

Q4

YEAR-END REPORT
JANUARY-DECEMBER 2020

Order bookings

BSEK

42.3

Sales

BSEK

35.4

Adjusted
Operating margin

%

7.4%

President and CEO, Micael Johansson's comments:

Delivering strong order growth and positive cash flow

The prolonged pandemic continued to severely affect many countries in the fourth quarter, resulting in new restrictions and lockdowns. Despite this Saab continued to strengthen its competitiveness on the global defence market. We secured significant order intake, up 56 per cent compared to 2019 and the order backlog reached almost SEK 100 billion. Saab's international expansion continues and orders outside Sweden grew 52 per cent in 2020. The strong order backlog, combined with growing defence needs across Saab's key markets, will be a continued support to our growth journey.

In the civil aviation business, demand remained weak compared to the previous year and in the fourth quarter some of our large customers declared significantly lower production volumes. This had a negative impact on parts of Saab's civil business that design and manufacture composite doors and wing-parts to aircrafts. As a result, business area IPS took a one-time cost of SEK -315 million in the quarter. Saab's defence business showed solid performance, with five of six business areas reporting positive sales growth. Organic growth for Saab in the quarter was 18 per cent, while sales for the full year were in line with last year. Notably our sales were up 4 per cent, excluding project estimate adjustments in quarter three related to Covid-19, despite the downturn in the civil aviation market. For 2021, organic sales growth is expected to be in line with our long-term target of 5 per cent.

Operating income, excluding items affecting comparability, amounted to SEK 1,081 million in the quarter, corresponding to a margin of 8.8 per cent (11.3%). Reported margin was 6.1 per cent. The decline is linked to Covid-19, affecting the performance in our civil business. Adjusted operating margin for 2020 were 7.4 per cent (8.3%). Reported margin for the full year was 3.7% per cent. For 2021, we expect the EBIT margin to be in line with adjusted EBIT margin for 2020. The uncertainty surrounding Covid-19 and its future effects remains high.

During the year, several important milestones were met, delivery of the first and second GlobalEye to the United Arab Emirates, delivery of the first Gripen E to Brazil and the second upgraded Gotland-class submarine to Sweden. Furthermore, the maiden flight of our new Fighter AESA radar was completed, strengthening our sensor capabilities further.

For 2020, we guided that operational cash flow would be positive, following two years of negative cash flow. Operational cash flow for the year came in at SEK 2,773 million (-1,300). The cash flow was driven by good project execution and deliveries in several of Saab's programmes. Looking into 2021, we expect operational cash flow for the full year to continue to be positive. Saab reports a solid balance sheet with a net financial debt position of 1.5 net debt/EBITDA. Based on the financial position and future outlook the Board will propose a dividend of SEK 4.70 per share for 2020.

As a defence and security company, our commitment to sustainability and the UN Global Compact Principles is of outmost importance. Throughout the year, we intensified our sustainability work and established, among others initiatives, the Saab Climate Fund for sustainable innovation and solutions. I am confident that Saab remains well positioned to continue growing and create long-term sustainable value to all its stakeholders.

Outlook for 2021*:

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

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

Operational Cash flow: Positive for the full year

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

Financial highlights

MSEK	Full Year 2020	Full Year 2019	Change, %	Q4 2020	Q4 2019	Change, %
Order bookings	42,328	27,216	56	18,106	8,123	123
Order backlog	99,816	93,293	7			
Sales	35,431	35,433	0	12,491	10,578	18
Gross income	5,676	8,035	-29	2,139	2,569	-17
Gross margin, %	16.0	22.7		17.1	24.3	
EBITDA	2,833	4,305	-34	1,229	1,563	-21
EBITDA margin, %	8.0	12.1		9.8	14.8	
Operating income (EBIT)	1,315	2,937	-55	766	1,198	-36
Operating margin, %	3.7	8.3		6.1	11.3	
Adjusted operating income ¹⁾	2,738	2,937	-7	1,081	1,198	-10
Adjusted operating margin, % ¹⁾	7.4	8.3		8.8	11.3	
Net income	1,092	2,025	-46	603	904	-33
of which Parent Company's shareholders' interest	1,073	1,983	-46	598	883	-32
Earnings per share after dilution, SEK ²⁾	8.01	14.81		4.48	6.60	
Return on equity, % ³⁾	5.1	10.0				
Operational cash flow	2,773	-1,300		2,901	3,056	
Free cash flow	3,753	-2,036		3,055	2,955	
Free cash flow per share after dilution, SEK	28.03	-15.20		22.87	22.13	
	133,877,141	133,929,292		133,553,781	133,553,690	

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

²⁾ Average number of shares after dilution

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



SAAB

Orders

Fourth quarter 2020

Order bookings amounted to SEK 18,106 million (8,123) in the fourth quarter of 2020, an increase of 123 per cent mostly driven by two large orders. Follow-on contract for GlobalEye to the United Arab Emirates of USD 1,018 million and an order from the Swedish Defence Materiel Administration for an integrated sensor and command and control system for use with ground based air defence. Several important medium-sized orders were also signed in the quarter such as an order to provide and integrate a combat system for the Bulgarian Navy's new patrol vessels in Surveillance and orders for Robot 70 and Robot 15 as well as underwater mine identification and disposal vessels in Dynamics. Aeronautics received an order from the Swedish Defence Materiel Administration to define future capabilities of Gripen C/D.

January-December 2020

Order bookings amounted to SEK 42,328 million (27,216), an increase of 56 per cent. This was due to the large orders received during the year. Bookings of medium-sized orders also grew, 22 per cent, and amounted to SEK 11,839 million (9,729). Bookings of small orders were in line with 2019 and amounted to SEK 13,267 million (13,288). In 2020, index and price changes had a positive effect on order bookings of SEK 588 million, compared to SEK 1,378 million in 2019. The order backlog at the end of the period amounted to SEK 99,816 million, compared to SEK 93,293 million at the beginning of the year. In total, 71 per cent (69) of the order backlog is attributable to markets outside Sweden.

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

Sales

Fourth quarter 2020

Sales in the fourth quarter amounted to SEK 12,491 million (10,578). Adjusted sales amounted to SEK 12,326 million, see note 5. All business areas but IPS grew sales in the quarter. Support and Services increased sales with 55 per cent, in part due to GlobalEye. Dynamics also showed a strong increase of sales of 20 per cent during the fourth quarter due to a high rate of delivery in Ground Combat. The Corona virus pandemic continued to have a negative impact on the business area IPS and the civil operations within Support and Services during the quarter through lower demand and production mainly associated with the civil aviation industry.

January-December 2020

Sales amounted to SEK 35,431 million (35,433). Excluding project estimate adjustments related to Covid-19 in the third quarter, sales amounted to SEK 36,762 million, corresponding to an increase of 4 per cent. Dynamics reported positive sales growth thanks to strong execution and a high level of deliveries. Also Support and Services significantly grew sales due to solid project execution and positive effects from GlobalEye. Surveillance and Kockums also grew sales compared to 2019. Sales volumes in IPS were negatively affected by the steep decline in demand from the civil aviation industry due to Covid-19. Aeronautics reported negative growth following the project estimate adjustments due to Covid-19 in the third quarter.

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

Sales growth

Per cent	Full Year 2020	Full Year 2019	Q4 2020	Q4 2019
Organic sales growth	1	6	20	-5
Acquisitions	-	-	-	-
Currency effects regarding revaluation of foreign subsidiaries	-1	1	-2	1
Total sales growth	0	7	18	-4

Sales per region

MSEK	Full Year 2020	Full Year 2019	Change, %
Sweden	12,662	13,188	-4
Rest of Europe	6,239	5,677	10
North America	3,938	3,889	1
Latin America	4,527	4,314	5
Asia	6,336	6,464	-2
Africa	180	357	-50
Australia, etc.	1,549	1,544	0
Total	35,431	35,433	0

Classification of orders

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

Order distribution

Orders exceeding MSEK 100 accounted for 69% (51) of total orders during the year.



Order backlog duration:

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

Defence/Civil

A total of 91% (85) of order bookings was attributable to defence-related operations during the year.

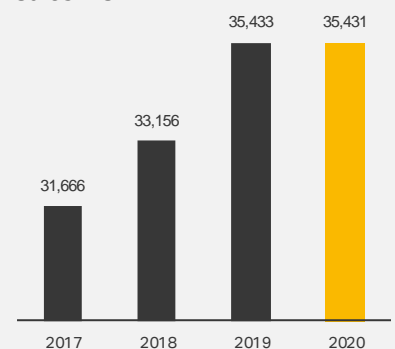


Market

A total of 70% (71) of order bookings was related to markets outside Sweden during the year.



Sales MSEK



Income

Fourth quarter 2020

The gross margin in the third quarter was 17.1 per cent (24.3) and 19.6 per cent adjusted for items affecting comparability. The lower level is mainly explained by the earlier communicated adjustments to project estimates due to Covid-19 and the downturn in the civil aviation industry. During the quarter, a cost of SEK 315 million was recognised in business area IPS related to onerous contract provisions following lower estimated rates of deliveries and production volumes in the commercial aviation programmes. Operating income amounted to SEK 766 million (1,198) with an operating margin of 6.1 per cent (11.3). In the quarter, SEK -315 million is reported as items affecting comparability related to the onerous contract provisions. See note 5. Excluding items affecting comparability, operating income amounted to SEK 1,081 million with an operating margin of 8.8 per cent. A negative impact within the civil business and higher production expenses related to delays in the supply chain were partly offset by higher sales volumes within Dynamics and volume growth from GlobalEye within Support and Services. During the quarter, amortisation of capitalised development costs related to airborne surveillance systems commenced, affecting income with SEK 94 million.

January-December 2020

The gross margin in 2020 was 16.0 per cent (22.7). Adjusted for items affecting comparability the gross margin was 20.6 per cent. The decline is mainly explained by adjustments to project estimates due to Covid-19 and the downturn in the civil operations. Total depreciation, amortisation and write-downs amounted to SEK 1,518 million (1,368). Depreciation of tangible fixed assets amounted to SEK 1,169 million (1,106). Total R&D expenditures amounted to SEK 7,440 million (7,643), or about 21 per cent (22) of sales. Expenditures for internally funded investments in R&D amounted to SEK 2,450 million (2,387), of which SEK 1,353 million (1,392) has been capitalised. Capitalised expenditures are mainly attributable to the development of Gripen E/F for future exports.

