets	13	2	1	2
Gain from other operating activities	11	21	-	-
Gain on sale of associated companies	5	11	-	-
Insurance compensation	2	3	2	2
Gain on sale of Group companies	-	16	-	-
Capital gain on realised accumulated translation differences	-	12	-	-
Trading results	-	1	-	-
Other	41	27	1	6
Total	217	156	26	53

Other operating expenses

MSEK	Group		Parent Company	
	2019	2018	2019	2018
Provisions for guaranteed residual value	-65	-	-65	-
Loss from other operating activities	-9	-3	-	-
Loss on sale and disposal of tangible and intangible fixed assets	-1	-16	-	-12
Exchange rate losses on operating receivables/ liabilities and change in value of derivatives	-	-18	-	-
Capital gain on realised accumulated translation differences	-	-8	-	-
Restructuring costs	-	-200	-	-200
Provision environmental reserve ¹⁾	-	-	-	-48
Other	-1	-18	-	-3
Total	-76	-263	-65	-263

¹⁾ Environmental reserve previously reported in the Group company Lansen Försäkrings AB has been transferred to the Parent Company during 2018. The transaction had no effect on the Group.

For 2019, MSEK 147 (121) has been received. MSEK 153 (99) has been recognised through profit or loss by reducing research and development expenditures and as other operating income. In the statement of financial position at year-end, MSEK 45 (51) is recognised as prepaid income.

Saab and the Ministry of Enterprise, Energy and Communications have reached an agreement with the National Debt Office to co-finance Saab's participation in the Airbus A380 project. The co-financing is in the form of a royalty loan maximised at MSEK 350 in which Saab's obligation to repay is tied to the extent of deliveries. Repayment will take the form of a royalty on each delivery to Airbus. Through 2019, the National Debt Office has paid out a net amount of MSEK 263 (263). The debt as of 31 December 2019 amounted to MSEK 127 (130), which reduces inventory in the financial statements.

No contingent liabilities or contingent assets are reported.

NOTE 8 EMPLOYEES AND STAFF COSTS

The average number of employees in 2019 amounted to 17,174 (16,520), of whom 77 per cent (77) were men. A complete list of the number of employees by country has been sent to the Swedish Companies Registration Office and can be downloaded at www.saabgroup.com, Investor, Financial Data.

Average number of employees¹⁾

	2019	of whom men	2018	of whom men
Parent company				
Sweden	9,523	77%	9,016	77%
Rest of Europe	13	85%	44	89%
North America	4	100%	9	100%
Latin America	21	81%	24	83%
Asia	17	76%	52	83%
Africa	9	89%	44	89%
Parent company, total	9,587	77%	9,189	77%
Group companies				
Sweden	4,519	77%	4,370	78%
Rest of Europe	899	82%	880	81%
North America	741	75%	703	74%
Latin America	57	61%	33	70%
Asia	195	79%	145	78%
Africa	716	72%	814	71%
Australia, etc	460	83%	386	82%
Group companies, total	7,587	77%	7,331	77%
Group, total	17,174	77%	16,520	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.

Note 8, cont.

Gender distribution of corporate management

Share of women, per cent	Parent Company	
	2019	2018
Board of Directors	40	40
Other senior executives	33	31

Salaries, other remuneration and social security expenses

MSEK	2019		2018	
	Salaries and other remuneration	Social security expenses	Salaries and other remuneration	Social security expenses
Parent Company	5,493	2,733	5,218	2,506
of which pension costs ¹⁾		1,001		853
Group companies	4,602	1,397	4,396	1,404
of which pension costs ²⁾		553		582
Group, total	10,095	4,130	9,614	3,910
of which pension costs ³⁾		1,554		1,435

¹⁾ Of the Parent Company's pension costs, MSEK 8 (9) 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 (13), of which MSEK 9 (13) referred to former Board members and President, including deputies and Executive Vice Presidents.

²⁾ Adjustment according to different accounting principles regarding defined-benefit plans between Parent Company and Group. See notes 1 and 32 for more information.

³⁾ Of the Group's pension costs, MSEK 21 (20) referred to the Group's and Group companies' Boards and Presidents. The Group's outstanding pension obligations for these individuals amounted to MSEK 10 (13), of which MSEK 9 (13) referred to former board members and Presidents.

Salaries and other remuneration distributed between Board members, President and Executive Vice Presidents and other employees

MSEK	2019		2018	
	Board, President and Executive Vice Presidents	Other employees	Board, President and Executive Vice Presidents	Other employees
Parent Company	35	5,458	32	5,186
Group companies	91	4,511	84	4,312
Group, total	126	9,969	116	9,498

Of the salaries and remuneration paid to Board members, President and Executive Vice Presidents, MSEK 3 referred to the prior President.

Of the salaries and remuneration paid to other employees in the Group, MSEK 31 (29) referred to senior executives other than Board members, the President and Executive Vice Presidents.

For information on post-employment benefits, see note 32.

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 2019 – April 2020, amount to SEK 7,560,000 (6,625,000), consisting of SEK 1,900,000 (1,750,000) to the Chairman, SEK 700,000 (675,000) to the Deputy Chairman and SEK 620,000 (600,000) 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 2019 – April 2020, committee chairman Joakim Westh also received a fee of SEK 250,000 (225,000) and committee members Erika Söderberg Johnson and Daniel Nodhäll each received a fee of SEK 165,000 (150,000).

For remuneration committee work, during the term April 2019 – April 2020, 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 2019 is shown in the table on page 105.

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.

Håkan Buskhe was President and CEO until 22 October 2019, whereby Micael Johansson assumed the position on 23 October 2019. Both Håkan Buskhe and Micael Johansson have participated in ongoing Performance Share Plan 2015–2019 and Share Matching Plan 2015–2019. As of May 2017, both Håkan Buskhe and Micael Johansson have participated in Saab's performance program Special Projects Incentive 2017–2019. For more detailed information regarding Saab's long-term incentive programmes, see page 106.

In the period 23 October through 31 December 2019, President Micael Johansson received salary and other benefits totalling SEK 3,405,627, of which other benefits, including share related plans, amounted to SEK 645,036. Outstanding matching rights, i.e. vested and expensed but not yet allotted, for President Micael Johansson in Saab's long-term incentive programmes total SEK 630,531 at estimated outcomes.

In the period 1 January through 22 October 2019, President Håkan Buskhe received salary and other benefits totalling SEK 37,809,117 (21,852,742), of which other benefits, including share related plans, amounted to SEK 25,827,439 (7,745,450). 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.

For 2019, the cost of President Håkan Buskhe's pension, including ITP, was SEK 4,350,679 (5,111,922). For 2019 the cost of President Micael Johansson's pension including ITP, was SEK 896,527.

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 11 individuals (12) at 31 December 2019: the Executive Vice President, the Heads of the Business Areas and the Heads of Group staffs. At 31 December 2019, Group Management was comprised of Micael Johansson (President), Magnus Örnberg, Görgen Johansson, Anders Carp, Jonas Hjelm, Gunnar Wieslander, Christian Hedelin, Ellen Molin, Annika Bäremo, Jessica Öberg, Sebastian Carlsson and 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.

Note 8, cont.

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 has been paid during 2019.

All eligible executives have participated in ongoing Performance Share Plan 2015–2019 and Share Matching plan 2015–2019. As of May 2017, all eligible executives participate in Saab's performance programme Special Projects Incentive 2017–2019.

In 2019, other senior executives received salaries and other benefits totalling SEK 62,767,605 (55,148,280), of which other benefits, including share related plans, amounted to SEK 22,298,248 (16,010,185). Outstanding matching rights, i.e. vested and expensed but not yet allotted, for other senior executives in Saab's long-term incentive programmes total SEK 34,335,670 (16,548,267) at estimated outcomes. For more detailed information regarding Saab's long-term incentive programmes, see page 106.

Pension terms

The pension age of 62 years applies to all other senior executives. However, two persons have a pension age according to existing law and collective agreement.

In addition to ITP, 9 members (10) 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 2019, pension costs for other senior executives, including ITP and its equivalent, amounted to SEK 14,639,146 (14,518,065). 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 (10) 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 a company car and medical insurance.

Several senior executives also have benefits in the form of overnight housing and travel.

Note 8, cont.

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.

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 2019. 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 2018

SEK	Base salary/ Board and committee fee	Variable compensation remuneration	Share related plans ³⁾	Other benefits ²⁾	Pension cost	Total
Chairman of the Board						
Marcus Wallenberg	1,787,500	-	-	-	-	1,787,500 ¹⁾
Deputy Chairman						
Sten Jakobsson	812,500	-	-	-	-	812,500
Other Board members						
Sara Mazur	592,500	-	-	-	-	592,500 ¹⁾
Cecilia Stegö Chilò	592,500	-	-	-	-	592,500 ¹⁾
Joakim Westh	817,500	-	-	-	-	817,500 ¹⁾
Bert Nordberg	680,000	-	-	-	-	680,000 ¹⁾
Danica Kragic Jensfelt	592,500	-	-	-	-	592,500
Daniel Nodhäll	742,500	-	-	-	-	742,500
Erika Söderberg Johnson	742,500	-	-	-	-	742,500 ¹⁾
President and CEO Håkan Buskhe	14,107,292		7,571,858	173,592	5,111,922	26,918,251
Other senior executives	39,090,845	47,250 ⁴⁾	14,004,527	2,005,658	14,518,065	69,567,770
Total	60,558,137	47,250	21,576,385	2,179,250	19,629,987	103,846,021

¹⁾ Social security costs are additional, since the fees are invoiced through a limited company. Board members who invoice their Board and Committee fees through a limited company may on their invoices add social security contributions. The social security contributions included in the invoiced amount may not exceed the employer's contribution that the company otherwise would have paid.²⁾ Including compensation for the additional costs incurred due to the benefits.³⁾ Share related plans relate to Share Matching Plans, Performance Share Plans and Special Projects Incentive.⁴⁾ Including remuneration to one senior executives, which, as agreed, was paid in the form of pension premiums.

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 plans are now designated by calendar year, which corresponds to the savings period.

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 2015–2020 are ongoing.

Since 2008, Saab also has a Performance Share Plan for senior executives and key employees. The Performance Share Plan covers a maximum of 175 key employees, 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 relative apportionment between the targets is as follows: 30 per cent of the allotment is attributable to organic sales growth, 40 per cent to EBIT margin and 30 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 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 2015–2020 are ongoing.

In 2017 the Annual General Meeting decided to introduce a new programme, the Special Projects Incentive, as a complement to the Performance Share Plan. The programme is directed at a maximum of 45 key employees, including the President. 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 eight equally weighted performance targets related to Saab's special projects within selected product areas. For the President 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 President and 60 per cent of the cash base salary for the other members of the Group Management.

Number of matching and performance shares have been restated for the programs in accordance with the rights issue in 2018.

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.

EVENTS 2019**2015 Share Matching Plan and Performance Share Plan**

In the Share Matching Plan, shares have been matched three times in 2019 and once in February 2020. After the end of the one-year performance period for the Performance Share Plan 2015, on 31 December 2016, it was determined that the targets had partly been achieved and the Board of Directors approved performance matching as follows. Performance matching has occurred three times in 2019 and once in February 2020.

Performance Share Plan 2015	Reported outcome	Outcome		
		performance targets, %	Weighted,%	Allotment, %
Organic sales growth	5%	73	30	22
EBIT margin	6.3%	10	40	4
Free cash flow	MSEK 2,359	100	30	30
Total allotment				56

2016 Share Matching Plan and Performance Share Plan

In the Share Matching Plan, shares will be matched three times in 2020 and once in February 2021. After the end of the one-year performance period for the Performance Share Plan 2016, on 31 December 2017, 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 2020 and once in February 2021.

Performance Share Plan 2016	Reported outcome	Outcome		
		performance targets, %	Weighted,%	Allotment, %
Organic sales growth	10%	58	30	17
EBIT margin	6.9%	-	40	-
Free cash flow	MSEK 852	100	30	30
Total allotment				47

Note 8, cont.

2017 Special Projects Incentive

According to the resolution of the 2017 Annual General Meeting, Special Projects Incentive 2017 covers a maximum of 80,000 shares.

After the end of the one-year performance period for the Special Projects Incentive (SPI) 2017, on 31 December 2017, it was determined that seven of the eight performance targets had been met, resulting in an outcome of 87.5 per cent of the aggregate performance targets.

The eight performance targets in SPI 2017 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. The targets were tied to among other things construction and design approvals in the Critical Design Reviews and Test Readiness Reviews. There were also performance targets tied to the physical delivery of key subsystems or maiden flight of a new platform. 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 Board of Directors resolved to allot 87.5 per cent of the maximum allotment of performance shares in the plan. The performance shares in SPI 2017 will be delivered in May 2020. A total of 66,687 shares will be allotted in the programme.

2018 Share Matching Plan, Performance Share Plan and Special Projects Incentive

According to the resolution of the 2017 Annual General Meeting, Share Matching Plan 2018 and Performance Share Plan 2018 cover a maximum of 1,260,000 shares. According to the resolution of the 2018 Annual General Meeting, Special Projects Incentive 2018 (SPI 2018) covers a maximum of 130,000 shares.

In the Share Matching Plan, shares will be matched three times in 2021 and once in February 2022.

After the end of the one-year performance period for the Performance Share Plan 2018, on 31 December 2018, 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 2021 and once in February 2022.

Performance Share Plan 2018	Reported outcome	Outcome performance targets, %	Weighted,%	Allotment, %
Organic sales growth	4%	68	30	20
EBIT margin	7.7%	77	40	31
Free cash flow	MSEK -3,195	78	30	24
Total allotment				75

After the end of the one-year performance period for SPI 2018, on 31 December 2018, it was determined that all eight performance targets had been met. The eight performance targets in SPI 2018 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 Critical Design Reviews and First Article Acceptance Test. There were also performance targets tied to the physical delivery of key subsystems or maiden flight of a new platform. 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 Board of Directors resolved to allot 100 per cent of the maximum allotment of performance shares in the plan. The performance shares in SPI 2018 will be delivered in February 2021. A total of 71,389 shares will be allotted in the programme.