Amortisation and write-downs of intangible fixed assets amounted to SEK 349 million (262), of which amortisation and write-downs of capitalised development expenditures amounted to SEK 233 million (142). The increase is mainly explained by amortisation of airborne surveillance systems, MSEK 94. The share of income in associated companies and joint ventures amounted to SEK -180 million (-5).

Operating income amounted to SEK 1,315 million (2,937) with an operating margin of 3.7 per cent (8.3). Excluding adjustments to project estimates and other items affecting comparability, operating income amounted to SEK 2,738 million and the operating margin to 7.4 per cent. The negative impacts from Covid-19 were partly offset volume growth, improved project and resource efficiency and lower costs.

Saab has during the year not applied for short-time work allowances for employees of the business units Aerostructures and Combitech within the business area Industrial Products and Services (IPS). In accordance with the temporary rules introduced in Sweden in connection with Covid-19, Saab has received compensation for all sick leave costs in the Swedish operations during parts of the quarter. The support is paid to all Swedish employers and does not require an application. The support amounts to SEK 35 million during the year, of which SEK 0 million in the fourth quarter, and is recognised as other operating income in each business area.

Financial net

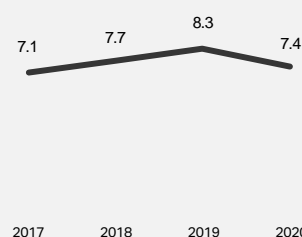
MSEK	Full Year 2020	Full Year 2019
Financial net related to pensions	-73	-91
Net interest items	-70	-78
Currency gains/losses	110	-32
Lease liability interest	-93	-104
Other financial items	-77	-25
Total	-203	-330

The financial net related to pensions is the financial cost for net pension obligations recognised in the balance sheet. See note 13 for more information regarding defined-benefit pension plans. Net interest items refer to interest on liquid assets, short-term investments and interest expenses on short- and long-term interest-bearing liabilities and interest on interest-rate swaps. Currency gains/losses recognised in the financial net are mainly related to currency hedges of the tender portfolio, which are measured at fair value through profit and loss. In 2020, the Group has been positively affected by gains on derivatives that hedge tenders in foreign currency, while the result was negative in 2019. Lease liability interest consists of the interest portion related to lease liabilities recognised in the balance sheet. Other net financial items consist of realised and unrealised results from short-term investments and derivatives as well as other currency effects, e.g. changes in exchange rates for liquid assets in currencies other than SEK.

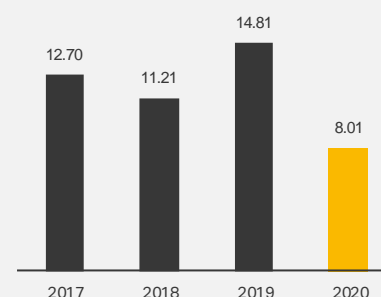
Tax

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

Adjusted operating margin, %

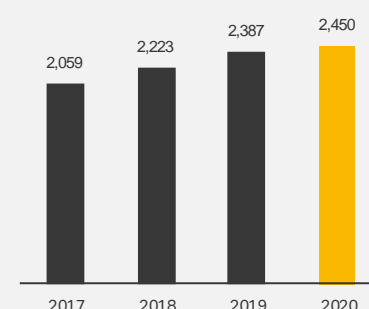


Earnings per share after dilution, SEK



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

Internally funded R&D expenditures, MSEK



Financial position and liquidity

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

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

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

Net provisions for pensions, excluding the special employer's contribution, amounted to SEK 5,067 million as of 31 December 2020, compared to SEK 4,722 million at year-end 2019. The change had a negative effect on net debt of SEK 345 million. For further information on Saab's def-benefit pension plans, see note 13.

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

Right-of-use assets recognised in the balance sheet amounted to SEK 2,516 (2,549).

Net investments in 2020 amounted to SEK 2,868 million (2,769). Investments in tangible fixed assets amounted to SEK 1,269 million (1,213).

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

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

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

The return on capital employed was 4.3 per cent (9.1) and the return on equity was 5.1 per cent (10.0), both measured over a rolling 12-month period. Performance indicators for return on capital employed and return on equity have been significantly impacted by items affecting comparability during the period.

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

Change in net debt Jan-Dec 2020

	MSEK
Net liquidity (+) / net debt (-), 31 Dec 2019	-7,069
Cash flow from operating activities	5,800
Change in net pension obligation	-345
Net investments	-2,868
Sale and acquisitions of subsidiaries	165
Sale of and investments in financial assets, associates and joint ventures	1,093
Conversion of loan receivable to associated company	-197
Write-down of loan receivable to associated company	-59
Repurchase of shares	-242
Dividend to and transactions with non-controlling interest	-97
Additional lease liabilities	-479
Currency impact and unrealised results from financial investments	25
Net liquidity (+) / net debt (-), 31 Dec 2020 ¹⁾	-4,273
¹⁾ Net liquidity (+) / net debt (-) excluding net provisions for pensions, lease liabilities and interest-bearing receivables, 31 Dec 2020	2,918

Key indicators of financial position and liquidity

MSEK	31 Dec 2020	31 Dec 2019	Change
Net liquidity / debt ²⁾	-4,273	-7,069	2,796
Intangible fixed assets	11,520	10,465	1,055
Goodwill	5,141	5,355	-214
Capitalised development costs	5,699	4,580	1,119
Other intangible fixed assets	680	530	150
Tangible fixed assets, etc ³⁾	6,984	6,591	393
Right of use assets ⁴⁾	2,516	2,549	-33
Inventories	10,252	10,475	-223
Accounts receivable	4,062	5,198	-1,136
Contract assets	9,900	12,234	-2,334
Contract liabilities	8,409	8,899	-490
Equity/assets ratio, %	35.7	34.8	-
Return on equity, %	5.1	10.0	-
Equity per share, SEK ¹⁾	162.32	154.48	-

1) Number of shares excluding treasury shares

132,247,073 132,926,363 -679,290

2) The Group's net liquidity/debt refers to liquid assets, short-term investments and interest-bearing receivables less interest-bearing liabilities and provisions for pensions excluding provisions for special employers' contribution attributable to pensions. For a detailed break-down of interest-bearing receivables and interest-bearing liabilities, see note 8.

3) Including tangible fixed assets and biological assets.

4) Relate to right-of-use assets for leases.

Cash flow

Fourth quarter 2020

Operational cash flow amounted to SEK 2,901 million (3,056) and was positive in the fourth quarter as a result of good project execution and deliveries in several of Saab's programmes, which had a positive effect on working capital.

On 30 March, Sweden introduced the possibility to apply for a deferment of taxes and fees for three months as part of the state support package for Swedish companies in connection with the Covid-19 pandemic. Due to current uncertainty, Saab utilised the opportunity to strengthen its liquidity and received in the second quarter 2020 a deferment on its employer social security contributions, preliminary taxes for salaries and VAT for the Swedish part of the Group. The deferment, in total SEK 1,761, has been repaid in full during the fourth quarter 2020.

Saab has an established programme to sell trade receivables in order to increase financial flexibility. As of 31 December 2020, the programme has not been utilised.

Free cash flow amounted to SEK 3,055 million (2,955). For more detailed information on cash flow, see note 11.

January-December 2020

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

For the full year, the deferment of taxes and fees as part of the state support package for Swedish companies in connection with the Covid-19 pandemic, had no effect on the cash flow.

Free cash flow amounted to SEK 3,753 million (-2,036). For more detailed information on cash flow, see note 11.

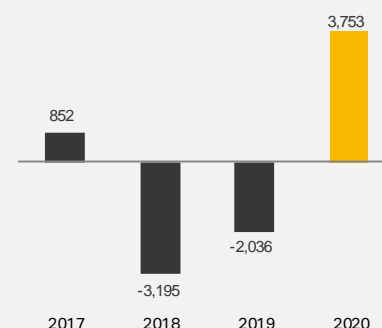
There can be big differences in cash flow between reporting periods as the timing of milestone payments in large projects greatly varies depending on when milestones are passed.

	Jan-Dec 2020	Jan-Dec 2019
Cash flow from operating activities before changes in working capital, excluding taxes and other financial items ¹⁾	2,905	4,626
Change in working capital	2,736	-3,157
Cash flow from operating activities excluding taxes and other financial items	5,641	1,469
Cash flow from investing activities ²⁾	-2,868	-2,769
Operational cash flow	2,773	-1,300
Taxes and other financial items	-278	-690
Sale of and investments in financial assets and operations	1,258	-46
Free cash flow	3,753	-2,036

1) Including amortisation of lease liabilities

2) Cash flow from investing activities excluding change in short-term investments and other interest-bearing financial assets and excluding sale of and investment in financial assets, investments in operations and sale of subsidiaries. If investments in and sale of financial fixed assets are considered to be of operating nature, the item is included in investing activities.

Free cash flow, MSEK



Operating segments

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

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

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Business Area Aeronautics

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

Business Area Dynamics

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

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Business Area Surveillance

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

Business Area Support and Services

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

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Business Area Industrial Products and Services

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

Business Area Kockums

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

Business Area Aeronautics

Business units

Gripen E/F, Gripen C/D, Advanced Pilot Training Systems and Aeronautical Solutions.

MSEK	Full Year 2020	Full Year 2019	Change, %	Q4 2020	Q4 2019
Order bookings	2,025	2,979	-32	785	1,778
Order backlog	36,838	42,120	-13		
Sales	7,307	8,218	-11	2,594	2,329
EBITDA	-431	737	-158	140	207
EBITDA margin, %	-5.9	9.0		5.4	8.9
Operating income (EBIT)	-500	677	-174	121	192
Operating margin, %	-6.8	8.2		4.7	8.2
Adjusted operating income ¹⁾	653	677	-4	153	192
Adjusted operating margin, % ¹⁾	7.7	8.2		5.9	8.2
Operational cash flow	-2,226	-1,591		-275	2,106

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

Orders

Aeronautics showed a lower order intake for the full year 2020 compared with 2019. During the fourth quarter, Saab received an order from the Swedish Defense Materiel Administration, FMV, regarding the first phase of ensuring future capability for the Gripen C/D.

Sales, income and margin

Sales revenue decreased in 2020, mainly due to the adjustment of project estimates of SEK 1,121 million in the Gripen E/F programmes made in the previous quarter. When excluding the impact from the adjusted project estimates, sales in 2020 were unchanged from the previous year. The activity level in the Gripen programmes has remained high, at the same time as the business is in an early production stage in the Gripen programmes. Operating profit for the full year, excluding the impact from the adjustment of project estimates, deteriorated slightly compared to 2019. Higher marketing costs as a result of five ongoing Gripen campaigns had a negative effect on earnings. During the fourth quarter, earnings were negatively affected by a write-down of the shareholding in an associated company of SEK -32 million.

Cash flow

Cash flow for the year was negative as a result of a working capital build-up related to the ongoing Gripen programmes.

Order

distribution

Orders exceeding MSEK 100 accounted for 64% (67) of total orders during the year.



Market

Sales in markets outside Sweden amounted to 60% (50) during the year.



Business Area Dynamics

Business units

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

MSEK	Full Year 2020	Full Year 2019	Change, %	Q4 2020	Q4 2019
Order bookings	9,231	6,706	38	1,776	2,203
Order backlog	16,527	14,264	16		
Sales	6,913	6,140	13	2,695	2,251
EBITDA	917	792	16	419	440
EBITDA margin, %	13.3	12.9		15.5	19.5
Operating income (EBIT)	829	716	16	393	419
Operating margin, %	12.0	11.7		14.6	18.6
Adjusted operating income ¹⁾	844	716	18	408	419
Adjusted operating margin, % ¹⁾	12.2	11.7		15.1	18.6
Operational cash flow	551	158		1,001	269

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

Order distribution

Orders exceeding MSEK 100 accounted for 60% (55) of total orders during the year.



Market

Sales in markets outside Sweden amounted to 74% (78) during the year.



Orders

Order intake for the full year 2020 grew 38 per cent and reached a record high level. The strong growth was driven by international orders for, among other things, missile systems, but also orders in the underwater section during the period. During the fourth quarter, the first orders for the mine disposal vehicle MuMNS were received via prime contractor Thales, for delivery to the United Kingdom and France. During the quarter, a framework agreement was also signed for an initial order for the Carl-Gustaf M4 to Norway, which will be the 14th country to use the latest generation Carl-Gustaf system.

Sales, income and margin

Sales revenues strengthened and showed growth of 13 per cent for the full year 2020. A high activity level and increased delivery rate contributed positively to the volume increase, driven by Ground Combat. Sales for the fourth quarter increased by 20 per cent. The operating margin for the full year continued to improve due to the positive volume effects. During the fourth quarter, the business area's earnings were affected by SEK -15 million in adjustment of project estimates related to Covid-19, which were included in the Corporate result in the third quarter. See Note 5 for more information.

Cash flow

Operating cash flow improved and was positive for the full year 2020, mainly due to payments for deliveries during the fourth quarter.

Business Area Surveillance

Business units

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

MSEK	Full Year 2020	Full Year 2019	Change, %	Q4 2020	Q4 2019
Order bookings	13,928	9,390	48	9,247	1,751
Order backlog	22,183	16,465	35		
Sales	7,888	7,699	2	2,540	2,304
EBITDA	852	1,151	-26	151	437
EBITDA margin, %	10.8	14.9		5.9	19.0
Operating income (EBIT)	505	853	-41	33	361
Operating margin, %	6.4	11.1		1.3	15.7
Adjusted operating income ¹⁾	671	853	-21	199	361
Adjusted operating margin, % ¹⁾	8.3	11.1		7.4	15.7
Operational cash flow	1,281	1,156		979	1,228

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

Orders

For the full year 2020, Surveillance showed a strong order intake of approximately SEK 14 billion, corresponding to an increase of 48 per cent. The strong order intake was driven by the order for a system solution for integrated air defense capability from Sweden, an additional order for two GlobalEye airborne surveillance system from the United Arab Emirates, as well as important orders for radar systems from France and naval command systems from Bulgaria.

Sales, income and margin

Sales for the full year 2020 were in line with the previous year. A lower level of activity, timing in project implementation and Covid-19 related disruptions in the business had a negative impact on sales volumes but also the result. During the fourth quarter, the result was charged with adjustments of project estimates of SEK -166 million, which in the previous quarter were included in the Corporate result. Adjusted for the item affecting comparability, the business area's operating margin was 8.3% for the full year and 7.4% for the fourth quarter of 2020.

Cash flow

Operating cash flow was SEK 1,281 million for the full year 2020 and was driven by, among other factors, milestones being reached within the GlobalEye project.

Order distribution

Orders exceeding MSEK 100 accounted for 77% (71) of total orders during the year.



Market

Sales in markets outside Sweden amounted to 82% (80) during the year.



Business Area Support and Services

Business units

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

MSEK	Full Year 2020	Full Year 2019	Change, %	Q4 2020	Q4 2019
Order bookings	11,945	4,099	191	4,412	1,083
Order backlog	14,238	8,986	58		
Sales	6,521	5,821	12	2,569	1,654
EBITDA	788	762	3	382	267
EBITDA margin, %	12.1	13.1		14.9	16.1
Operating income (EBIT)	711	742	-4	323	262
Operating margin, %	10.9	12.8		12.6	15.8
Adjusted operating income ¹⁾	829	742	12	441	262
Adjusted operating margin, % ¹⁾	12.7	12.7		17.2	15.8
Operational cash flow	1,856	11		864	665

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

Order distribution

Orders exceeding MSEK 100 accounted for 87% (35) of total orders during the year.



Market

Sales in markets outside Sweden amounted to 54% (55) during the year.



Orders

The business area showed strong order development for the full year 2020, an increase of 191 per cent. Both larger and smaller orders made a positive contribution. During the fourth quarter, part of the follow-up contract was booked for the two airborne surveillance systems GlobalEye.

Sales, income and margin

Sales volumes showed growth for the full year. This was due to good project execution within the support work for Gripen C/D and positive volume effects from GlobalEye, despite continued negative volume and impact on earnings from the civil aviation business, Regional Aircraft. During the fourth quarter, the business area's earnings were charged with SEK -118 million for inventory write-downs related to Covid-19, which in the previous quarter were included in the Corporate result. Excluding the write-down, the business area showed an improved operating profit of 12 percent for the full year 2020. The operating profit for the quarter, excluding inventory write-downs, strengthened slightly and the business area reported an improved margin compared with the corresponding quarter last year.

Cash flow

Operating cash flow for the full year showed a strong improvement and amounted to SEK 1,856 million. The increase compared with the previous year was mainly a result of important milestone payments within the GlobalEye programmes.

Business Area Industrial Products and Services

Business units

Aerostructures, Avionics Systems, Traffic Management, and Combitech.

MSEK	Full Year 2020	Full Year 2019	Change, %	Q4 2020	Q4 2019
Order bookings	5,611	5,515	2	1,856	1,648
Order backlog	8,794	9,035	-3		
Sales	5,846	6,556	-11	1,475	1,933
EBITDA	-322	324	-199	-321	127
EBITDA margin, %	-5.5	4.9		-21.8	6.6
Operating income (EBIT)	-398	238	-267	-340	105
Operating margin, %	-6.8	3.6		-23.1	5.4
Adjusted operating income ¹⁾	-83	238	-135	-25	105
Adjusted operating margin, % ¹⁾	-1.4	3.6		-1.7	5.4
Operational cash flow	1,028	-302		11	-38

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

Orders

IPS showed increased order intake during the full year 2020. This was primarily driven by the Traffic Management business unit, where a number of major orders in the Public Safety and Security area in Australia were signed during the fourth quarter, but also within the Combitech business unit, where order intake continued to be strong during the period.

Sales, income and margin

Sales revenues during the full year decreased compared with the previous year. The Combitech business unit made a positive contribution, while other business units reported lower sales, mainly due to reduced demand due to the current pandemic. Operating income for both the full year and the quarter decreased compared with the previous year. During the fourth quarter, the result was charged with a loss contract provision within the Aerostructures business unit of SEK -315 million related to lower forecast delivery rates and volumes in the commercial flight programmes as a result of the pandemic.

Cash flow

The operational cash flow for the full year improved compared with the previous year, partly as a result of positive cash flow within Combitech, and also due to compensation after renegotiation of agreements with customer within the Aerostructures unit.

Order distribution

Orders exceeding MSEK 100 accounted for 7% (7) of total orders during the year.



Market

Sales in markets outside Sweden amounted to 53% (56) during the year.



Business Area Kockums

Business units

Submarines, Surface Ships and Docksta.

MSEK	Full Year 2020	Full Year 2019	Change, %	Q4 2020	Q4 2019
Order bookings	1,801	1,216	48	863	293
Order backlog	3,631	4,852	-25		
Sales	3,027	3,007	1	876	815
EBITDA	153	124	23	54	45
EBITDA margin, %	5.1	4.1		6.2	5.5
Operating income (EBIT)	119	88	35	46	36
Operating margin, %	3.9	2.9		5.3	4.4
Operational cash flow	983	-70		686	152

Order distribution

Orders exceeding MSEK 100 accounted for 39% (14) of total orders during the year.



Market

Sales in markets outside Sweden amounted to 4% (5) during the year.



Order backlog

Kockums showed a strong order intake during the full year 2020. The increase was mainly attributable to additional orders within the current submarine programme.

Sales, income and margin

Sales in 2020 were in line with the previous year and were due to a good level of activity, primarily in the underwater business. Operating profit for the full year strengthened slightly compared with the previous year. The business is in a transition from development to production and productivity measures to improve profitability continue.

Cash flow

Operational cash flow strengthened in 2020. Milestone payments in the major projects made a positive contribution.