2019 Share Matching Plan, Performance Share Plan and Special Projects Incentive

According to the resolution of the 2018 Annual General Meeting, Long-Term Incentive Programme 2019 covers a maximum of 1,340,000 shares.

In the Share Matching Plan, shares will be matched three times in 2022 and once in February 2023.

After the end of the one-year performance period for the Performance Share Plan 2019, on 31 December 2019, 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 2022 and once in February 2023.

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

After the end of the one-year performance period for the Special Project Incentives (SPI) 2019, on 31 December 2019, it was determined that six of the eight performance targets had been met. The eight performance targets in SPI 2019 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 Critical Design Reviews and First Article Acceptance Test. There were also performance targets tied to the physical delivery of key subsystems or maiden flight of a new platforms. 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 Board of Directors resolved to allot 75 per cent of the maximum allotment of performance shares in the plan. The performance shares in SPI 2019 will be delivered in February 2022.

2020 Share Matching Plan, Performance Share Plan and Special Projects Incentive

In April 2019, Saab's Annual General Meeting resolved as in previous years to offer employees the opportunity to participate in a Long-Term Incentive Programme, LTI 2020, consisting of a Share Matching Plan, a Performance Share Plan and a Special Projects Incentive with the same terms as previous programmes. According to the resolution of the Annual General Meeting, Long-Term Incentive Programme 2020 covers a maximum of 1,465,000 shares. Any performance shares in the Special Project Incentive 2020 will be allotted in February 2023. All the plans started in January 2020 and expire in February 2023. The performance period for the two performance related plans is the calendar year 2020.

Number of Series B shares purchased and number of participants, Share Matching Plans, 2015–2019

Share Matching Plan	Number of shares	Number of participants
2015	369,530	5,310
2016	348,290	6,501
2018	434,874	6,996
2019	489,479	7,519

Number of Series B shares purchased and number of participants, Performance Share Plans, 2015–2019

Performance Share Plan	Number of shares	Number of participants
2015	41,135	151
2016	35,168	155
2018	41,726	162
2019	44,808	158

Note 8, cont.

Share Matching Plan
 (number of shares in thousands)

	2015	2016	2018	2019	Total
Number of matching shares eligible at beginning of the year	351	347	378	-	1,076
Allotted during the year (purchased shares)	-	-	79	489	568
Early share matching	-7	-8	-9	-2	-26
Ordinary share matching	-283	-	-	-	-283
Forfeited	-10	-15	-20	-9	-54
Number of matching shares eligible at year-end	51	324	428	478	1,281
Number of participants, 31-12-2019	4,270	5,448	6,329	7,184	
% of total number of employees	25	32	37	42	
Average remaining maturity, years	-	0,8	1,8	2,8	

Performance Share Plan
 (number of shares in thousands)

	2015	2016	2018	2019	Total
Number of matching shares eligible at beginning of the year	38	35	37	-	110
Allotted during the year (purchased shares)	-	-	7	45	52
Early share matching	-2	-1	-2	-	-5
Ordinary share matching	-30	-	-	-	-30
Forfeited	-1	-1	-1	-1	-4
Number of matching shares eligible at year-end	5	33	41	44	123
Number of participants, 31-12-2019	133	146	154	153	
Average remaining maturity, years	-	0,8	1,8	2,8	

Total number of shares eligible at year-end (number of shares in thousands)

	2015	2016	2018	2019	Total
Share Matching Plan	51	324	428	478	1,281
Performance Share Plan	5	33	41	44	123
Less: Shares included in both plans	-5	-33	-41	-44	-123
Total	51	324	427	479	1,281

Recognised expense for above-mentioned plans, including social security expenses, MSEK

	2019	2018
Share Matching Plan 2014	-	23
Share Matching Plan 2015	26	47
Share Matching Plan 2016	52	53
Share Matching Plan 2018	60	21
Share Matching Plan 2019	26	-
Performance Share Plan 2014	-	6
Performance Share Plan 2015	5	9
Performance Share Plan 2016	8	7
Performance Share Plan 2018	18	3
Performance Share Plan 2019	12	-
Special Projects Incentive 2017	11	10
Special Projects Incentive 2018	10	12
Special Projects Incentive 2019	11	-
Total	239	191

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 8 (5) in 2019.

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

MSEK	Group		Parent Company	
	2019	2018	2019	2018
PwC				
Audit assignments	21	22	12	11
where of PwC Sweden	15	14		
Audit work in excess of the audit assignment	1	4	1	4
where of PwC Sweden	1	4		
Other services	-	1	-	1
where of PwC Sweden	-	1		
Other audit firms				
Audit assignments	3	3	-	-
Total	25	30	13	16
where of PwC Sweden	16	19		

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 2019, 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	
	2019	2018
Depreciation/amortisation		
Capitalised development costs	-142	-134
Other intangible fixed assets	-119	-120
Operating properties	-89	-95
Plant and machinery	-246	-256
Equipment, tools and installations	-322	-261
Right-of-use assets ¹⁾	-450	-
Total	-1,368	-866

Write-downs

Capitalised development costs	-	-50
Total	-	-50

¹⁾ MSEK 411 relates to additional depreciation in connection with the implementation of IFRS 16 the remaining MSEK 39 has been reclassified from "Plant and machinery" and "Operating properties".

MSEK	Parent Company	
	2019	2018
Depreciation/amortisation		
Goodwill	-40	-40
Other intangible fixed assets	-74	-72
Buildings	-57	-57
Plant and machinery	-148	-146
Equipment, tools and installations	-212	-163
Total	-531	-478

No write-downs were recognised in the parent company during 2019 or 2018.

NOTE 11 FINANCIAL INCOME AND EXPENSES

MSEK	Group	
	2019	2018
Interest income on loans receivable	80	55
Financial income from revaluation and disposal of financial assets and liabilities measured at fair value through profit or loss	85	133
Other financial income	25	5
Financial income	190	193
Interest expenses on loans and financial liabilities	-185	-151
Interest expenses on lease liabilities	-104	-16
Financial expenses from revaluation and disposal of financial assets and liabilities measured at fair value through profit or loss	-110	-394
Financial expenses related to pensions	-91	-67
Other financial expenses	-30	-35
Financial expenses	-520	-663
Net financial income and expenses	-330	-470

Parent Company	Result from shares in Group companies		Result from shares in associated companies/ joint ventures	
	2019	2018	2019	2018
MSEK	2019	2018	2019	2018
Dividends	40	88	-	-
Group contributions received	757	849	-	-
Capital gain on sale of shares	9	-	-	51
Write-downs	-	-	-63	-
Other	1	4	-	-
Total	807	941	-63	51

Parent Company	Result from other securities and receivables held as fixed assets		Other interest income and similar profit/loss items	
	2019	2018	2019	2018
MSEK	2019	2018	2019	2018
Interest income, Group companies	-	-	111	95
Other interest income	-	-	241	30
Capital gain on sale of shares	3	-	-	-
Dividend	1	-	-	-
Translation differences	15	11	-	-
Net change in value from revaluation of financial assets/liabilities	59	153	-	-
Write-downs of financial assets	-4	-5	-	-
Other	-19	-15	-	-
Total	55	144	352	125

Parent Company	Interest expenses and similar profit/loss items	
	2019	2018
MSEK	2019	2018
Interest expenses, Group companies	-15	-15
Other interest expenses	-174	-36
Total	-189	-51

NOTE 12 APPROPRIATIONS

MSEK	Parent Company	
	2019	2018
Plant and machinery as well as equipment, tools and installations	-65	-98
Total difference between tax depreciation and depreciation according to plan	-65	-98
Tax allocation reserve	-38	-16
Total	-103	-114

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	
	2019	2018
Current tax expense (-)/tax income (+)		
Taxes for the year		
	-378	-479
Adjustment for taxes related to previous years	6	14
Total	-372	-465
Deferred tax expense (-)/tax income (+)		
Deferred tax related to temporary differences	-145	78
Deferred tax related to value of tax loss carry forwards capitalised during the year	11	22
Deferred tax expense due to utilisation of previously capitalised tax value in tax loss carry forwards	-87	-77
Deferred tax related to previous years	-5	-5
Deferred tax related to changed tax rates	16	17
Total	-210	35
Total recognised tax in the Group	-582	-430

The Group's total deferred tax amounted to MSEK -210 (35) and current tax expense for the year amounted to MSEK -372 (-465), leading to a total recognised tax of MSEK -582 (-430) 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	
	2019	2018
Current tax expense (-)/tax income (+)		
Taxes for the year		
	-234	-354
Adjustment for taxes related to previous years	3	14
Total	-231	-340
Deferred tax expense (-)/tax income (+)		
Deferred tax related to temporary differences	-15	59
Deferred tax related to changed tax rates	1	-19
Deferred tax related to previous years	-3	-
Total	-17	40
Total recognised tax in the Parent Company	-248	-300

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 2017	-542	-489	222	833	183	-402	-220	241	138	-36		-36
Effects of change in accounting principles									1	1		1
Opening balance												
1 Jan 2018	-542	-489	222	833	183	-402	220	241	139	-35		-35
Recognised in the income statement	-163	-21	37	6	43	-5	113	-55	80	35		35
Recognised in other comprehensive income	-	-	-	308	-	-	-	-	42	350		350
Acquisition/divestment of operations	-3	3	-	-	-	-	-	-	-	-		-
Translation differences	-3	1	6	1	1	-	-	11	-1	16		16
Closing balance												
31 Dec 2018	-711	-506	265	1,148	227	-407	-107	197	260	366		366
Of which, deferred tax assets	3	9	265	1,148	228	1	-	197	408	2,259	-1,877	382
Of which, deferred tax liabilities	-714	-515	-	-	-1	-408	-107	-	-148	-1,893	1,877	-16
Reclassification			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

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 2019 income statement amounted to MSEK -210 (35). The Group's total deferred tax income/expense in the statement of comprehensive income amounted to MSEK 81 (350). The closing balance on 31 December 2019, MSEK 226 (366), consisted of deferred tax assets of MSEK 266 (382) and deferred tax liabilities of MSEK -40 (-16).

The net change in the year's tax loss carry forwards, excluding acquisition/divestment of operations and translation differences, amounted to MSEK -76 (-55), which is the amount of deferred tax on capitalised tax value in tax loss carry forwards, MSEK 11 (22), and deferred tax expense due to utilisation of previously capitalised tax value in tax loss carry forwards, MSEK -87 (-77).

Other amounts in the "Recognised in the income statement" row in the table above amounted to MSEK -134 (90), which is the total of deferred tax related to temporary differences and deferred tax attributable to previous years.

On transition to IFRS 16 Saab has treated lease liabilities and right-of-use assets as attributable to a single transaction whereby no temporary difference arises 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.

Reconciliation of effective tax

MSEK	Group			
	2019 (%)	2019	2018 (%)	2018
Income before taxes		2,607		1,796
Tax according to current tax rate for the Parent Company	-21.4	-558	-22.0	-395
Effect of other tax rates for foreign operations	-1.4	-36	0.2	4
Effect on changed tax rate	0.6	16	0.9	17
Non-deductible expenses	-1.2	-30	-2.9	-51
Tax-exempt income	1.9	48	1.7	30
Tax on additional non-capitalised tax loss carry forwards	-1.0	-26	-0.4	-7
Revaluation of previously non-capitalised deferred tax assets	0.5	12	-	-
Revaluation of deferred tax assets related to previously capitalized tax loss carry forwards	-	-	-2.2	-40
Tax related to previous years	-	1	0.5	9
Other	-0.3	-9	0.2	3
Reported effective tax	-22.3	-582	-24.0	-430

Capital gains/losses from sale of Group companies, associated companies and other shares have affected tax-exempt income by MSEK 85 (31).

Current and deferred taxes amounted to MSEK -582 (-430), equivalent to an effective tax rate of 22.3 per cent (24.0). The announced corporate tax cut in Sweden led to a lower tax rate due to the revaluation of deferred taxes.

MSEK	Parent Company			
	2019 (%)	2019	2018 (%)	2018
Income before taxes		1,041		1,375
Tax according to current tax rate for the Parent Company	-21.4	-223	-22.0	-303
Effect on changed tax rate	0.1	1	-1.4	-19
Tax allocated to foreign operations	-0.1	-1	0.2	3
Non-deductible expenses	-4.8	-50	-2.5	-35
Tax-exempt income	2.4	25	2.9	40
Tax related to previous years	-	-	1.0	14
Reported effective tax	-23.8	-248	-21.8	-300

Tax items recognised directly against other comprehensive income

MSEK	Group	
	2019	2018
Provisions for pensions	124	308
Cash flow hedges	-43	42
Total	81	350

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	534	370
2022	21	-
2023	5	12
2024	-	28
2034	25	-
2035 or later	1	-
Total tax loss carry forwards	586	410
Recognised deferred tax asset	128	

Tax loss carry forwards attributable to the US operations can be utilised through 2037 but the majority expire in 2034.

At the close of 2019, the Saab Group's unrecognised tax loss carry forwards amounted to MSEK 410 (322).

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

Parent Company MSEK	Deferred tax assets 31-12-2018	Deferred tax liabilities 31-12-2018	Net
Tangible fixed assets	-	-209	-209
Inventories	98	-	98
Accounts receivable	7	-	7
Provisions for pensions	118	-	118
Other provisions	85	-	85
Long-term liabilities	2	-	2
Accrued expenses and deferred income	47	-	47
Tax assets/liabilities, total	357	-209	148
Set-off	-209	-209	-
Tax assets/liabilities, net	148	-	148

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		189
Deferred tax assets expected to be recovered after one year		2,098

Estimated utilisation dates of recognised deferred tax liabilities

MSEK	Group	Parent Company
Deferred tax liabilities due for payment within one year		208
Deferred tax liabilities due for payment after one year		1,853

NOTE 14 EARNINGS PER SHARE

	2019	2018
Net income for the year attributable to Parent Company's shareholders (MSEK)	1,983	1,313
Weighted average number of common shares outstanding:		
before dilution (thousands)	133,245	116,468
after dilution (thousands)	133,929	117,145
Earnings per share, before dilution (SEK)	14,88	11,27
Earnings per share, after dilution (SEK)	14,81	11,21

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.