Corporate

Corporate comprises Group staff, Group departments and other operations including Saab's minority portfolio in Corporate, outside the core operations. The minority portfolio contains Saab's interests in UMS Skeldar AG and Ventures. Corporate reported operating income of SEK 49 million (-377) in 2020. Adjusted for items affecting comparability, operating income amounted to SEK -295 million, refer to note 5. Operational cash flow attributable to Corporate amounted to SEK -700 million (-662) for the year.

Acquisitions and divestments 2020

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

Share repurchase

Saab held 3,598,774 treasury shares as of 31 December 2020, compared to 2,919,484 at year-end 2019. The Annual General Meeting in 2020 authorised the Board of Directors to repurchase a maximum of 1,465,000 Series B shares to secure delivery of shares to participants in Saab's incentive programme and for subsequent transfers on the stock exchange to cover certain costs associated with LTI 2021, mainly social security costs. In September, the Board of Directors decided to utilise the authorisation from the Annual General Meeting to repurchase own shares. The Annual General Meeting also decided to authorise the Board, before the next Annual General Meeting, to decide on the acquisition of Series B shares up to a maximum of 10 percent of the total number of shares in the company. The purpose of the authorisation is to be able to adjust the company's capital structure and thereby contribute to increased shareholder value as well as to enable continued use of repurchased shares in connection with potential acquisitions of companies and for the company's share-related incentive programmes. In the fourth quarter of 2020, Series B shares were repurchased for SEK 242 million.

Proposed dividend

The Board of Directors proposes that shareholders receive a dividend of SEK 4.70 per share (0), totalling SEK 622 million (0). The dividend for 2020 is based on the number of shares outstanding as of 31 December 2020, amounting to 132,247,073 (132,926,363). The proposed record date to be entitled to receive the dividend is 15 April 2021 and the dividend is expected to be paid out on 20 April 2021.

Nomination Committee

In accordance with the resolution of Saab's Annual General Meeting, the members of the Nomination Committee were appointed based on the shareholder structure on 31 August 2020. The members of the Saab Nomination Committee for the Annual General Meeting 2021 are Marcus Wallenberg, Chairman of the Board of Saab AB; Petra Hedengran, Investor AB; Peter Wallenberg Jr, Knut and Alice Wallenberg Foundation; Ossian Ekdahl, Första AP-fonden and Anders Algotsson, AFA Insurance. The Nomination Committee prepares proposals for the Chairman of the Annual General Meeting, the Board of Directors, the Chairman of the Board of Directors and the Auditor as well as Board remuneration and the fee to the Auditor. The Annual General Meeting of Saab AB will be held on Tuesday, 13 April 2021. More information will be found in the invitation to the annual general meeting.

Risks and uncertainties

Saab's operations primarily involve the development, production and supply of technologically advanced hardware and software to military and civilian customers around the world. Operations largely consist of major projects carried out over long periods of time, usually several years, in close cooperation with customers, suppliers, partners and institutions. Projects generally entail significant investments, long periods of time and technological development or refinement of products. In addition to customer and supplier relations, international operations involve joint ventures and collaborations with other industries as well as the establishment of operations abroad. Operations entail risk in various respects. The key risk areas are strategic, market and political, operating, financial and compliance. Various policies and instructions govern the management of material risks. Saab today conducts more projects involving large share of development than before, and their inherent complexity entails a higher level of risk. The market is characterised by challenging conditions where orders can be deferred to the future partly for financial and political reasons. For a general description of the risk areas, see the annual report 2019, pages 48-52.

Covid-19 update

During the fourth quarter of 2020, the Corona pandemic continued to impact Saab's operations. For Saab, the uncertainty surrounding Covid-19 is primarily linked to disruptions in the supply chain in all business areas and the market conditions in civilian operations. In the areas where demand has decreased, a review of capacity, including staffing, is ongoing.

Owners

Saab's largest shareholders as of 31 December 2020:

	% of capital	% of votes
Investor AB	30.2	40.6
Knut och Alice Wallenbergs stiftelse	8.8	7.8
Första AP-fonden	4.4	3.9
Alliance Bernstein	2.3	2.0
AFA Insurance	2.2	1.9
Vanguard	1.9	1.7
Schroders	1.6	1.4
Unionen	1.4	1.2
Nordea Fonder	1.4	1.2
Swedbank Robur fonder	1.3	1.2

Source: Modular Finance

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

Personnel

	31 Dec 2020	31 Dec 2019
Number of employees	18,073	17,420
FTE's	17,985	17,299

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

Saab has introduced reduced working hours for employees within Aerostructures and Combitech but has not applied for state support for these measures. During the fourth quarter, a cost of SEK 315 million was recognised in the Aerostructures business unit related to onerous contract provisions following lower estimated rates of deliveries and production volumes in the commercial aviation programmes related to the pandemic. In 2020, Saab reported items affecting comparability, which are, among other things, attributable to Covid-19 (for more information, see Note 5). Due to the protracted pandemic and the slow global recovery, Saab sees continued risks related to the effects of Covid-19. Furthermore, the pandemic has had a negative impact on production capacity at certain operations outside Sweden, and the risk of a broader impact in the Group has been identified.

Restrictions on deliveries to countries that have been strongly impacted by the pandemic has had a negative impact on sales and cash flow. In accordance with the temporary rules introduced in Sweden in connection with Covid-19, Saab received compensation for sick pay costs within the Swedish part of the Group during the year. The support is paid to all Swedish employers and amounts to SEK 35 million during the year. Saab has taken a number of measures to combat the negative effects of the pandemic on its operations, but is also working to reduce the risks, especially in the supply chain, related to Covid-19. In order to strengthen liquidity, Saab utilised the opportunity to receive a deferment on its employer social security contributions, preliminary taxes for salaries and VAT for the Swedish part of the Group. The deferment has been repaid in full during the fourth quarter 2020. During the year, Saab signed a revolving credit facility to strengthen the company's financial flexibility. Furthermore, it was decided at the Annual General Meeting on April 1, 2020, to withdraw the profit dividend for the full year 2019.

However, Saab's overall strategy and long-term financial goals remain unchanged. Covid-19 related risks that may affect Saab in the future are:

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

Other events in January-December 2020 in brief:

- In January, Saab started assembly production of its section of the T-7A advanced trainer in Linköping. The T-7A has been developed and is being produced together with Boeing for the U.S. Air Force.
- On 4 March, it was announced that Saab Digital Air Traffic Solutions (SDATS) has been selected to provide a Digital Tower system as an Operational Concept Demonstrator for the Royal Air Force at their air force base by Lossiemouth in the United Kingdom.
- In March, Saab announced an order from the United Kingdom's Ministry of Defence for a mid-life extension and support for the Arthur weapon locating system.
- On 1 April, the Annual General Meeting was held in Stockholm.
- In April, Saab successfully completed the first air trials with its new fighter X-band Active Electronically Scanned Array (AESA) radar.
- In April, Saab delivered the first GlobalEye Swing Role Surveillance System to the United Arab Emirates (UAE).
- In May, Saab's Board of Directors appointed Christian Luiga as the new CFO and deputy CEO starting September 2020. Anders Carp was also appointed deputy CEO.
- In May, Saab signed a contract for an Airborne Early Warning and Control (AEW&C) system based on the Saab 2000 aircraft and Erieye AEW&C. The order value was SEK 1,553 million.
- In July, completed the divestment of all its shares in the U.S.-based joint venture Vricon Inc.
- Supported by Sweden, Saab in July submitted its proposal for the Future Fighter Capability Project (FFCP) to Canada. The proposal comprises 88 Gripen E fighter aircraft, with a comprehensive support and training package and an industrial and technological benefits programme
- In August, Saab divested QPS (Quality Positioning Services), a provider of hydrographic software solutions.
- On 24 September, the first Brazilian Gripen E concluded its first flight in Brazil. The aircraft flew from the airport in Navegantes to Embraer's facility in Gavião Peixoto.
- In September, Saab delivered the second GlobalEye Swing Role Surveillance System to the United Arab Emirates.
- In September Saab signed a contract with the Australian Department of Defence to deliver deployable health modules for the Australian Government's Deployable Health Capability Program, Joint Project 2060. The order value is 337 MAUD (2,150 MSEK) for the years 2020-2027, including 5 years of support.
- In October, Saab signed a seven-year framework contract with the U.S. Army for the Carl-Gustaf M4 multi-role weapon. The value of the contract is approximately SEK 770 million.
- In December, Saab signed a contract with the Swedish Defence Materiel Administration and received an order for an integrated sensor and command and control system for use with ground based air defence. The order value is approximately 2.1 billion SEK and the contract period is 2020-2025.
- In December, Saab signed a contract with the German shipbuilding company Lürssen and received an order to provide and integrate the combat system for the Bulgarian Navy's new Multipurpose Modular Patrol Vessels.
- On 16 December, Saab delivered the second submarine of Gotland-class to the Swedish Defence Materiel Administration (FMV) after a Mid-life upgrade.
- Saab has in December signed a contract with the French Armement General Directorate (DGA) for an upgrade and life extension of the French Air and Space Force's mobile command and control systems, which feature Saab's Giraffe AMB radar and command and control shelter.
- In December, Saab received an order from the Swedish Defence Materiel Administration (FMV) to define what is needed to meet Sweden's requirements for the continued, effective operation and availability of Gripen C/D until 2035. The order value is 185 MSEK.
- In the fourth quarter, Saab signed a follow-on contract with the United Arab Emirates regarding the sale of two GlobalEye systems, Saab's advanced airborne surveillance system. The order value is USD 1.018 billion and the contract period is 2020-2025.

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

Events after the conclusion of the period:

- In January, Saab received the first order from prime contractor Thales, for the Multi-Shot Mine Neutralisation System (MuMNS). The order of approximately SEK 300 million was booked as order intake during the fourth quarter 2020. Deliveries of the first systems will take place in 2022.
- The Norwegian Armed Forces has in January signed a framework agreement with Saab for the Carl-Gustaf® M4, the latest version of the portable, shoulder-launched, multi-role weapon system.
- In January, Saab and the Swedish Defence Materiel Administration, (FMV), have signed two agreements concerning the next generation of surface ships and corvettes. A Product Definition Phase for the Mid-Life Upgrades (MLU) of five Visby-class corvettes, as well as a Product Definition Phase for the next generation; Visby Generation 2 corvettes. The collected value of the contracts is SEK 190 million.

Order for an integrated ground based air defence solution for Sweden



In December, Saab signed a contract with the Swedish Defence Materiel Administration and received an order for an integrated sensor and command and control system for use with ground based air defence. The order value is approximately 2.1 billion SEK and the contract period is 2020-2025.

Saab receives follow-on contract for GlobalEye



During the fourth quarter, Saab received a follow-on contract with the United Arab Emirates regarding the sale of two GlobalEye systems, Saab's advanced airborne surveillance system. The order value is USD 1.018 billion and the contract period is 2020-2025.

About Saab

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

Short facts

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

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

Vision

It is a human right to feel safe.

Mission

To make people safe by pushing intellectual and technological boundaries.

Business concept

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

Organisation

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

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



Revenue model

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

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

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

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

Financial goals

Sales

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

Operating margin

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

Equity/assets ratio

The equity/assets ratio will exceed 30 per cent.

Dividend

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



Saab's strategy

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

Market

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

Innovation

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

Portfolio

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

Performance

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

Consolidated income statement

MSEK	Note	Full Year 2020	Full Year 2019	Q4 2020	Q4 2019
Sales	4.5	35,431	35,433	12,491	10,578
Cost of goods sold	5	-29,755	-27,398	-10,352	-8,009
Gross income		5,676	8,035	2,139	2,569
Gross margin, %		16.0	22.7	17.1	24.3
Other operating income	5	1,291	217	102	81
Marketing expenses		-2,339	-2,609	-629	-742
Administrative expenses		-1,409	-1,488	-336	-385
Research and development costs		-1,331	-1,137	-441	-325
Other operating expenses	5	-393	-76	-23	-69
Share in income of associated companies and joint ventures	5	-180	-5	-46	69
Operating income (EBIT) ¹⁾	3	1,315	2,937	766	1,198
Operating margin, %		3.7	8.3	6.1	11.3
Financial income		230	190	94	35
Financial expenses		-433	-520	-142	-100
Net financial items		-203	-330	-48	-65
Income before taxes		1,112	2,607	718	1,133
Taxes		-20	-582	-115	-229
Net income for the period		1,092	2,025	603	904
of which Parent Company's shareholders' interest		1,073	1,983	598	883
of which non-controlling interest		19	42	5	21
Earnings per share before dilution, SEK ²⁾		8.07	14.88	4.50	6.63
Earnings per share after dilution, SEK ³⁾		8.01	14.81	4.48	6.60
1) Of which depreciation/amortisation and write-downs		-1,518	-1,368	-463	-365
2) Average number of shares before dilution		133,009,986	133,245,360	132,762,787	132,875,322
3) Average number of shares after dilution		133,877,141	133,929,292	133,553,781	133,553,690

Consolidated statement of comprehensive income

MSEK	Full Year 2020	Full Year 2019	Q4 2020	Q4 2019
Net income for the period	1,092	2,025	603	904
Other comprehensive income/loss:				
Items that will not be reversed in the income statement:				
Revaluation of net pension obligations	-252	-612	326	757
Tax attributable to revaluation of net pension obligations	54	124	-65	-158
Total	-198	-488	261	599
Items that may be reversed in the income statement:				
Translation differences	-663	215	-293	-167
Cash flow hedges	868	201	819	216
Tax attributable to cash flow hedges	-180	-43	-166	-45
Total	25	373	360	4
Other comprehensive income/loss for the period	-173	-115	621	603
Net comprehensive income/loss for the period	919	1,910	1,224	1,507
of which Parent Company's shareholders' interest	926	1,857	1,213	1,484
of which non-controlling interest	-7	53	11	23

Consolidated statement of financial position

MSEK	Note	31 Dec 2020	31 Dec 2019
ASSETS			
Fixed assets:			
Intangible fixed assets	7	11,520	10,465
Tangible fixed assets		6,608	6,223
Biological assets		376	368
Right of use assets		2,516	2,549
Shares in associated companies and joint ventures		496	672
Financial investments	13	30	26
Long-term receivables		617	752
Deferred tax assets		231	266
Total fixed assets		22,394	21,321
Current assets:			
Inventories		10,252	10,475
Derivatives		1,677	1,444
Tax receivables		28	26
Accounts receivable		4,062	5,198
Contract assets		9,900	12,234
Other receivables		899	710
Prepaid expenses and accrued income		979	969
Short-term investments		8,104	5,794
Liquid assets	11	2,273	1,687
Total current assets		38,174	38,537
TOTAL ASSETS		60,568	59,858
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity:			
Parent Company's shareholders' interest		21,466	20,535
Non-controlling interest		178	274
Total shareholders' equity		21,644	20,809
Long-term liabilities:			
Long-term lease liabilities		2,095	2,138
Other long-term interest-bearing liabilities	8	5,291	6,513
Other liabilities		100	180
Provisions for pensions	13	6,445	6,014
Other provisions		2,197	1,344
Deferred tax liabilities		56	40
Total long-term liabilities		16,184	16,229
Current liabilities:			
Short-term lease liabilities		444	434
Other short-term interest-bearing liabilities	8	2,168	1,322
Contract liabilities		8,409	8,899
Accounts payable		3,302	3,221
Derivatives		965	1,706
Tax liabilities		42	71
Other liabilities		778	1,193
Accrued expenses and deferred income		5,939	5,272
Provisions		693	702
Total current liabilities		22,740	22,820
Total liabilities		38,924	39,049
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		60,568	59,858

Consolidated statement of changes in equity

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

Consolidated statement of cash flows

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

Quarterly consolidated income statement

MSEK	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Sales	12,491	6,064	8,836	8,040	10,578	7,914	8,445	8,496
Cost of goods sold	-10,352	-6,238	-7,005	-6,160	-8,009	-6,236	-6,508	-6,645
Gross income	2,139	-174	1,831	1,880	2,569	1,678	1,937	1,851
Gross margin, %	17.1	-2.9	20.7	23.4	24.3	21.2	22.9	21.8
Other operating income	102	1,103	67	19	81	24	94	18
Marketing expenses	-629	-492	-579	-639	-742	-589	-658	-620
Administrative expenses	-336	-348	-360	-365	-385	-338	-391	-374
Research and development costs	-441	-264	-317	-309	-325	-248	-300	-264
Other operating expenses	-23	-359	5	-16	-69	11	-18	-
Share of income in associated companies and joint ventures	-46	-129	5	-10	69	-20	-34	-20
Operating income (EBIT) ¹⁾	766	-663	652	560	1,198	518	630	591
Operating margin, %	6.1	-10.9	7.4	7.0	11.3	6.5	7.5	7.0
Financial income	94	37	39	60	35	77	32	46
Financial expenses	-142	-94	-19	-178	-100	-195	-98	-127
Net financial items	-48	-57	20	-118	-65	-118	-66	-81
Income before taxes	718	-720	672	442	1,133	400	564	510
Taxes	-115	349	-154	-100	-229	-105	-135	-113
Net income for the period	603	-371	518	342	904	295	429	397
of which Parent Company's shareholders' interest	598	-380	521	334	883	269	433	398
of which non-controlling interest	5	9	-3	8	21	26	-4	-1
Earnings per share before dilution, SEK ²⁾	4.50	-2.85	3.91	2.51	6.63	2.02	3.24	2.98
Earnings per share after dilution, SEK ³⁾	4.48	-2.83	3.90	2.50	6.60	2.01	3.23	2.97
1) Of which depreciation/amortisation and write-downs	-463	-349	-352	-354	-365	-331	-344	-328
2) Average number of shares before dilution	132,762,787	133,226,313	133,087,362	132,963,482	132,875,322	133,103,705	133,476,269	133,526,144
3) Average number of shares after dilution	133,553,781	134,048,466	133,625,118	133,701,893	133,553,690	133,702,351	134,039,937	134,137,373

Quarterly consolidated statement of comprehensive income

MSEK	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Net income for the period	603	-371	518	342	904	295	429	397
Other comprehensive income/loss:								
Items that will not be reversed in the income statement:								
Revaluation of net pension obligations	326	-514	-706	642	757	-649	-1,130	410
Tax attributable to revaluation of net pension obligations	-65	106	145	-132	-158	134	232	-84
Total	261	-408	-561	510	599	-515	-898	326
Items that may be reversed in the income statement:								
Translation differences	-293	-141	-301	72	-167	177	29	176
Net gain/loss on cash flow hedges	819	-54	254	-151	216	-110	133	-38
Tax attributable to net gain/loss on cash flow hedges	-166	4	-52	34	-45	23	-31	10
Total	360	-191	-99	-45	4	90	131	148
Other comprehensive income/loss for the period	621	-599	-660	465	603	-425	-767	474
Net comprehensive income/loss for the period	1,224	-970	-142	807	1,507	-130	-338	871
of which Parent Company's shareholders' interest	1,213	-976	-131	820	1,484	-158	-342	873
of which non-controlling interest	11	6	-11	-13	23	28	4	-2

Key ratios by quarter

MSEK	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Equity/assets ratio, (%)	35.7	35.5	36.2	35.3	34.8	33.6	34.0	35.4
Return on capital employed, % ³⁾	4.3	5.4	8.7	8.5	9.1	11.0	9.1	8.5
Return on equity, % ³⁾	5.1	7.0	10.0	9.3	10.0	13.1	10.5	8.6
Equity per share, SEK ^{1) 3)}	162.32	152.91	160.03	160.89	154.48	142.99	144.44	152.12
Free cash flow, MSEK ³⁾	3,055	676	1,722	-1,700	2,955	-1,865	-989	-2,137
Free cash flow per share after dilution, SEK ^{2) 3)}	22.87	5.04	12.89	-12.71	22.13	-13.95	-7.38	-15.93
1) Number of shares excluding treasury shares	132,247,073	133,278,501	133,174,124	133,000,600	132,926,363	132,824,280	133,383,129	133,569,408
2) Average number of shares after dilution	133,553,781	134,048,466	133,625,118	133,701,893	133,553,690	133,702,351	134,039,937	134,137,373
3) For more information and explanations regarding the usage of these key ratios, please see saabgroup.com, investor, financial data, key ratios.								