The number of shares outstanding for the comparative year of 2018 has been adjusted in accordance with IAS 33 Earnings per share, consistent with the terms of the rights issue in 2018.

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 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	
	31-12-2019	31-12-2018	31-12-2019	31-12-2018
Goodwill	5,355	5,310	253	293
Capitalised development costs	4,580	3,328	-	-
Other intangible assets	530	419	405	324
Total	10,465	9,057	658	617

Goodwill

MSEK	Group		Parent Company	
	2019	2018	2019	2018
Acquisition value				
Opening balance, 1 January	6,007	5,874	784	784
Business combinations	-	34	-	-
Divestments	-17	-	-	-
Translation differences	62	99	-	-
Closing balance, 31 December	6,052	6,007	784	784
Amortisation and write-downs				
Opening balance, 1 January	-697	-697	-491	-451
Amortisation for the year	-	-	-40	-40
Closing balance, 31 December	-697	-697	-531	-491
Carrying amount, 31 December	5,355	5,310	253	293

Acquisitions through business combinations 2018 relates to C-leanship A/S.

Capitalised development costs

MSEK	Group		Parent Company	
	2019	2018	2019	2018
Acquisition value				
Opening balance, 1 January	9,084	7,916	2,000	2,000
Internally developed assets	1,392	1,140	-	-
Disposals and reclassifications	-	8	-	-
Translation differences	24	20	-	-
Closing balance, 31 December	10,500	9,084	2,000	2,000
Amortisation and write-downs				
Opening balance, 1 January	-5,756	-5,556	-2,000	-2,000
Amortisation for the year	-142	-134	-	-
Write-downs for the year	-	-50	-	-
Translation differences	-22	-16	-	-
Closing balance, 31 December	-5,920	-5,756	-2,000	-2,000
Carrying amount, 31 December	4,580	3,328	-	-

Note 15, cont.

Other intangible assets

MSEK	Group		Parent Company	
	2019	2018	2019	2018
Acquisition value				
Opening balance, 1 January	2,276	2,117	1,730	1,562
Business combinations	-	22	-	-
Investments	196	198	156	186
Disposals and reclassifications	24	-77	-7	-18
Translation differences	14	16	-	-
Closing balance, 31 December	2,510	2,276	1,879	1,730
Amortisation and write-downs				
Opening balance, 1 January	-1,857	-1,792	-1,406	-1,353
Amortisation for the year	-119	-120	-74	-72
Business combinations	-	-8	-	-
Disposals and reclassifications	8	77	6	19
Translation differences	-12	-14	-	-
Closing balance, 31 December	-1,980	-1,857	-1,474	-1,406
Carrying amount, 31 December	530	419	405	324

Acquisitions through business combinations 2018 relates to C-leanship A/S.

Amortisation is included in the following lines in the income statement

MSEK	Group		Parent Company	
	2019	2018	2019	2018
Cost of goods sold	119	120	114	112
Research and development costs	142	184	-	-

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.

Other intangible fixed assets

Of the carrying amount, MSEK 530 (419), MSEK 498 (358) is attributable to licenses for operating systems etc and MSEK 32 (61) is attributable to acquired values which relate to expenses incurred for customer relations, trademarks, patents and values in the order backlog.

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	31-12-2019	31-12-2018
Dynamics	681	674
Surveillance	3,129	3,112
Support and Services	330	330
Industrial Products and Services	918	896
Kockums	264	264
Corporate	33	34
Total goodwill	5,355	5,310

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.

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 2019 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	
	31-12-2019	31-12-2018	31-12-2019	31-12-2018
Operating properties/ buildings and land ¹⁾	2,270	2,051	1,489	1,420
Plant and machinery ²⁾	1,598	1,854	1,005	925
Equipment, tools and installations	1,071	1,000	701	648
Construction in progress	1,284	1,224	772	716
Total	6,223	6,129	3,967	3,709

¹⁾ In the Group, the reported amount refers to operating properties. In the Parent Company, the reported amount refers to buildings and land.

²⁾ Finance leases on aircraft and properties that were classified as tangible fixed assets have on transition to IFRS 16 been reclassified to right-of-use assets in the balance sheet and as a result effected opening balance in 2019 with MSEK 441.

Operating properties/buildings and land¹⁾

MSEK	Group		Parent Company	
	2019	2018	2019	2018
Acquisition value				
Opening balance, 1 January	5,145	5,057	2,161	2,140
Effects of change in accounting principles IFRS 16	-151	-	-	-
Investments	387	123	130	30
Reclassifications	4	6	-	-5
Divestments and disposals	-127	-40	-6	-4
Translation differences	-1	-1	-	-
Closing balance, 31 December	5,257	5,145	2,285	2,161
Depreciation and write-downs				
Opening balance, 1 January	-3,094	-2,998	-1,638	-1,581
Effects of change in accounting principles IFRS 16	79	-	-	-
Depreciation for the year	-89	-95	-57	-57
Divestments and				
Reclassifications	123	8	2	-
Translation differences	-6	-9	-	-
Closing balance, 31 December	-2,987	-3,094	-1,693	-1,638
Revaluations				
Opening balance, 1 January	-	-	897	897
Closing balance, 31 December	-	-	897	897
Carrying amount, 31 December	2,270	2,051	1,489	1,420

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	
	2019	2018	2019	2018
Acquisition value				
Opening balance, 1 January	5,589	5,103	3,078	2,866
Effects of change in accounting principles IFRS 16	-473	-	-	-
Investments	342	516	233	250
Reclassifications	-6	-13	-1	5
Divestments and disposals	-82	-61	-47	-43
Translation differences	52	44	-	-
Closing balance, 31 December	5,422	5,589	3,263	3,078
Depreciation and write-downs				
Opening balance, 1 January	-3,735	-3,508	-2,153	-2,048
Effects of change in accounting principles IFRS 16	104	-	-	-
Depreciation for the year	-246	-256	-148	-146
Reclassifications	9	12	-	-
Divestments and disposals	81	58	43	41
Translation differences	-37	-41	-	-
Closing balance, 31 December	-3,824	-3,735	-2,258	-2,153
Carrying amount, 31 December	1,598	1,854	1,005	925

Note 16, cont.

Equipment, tools and installations

MSEK	Group		Parent Company	
	2019	2018	2019	2018
Acquisition value				
Opening balance, 1 January	2,779	2,442	1,747	1,469
Business combinations	-	20	-	-
Investments	370	458	267	342
Reclassifications	22	10	-2	-1
Divestments and disposals	-85	-159	-37	-63
Translation differences	38	8	-	-
Closing balance, 31 December	3,124	2,779	1,975	1,747
Depreciation and write-downs				
Opening balance, 1 January	-1,779	-1,637	-1,099	-955
Depreciation for the year	-322	-261	-212	-163
Business combinations	-	-11	-	-
Reclassifications	-8	-15	1	-
Divestments and disposals	70	144	36	59
Translation differences	-14	1	-	-
Closing balance, 31 December	-2,053	-1,779	-1,274	-1,099
Carrying amount, 31 December	1,071	1,000	701	648

Acquisitions through business combinations 2018 relates to C-leanship A/S.

Construction in progress

MSEK	Group		Parent Company	
	2019	2018	2019	2018
Acquisition value				
Opening balance, 1 January	1,224	852	716	480
Investments	114	384	56	236
Reclassifications	-56	-	-	-
Divestments	-	-9	-	-
Translation differences	2	-3	-	-
Carrying amount, 31 December	1,284	1,224	772	716

Investments in construction in progress refer to a net of new investments and reclassifications to other asset classes.

Collateral

On 31 December 2019 property with a carrying amount of MSEK 0 (0) was pledged as collateral for bank loans.

NOT 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 recognised as of the closing day, the Group has signed a lease on a property it will receive access to in Q2 2020. The contract has a term of 8 years and is expected to increase right-of-use assets and lease liabilities by MSEK 89.

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 collateral 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.

PREVIOUS ACCOUNTING PRINCIPLE AND TRANSITION TO IFRS 16

IFRS 16 Leases replaced IAS17 Leases as of 2019. Leasing was classified under IAS 17 in the consolidated accounts as either finance or operating lease. Finance lease existed when the economic risks and benefits of ownership were essentially transferred to the lessee; otherwise it was classified as operating leasing meaning it was not recognised in the statement of financial position. The transition to IFRS 16 is described in more detail in note 44.

The following tables provide information on leases.

MSEK	2019		
	Properties	Other	Group
Opening balance, 1 January	2,172	553	2,725
New leases	159	76	235
Depreciation	-331	-120	-451
Revaluation	29	-	29
Translation differences	11	-	11
Closing balance, 31 December	2,040	509	2,549

Note 17, cont.

Lease liabilities	2019
MSEK	Group
Opening balance lease liabilities, 1 January	2,695
of which long-term leases	2,296
of which short-term leases	399
New leases	232
Expensed interest	102
Lease fees paid	-517
Revaluation	33
Translation differences	27
Closing balance, 31 December	2,572
of which long-term leases	2,138
of which short-term leases	434

Of the lease liabilities, undiscounted lease fees due within one year from the closing day amount to MSEK 541, MSEK 1,079 in the range from one to three years and MSEK 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 1,118.

Result from leases that are not recognised as right-of-use assets and lease liabilities	Group
MSEK	2019
Costs for short-term leases	58
Costs for leases for assets of low-value	9
Summa	67

Lease fees paid for leases that are not recognised as right-of-use assets and lease liabilities amounted to MSEK 67 whereby the Group paid total lease fees of MSEK 584. Contractual obligations for short-term leases amounted to MSEK 22 as of 31 December 2019.

In 2018, costs for operating leases amounted to MSEK 596. The following disclosure concerns the Group's leases for the comparative year 2018.

MSEK	Group	
	Facilities and buildings	Plant and machinery
Outcome		
2018	411	185
Contracted		
2019	378	150
2020	313	75
2021	265	26
2022	225	3
2023	206	1
2024 and forward	1,163	-
Total contracted	2,550	255

Disclosure of leases recognised as finance leases in 2018 can be found in note 16.

The following table provide the result of lease contracts for the Parent Company.

MSEK	2019		2018	
	Buildings and land	Plant and machinery	Buildings and land	Plant and machinery
Expensed lease fees	283	154	280	161
of which variable lease fees	-	-	-	-
Contracted lease fees				
Within 1 year	275	118	289	122
1 to 3 years	640	189	677	394
Later than three years	1,138	217	1,319	-
Total contracted	2,053	524	2,285	516

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	
	2019	2018
Living forest		
Carrying amount, 1 January	349	352
Investments	-	-
Change in fair value	33	13
Less fair value logging	-14	-16
Carrying amount, 31 December	368	349
Of which fixed assets	368	349

On 31 December 2019, biological assets consisted of approximately 395,000 m³sk of spruce, 776,000 m³sk of pine and 95,000 m³sk of hardwood. Forest growth is estimated at 41,000 m³sk per year. During the year, approximately 37,000 m³sk of timber was felled, which had a fair value in the Group, after deduction of selling expenses, of MSEK 14 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 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.

		Group	
MSEK	2019	2018	
Carrying amount, 1 January	646	700	
Acquisition of associated companies and joint ventures	38	18	
Sales of associated companies and joint ventures	-51	-50	
Share in income of associated companies and joint ventures ¹⁾	-5	-14	
New share issues/infusion of capital	44	10	
Repayment of contributed capital	-	-3	
Adjustment against receivable	-	5	
Translation differences	20	19	
Dividends	-20	-39	
Carrying amount, 31 December	672	646	

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 2019, Saab has sold Saab Grintek Technologies Ltd. Fortis Marine Solutions Pte Ltd and Gripen International KB has been liquidated.

Aggregate net income for Saab's associated companies amounted to MSEK -127 (-46) and other comprehensive income/loss to MSEK 56 (47), producing net comprehensive income/loss of MSEK -71 (-1).

For Saab's joint ventures, net income amounted to MSEK 216 (27) and other comprehensive income to MSEK 8 (12), producing net comprehensive income of MSEK 224 (39).

Saab's share in income of associated companies and joint ventures amounts to MSEK -5 (-14). Shares in associated companies and joint ventures as of 31 December 2019 include goodwill of MSEK 115 (114).

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.

2019, MSEK	Country	Sales	Income	Assets	Liabilities	Ownership		Share in income of associated companies and joint ventures	Carrying amount, shares in associated companies and joint ventures
						Equity	interest, % ¹⁾		
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	-	35.0%	-5	-
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.

2018, MSEK	Country	Sales	Income	Assets	Liabilities	Ownership		Share in income of associated companies and joint ventures	Carrying amount, shares in associated companies and joint ventures
						Equity	interest, % ¹⁾		
Associated companies									
Akaer Participações S.A.	Brazil	163	-55	469	191	278	28.2	-15	78
AVIA SATCOM Co., Ltd	Thailand	39	-	453	48	405	25.1	-	102
FFV Services Private Limited	India	48	4	157	21	136	49.0	2	67
S.N. Technologies SA	Switzerland	91	23	89	17	72	50.0	11	36
Taurus Systems GmbH	Germany	348	53	1,014	921	93	33.0	18	31
UMS Skeldar AG	Switzerland	18	-99	534	417	117	47.0	-46	55
Wah Nobel (Pvt) Ltd	Pakistan	279	62	351	66	285	27.0	17	77
Other associated companies, mainly in the ventures portfolio		591	-34	609	388	221		-15	70
Total associated companies		1,577	-46	3,676	2,069	1,607		-28	516
Joint ventures									
Fortis Marine Solutions Pte Ltd	Singapore	-	26	-	-	-	49.0	13	1
Järfälla-Veddesta Holdings AB	Sweden	-	-	704	704	-	35.0	-	-
Saab Grintek Technologies Ltd	South Africa	305	-	108	40	68	70.0	-	47
Vricon Inc.	USA	184	1	206	41	165	50.0	1	82
Total joint ventures		489	27	1,018	785	233		14	130
Total		2,066	-19	4,694	2,854	1,840		-14	646

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	
	2019	2018
Accumulated acquisition value		
Opening balance, 1 January	366	369
Acquisitions	80	24
Divestments	-	-25
Dividends	-	-2
Write-downs ¹⁾	-63	-
Closing balance, 31 December	383	366
Carrying amount, 31 December	383	366

¹⁾ Refers to Akaer Participações S.A.

Specification of Parent Company's (co-owner's) directly owned holdings of shares in associated companies and joint ventures

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	-
Total		383

2018 MSEK	% of votes and capital	Carrying amount
Associated companies		
Akaer Participações S.A., Brazil	28,2	113
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	6
UMS Skeldar AG, CHE-113.226.140, Switzerland	47,0	56
Combient AB, 556985-1560, Järfälla	24,9	29
Joint ventures		
Vricon Inc., USA	50,0	83
Järfälla-Veddesta Holdings AB, 559025-4024, Linköping	35,0	-
Industrigruppen JAS AB, 556147-5921, Stockholm	80,0	-
Total		366

NOTE 21 RECEIVABLES FROM GROUP COMPANIES

Parent Company MSEK	Long-term receivables from Group companies	Long-term receivables from associated companies and joint ventures	
		2019	2018
Accumulated acquisition value			
Opening balance, 1 January	68	81	391
Adjusted opening balance IFRS 9	-	-	-4
Change in reserve for excepted credit losses	-	-	-3
Settled receivables	15	11	77
Additional receivables	-5	-24	-10
Translation differences	-	-	8
Closing balance, 31 December	78	68	463
Closing balance, 31 December	78	68	463

NOTE 22 FINANCIAL INVESTMENTS

MSEK	Group	
	31-12-2019	31-12-2018
Financial investments held as fixed assets		
Financial assets measured at fair value through profit or loss:		
Shares and participations	26	27
Total	26	27
Short-term investments held as current assets		
Financial assets measured at fair value through profit or loss:		
Interest-bearing securities	5,794	9,003
Total	5,794	9,003

NOTE 23 OTHER LONG-TERM SECURITIES HOLDINGS

MSEK	Parent Company	
	2019	2018
Accumulated acquisition value		
Opening balance, 1 January	42	40
Acquisitions	2	3
Divestments	-3	-1
Closing balance, 31 December	41	42
Accumulated write-downs		
Opening balance, 1 January	-17	-17
Closing balance, 31 December	-17	-17
Carrying amount, 31 December	24	25

Acquisition in 2019 refers to AMEXCI AB.
Divestment in 2019 refers to the sale of apartment in Brf Loket 14.

NOTE 24 LONG-TERM RECEIVABLES AND OTHER RECEIVABLES

MSEK	Group	
	31-12-2019	31-12-2018
Long-term receivables held as fixed assets		
Receivables from associated companies, interest-bearing	308	226
Receivables from joint ventures, interest-bearing	213	223
Receivables attributable to pensions, interest-bearing	28	6
Other non interest-bearing receivables	203	99
Total	752	554

Note 24, cont.

MSEK	Group	
	31-12-2019	31-12-2018
Other receivables held as current assets		
Receivables from associated companies, interest-bearing	2	-
Receivables from associated companies, non interest-bearing	38	19
Receivables from joint ventures, non interest-bearing	7	10
Advance payments to suppliers	81	42
Other interest-bearing receivables	56	-
Other non interest-bearing receivables	526	436
Total	710	507

MSEK	Parent Company	
	31-12-2019	31-12-2018
Other long-term receivables		
Non interest-bearing receivables	18	18
Total	18	18

MSEK	Parent Company	
	31-12-2019	31-12-2018
Other receivables held as current assets		
Non interest-bearing receivables	378	409
Total	378	409

MSEK	Parent Company	
	2019	2018
Long-term receivables		
Accumulated acquisition value		
Opening balance, 1 January	18	19
Additional receivables	-	-
Settled receivables	-	-1
Closing balance, 31 December	18	18

NOTE 25 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	
	31-12-2019	31-12-2018
Raw materials and consumables	4,664	3,778
Work in progress	4,720	4,346
Finished goods and goods for resale	1,091	1,152
Total	10,475	9,276

Saab and the Swedish Ministry of Enterprise and Innovation have reached an agreement with the National Debt Office to co-finance Saab's participation in the Airbus A380 project. The co-financing is in the form of a royalty loan maximised at MSEK 350 in which Saab's obligation to repay is tied to the extent of deliveries. Repayment is made in the form of a royalty on each delivery to Airbus. Through 2019, the National Debt Office has paid out MSEK 263 (263). The debt as of 31 December 2019 amounted to MSEK 127 (130), which reduced inventory in the financial statements.

The Group's cost of goods sold includes inventory write-downs of MSEK 103

(169). The reversal of previous write-downs amounted to MSEK 73 (46).

MSEK	Parent Company	
	31-12-2019	31-12-2018
Raw materials and consumables	2,545	2,146
Work in progress	3,594	3,052
Finished goods and goods for resale	834	913
Advance payments to suppliers	23	48
Total	6,996	6,159

Cost of goods sold for the Parent Company includes inventory write-downs of MSEK 94 (159) after the reversal of previous write-downs of MSEK 68 (44).

NOTE 26 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 worst-case scenario, default scenario and best-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 80 per cent in the calculation and the other two scenarios 10 per cent each. Finally, an evaluation is performed in order to identify whether adjustments to the calculated provision is needed to capture credit risk that is not captured by the calculation models.

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 2019 the Group's outstanding accounts receivable amounted to MSEK 5,198 (5,199) of which MSEK 4,238 (4,282) were attributable to defense-related operations. Contract assets amounted to MSEK 12,234 (10,466) of which 11,166 (9,656) 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 2019.

Defence-related sales accounted for 85 per cent (85) of total sales, where the counterparties in most accounts receivable are nations with high creditworthiness. The Group's receivables are mainly within the EU, which accounted for 69 per cent (58) 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 39 (41) as of 31 December 2019, corresponding to 0.8 per cent (0.8) of total accounts receivable. Write-downs are entirely attributable to accounts receivable. MSEK 18 (11) of the write-down is attributable to defence-related operations and MSEK 21 (30) to civil operations.

Accounts receivable in the Parent Company amounted to MSEK 2,125 (2,250).

Note 26, cont.

During the year, receivables were written down by MSEK 4 (17). Reversals of previous write-downs amounted to MSEK 0 (3).

Write-downs of accounts receivable, Group

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

MSEK	2018		
	Defence-related operations	Civil operations	Total
Write-downs, 1 January	-7	-20	-27
Write-downs for calculated losses	-5	-18	-23
Reversal of previous write-downs	1	8	9
Actual credit losses	-	-	-
Translation differences	-	-	-
Write-downs, 31 December	-11	-30	-41

Age analysis of the Group's overdue receivables

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

MSEK	2018		
	Defence-related operations	Civil operations	Total
<30 days	708	64	772
30 to 90 days	83	24	107
91 to 180 days	61	19	80
>181 days	423	39	462
Accounts receivable overdue	1,275	146	1,421
Accounts receivable not overdue	3,007	771	3,778
Total accounts receivable	4,282	917	5,199

Change in number of outstanding shares 2019	Series A	Series B	Total
Number of outstanding shares at 1 January	2,383,903	131,098,977	133,482,880
Repurchase of shares	-	-1,000,000	-1,000,000
Early share matching	-	26,749	26,749
Ordinary share matching	-	416,734	416,734
Number of outstanding shares at 31 December	2,383,903	130,542,460	132,926,363

NOTE 27 PREPAID EXPENSES AND ACCRUED INCOME

MSEK	Group		Parent Company	
	31-12-2019	31-12-2018	31-12-2019	31-12-2018
Prepaid expenses	489	802	429	708
Capitalised changes in value related to forward contract rollovers	-	-	1,074	1,149
Accrued service income	130	-	40	-
Other accrued income	350	117	418	196
Total	969	919	1,961	2,053

Prepaid expenses primarily relate to pension premiums, rents, licenses and insurance.

NOTE 28 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	
	31-12-2019	31-12-2018
Cash and bank balances	891	1,300
Bank deposits	796	1,151
Total according to statement of financial position	1,687	2,451
Total according to statement of cash flows	1,687	2,451

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 78 (43) at year-end. With regard to the Group's other loan facilities, refer to notes 31 and 36.

NOTE 29 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 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%

Outstanding shares at 31 December 2018	Number of shares	Number of shares, %	Number of votes, %
Series A shares	2,383,903	1.8%	15.4%
Series B shares	131,098,977	98.2%	84.6%
Total	133,482,880	100.0%	100.0%

Change in number of outstanding shares 2019	Series A	Series B	Total
Number of outstanding shares at 1 January	2,383,903	131,098,977	133,482,880
Repurchase of shares	-	-1,000,000	-1,000,000
Early share matching	-	26,749	26,749
Ordinary share matching	-	416,734	416,734
Number of outstanding shares at 31 December	2,383,903	130,542,460	132,926,363

In 2019, 1,000,000 Series B shares were repurchased on the market to secure Saab's Share Matching Plans and Performance Share Plans. During the year, 443,483 shares were matched in Saab's Share Matching Plan. Transferred shares correspond to 0.3 per cent of the share capital.

A total of 2,919,484 shares are held in treasury.

The dividend to shareholders amounted to MSEK 601 (588), or SEK 4.50 (5.50) per share.

Note 29, cont.

Proposed disposition of earnings 2019

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	4,582,043,414
Share premium reserve	5,557,130,127
Net income for the year	793,134,484
Total	10,932,308,025
be disposed as follows:	
To the shareholders, a dividend of SEK 4.70 per share	624,753,906
To share premium reserve	5,557,130,127
Funds to be carried forward	4,750,423,992
Total	10,932,308,025

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 651 (447). Of the translation reserve MSEK 0 (5) has been reclassified to gains.

Revaluation reserve

The revaluation reserve comprises the difference between the fair value and carrying amount of operating properties reclassified as investment properties. No transfer from the revaluation reserve to retained earnings has been made in 2019.

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 profit distribution and Group contributions paid. Retained earnings together with net income for the year comprise unrestricted equity, available for distribution to the shareholders.

NOTE 30 INTEREST-BEARING LIABILITIES

	Group	
	31-12-2019	31-12-2018
MSEK		
Long-term liabilities		
Liabilities to credit institutions	6,512	7,773
Other interest-bearing liabilities	1	423
Total	6,513	8,196
Current liabilities		
Liabilities to credit institutions	1,277	986
Liabilities to associated companies and joint ventures	45	43
Other interest-bearing liabilities	-	39
Total	1,322	1,068
Total interest-bearing liabilities	7,835	9,264

Terms and repayment schedules

Collateral for bank loans amounts to MSEK 0 (0). Of the long-term liabilities, MSEK 5,513 (6,270) falls due between one and five years of the closing day and MSEK 1,000 (1,926) 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 5,237 (6,552) and MSEK 1,528 (1,963) 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.

Liabilities to credit institutions consist of Medium Term Notes (MTN) and Schuld-schein loans. For more information on financial risk management, see note 36.

The fair value of MTNs and Schuld-schein loans exceeds book value by MSEK 78 (173). Saab considers that there is no significant difference between book and fair value as for the rest of the interest-bearing liabilities.

Other interest-bearing liabilities as of 31 December 2018 constituted liabilities from financial leases. They have been reclassified to lease liabilities on transition to IFRS 16.

NOTE 31 LIABILITIES TO CREDIT INSTITUTIONS

	Parent company	
	31-12-2019	31-12-2018
MSEK		
Current liabilities		
Overdraft facilities: Available credit/limit	31	30
Short-term portion of bank loans: Unutilised portion	-30	-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)	1,275	986
Total	1,276	986
Long-term liabilities		
Credit facilities: Available credit/limit (revolving credit facility)	6,000	6,000
Unutilised portion of revolving credit facility	-6,000	-6,000
Utilised credit amount	-	-
Credit facility: Medium Term Notes (MTN)	5,470	6,745
Credit facility: Schuld-schein (SSD)	1,042	1,027
Total	6,512	7,772
Total liabilities to credit institutions	7,788	8,758

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 2019 bonds has matured to an amount of MSEK 986. As a result, outstanding loans under the MTN programme totaled MSEK 6,745. In December 2015, Saab signed Schuld-schein loan agreements amounting to MEUR 100.

NOTE 32 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 (92) 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 a first-class mortgage bond with a maturity corresponding to the pension obligation. 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 6,741 (6,051) as of 31 December 2019, compared to an obligation of MSEK 11,262 (9,939), calculated according to IAS 19, which means that the solvency margin amounted to 60 per cent (61).

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 2019, Alecta's surplus in the form of the collective funding ratio was 169 per cent (161).

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 2019 amounted to MSEK 0 (1).

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

MSEK	Group			
	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

MSEK	Group			
	Sweden	USA	Switzerland	Total
Wholly or partially funded obligations				
Present value of defined-benefit obligations	10,195	327	230	10,752
Fair value of assets under management	-6,098	-319	-236	-6,653
Present value of net obligation	4,097	8	-6	4,099
Share funded	60%	98%	103%	62%
Average duration of pension obligation	19	14	16	

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)	4,097	8	-	4,105
Provisions for pensions (related to special employer's contribution)	1,008	-	-	1,008
Long-term receivables	-	-	6	6

Note 32, cont.