Quarterly information per operating segment

MSEK	Q4 2020	Operating margin	Q3 2020	Operating margin	Q2 2020	Operating margin	Q1 2020	Operating margin
Sales								
Aeronautics	2,594		688		2,054		1,971	
Dynamics	2,695		1,356		1,744		1,118	
Surveillance	2,540		1,555		2,065		1,728	
Support and Services	2,569		1,289		1,353		1,310	
Industrial Products and Services	1,475		1,400		1,372		1,599	
Kockums	876		589		756		806	
Corporate/elimination	-258		-813		-508		-492	
Total	12,491		6,064		8,836		8,040	
Operating income/loss								
Aeronautics	121	4.7%	-951	-138.2%	172	8.4%	158	8.0%
Dynamics	393	14.6%	107	7.9%	242	13.9%	87	7.8%
Surveillance	33	1.3%	91	5.9%	160	7.7%	221	12.8%
Support and Services	323	12.6%	93	7.2%	164	12.1%	131	10.0%
Industrial Products and Services	-340	-23.1%	-4	-0.3%	-81	-5.9%	27	1.7%
Kockums	46	5.3%	22	3.7%	25	3.3%	26	3.2%
Corporate	190		-21		-30		-90	
Total	766	6.1%	-663	-10.9%	652	7.4%	560	7.0%
MSEK	Q4 2019	Operating margin	Q3 2019	Operating margin	Q2 2019	Operating margin	Q1 2019	Operating margin
Sales								
Aeronautics	2,329		1,794		1,971		2,124	
Dynamics	2,251		960		1,537		1,392	
Surveillance	2,304		1,876		1,795		1,724	
Support and Services	1,654		1,526		1,292		1,349	
Industrial Products and Services	1,933		1,377		1,672		1,574	
Kockums	815		690		705		797	
Corporate/elimination	-708		-309		-527		-464	
Total	10,578		7,914		8,445		8,496	
Operating income/loss								
Aeronautics	192	8.2%	122	6.8%	166	8.4%	197	9.3%
Dynamics	419	18.6%	24	2.5%	160	10.4%	113	8.1%
Surveillance	361	15.7%	189	10.1%	213	11.9%	90	5.2%
Support and Services	262	15.8%	158	10.4%	140	10.8%	182	13.5%
Industrial Products and Services	105	5.4%	-7	-0.5%	71	4.2%	69	4.4%
Kockums	36	4.4%	21	3.0%	-3	-0.4%	34	4.3%
Corporate	-177		11		-117		-94	
Total	1,198	11.3%	518	6.5%	630	7.5%	591	7.0%

Multi-year overview

MSEK	2020	2019	2018	2017	2016
Order bookings	42,328	27,216	27,975	30,841	21,828
Order backlog at 31 December	99,816	93,293	102,184	107,233	107,606
Sales	35,431	35,433	33,156	31,666	28,631
<i>Sales in Sweden, %</i>	36	37	41	42	43
<i>Sales in Europe excluding Sweden, %</i>	18	16	14	14	17
<i>Sales in North America, %</i>	11	11	10	9	10
<i>Sales in Latin America, %</i>	13	12	12	8	7
<i>Sales in Rest of the World, %</i>	22	24	24	27	23
Operating income (EBIT)	1,315	2,937	2,266	2,250	1,797
<i>Operating margin, %</i>	3.7	8.3	6.8	7.1	6.3
Depreciation/amortisation and write-downs	1,518	1,368	916	839	946
EBITDA	2,833	4,305	3,182	3,089	2,743
<i>EBITDA margin, %</i>	8.0	12.1	9.6	9.8	9.6
Income after financial items	1,112	2,607	1,796	2,099	1,611
Net income for the year	1,092	2,025	1,366	1,508	1,175
Total assets	60,568	59,858	56,128	44,998	41,211
Equity	21,644	20,809	19,633	14,285	13,301
Free cash flow ¹⁾	3,753	-2,036	-3,195	852	2,359
<i>Return on capital employed, % ¹⁾</i>	4.3	9.1	8.7	10.5	8.9
<i>Return on equity, % ¹⁾</i>	5.1	10.0	8.1	10.9	9.0
<i>Equity/assets ratio, %</i>	35.7	34.8	35.0	31.7	32.3
Earnings per share before dilution, SEK ¹⁾²⁾	8.07	14.88	11.27	12.79	9.85
Earnings per share after dilution, SEK ¹⁾²⁾	8.01	14.81	11.21	12.70	9.79
Dividend per share, SEK	4.70 ³⁾	-	4.50	5.50	5.25
Equity per share, SEK ¹⁾²⁾	162.32	154.48	145.43	121.86	114.17
Number of employees at year-end	18,073	17,420	17,096	16,427	15,465
Number of shares excluding treasury shares as of 31 December ²⁾	132,247,073	132,926,363	133,482,880	115,685,451	115,232,495
Average number of shares before dilution ²⁾	133,009,986	133,245,360	116,467,822	115,444,915	114,971,098
Average number of shares after dilution ²⁾	133,877,141	133,929,292	117,144,915	116,310,466	115,775,275

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

2) The average number of shares outstanding have for the comparative periods 2018-2015 been adjusted in accordance with IAS 33, Earnings per share, in accordance with the terms of the rights issue completed in 2018.

3) Board of Directors' proposal

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

Key ratios and goals

	Long-term target	Full Year 2020	Full Year 2019
Organic sales growth, %	5	1	6
Operating margin, %	10	3.7	8.3
Equity/assets ratio, %	30	35.7	34.8

Parent company

The Parent Company includes units within the business areas Aeronautics, Surveillance, Support and Services, and Industrial Products and Services as well as one unit within Dynamics. Group staff and Group support are also included. A major part of the Group's operations is included in the Parent Company. Separate notes to the Parent Company's financial statements and a separate description of risks and uncertainties for the Parent Company have therefore not been included in this interim report.

Parent company income statement

MSEK	Full Year 2020	Full Year 2019	Q4 2020	Q4 2019
Sales	21,986	21,960	8,057	6,475
Cost of goods sold	-19,518	-17,341	-6,842	-5,089
Gross income	2,468	4,619	1,215	1,386
Gross margin, %	11.2	21.0	15.1	21.4
Operating income and expenses	-4,464	-4,438	-1,110	-1,268
Operating income (EBIT)	-1,996	182	105	118
Operating margin, %	-9.1	0.8	1.3	1.8
Financial income and expenses	1,334	962	440	814
Income after financial items	-662	1,144	545	933
Appropriations	309	-103	309	-103
Income before taxes	-353	1,041	854	830
Taxes	258	-248	-207	-179
Net income for the period	-95	793	647	651

Parent company balance sheet

MSEK	Note	31 Dec 2020	31 Dec 2019
ASSETS			
Fixed assets:			
Intangible fixed assets		780	658
Tangible fixed assets		4,183	3,967
Financial fixed assets		7,507	7,275
Total fixed assets		12,470	11,900
Current assets:			
Inventories		6,833	6,996
Current receivables		15,538	18,366
Short term investments		8,076	5,783
Liquid assets		1,598	1,007
Total current assets		32,045	32,152
TOTAL ASSETS		44,515	44,052
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity:			
Restricted equity		3,373	3,380
Unrestricted equity		10,789	10,931
Total shareholders' equity		14,162	14,311
Untaxed reserves, provisions and liabilities:			
Untaxed reserves		2,199	2,508
Provisions		2,539	1,582
Liabilities	8	25,615	25,651
Total untaxed reserves, provisions and liabilities		30,353	29,741
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		44,515	44,052

Liquidity, financing, capital expenditures and number of employees

The Parent Company's net debt amounted to SEK 1,224 million as of 31 December 2020 compared to SEK 2,777 million as of 31 December 2019.

Investments in tangible fixed assets amounted to SEK 668 million (686). Investments in intangible assets amounted to SEK 250 million (156). At the end of the period, the Parent Company had 10,094 employees compared to 9,885 at the beginning of the year.

Notes

To the financial statements

NOTE 1 Corporate information

Saab AB (publ.), corporate identity no. 556036-0793, has its registered office in Linköping, Sweden. The company's head office is located at Olof Palmes gata 17, 5tr, SE-111 22 Stockholm, Sweden, telephone number +46-8-463 00 00. Saab's B shares are listed on Nasdaq Stockholm since 1998 and on the large cap list as of October 2006. The company's operations, including subsidiaries, associated companies and joint ventures, are described in the annual report 2019.

NOTE 2 Accounting principles

The consolidated accounts for 2020 have been prepared in accordance with IAS 34 Interim Reporting and the Annual Accounts Act. The Parent Company's accounts have been prepared in accordance with the Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2, Accounting for Legal Entities. The Group's and Parent Company's accounting principles are described on pages 96-97, and concerning significant income statement and balance sheet items in each note disclosure in the annual report 2019.

The interim report is condensed and does not contain all the information and disclosures in the annual report and should therefore be read together with the annual report 2019. All the information on pages 1-29 constitutes the year-end report for 2020.

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

Important estimates and assumptions are disclosed in note 2 in the annual report 2019. As a consequence of Covid-19 Saab during the year analysed whether to revise the estimates and assumptions for these areas as well as measurements of financial instruments including impairment of accounts receivable and contract assets. This has not resulted in any significant adjustments apart from an increase of the expected credit loss provision related to accounts receivables of MSEK 30 and the adjustments to project estimates, provisions and write-downs described in the Comment by the President and CEO, sections on income and note 5. No other changes have been made to estimates and assumptions.

NOTE 3 Segment reporting

Saab is a leading high-technology company, with its main operations in defence, aviation and civil security. Operations are primarily focused on well-defined areas in defence electronics, missile systems, and naval systems as well as military and commercial aviation. Saab is also active in technical services and maintenance. Saab has a strong position in Sweden and the main part of sales is generated in Europe. In addition, Saab has a local presence in Australia, the U.S., South Africa, and in other selected countries. Saab's operating and management structure is divided into six business areas, which are also operating segments: Aeronautics, Dynamics, Surveillance, Support and Services, Industrial Products and Services, and Kockums. In addition, Corporate comprises Group staff and departments, a minority portfolio containing Saab's ownership interests in companies in various stages of development as well as other operations outside the core operations.