Cost reported in the income statement

2019 MSEK	Group			
	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

2018 MSEK	Group			
	Sweden	USA	Switzerland	Total
Current service costs	266	14	6	286
Net interest expense	68	-1	-	67
Cost of defined-benefit plans in the income statement	334	13	6	353
Cost of defined-contribution plans				830
Special employer's contribution				252
Total cost of post-employment benefits				1,435

Items included in the statement of cash flow

2019 MSEK	Group			
	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	0	-6	-289

2018 MSEK	Group			
	Sweden	USA	Switzerland	Total
Deposits to pension fund and other funding	-122	-1	-5	-128
Payments	-271	-53	9	-315
Withdrawals	120	53	-9	164
Total impact on cash flow	-273	-1	-5	-279

Estimated payments during 2020 amount to approximately MSEK 317.

Actuarial gains and losses are reported in other comprehensive income. Actuarial losses related to pensions amounted to MSEK -612 in 2019 primarily due to the following.

The discount rate decreased by 75 basis points from 2.25 per cent to 1.5 per cent compared the beginning of the year, which resulted in an actuarial loss. During the year, the inflation assumption decreased by 25 basis points from 2.0 per cent to 1.75 per cent which resulted in an actuarial gain. The net of the changed assumptions regarding discount rate and inflation amounted to MSEK -1,085.

Negative experience adjustments resulted in an actuarial loss of MSEK -11.

Actuarial loss related to special employer's contribution amounted to MSEK -124. The return on assets under management was higher than expected, which produced an actuarial gain of MSEK 608.

Changes in net obligation for defined-benefit plans reported in the statement of financial position

MSEK	Group	
	2019	2018
Net obligation for defined-benefit plans, 1 January	4,099	2,646
Compensation paid	-318	-315
Deposits to pension fund and other funding	-9	-128
Cost reported in the income statement	423	353
Income (-) /cost (+) reported in other comprehensive income	488	1,383
Settlement/translation differences	1	-4
Withdrawals from pension funds	38	164
Net obligation for defined-benefit plans, 31 December	4,722	4,099

Change in pension obligation

MSEK	Group	
	2019	2018
Fair value, 1 January	10,752	9,341
Benefits vested during the year	332	285
Benefits vested previous years	-	-
Interest expense	244	233
Pension disbursements	-318	-315
Settlement	4	1
Actuarial gain (-)/loss (+)	1,096	1,162
Translation differences	22	45
Fair value, 31 December	12,132	10,752

Change in assets under management

MSEK	Group	
	2019	2018
Fair value, 1 January	6,653	6,695
Financial income	153	167
Withdrawals	-38	-164
Settlement	3	-
Contributions	9	128
Actuarial gain (+)/loss (-)	608	-221
Translation differences	22	48
Fair value, 31 December	7,410	6,653

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%	-562
	-0.25%	603
Inflation	0.25%	579
	-0.25%	-542
Salaries	0.25%	124
	-0.25%	-116
Life span	+ 1 year	519

Note 32, cont.

Return on assets under management

MSEK	Group	
	2019	2018
Actual return on assets under management	761	-54
Financial income on assets under management	-153	-167
Actuarial result from assets under management during the year	608	-221

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 SAA and TAA 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			
	2019	of which listed on an active market	2018	of which listed on an active market
Interest-bearing assets	31	100	37	100
Share-related assets	36	100	33	100
Hedge funds	13	-	11	-
Property	19	-	19	-
Liquid assets	1	-	-	-
Total assets	100	67	100	70

Assumptions for defined-benefit obligations

Per cent	Group				
	2019	2018	2017	2016	2015
Significant actuarial assumptions as of closing day (expressed as weighted averages)¹⁾					
Discount rate, 31 December	1.50	2.25	2.50	2.75	3.25
Future salary increase	2.75	3.00	2.75	2.75	2.75
Future increase in pensions	1.75	2.00	1.75	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 1.75 per cent, rendering a future salary increase of 2.75 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 2019, the assumption is 1.75 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	31-12-2019	31-12-2018
Pension obligations ITP 2	4,649	4,455
Less funds secured in pension fund	-4,649	-4,455
Total ITP 2 and the book reserve method	-	-
Other pensions	97	97
Other provisions for pensions	141	145
Total	238	242
Of which credit guarantees in PRI Pensionsgaranti	40	38

MSEK	2019	2018
Amount related to pension obligations ITP 2 expected to be settled within 12 months	202	197

NOTE 33 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.

Note 33, cont.

Soil remediation			Guarantees	Parent Company
MSEK	Group		MSEK	Group
	31-12-2019	31-12-2018		Parent Company
Provisions that are long-term liabilities				
Incremental costs for industrial cooperations	834	567	Opening balance, 1 January 2019	153
Onerous contracts	24	39	Provisions allocated during the year	85
Guarantees	51	56	Amount utilised during the year	-63
Expenditures for restructuring measures	3	42	Reversal of unutilised amount	-11
Other	432	377	Reclassification	2
Total	1,344	1,081	Closing balance, 31 December 2019	166
Provisions that are current liabilities				
Incremental costs for industrial cooperations	15	15	Expenditures for restructuring measures	
Onerous contracts	205	168	MSEK	Group
Guarantees	115	97	Opening balance, 1 January 2019	188
Expenditures for restructuring measures	93	146	Provisions allocated during the year	15
Other	274	190	Amount utilised during the year	-105
Total	702	616	Reversal of unutilised amount	-2
Parent Company				
MSEK	31-12-2019	31-12-2018		Parent Company
Incremental costs for industrial cooperations	823	567	Opening balance, 1 January 2019	567
Onerous contracts	92	92	Effects of change in accounting principles	
Guarantees	80	76	IFRS 16	32
Expenditures for restructuring measures	96	186	Provisions allocated during the year	223
Other	253	164	Amount utilised during the year	-108
Total	1,344	1,085	Reversal of unutilised amount	-16
Incremental costs for industrial cooperations				
MSEK	Group	Parent Company	Translation differences and other	
Opening balance, 1 January 2019	582	567	Closing balance, 31 December 2019	706
Provisions allocated during the year	267	256	253	
Amount utilised during the year	-	-	Total provisions	
Closing balance, 31 December 2019	849	823	MSEK	Group
Onerous contracts			Opening balance, 1 January 2019	1,697
MSEK	Group	Parent Company	Effects of change in accounting principles	1,085
Opening balance, 1 January 2019	207	92	IFRS 16	32
Provisions allocated during the year	175	50	Provisions allocated during the year	765
Amount utilised during the year	-147	-43	Amount utilised during the year	-423
Reversal of unutilised amount	-7	-7	Reversal of unutilised amount	-36
Translation differences and other	1	-	Translation differences and other	11
Closing balance, 31 December 2019	229	92	Closing balance, 31 December 2019	2,046
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 2020.				
Onerous contracts				
Provisions for onerous contracts on the closing day relate to certain military projects.				
The provisions are utilised in pace with the project's completion.				
Other provisions				
Other provisions primarily relate to provisions for remaining costs in projects, environmental commitments, provisions related to leasing as well as for royalty.				
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 34 OTHER LIABILITIES

MSEK	Group	
	31-12-2019	31-12-2018
Other long-term liabilities		
Liabilities to previous owners and minority owners	76	83
Liabilities related to employees	48	50
Other	56	57
Total	180	190
Of which liabilities due for payment more than five years after closing day	34	112
Other current liabilities		
Value-added tax	529	271
Employee withholding taxes	271	274
Liabilities to associated companies and joint ventures	175	4
Other	218	221
Total	1,193	770
MSEK		
		Parent Company
		31-12-2019 31-12-2018
Value-added tax	236	83
Employee withholding taxes	166	169
Other	586	355
Total	988	607
Of which liabilities due for payment more than five years after closing day	15	13

Saab considers that there is no significant difference between book and fair value.

NOTE 35 ACCRUED EXPENSES AND DEFERRED INCOME

MSEK	Group		Parent Company	
	31-12-2019	31-12-2018	31-12-2019	31-12-2018
Accrued expenses				
Accrued project costs	2,120	2,049	1,637	1,127
Vacation pay liability	1,207	1,160	811	780
Social security expenses	794	749	641	604
Expected invoices	433	436	253	275
Personnel liabilities	335	286	191	178
Royalties and commissions	30	26	28	21
Claims reserve	13	17	5	-
Other	28	159	75	67
Total accrued expenses	4,960	4,882	3,641	3,052
Deferred income				
Capitalised changes in value related to forward contract rollovers	-	-	322	326
Other	312	215	72	77
Total deferred income	312	215	394	403
Total	5,272	5,097	4,035	3,455

Saab considers that there is no significant difference between book and fair value.

NOTE 36 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). The mandate is divided between management of the financial risks related to fixed price tenders and to a limited extent trading. 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 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-Kohlhagens. 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 36, 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 26.

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.

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.

MSEK	Carrying amount	
	31-12-2019	31-12-2018
Financial assets		
Valued at amortised cost ⁴⁾ :		
Accounts receivable, contract assets and other receivables	18,542	16,254
Liquid assets	1,687	2,451
Long-term receivables	724	548
Valued at fair value through profit and loss ³⁾ :		
Short-term investments	5,794	9,003
Derivatives for trading	146	148
Financial investments	26	27
Derivatives identified as hedges	1,298	948
Total financial assets	28,217	29,379
Financial liabilities		
Valued at amortised cost:		
Interest-bearing liabilities ¹⁾	10,407	9,264
Other liabilities ⁴⁾	7,960	8,626
Valued at fair value through profit and loss ³⁾ :		
Derivatives for trading	15	74
Derivatives identified as hedges	1,691	1,160
Total financial liabilities	20,073	19,124

¹⁾ Fair value

10,485

9,437

²⁾ Derivatives with positive values are recognised as assets and derivatives with negative values are recognised as liabilities. Derivatives with a legal right of offset amount to MSEK 1,243.

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

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

Valuation 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 36, cont.

As of 31 December 2019, the Group had the following financial assets and liabilities at fair value:

Assets at fair value

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

Liabilities at fair value

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

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	
	2019	2018	2019	2018	2019	2018
USD	-35	-39	-30	-30	-65	-69
EUR	-32	-39	-20	-55	-52	-94
GBP	-13	4	-25	-	-38	4
DKK	-	-26	-	-	-	-26
ZAR	-	40	-	-	-	40

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 2019, about MSEK 35, expressed as VaR, was allocated to the tender portfolio, and at year-end VaR amounted to MSEK 15.8 (4.4). 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 2019 was MSEK -32 (-26).

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 6,983 (5,237) at year-end; see the following table.

Net assets translated to SEK

MSEK	31-12-2019	31-12-2018
USD	3,063	2,015
EUR	1,214	862
AUD	904	775
ZAR	534	475
GBP	413	334
DKK	172	138
BRL	158	142
Other currencies	525	496
Total	6,983	5,237

The effect on net assets as of 31 December 2019 of a change in exchange rates of +/- 10 per cent would be a change in value of MSEK 698 (524).

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 2019, countries outside Sweden accounted for 63 per cent (59) 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 93.3 billion (102.2) are SEK, USD, EUR and GBP. Of the total order backlog, 68 per cent (66) is in fixed prices with or without indexing, while the remaining 32 per cent (34) 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 -309 (-167). 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 2019 by +/- MSEK 587 (619). The inefficiency in the cash flow hedges that affected net income for the year amounted to MSEK 0 (0).

Note 36, 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
2020	-229	220	-9	-131	59	-72	-523	1,037	514
2021	-22	75	53	-50	9	-41	-324	878	554
2022	-10	39	29	-43	8	-35	-189	145	-44
2023	-4	16	12	-40	7	-33	-108	35	-73
2024	-2	9	7	-7	3	-4	-12	4	-8
2025 and forward	-0	13	13	-	2	2	-25	0	-25
Total flows 2019	-267	372	105	-271	88	-183	-1,181	2,099	918
Total flows 2018	-262	361	99	-320	132	-188	-1,398	2,180	782

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 2019					2018		
	Million	Currency	Local currency	Asset SEK	Liability SEK	Net	Local currency	Net
Maturity up to 1 year								
		EUR	-7	151	65	86	-205	-20
		GBP	39	83	40	43	42	-11
		USD	-426	463	754	-291	-323	-45
		Other	-	43	31	12	-	-18
Subtotal				740	890	-150		-94
Maturity 1 to 3 years								
		EUR	-78	26	39	-13	51	49
		GBP	79	26	35	-9	82	-36
		USD	-462	393	592	-199	-798	-81
		Other	-	23	6	17	-	9
Subtotal				468	672	-204		-59
Maturity 3 to 5 years								
		EUR	-19	2	12	-10	-34	-12
		GBP	37	17	21	-4	65	-88
		USD	84	92	10	82	120	71
		Other	-	2	4	-2	-	-1
Subtotal				113	47	66		-30
Maturity over 5 years								
		EUR	-12	-	6	-6	-20	-5
		GBP	-	-	-	-	5	-2
		USD	25	1	-	1	-	-
Subtotal				-	1	6		-7
Currency derivatives, total¹⁾				-	1,322	1,615		-293
								-190

¹⁾ Of which derivatives used as cash flow hedge MSEK 151 (67).

The Parent Company's outstanding derivatives

Currency derivatives	Fair value 2019					2018		
	Million	Currency	Local currency	Asset SEK	Liability SEK	Net	Local currency	Net
		EUR	9	211	145	66	-62	30
		GBP	148	134	118	16	188	-161
		USD	-653	993	1,379	-386	-777	-12
		Other	-	64	43	21	-	-12
Currency derivatives, Parent Company total				1,402	1,685	-283		-155

Liquidity risk

Liquidity risk refers to the risk of not being able to meet payment obligations due to insufficient liquidity. 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.

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 30. 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.

Saab has access to the following credit facilities:

Loan facilities MSEK	Facility	Utilised	Available
Revolving credit facility (maturity 2022)	6,000	-	6,000
Overdraft facility (maturity 2020)	79	1	78
Total confirmed credit facilities	6,079	1	6,078
Commercial paper	5,000	-	5,000
Medium Term Notes (MTN)	10,000	6,745	3,255
Total loan programmes	15,000	6,745	8,255
Total loan facilities	21,079	6,746	14,333

Note 36, cont.

Saab has two revolving credit facilities with an equivalent value of MSEK 6,000 divided between eight banks. Both facilities mature 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 2019, MSEK 0 (0) in commercial paper and MSEK 6,745 (7,731) 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 Schuldchein 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 2019. 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 2019 this amounted to 34 months (43).

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 27 months (31).

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 67 (83) per cent of outstanding floating-rate loans as of 31 December 2019. 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 +/- 0.7 MSEK (1.0) and other comprehensive income by +/- 24 MSEK (23) based on the loan portfolio as of 31 December 2019.

Financing (refers to utilised credit facilities)

MSEK (Nom) Maturities	Fixed interest	Of which effect from derivative agreements entered	Tied-up capital
1 year	3,432	-3,850	1,275
2 years	400	400	2,184
3 years	1,700	1,350	1,752
4 years	556	400	677
5 years and forward	1,700	1,700	1,900
Total	7,788	-	7,788

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 8 months (3). An increase in market interest rates of 0.10 per cent units would affect financial income negatively by 5 MSEK (3).

A corresponding decrease in market interest rates of 0.10 per cent units would positively affect financial income by 5 MSEK (3) based on the investment portfolio as of 31 December 2019.

Investments in interest-bearing securities and bank deposits

MSEK (Nom) Maturities	Fixed interest ¹⁾	Tied-up capital
1 year	5,439	2,274
2 years	300	1,185
3 years	208	700
4 years	620	1,158
5 years and forward	-	1,250
Total	6,567	6,567

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 (84) at year-end.

Interest rate derivatives

The table below shows the Group's outstanding interest rate derivatives.

Interest rate derivatives		Fair value 2019			2018		
Million	Currency	Local currency	Asset SEK	Liability SEK	Net	Local currency	Net
Maturity up to 1 year	SEK	725	-	3	-3	1,475	-15
Subtotal			-	3	-3		-15
Maturity 1 to 3 years	SEK	1,750	-	15	-15	1,125	-14
	EUR ²⁾	85	100	-	100	80	80
Subtotal			100	15	85		66
Maturity 3 to 5 years	SEK	600	4	4	-	1,750	-13
	EUR ²⁾	15	15	-	15	20	17
Subtotal			19	4	15		4
Maturity over 5 years	SEK	1,500	-	65	-65	1,500	-36
Subtotal			-	65	-65		-36
Interest derivatives, total¹⁾⁽³⁾			119	87	32		19

¹⁾ Market value includes accrued interest of MSEK -19 (-20).

²⁾ Refers to cross currency basis swaps (CCY).

³⁾ Of which derivatives used for cash flow hedges MSEK -63 (-57).

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 directives are managed through a discretionary management mandate. The market value of electricity derivatives at year-end was MSEK -1 (34). Hedge accounting is applied to electricity derivatives. Projected electricity consumption is hedged using a model where 100 per cent of the coming quarter'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 36, cont.

The Group's outstanding electricity derivatives

Electricity derivatives	Fair value 2019			2018		
	Mega-watt	Asset MSEK	Liability MSEK	Net	Mega-watt	Net
Maturity up to 1 year	14	3	2	1	13	25
Subtotal		3	2	1		25
Maturity 1 to 3 years	11	-	2	-2	10	9
Subtotal			2	-2		9
Electricity derivatives, total¹⁾		3	4	-1		34

¹⁾ Of which derivatives used for cash flow hedges MSEK -1 (34).

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 2019, the Group had paid advances to suppliers of MSEK 81 (42).

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 26.

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

2019 MSEK	Gross amount	Set-off	Net amount in balance sheet	Master netting arrange- ments	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.

2018 MSEK	Gross amount	Set-off	Net amount in balance sheet	Master netting arrange- ments	Collateral received/ assets pledged	Net amount
Currency derivatives	965	-	965	-947	-	18
Interest rate derivatives	-	-	-	-	-	-
CCY ¹⁾	97	-	97	-	-	97
Electricity derivatives	34	-	34	-	-	34
Assets	1,096	-	1,096	-947	-	149
Currency derivatives	1,155	-	1,155	-947	-	208
Interest rate derivatives	79	-	79	-	-	79
CCY ¹⁾	-	-	-	-	-	-
Electricity derivatives	-	-	-	-	-	-
Liabilities	1,234	-	1,234	-947	-	287

¹⁾ Cross currency basis swaps.

The exposure towards banks, mortgage institutions, corporates and the Swedish state as of 31 December 2019 amounted to MSEK 7,846 (10,562). The exposure is calculated using the market value of assets with each counterparty.

Hedge reserve

The hedge reserve before tax amounted to MSEK -260 (-461), of which the unrealised value of derivatives was MSEK 87 (44) and the realised effects arising from rollovers of derivatives was MSEK -347 (-505).

The change in the hedge reserve in 2019 of MSEK 201 consists of a reversal to profit or loss of MSEK 168, change in the value of existing derivatives of MSEK -282, the market value of hedges obtained during the year of MSEK 29, and change that arose due to derivative rollovers of MSEK 286. 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).

Effects in the hedge reserve per derivative

2019 MSEK	Currency derivatives	Interest rate derivatives	Electricity derivatives
Recognised amount in hedge reserve	151	-63	-1
Nominal amount	-6,698	4,275	25
Maturity date	2020-2027	2020-2026	2020-2022
Hedge ratio	1:1	1:1	1:1
Change in value of outstanding derivatives since 1 January	84	-6	-35
Change in value of hedged asset to determine effectiveness	-84	6	35

Trading

Proprietary trading is permitted to a limited extent in fixed income and currency instruments. The main purpose of this trading is to gain access to qualitative market information and maintain a high level of market expertise.

The Board of Directors has issued a risk mandate for trading in fixed income and currency instruments. In 2019, MSEK 2 was allocated to trading, expressed as VaR. The mandate has not been utilised during the year.

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, 15-100 per cent interest-bearing products and 0-25 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, 30 per cent (35) was invested in interest-bearing assets, 19 (19) per cent property related investments, 37 per cent (34) in equity and 14 per cent (12) in alternative investments. The market value of the fund's assets as of 31 December 2019 was MSEK 6,741 (6,051) and the annual return was 11 per cent (-1). In 2019, the fund was capitalised by MSEK 0 (120) and MSEK 0 (120) in refunds was paid. The table below shows the solvency margin for the pension fund.

Note 36, cont.

MSEK	31-12-2019	31-12-2018	31-12-2017	31-12-2016
Fair value of assets under management	6,741	6,051	6,098	5,579
Present value of defined-benefit obligations ¹⁾	11,235	9,916	8,554	7,811
Solvency margin	60%	61%	71%	71%
Pension obligation according to PRI	6,043	5,776	5,522	5,369
Solvency margin	112%	105%	110%	104%

¹⁾ Refers to the pension obligation that the assets under management are designed to cover.**NOTE 38** 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 22 (21) 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 201 (47) and MSEK 253 (136), respectively. For information on receivables from and liabilities to associated companies and joint ventures, see notes 24 and 34.

NOTE 37 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 provided as long as the likelihood of an outflow of resources is not extremely small.

MSEK	Group		Parent Company	
	31-12-2019	31-12-2018	31-12-2019	31-12-2018
Contingent liabilities				
Guarantees to insurance company, PRI Pensionsgaranti	121	116	121	116
Guarantees for Group companies' commitments to customers	-	-	4,618	4,655
Sureties for joint ventures	9	8	-	-
Sureties for associated companies	11	11	396	386
Total	141	135	5,135	5,157

In the ordinary course of business, Saab is occasionally involved in disputes and legal proceedings arising as a result of the company's operations worldwide. These 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	31-12-2019	Per cent of total	31-12-2018	Per cent of total
Bank Guarantees:				
On demand	17,435	97	18,181	99
Award	517	3	173	1
Bank Guarantees total	17,952	100	18,354	100
Type of Bank Guarantee:				
Advance Payment	9,611	54	9,614	52
Performance	7,744	43	7,872	43
Others	597	3	868	5
Bank Guarantees total	17,952	100	18,354	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 39 GROUP COMPANIES**Significant Group company holdings**

Group company	Group company's registered office, country	Ownership share, per cent	
		2019	2018
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 Defense and Security USA LLC	USA	100	100
Saab Dynamics AB	Karlskoga, Sweden	100	100
Saab Danmark A/S	Denmark	100	100
Saab Grintek Defence (Pty) Ltd	South Africa	75	75
Saab Kockums AB	Malmö, Sweden	100	100
Saab Medav Technologies GmbH	Germany	100	100
Saab Seaeye Ltd	UK	100	100
Saab Sensis Corporation	USA	100	100
Saab Technologies B.V.	The Netherlands	100	100

Total ownership of non-controlling interests amounted to MSEK 274 (221). No non-controlling interests are considered material.

MSEK	Parent Company	
	2019	2018
Accumulated acquisition value		
Opening balance, 1 January	18,834	18,718
New issues/shareholders' contributions	-	121
Acquisitions	1	-
Adjusted purchase price	-	-5
Sales and liquidations	-4	-
Closing balance, 31 December	18,831	18,834
Accumulated write-downs		
Opening balance, 1 January	-12,653	-12,653
Write-downs for the year	-	-
Sales and liquidations	-	-
Closing balance, 31 December	-12,653	-12,653
Carrying amount, 31 December	6,178	6,181

Note 39, cont.

Specification of Parent Company's holdings of shares in Group companies

31-12-2019 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
Fastighets AB Tannefors 1:114, 559043-3206, Linköping, Sweden	500	100	6
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 Applied Composites AB, 556326-2988, Linköping, Sweden	10,000	100	82
Saab Asia Pacific Co. Ltd, Thailand	-	100	12
Saab Barracuda AB, 556045-7391, Västervik, Sweden	200,000	100	101
Saab Canada Inc., Canada	-	100	1
Saab Czech s.r.o., Czech Republic	-	100	25
Saab Denmark 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 Kenya Ltd, Kenya	-	100	-
Saab Kockums AB, 556205-5623, Malmö, Sweden	500,000	100	340
SAAB LTD, United Arab Emirates	-	100	-
Saab Medav Technologies GmbH, Germany	-	100	317
Saab Microwave Systems AB, 556028-1627, Mölndal, Sweden	300,000	100	49
Saab North America, Inc., USA	-	100	2,043
Saab Seaeye Holdings Ltd, UK	-	100	194
Saab South Africa (Pty) Ltd, South Africa	-	100	443
Saab Surveillance Systems AB, 556577-4600, Järfälla, Sweden	1,000	100	-
Saab Technologies B.V., The Netherlands	-	100	295
Saab Technologies BVBA, Belgium	-	100	29
Saab Technologies Ltd., Canada	-	100	18
Saab Technologies s.r.o., Czech Republic	-	100	-
Saab Technologies Norway AS, Norway	-	100	3
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.	-	-	61
Carrying amount at year-end			6,178

NOTE 40 UNTAXED RESERVES

MSEK	Parent Company	
	2019	2018
Tax allocation reserve:		
Opening balance, 1 January	1,825	1,809
Provision for the year	360	530
Reversal for the year	-322	-514
Closing balance, 31 December	1,863	1,825
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	582	484
Accelerated depreciation for the year	65	98
Closing balance, 31 December	647	582
Total untaxed reserves, 31 December	2,508	2,405

NOTE 41 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

MSEK	Group	
	2019	2018
Cash flow from operating activities before changes in working capital, excluding taxes and other financial items¹⁾		
	4,626	4,026
Cash flow from changes in working capital:		
Contract assets and liabilities	-1,649	-3,039
Inventories	-1,141	-1,057
Other current receivables	176	-1,044
Other current liabilities	-218	1,965
Provisions	-325	-479
Change in working capital	-3,157	-3,654
Cash flow from operating activities, excluding taxes and other financial items	1,469	372
Investing activities:		
Investments in intangible fixed assets	-1,588	-1,338
Investments in tangible fixed assets	-1,213	-1,481
Sales and disposals of tangible fixed assets	32	23
Cash flow from investing activities²⁾	-2,769	-2,796
Operational cash flow	-1,300	-2,424
Taxes and other financial items	-690	-862
Sale of and investments in financial assets	-46	43
Investments in operations	-	15
Sale of subsidiaries	-	33
Free cash flow	-2,036	-3,195

¹⁾ Including amortisation of lease liabilities.

²⁾ Cash flow from investing activities excluding change in short-term investments and other interest-bearing financial assets and excluding sale of and investment in financial assets, investments in operations and sale of subsidiaries. If investments in and sale of financial fixed assets are considered to be of operating nature, the item is included in investing activities.

FREE CASH FLOW VERSUS CASH FLOW FOR THE YEAR IN STATEMENT OF CASH FLOWS

MSEK	2019	2018
Free cash flow	-2,036	-3,195
Investing activities – interest-bearing:		
Short-term investments	3,219	-4,554
Other financial investments and receivables	-90	-29
Financing activities:		
Repayment of loans	-990	-967
Raising of loans	8	3,820
Rights issue	11	5,967
Repurchase of shares	-301	-203
Dividend paid to the Parent Company's shareholders	-601	-588
Dividend paid to non-controlling interest	-24	-24
Transactions with non-controlling interest	8	-14
Cash flow for the year	-796	213

SUPPLEMENTAL INFORMATION ON STATEMENT OF CASH FLOWS

Liquid assets	Group	
MSEK	31-12-2019	31-12-2018
The following components are included in liquid assets:		
Cash and bank balances	891	1,300
Bank deposits	796	1,151
Total according to the statement of financial position	1,687	2,451
Total according to statement of cash flows	1,687	2,451

MSEK	Parent Company	
	31-12-2019	31-12-2018
The following components are included in liquid assets:		
Cash and bank balances	211	472
Bank deposits	796	1,151
Total according to balance sheet	1,007	1,623
Total according to statement of cash flows	1,007	1,623
Interest and dividend		
MSEK	Group	Parent Company
	2019	2018
Dividends received	20	39
Interest received	61	38
Interest paid	-265	-122
Total	-184	-45
	33	114

Adjustments for items not affecting cash flow

MSEK	Group		Parent Company	
	2019	2018	2019	2018
Depreciation and amortisation	1,368	866	531	478
Capital gains/losses from sales of Group companies, associated companies and other shares	-8	-27	-12	-
Provisions	632	673	438	565
Write-downs	-	50	63	-
Share of profits in associated companies and joint ventures	5	14	-	-
Dividends and Group contributions from/to Group companies	-	-	-798	-936
Other	135	232	165	75
Total	2,132	1,808	387	182

Note 41, cont.