The Group's operating segments recognise all lease contracts as operating leases.

Aeronautics

Aeronautics is a world-leading manufacturer of innovative aerial systems and is engaged in development of military aviation technology. It also conducts long-term future studies of manned and unmanned aircraft as preparation for new systems and further development of existing products.

Dynamics

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

Surveillance

Surveillance provides efficient solutions for safety and security, for surveillance and decision support, and for threat detection, location, and protection. The portfolio covers airborne, ground-based and naval radar, electronic warfare and combat systems and C4I solutions.

Support and Services

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

Industrial Products and Services

The business units within Industrial Products and Services are focused on mainly civilian customers.

Kockums

Kockums develops, delivers, and maintains world-class solutions for naval environments. Its portfolio includes submarines with the Stirling system for air independent propulsion, surface combatants, mine hunting systems and autonomous vessels. Kockums' unique competence is in signature management, impact strength and advanced stealth technology.

Order bookings per operating segment

MSEK	Full Year 2020	Full Year 2019	Change, %	Q4 2020	Q4 2019
Aeronautics	2,025	2,979	-32	785	1,778
Dynamics	9,231	6,706	38	1,776	2,203
Surveillance	13,928	9,390	48	9,247	1,751
Support and Services	11,945	4,099	191	4,412	1,083
Industrial Products and Services	5,611	5,515	2	1,856	1,648
Kockums	1,801	1,216	48	863	293
Corporate/elimination	-2,213	-2,689		-833	-633
Total	42,328	27,216	56	18,106	8,123

Order bookings per region

MSEK	Full Year 2020	Full Year 2019	Change, %
Sweden	12,903	7,901	63
Rest of Europe	8,469	10,039	-16
North America	4,358	3,646	20
Latin America	61	1,012	-94
Asia	12,863	2,849	351
Africa	-113	324	-135
Australia, etc.	3,787	1,445	162
Total	42,328	27,216	56

Order backlog per operating segment

MSEK	31 Dec 2020	31 Dec 2019
Aeronautics	36,838	42,120
Dynamics	16,527	14,264
Surveillance	22,183	16,465
Support and Services	14,238	8,986
Industrial Products and Services	8,794	9,035
Kockums	3,631	4,852
Corporate/elimination	-2,395	-2,429
Total	99,816	93,293

Order backlog per region

MSEK	31 Dec 2020	31 Dec 2019
Sweden	28,819	28,661
Rest of Europe	18,374	15,911
North America	6,819	6,644
Latin America	27,129	31,619
Asia	13,155	6,697
Africa	237	553
Australia etc.	5,283	3,208
Total	99,816	93,293

Sales per operating segment

MSEK	Full Year 2020	Full Year 2019	Change, %	Q4 2020	Q4 2019	Change, %
Aeronautics	7,307	8,218	-11	2,594	2,329	11
Dynamics	6,913	6,140	13	2,695	2,251	20
Surveillance	7,888	7,699	2	2,540	2,304	10
Support and Services	6,521	5,821	12	2,569	1,654	55
Industrial Products and Services	5,846	6,556	-11	1,475	1,933	-24
Kockums	3,027	3,007	1	876	815	7
Corporate/elimination	-2,071	-2,008		-258	-708	
Total	35,431	35,433	0	12,491	10,578	18

Sales per region

MSEK	Full Year 2020	% of sales	Full Year 2019	% of sales
Sweden	12,662	36	13,188	37
Rest of Europe	6,239	18	5,677	16
North America	3,938	11	3,889	11
Latin America	4,527	13	4,314	12
Asia	6,336	18	6,464	18
Africa	180	1	357	1
Australia, etc.	1,549	4	1,544	4
Total	35,431	100	35,433	100

Information on large customers

During 2020, Saab had three customers that separately accounted for 10 per cent or more of the Group's sales. The Swedish Defence is a customer of all business areas and total sales amounted to SEK 10,683 million (10,876). The Brazilian State is a customer primarily to business area Aeronautics and total sales amounted to SEK 4,211 million (3,921). United Arab Emirates is a customer primarily to business areas Surveillance and Support and Services and total sales amounted to SEK 3,828 million (2,316).

Seasonal variation

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

Operating income per operating segment

MSEK	Full Year 2020	% of sales	Full Year 2019	% of sales	Q4 2020	Q4 2019
Aeronautics	-500	-6.8	677	8.2	121	192
Dynamics	829	12.0	716	11.7	393	419
Surveillance	505	6.4	853	11.1	33	361
Support and Services	711	10.9	742	12.7	323	262
Industrial Products and Services	-398	-6.8	238	3.6	-340	105
Kockums	119	3.9	88	2.9	46	36
The operating segments' operating income	1,266	3.6	3,314	9.4	576	1,375
Corporate	49		-377		190	-177
Total	1,315	3.7	2,937	8.3	766	1,198

Depreciation/amortisation and write-downs per operating segment

MSEK	Full Year 2020	Full Year 2019	Change, %	Q4 2020	Q4 2019
Aeronautics	69	60	15	19	15
Dynamics	88	76	16	26	21
Surveillance	347	298	16	118	76
Support and Services	77	20	285	59	5
Industrial Products and Services	76	86	-12	19	22
Kockums	34	36	-6	8	9
Corporate	827	792	4	214	217
Total	1,518	1,368	11	463	365

Operational cash flow per operating segment

MSEK	Full Year 2020	Full Year 2019	Q4 2020	Q4 2019
Aeronautics	-2,226	-1,591	-275	2,106
Dynamics	551	158	1,001	269
Surveillance	1,281	1,156	979	1,228
Support and Services	1,856	11	864	665
Industrial Products and Services	1,028	-302	11	-38
Kockums	983	-70	686	152
Corporate	-700	-662	-365	-1,326
Total	2,773	-1,300	2,901	3,056

Capital employed per operating segment

MSEK	31 Dec 2020	31 Dec 2019
Aeronautics	6,790	5,237
Dynamics	4,402	4,182
Surveillance	7,969	7,813
Support and Services	3,387	4,255
Industrial Products and Services	3,969	5,064
Kockums	1,230	1,236
Corporate/elimination	8,962	8,179
Total	36,709	35,966

Full time equivalents (FTE's) per operating segment

Number at end of the period	31 Dec 2020	31 Dec 2019
Aeronautics	3,554	3,421
Dynamics	2,795	2,353
Surveillance	3,829	3,687
Support and Services	2,066	1,912
Industrial Products and Services	3,391	3,635
Kockums	1,240	1,219
Corporate	1,110	1,072
Total	17,985	17,299

NOTE 4 Distribution of sales

MSEK	Aeronautics		Dynamics		Surveillance		Support and Services		Industrial Products and Services		Kockums		Corporate/elimination		Group	
	Full Year 2020	Full Year 2019	Full Year 2020	Full Year 2019	Full Year 2020	Full Year 2019	Full Year 2020	Full Year 2019	Full Year 2020	Full Year 2019	Full Year 2020	Full Year 2019	Full Year 2020	Full Year 2019	Full Year 2020	Full Year 2019
External sales	7,158	7,949	6,595	5,931	7,595	7,471	6,369	5,685	4,598	5,118	3,003	2,984	113	295	35,431	35,433
Internal sales	149	269	318	209	293	228	152	136	1,248	1,438	24	23	-2,184	-2,303	-	-
Total sales	7,307	8,218	6,913	6,140	7,888	7,699	6,521	5,821	5,846	6,556	3,027	3,007	-2,071	-2,008	35,431	35,433
Sales by customer:																
Military customers	7,155	7,948	6,294	5,607	7,581	7,435	5,794	4,859	1,169	1,114	3,003	2,984	93	279	31,089	30,226
Civilian customers	3	1	301	324	14	36	575	826	3,429	4,004	-	-	20	16	4,342	5,207
Total external sales	7,158	7,949	6,595	5,931	7,595	7,471	6,369	5,685	4,598	5,118	3,003	2,984	113	295	35,431	35,433
Sales by significant source:																
Long-term customer contracts	6,282	6,840	2,062	2,258	5,503	5,083	3,396	2,376	2,300	2,954	2,323	2,216	42	279	21,908	22,006
Services	853	897	864	699	1,421	1,646	2,469	2,556	1,991	1,891	657	734	40	15	8,295	8,438
Products	23	212	3,669	2,974	671	742	504	753	307	273	23	34	31	1	5,228	4,989
Total external sales	7,158	7,949	6,595	5,931	7,595	7,471	6,369	5,685	4,598	5,118	3,003	2,984	113	295	35,431	35,433
Sales by domain:																
Air	7,151	7,949	327	543	3,698	3,449	4,806	3,888	298	364	-	-	63	121	16,343	16,314
Land	7	-	4,747	3,977	1,311	1,256	921	931	481	493	-	-	13	-	7,480	6,657
Naval	-	-	1,501	1,192	2,431	2,516	169	230	11	13	3,003	2,984	68	174	7,183	7,109
Civil Security	-	-	6	210	3	8	220	159	1,871	2,024	-	-	-43	-	2,057	2,401
Commercial Aeronautics	-	-	-	-	-	-	253	477	1,164	1,478	-	-	6	-	1,423	1,955
Other/not distributed	-	-	14	9	152	242	-	-	773	746	-	-	6	-	945	997
Total external sales	7,158	7,949	6,595	5,931	7,595	7,471	6,369	5,685	4,598	5,118	3,003	2,984	113	295	35,431	35,433
Sales recognition method:																
Over time	7,111	7,716	2,522	2,931	6,523	6,321	5,392	4,455	2,986	3,050	2,840	2,813	84	279	27,458	27,565
Point in time	47	233	4,073	3,000	1,072	1,150	977	1,230	1,612	2,068	163	171	29	16	7,973	7,868
Total external sales	7,158	7,949	6,595	5,931	7,595	7,471	6,369	5,685	4,598	5,118	3,003	2,984	113	295	35,431	35,433