Reconciliation of cash flows arising from liabilities in financing activities

Interest-bearing liabilities, MSEK	31-12-2018	Adjustment IFRS 16	2019-01-01 Restated			Cash flows ¹⁾	Non-cash changes	
			2019-01-01 Restated	Cash flows ¹⁾	Foreign exchange movement		New contracts / Revaluation	31-12-2019
Liabilities to credit institutions	8,759	-	8,759	-985	15	-	-	7,789
Liabilities to associated companies and joint ventures	43	-	43	2	-	-	-	45
Lease liabilities	-	2,695	2,695	-415	27	265	-	2,572
Other interest-bearing liabilities	462	-462	-	1	-	-	-	1
Total interest-bearing liabilities	9,264	2,233	11,497	-1,397	42	265	265	10,407

¹⁾ These amounts refer to cash flows arising from liabilities in Financing activities in the Consolidated statement of cash flows.

Investments in operations

MSEK	Group	
	2019	2018
Acquired assets and liabilities		
Intangible fixed assets	-	51
Tangible fixed assets	-	9
Current receivables	-	18
Liquid assets	-	11
Total assets	-	89
Deferred tax liability	-	5
Interest-bearing liabilities	-	1
Current liabilities	-	36
Total liabilities	-	42
Adjusted purchase price	-	-4
Less: Liquid assets in acquired operations	-	-11
Effect on the Group's liquid assets (positive (-)/negative (+))	-	-15

No acquisitions were made in 2019. Acquisitions in 2018 refers mainly to C-Leanship A/S and its subsidiaries C-Leanship Singapore Pte.Ltd.

Sale of subsidiaries

MSEK	Group	
	2019	2018
Divested assets and liabilities		
Tangible fixed assets	-	23
Inventories	-	1
Current receivables	-	5
Liquid assets	-	5
Total assets	-	34
Deferred tax liability	-	4
Current liabilities	-	4
Total liabilities	-	8
Sales price	-	38
Purchase price received	-	38
Less: Liquid assets in divested operations	-	-5
Effect on the Group's liquid assets	-	33

No divestments were made in 2019. Divestments in 2018 mainly relate to a property company.

NOTE 42 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 2019 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 43 NON-RECURRING ITEMS

ACCOUNTING PRINCIPLES

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

Non-recurring items 2018 were related to efficiency improvements to increase productivity. The costs comprised severance payments etc. in restructuring programs of MSEK 248 and impairment of intangible assets of MSEK 50. The items are reported in the income statement per function as shown below

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

NOTE 44 NEW ACCOUNTING PRINCIPLES 2019**Transition effects due to IFRS 16**

As of 1 January 2019, Saab has applied the new standard. The Group has no significant leases as a lessor.

Saab has applied the simplified transition approach and has not restated comparative amounts. The Group has applied the exemptions in the standard for short-term leases as well as leases where the underlying asset is of low value, i.e. leases where the term is not more than 12 months as well as leases where the underlying asset is of low value is not recognised as right-of-use assets and lease liabilities but is recognised in the same way as before as a cost on a straight-line basis over the lease term.

IFRS 16 has been applied to all leases previously classified as operating leases. In accordance with the practical expedient in IFRS 16, the Group has not assessed any lease components in contracts that were not already classified as leases according to IAS 17 and IFRIC 4.

Right-of-use assets for leases recognised in the balance sheet has been measured initially, as of 1 January 2019, at an amount corresponding to the lease liability with adjustments for prepaid or accrued lease fees attributable to the contract as of 31 December 2018.

The lease liability has been calculated by discounting remaining future contractual lease fees by the Group's weighted incremental borrowing rate as of 1 January 2019 which amounted to 4.1 percent on average.

Finance leases on aircraft and properties that were already classified as tangible fixed assets have been reclassified to right-of-use assets in the balance sheet.

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

See the following table for effects on the financial position owing to the transition to IFRS 16.

Statement of financial position MSEK	2018-12-31 Outcome	Adjustment IFRS 16	2019-01-01 Restated
ASSETS			
Tangible fixed assets	6,129	-441	5,688
Right-of-use assets	-	2,725	2,725
Other fixed assets	11,015	-	11,015
Total fixed assets	17,144	2,284	19,428
Other receivables ¹⁾	507	44	551
Prepaid expenses and accrued income	919	-63	856
Other current assets	37,558	-	37,558
Total current assets	38,984	-19	38,965
TOTAL ASSETS	56,128	2,265	58,393
EQUITY AND LIABILITIES			
Parent Company's shareholders' interest	19,412	-	19,412
Non-controlling interest	221	-	221
Total equity	19,633	-	19,633
Long-term interest-bearing liabilities ¹⁾	8,196	-421	7,775
Long-term lease liabilities ¹⁾	-	2,296	2,296
Other provisions	1,081	32	1,113
Other long-term liabilities	5,319	-	5,319
Total long-term liabilities	14,596	1,907	16,503
Short-term interest-bearing liabilities ¹⁾	1,068	-41	1,027
Short-term lease liabilities ¹⁾	-	399	399
Other short-term liabilities	20,831	-	20,831
Total short-term liabilities	21,899	358	22,257
Total liabilities	36,495	2,265	38,760
TOTAL EQUITY AND LIABILITIES	56,128	2,265	58,393

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

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

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

NOTE 45 EXCHANGE RATES USED IN FINANCIAL STATEMENTS

Land	Year-end rate		Average rate	
	2019	2018	2019	2018
Australia	AUD	1	6.51	6.32
Brazil	BRL	1	2.31	2.32
Denmark	DKK	100	139.62	137.60
Euro	EUR	1	10.43	10.28
India	INR	100	13.06	12.82
Canada	CAD	1	7.13	6.59
Norway	NOK	100	105.77	102.45
Switzerland	CHF	1	9.57	9.10
UK	GBP	1	12.20	11.35
South Africa	ZAR	100	66.48	62.13
Czech Republic	CZK	100	40.96	39.81
USA	USD	1	9.33	8.97

NOTE 46 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.

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

Operating margin Operating income (EBIT) as a percentage of sales.

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

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

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

NOTE 47 SIGNIFICANT EVENTS AFTER THE CONCLUSION OF THE PERIOD

- In January, Saab started assembly production of its section of the T-7A advanced trainer in Linköping. The T-7A has been developed and is being produced together with Boeing for the U.S. Air Force
- Gunnar Wieslander leaves the role as head of the business area Kockums and a member of Saab's Group Management.
- On 29 January, Saab has appointed Lars Tossman as the new head of business area Kockums and a member of Saab's Group Management.
- Saab has successfully completed its participation with Gripen E and GlobalEye AEW&C in the Finnish HX Challenge, the Finnish Air Force testing and evaluation event. The flight evaluation is part of the capability assessment in the on-going HX programme, the procurement of new fighter aircraft to equip the Finnish Air Force.
- In February, Saab has signed an Enterprise Partnering Agreement with the Australian Department of Defence to provide combat management systems across all the Royal Australian Navy's major surface ships.

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 625 (601), an increase of 4.0 per cent, corresponding to SEK 4.70 per share (4.50).

Saab AB's unrestricted equity amounts to MSEK 10,932 and profit carried forward in the Group before the dividend is paid amounts to MSEK 11,828.

Net income for the year attributable to the Parent Company's shareholders amounted to MSEK 1,983 for the Group and MSEK 793 for the Parent Company.

After paying the dividend to the shareholders, the Group's equity/assets ratio amounts to 34.1 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 34.8 per cent in 2019.

Saab's gross capital expenditure in 2019 amounted to MSEK 1,213. Investments are also made in research and development, which in 2019 amounted to MSEK 2,387, of which MSEK 1,392 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 7,069.

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 2019

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	4,582,043,414
Share premium reserve	5,557,130,127
Net comprehensive income for the year	793,134,484
Total	10,932,308,025

be disposed as follows:

To the shareholders, a dividend of SEK 4.70 per share	624,753,906
To share premium reserve	5,557,130,127
Funds to be carried forward	4,750,423,992
Total	10,932,308,025

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	662,843,478
Share premium reserve	5,557,130,127
Retained earnings	4,750,423,992
Total	13,686,402,284

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 625 (601), or SEK 4.70 per share (4.50) be issued as a dividend. This has been calculated based on the amount of outstanding shares on 31 December 2019, of 132,926,363 (133,482,880). Saab's equity/assets ratio is currently 34.8 per cent (35.0) and after the proposed disposition of earnings will be 34.1 per cent (34.3).

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 21 February 2020

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 Child
Board member

Erika Söderberg Johnson
Board member

Joakim Westh
Board member

Stefan Andersson
Board member

Göran Gustavsson
Board member

Nils Lindskog
Board member

Micael Johansson
President and Chief Executive Officer (CEO)

Our audit report was submitted on 27 February 2020
PricewaterhouseCoopers AB

Bo Hjalmarsson
Authorised Public Accountant
Auditor in charge

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 (publ) for the year 2019 except for the corporate governance statement and the statutory sustainability report on pages 54 to 69 and 72 to 81 respectively. The annual accounts and consolidated accounts of the company are included on pages 38-139 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 parent company as of 31 December 2019 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 2019 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.

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. 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.

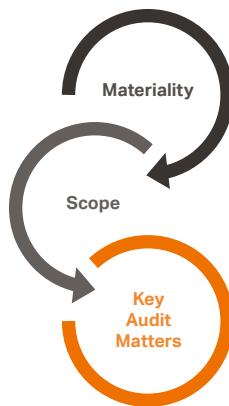
Basis for Opinions

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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

OUR AUDIT APPROACH

Overview



- We have used an overall materiality of SEK 125 million in our audit representing approximately five percent of operating profit.
- In our audit we have focused on the operations in the parent company Saab AB and the subsidiaries Saab Dynamics AB and Saab Kockums AB. In addition, units in Australia, South Africa and USA has been subject to review procedures.
- A significant part of Saab's reported revenue derives from long term contracts where management's estimates and assumptions are critical for recognition of revenue as well as cost of goods sold. In addition to the income items, several balance sheet items are affected by the assumptions and judgments made related to the long term contracts. A significant part of our audit is focused on the review of large projects.

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. Some of Saab's large projects are moving towards a production and delivery phase which can alter the risks in the projects.

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.

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 consolidated 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.

A significant part of the Saab Group's operation is carried out in the parent company

Saab AB. In addition, substantial parts of the operation is carried out in the subsidiaries Saab Dynamics AB and Saab Kockums AB in Sweden. These units are included in the audit of the group. Foreign operations of some importance for the financial reporting is carried out in Australia, South Africa and USA. In these entities our audit is focused on project oriented parts of the financial reporting.

materiality, including the overall materiality for the consolidated financial statements as a whole as set out in the table below. 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.

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

Group Materiality	SEK 125 million
How we determined it	Five percent of operating profit
Rational for the materiality benchmark applied	We chose operating profit as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users and is a generally accepted benchmark. We chose five percent which in auditing standards is a generally accepted benchmark.

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. These matters 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. A considerable part of the operations in the Saab Group is carried out in the parent

company, Saab AB. The key audit matters described below is applicable for both the group and the parent company.

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 risk 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 50.

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 or 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.

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 affect 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.

Contracts for Gripen E Sweden, Gripen NG Brazil and Air born surveillance United Arab Emirates have been of specific interest in our audit.

For specific contracts, we have from time to time observations related to both amounts and judgement that we report to management and the audit committee. The projects complexity and judgments involved mean that the amounts recognized by nature is affected by uncertainty where future outcome can deviate significantly from management's judgments.

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 37 and 145 to 148 as well as the statutory sustainability report on page 54 to 69. 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 preju-

dice to the Board of Director's 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 (publ) for the year 2019 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/revisoransvar. 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 that the corporate governance statement on pages 72 to 81 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 RevU 16. The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement 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 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 54 to 69, 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 statutory 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 27 February 2020
PricewaterhouseCoopers AB

Bo Hjalmarsson
Authorized public accountant

Auditor's Limited Assurance Report on Greenhouse Gas Emissions

TO SAAB AB (PUBL), CORPORATE IDENTITY NUMBER 556036-0793

Introduction

We have been engaged by Saab AB (publ) to undertake a limited assurance engagement of Saab's greenhouse gas (GHG) emissions for the year 2019, as disclosed on page 61 of the Annual Report 2019, more specifically in the diagrams "GHG emissions by source", "GHG emissions relative to Saab's climate target 2030" (excluding forecasts), and "Major changes in emissions in 2019 compared to 2018".

Saab's responsibility for the reporting of GHG emissions

Saab is responsible for the preparation of the GHG emissions data in accordance with the applicable criteria, as explained on page 54. The criteria consist of relevant parts of the GRI Sustainability Reporting Standards, 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.

Our independence and quality control

We have complied with the Code of Ethics for

Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The 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.

Our responsibility

Our responsibility is to express a conclusion on the reported GHG emissions based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with ISAE 3410 Assurance Engagements on Greenhouse Gas Statements issued by IAASB. That standard requires that we plan and perform this engagement to obtain limited assurance about whether the GHG emissions are free from material misstatement.

The procedures performed in a limited assurance engagement are different from, and their extent is substantially less than, a reasonable assurance engagement (audit), and consequently they do not enable us to obtain

the assurance necessary to become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express an audit opinion.

Our review has, based on an assessment of materiality and risk, included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

Limited assurance conclusion

Based on the procedures we have performed and the evidence we have obtained, 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 applicable criteria.

Stockholm, February 27, 2020
PricewaterhouseCoopers AB

Bo Hjalmarsson
Authorized Public Accountant

Fredrik Ljungdahl
Sustainability Expert, Member of FAR

Information to shareholders

ANNUAL GENERAL MEETING 2020

The Annual General Meeting will be held at 4:00 pm (CET) on Wednesday, 1 April 2020 at Stockholm City Conference Centre, Barnhusgatan 12, Stockholm.

NOTIFICATION

Shareholders must notify the company of their intention to participate in the meeting not later than Thursday, 26 March 2020.

- By telephone +46 13 18 20 55
- By mail to: Saab Aktiebolag c/o Euroclear Sweden AB, Box 191, SE-101 23 Stockholm, Sweden
- Online: www.saabgroup.com/arsstamma

Please indicate your name, personal ID number (Swedish citizens), address and telephone number. If you are attending by power of proxy, registration certificate or other authorisation, please submit your documentation well in advance of the meeting. The information you provide will be used only for the Annual General Meeting.

Shareholders or their proxies may be accompanied at the Annual General Meeting by a maximum of two people. They may only attend, however, if the shareholder has notified Saab as indicated above.

RIGHT TO PARTICIPATE

Only shareholders recorded in the share register maintained by Euroclear Sweden AB on Thursday, 26 March 2020 are entitled to participate in the meeting. Shareholders registered in the names of nominees through the trust department of a bank or a brokerage firm must temporarily re-register their shares in their own names to participate in the meeting. To ensure that this re-registration is recorded in the share register by Thursday, 26 March 2020 they must request re-registration with their nominees several business days in advance.

DIVIDEND

The Board of Directors proposes a dividend of SEK 4.70 per share and 3 April 2020 as the record day for the dividend. With this record day, Euroclear Sweden AB is expected to distribute the dividend on 8 April 2020.

DISTRIBUTION OF THE ANNUAL REPORT

The annual report will be available on Saab's website, www.saabgroup.com, approximately three weeks prior to the Annual General Meeting on 1 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.

Multi-year overview

MSEK, unless otherwise indicated	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Order bookings	27,216	27,975	30,841	21,828	81,175	22,602	49,809	20,683	18,907	26,278
Order backlog 31 December	93,293	102,184	107,233	107,606	113,834	60,128	59,870	34,151	37,172	41,459
Sales	35,433	33,156	31,666	28,631	27,186	23,527	23,750	24,010	23,498	24,434
Foreign market sales, %	63	59	58	57	58	55	59	64	63	62
Defence sales, %	85	85	84	83	82	79	81	82	84	83
Operating income (EBIT)	2,937	2,266	2,250	1,797	1,900	1,659	1,345	2,050	2,941	975
Operating margin, %	8.3	6.8	7.1	6.3	7.0	7.1	5.7	8.5	12.5	4.0
Operating income before depreciation/amortisation and write-downs (EBITDA)	4,305	3,182	3,089	2,743	2,859	2,523	2,367	3,168	4,088	2,187
EBITDA margin, %	12.1	9.6	9.8	9.6	10.5	10.7	10.0	13.3	17.4	9.0
Financial income	190	193	121	90	169	103	62	153	162	116
Financial expenses	-520	-663	-272	-276	-338	-239	-428	-202	-324	-341
Income after financial items	2,607	1,796	2,099	1,611	1,731	1,523	979	2,003	2,783	776
Net income for the year	2,025	1,366	1,508	1,175	1,402	1,168	742	1,560	2,217	454
Net income attributable to Parent Company's shareholders	1,983	1,313	1,477	1,133	1,362	1,153	741	1,585	2,225	433
Total assets	59,858	56,128	44,998	41,211	35,088	29,556	27,789	28,938	31,799	29,278
- of which total equity	20,809	19,633	14,285	13,301	12,912	11,373	12,227	11,280	13,069	11,444
- of which equity attributable to Parent Company's shareholders	20,535	19,412	14,097	13,156	12,851	11,291	12,136	11,168	12,950	11,274
Equity per share, SEK ¹⁾	154.48	145.43	121.86	114.17	111.99	98.83	105.31	97.35	113.53	99.41
Net liquidity/debt excluding interest-bearing receivables and net provisions for pensions	-354	2,190	344	28	-1,880	185	1,953	3,837	4,735	2,382
Net liquidity/debt ⁶⁾	-7,069	-1,460	-1,834	-1,836	-3,217	-2,113	813	1,996	5,333	3,291
Cash flow from operating activities	1,194	-490	3,164	4,154	358	-713	-662	350	2,392	4,487
Free cash flow⁶⁾	-2,036	-3,195	852	2,359	-726	-1,094	-1,460	-396	2,477	4,349
Free cash flow per share after dilution, SEK ³⁾	-15.20	-27.27	7.33	20.38	-6.30	-9.45	-12.35	-3.35	20.96	36.79
Average capital employed	34,485	28,151	22,495	21,135	18,454	15,897	15,454	15,131	13,987	13,743
Average equity	20,221	16,959	13,793	13,107	12,143	11,800	11,754	12,175	12,257	11,063
Return on capital employed, %	9.1	8.7	10.5	8.9	11.2	11.1	9.1	14.6	22.2	7.9
Return on equity, %	10.0	8.1	10.9	9.0	11.5	9.9	6.3	12.8	18.1	4.1
Profit margin, %	8.83	7.42	7.49	6.59	7.61	7.49	5.92	9.18	13.21	4.47
Capital turnover rate, multiple	1.03	1.18	1.41	1.35	1.47	1.48	1.54	1.59	1.68	1.78
Equity/assets ratio, %	34.8	35.0	31.7	32.3	36.8	38.5	44.0	39.0	41.1	39.1
Interest coverage ratio, multiple	6.01	3.71	8.72	6.84	6.12	7.37	3.29	10.91	9.58	3.20
Earnings per share before dilution, SEK ²⁾⁵⁾	14.88	11.27	12.79	9.85	11.90	10.03	6.45	13.86	19.57	3.80
Earnings per share after dilution, SEK ³⁾⁵⁾	14.81	11.21	12.70	9.79	11.81	9.96	6.27	13.41	18.82	3.66
Dividend, SEK	4.70⁴⁾	4.50	5.50	5.25	5.00	4.75	4.50	4.50	4.50	3.50
Gross capital expenditures for tangible fixed assets	1,213	1,481	1,093	807	799	732	543	328	325	262
Research and development costs	7,643	7,562	7,348	7,421	6,841	5,970	6,543	5,946	5,116	5,008
Number of employees at year-end	17,420	17,096	16,427	15,465	14,685	14,716	14,140	13,968	13,068	12,536

¹⁾ Number of shares, excluding treasury shares, as of 31 December 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; 2010: 113,404,688.

²⁾ Average number of shares before dilution 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; 2010: 113,946,228.

³⁾ Average number of shares after dilution 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; 2010: 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).

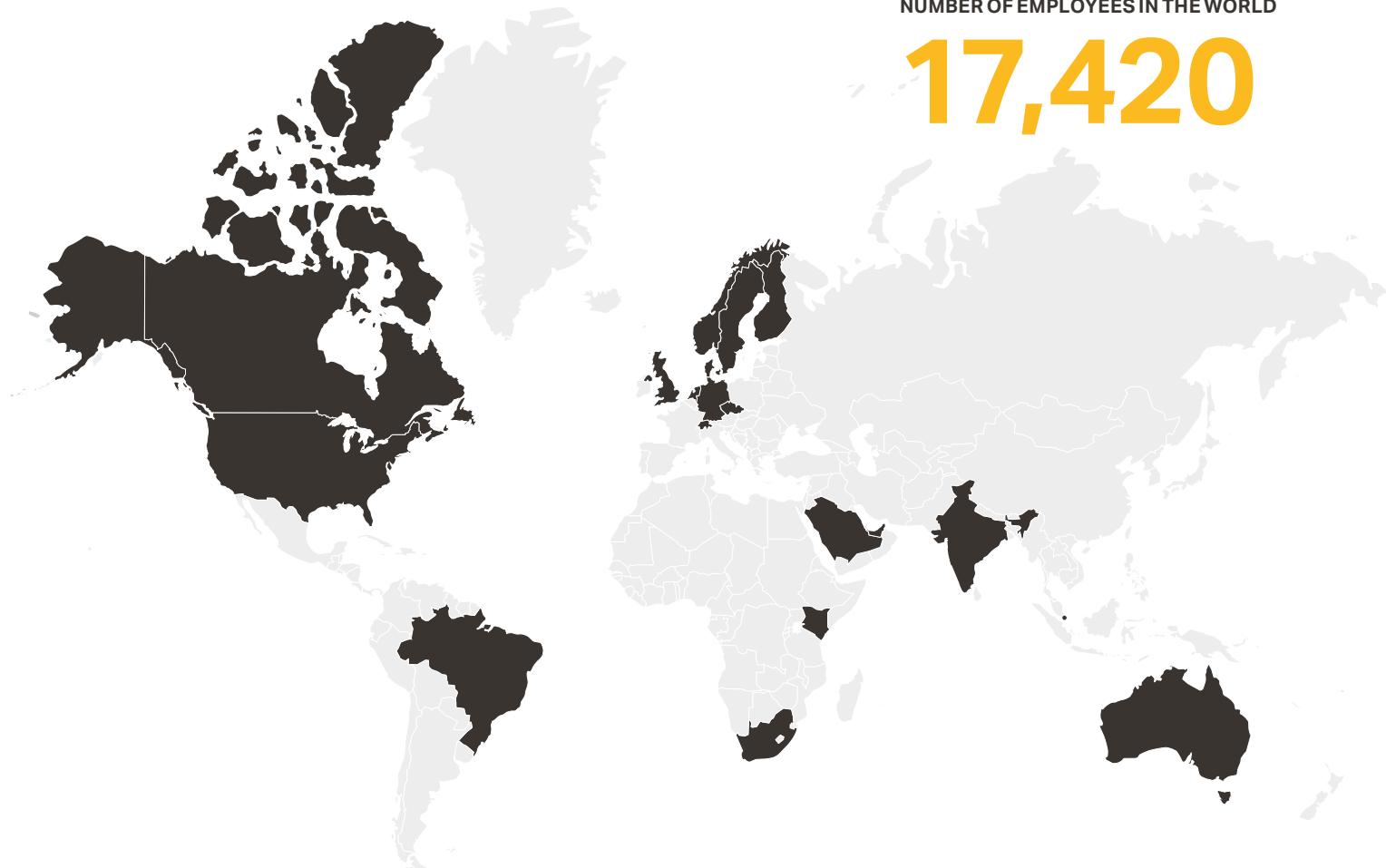
Financials for 2012 and earlier are not restated to operational and free cash flow.

The average number of outstanding shares during the period, as well as for previously reported periods for comparative purposes, 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	GLSDB Ground Launched Small Diameter Bomb
A26 Submarine programme for the Swedish Navy	GRI Global Reporting Initiative
AEW&C Airborne Early Warning & Control	Gripen Fighter system
Arthur Artillery Hunting Radar	ICT Information and communication technology
AT4 Anti-Tank weapon	ISP Swedish Inspectorate of Strategic Products
Carl-Gustaf Man-portable multi-role weapons system	ISR Intelligence, surveillance and reconnaissance
CBRN Chemical, Biological, Radiological, Nuclear agents	LTI Long-Term Incentive Programme
CDP Carbon Disclosure Project	MBD Model Based Design
Erieye Airborne surveillance system (AEW&C)	MCS Mobile Camouflage System Protection
FMV Försvarets Materielverk (Swedish Defence and Materiel Administration)	Nasa National Aeronautics and Space Administration
FTE Full time equivalent	R&D Research and Development
Giraffe Surveillance radar system	SOTACS Special operations tactical suit
GHG Greenhouse gas emissions	T-7A Program The United States procurement programme for fighter trainers
GlobalEye Airborne surveillance system (AEW&C)	ULCAS Ultra-lightweight camouflage screen

Saab in the world



NUMBER OF EMPLOYEES

	31 Dec 2019		31 Dec 2019
Linköping, Sweden	6,484	Muskö, Sweden	67
Göteborg, Sweden	1,594	Tampere, Finland	63
Järfälla, Sweden	1,359	Thun, Switzerland	59
Karlskoga, Sweden	992	Uttenreuth, Germany	59
Karlskrona, Sweden	733	Docksta, Sweden	56
Huskvarna, Sweden	576	Lillington NC, USA	52
Centurion, South Africa	544	Cape Town, South Africa	52
East Syracuse NY, USA	531	Luleå, Sweden	52
Malmö, Sweden	506	Rockingham, Australia	51
Arboga, Sweden	501	Abu Dhabi, United Arab Emirates	47
Adelaide, Australia	378	Singapore, Singapore	37
Växjö, Sweden	344	Zeist, Netherlands	35
Stockholm, Sweden	240	Norrköping, Sweden	33
Östersund, Sweden	175	Helsingborg, Sweden	30
Trollhättan, Sweden	138	Ljungbyhed, Sweden	27
Fareham, UK	138	Vancouver, Canada	27
Apeldoorn, Netherlands	111	Jyväskylä, Finland	26
Sønderborg, Denmark	109	Västerås, Sweden	25
Slavkov, Czech Republic	89	Sao Bernardo, Brazil	25
Gamleby, Sweden	75	Other	835
Jönköping, Sweden	75	Total	17,420
Nyköping, Sweden	70		

NUMBER OF EMPLOYEES BY COUNTRY

	31 Dec 2019
Sweden	14,420
USA	654
South Afrika	596
Australia	459
UK	204
Netherlands	154
Denmark	120
Finland	117
Czech Republic	98
Germany	88
Brazil	68
Canada	67
Switzerland	59
United Arab Emirates	56
Norway	46
India	44
Singapore	37
Kenya	26
Saudi Arabia	24
Other	83
Total	17,420

NUMBER OF EMPLOYEES IN SWEDEN

14,420**Contact information**

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