NOTE 5 Items affecting comparability

Item affecting comparability	Business Area	MSEK	Full Year 2020	Full Year 2019	Q4 2020	Q4 2019
Adjustment of project estimates, Covid-19	Aeronautics	Sales	-1,121	-	-	-
Adjustment of project estimates, Covid-19	Surveillance	Sales	-166	-	-166	-
Adjustment of project estimates, Covid-19	Dynamics	Cost of goods sold	-15	-	-15	-
Adjustment of project estimates, Covid-19	Corporate	Sales	-44	-	331	-
Provision for onerous contract	Industrial Products and Services	Cost of goods sold	-315	-	-315	-
Write-down of inventory, Covid-19	Support and Services	Cost of goods sold	-118	-	-118	-
Write-down of inventory, changes to product portfolio	Corporate	Cost of goods sold	-137	-	-	-
Write-down of shares in associated companies	Corporate	Share in income of associated companies	-113	-	-	-
Impairment of long-term receivable from associated companies	Corporate	Other operating expenses	-59	-	-	-
Write-down of shares in associated companies	Aeronautics	Share in income of associated companies	-32	-	-32	-
Provision related to new assessment of ongoing disputes and legal proceedings for the Group	Corporate	Other operating expenses	-300	-	-	-
Capital gain from the divestment of shares in Vricon Inc	Corporate	Other operating income	997	-	-	-
Sum			-1,423	-	-315	-

NOTE 6 Dividend to Parent Company's shareholders

The Annual General Meeting 2020 held on 1 April decided that no dividend will be paid to the Parent Company's shareholders. This due to current circumstances related to Covid-19. At its meeting on 10 February 2021, the board of Directors decided to propose to the Annual General Meeting 2021 that the Parent company's shareholders receive a dividend of SEK 4.70 per share, totaling MSEK 622. Proposed record date for the dividend is 15 April 2021 with expected payment on 20 April 2021.

NOTE 7 Intangible fixed assets

MSEK	31 Dec 2020	31 Dec 2019
Goodwill	5,141	5,355
Capitalised development costs	5,699	4,580
Other intangible assets	680	530
Total	11,520	10,465

NOTE 8 Net liquidity/debt

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

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

Committed credit lines

MSEK	Facilities	Drawings	Available
Revolving credit facility (Maturity 2022 SEK 4 billion, 2023, SEK 6 billion)	10,000	-	10,000
Overdraft facility (Maturity 2020)	56	-	56
Total	10,056	-	10,056

Parent Company

MSEK	31 Dec 2020	31 Dec 2019
Long-term liabilities to credit institutions	5,291	6,512
Short-term liabilities to credit institutions	2,121	1,276
Total	7,412	7,788

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

Under the terms of this programme, Saab has issued fixed rate bonds as well as Floating Rate Notes (FRN). During the fourth quarter 2020, loans with short maturity amounting to SEK 283 million were repurchased. New bonds expiring during 2025-2027 were issued for a total of SEK 400 million. Altogether, loans outstanding under the MTN programme amounted to SEK 6,412 million at the end of the reporting period. In December 2015, Saab signed Schuldschein loan agreements amounting to EUR 100 million.

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

NOTE 9 Capital employed

MSEK	31 Dec 2020	31 Dec 2019
Total assets	60,568	59,858
Less non-interest bearing liabilities	23,859	23,892
Capital employed	36,709	35,966

NOTE 10 Financial instruments

Classification and categorisation of financial assets and liabilities ²⁾

Carrying amount	31 Dec 2020	31 Dec 2019
Financial assets:		
Valued at amortised cost ⁴⁾ :		
Accounts receivable, contract assets and other receivables	15,000	18,542
Liquid assets	2,273	1,687
Long-term receivables	617	724
Valued at fair value through profit and loss ³⁾ :		
Short-term investments	8,104	5,794
Derivatives for trading	147	146
Financial investments	30	26
Valued at fair value through other comprehensive income:		
Derivatives identified as hedges	1,530	1,298
Total financial liabilities	27,701	28,217
Financial liabilities:		
Valued at amortised cost:		
Interest-bearing liabilities ¹⁾	9,996	10,407
Other liabilities ⁴⁾	8,105	7,960
Valued at fair value through profit and loss ³⁾ :		
Derivatives for trading	46	15
Valued at fair value through other comprehensive income:		
Derivatives identified as hedges	919	1,691
Total financial liabilities	19,066	20,073
¹⁾ Fair value	10,015	10,485

²⁾ Derivatives with positive values are recognised as assets and derivatives with negative values are recognised as liabilities. Derivatives with a legal right of offset amount to MSEK 906.

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

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

The Group has used the same valuation methods as in the year-end closing for 2019, as described in the annual report 2019 on page 127, note 36. As of 31 December 2020, the Group had the following financial assets and liabilities at fair value:

Assets at fair value

MSEK	31 Dec 2020	Level 1	Level 2	Level 3
Bonds and interest-bearing securities	8,104	8,104	-	-
Forward exchange contracts	1,549	-	1,549	-
Currency options	49	-	49	-
Interest rate swaps	2	-	2	-
Cross currency basis swaps	77	-	77	-
Shares, participations and long-term receivables	30	-	-	30
Total	9,811	8,104	1,677	30

Liabilities at fair value

MSEK	31 Dec 2020	Level 1	Level 2	Level 3
Forward exchange contracts	841	-	841	-
Currency options	23	-	23	-
Interest rate swaps	100	-	100	-
Electricity derivatives	1	1	-	-
Total	965	1	964	-

NOTE 11 Supplemental information on statement of cash flows

Free cash flow

MSEK	Jan-Dec 2020	Jan-Dec 2019	Q4 2020	Q4 2019
Cash flow from operating activities before changes in working capital, excluding taxes and other financial items ¹⁾	2,905	4,626	1,812	1,657
Cash flow from changes in working capital:				
Contract assets and liabilities	1,704	-1,649	1,861	3,936
Inventories	95	-1,141	1,126	-7
Other current receivables	805	176	-1,193	-2,336
Other current liabilities	468	-218	146	749
Provisions	-336	-325	-46	-175
Change in working capital	2,736	-3,157	1,894	2,167
Cash flow from operating activities excluding taxes and other financial items	5,641	1,469	3,706	3,824
Investing activities:				
Investments in intangible fixed assets	-1,622	-1,588	-453	-447
Investments in tangible fixed assets	-1,269	-1,213	-361	-323
Sales and disposals of tangible fixed assets	23	32	9	2
Cash flow from investing activities ²⁾	-2,868	-2,769	-805	-768
Operational cash flow	2,773	-1,300	2,901	3,056
Taxes and other financial items	-278	-690	66	-96
Sale of and investments in financial assets, associated companies and joint ventures	1,093	-46	-10	-5
Investments in operations	-4	-	-	-
Sale of subsidiaries	169	-	98	-
Free cash flow	3,753	-2,036	3,055	2,955

1) Including amortisation of lease liabilities

2) Cash flow from investing activities excluding change in short-term investments and other interest-bearing financial assets and excluding sale of and investment in financial assets, investments in operations and sale of subsidiaries. If investments in and sale of financial fixed assets are considered to be of operating nature, the item is included in investing activities.

Free cash flow vs. statement of cash flows

MSEK	Full Year 2020	Full Year 2019	Q4 2020	Q4 2019
Free cash flow	3,753	-2,036	3,055	2,955
Investing activities – interest-bearing:				
Short-term investments	-2,312	3,219	-2,901	-1,954
Other financial investments and receivables	-80	-90	1	2
Financing activities:				
Repayments of loans	-3,077	-990	-290	-789
Raising of loans	2,728	8	400	-
Rights issue	-	11	-	-
Repurchase of shares	-242	-301	-242	-
Dividend paid to the Parent Company's shareholders	-	-601	-	-
Dividend paid to non-controlling interest	-12	-24	-	-5
Transactions with non-controlling interest	-85	8	-84	2
Cash flow for the period	673	-796	-61	211

Liquid assets

MSEK	31 Dec 2020	31 Dec 2019
The following components are included in liquid assets:		
Cash and bank balances	1,123	891
Bank deposits	1,150	796
Total according to balance sheet	2,273	1,687
Total according to statement of cash flows	2,273	1,687

NOTE 12 Business combinations

No significant acquisitions through business combinations were made in 2020.

NOTE 13 Defined-benefit plans

Saab has defined-benefit pension plans where post-employment compensation is based on a percentage of the recipient's salary. Defined-benefit plans mainly relate to the Swedish operations, where the ITP2 plan accounts for more than 90 per cent of the total obligation.

Pension obligation according to IAS 19

MSEK	31 Dec 2020	31 Dec 2019
Defined-benefit obligation	12,774	12,132
Special employers' contribution	1,378	1,264
Less assets under management	7,707	7,410
Total provisions for pensions	6,445	5,986
of which reported as long-term receivable	-	28

Actuarial gains and losses are recognised in other comprehensive income. Actuarial loss related to pensions amounted to SEK -252 million net in 2020 primarily due to the following:

The net of revised assumptions related to discount rate and inflation amounted to a loss of SEK -643 million. The loss mainly relate to the Swedish pension plans for which the assumed discount rate has been reduced by 50 basis points, from 1.50% to 1.00% and the inflation assumption has been reduced by 25 basis points, from 1.75% to 1.50% compared to the beginning of the year.

Positive experience adjustment has resulted in an actuarial gain of SEK 141 million.

The actuarial loss related to the special employer's contribution amounted to SEK -46 million.

The return on assets under management was higher than expected, which led to an actuarial gain of SEK 296 million.

NOTE 14 Contingent liabilities

No additional significant commitments have arisen during 2020. With regard to the Group's so-called performance guarantees for commitments to customers, the likelihood of an outflow of resources is estimated as remote and, as a result, no value is recognised.

NOTE 15 Transactions with related parties

Saab AB has in 2020 sold all shares, valued at market price, in the associated company Kallebäck Property Invest AB to Saabs pension fund for an amount of SEK 173 million.

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

NOTE 16 Definitions

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

Capital employed

Total assets less non-interest-bearing liabilities.

Earnings per share

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

EBITDA

Operating income before depreciation/amortisation and write-downs.

EBITDA margin

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

Effective tax rate

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

Equity/assets ratio

Equity in relation to total assets.

Equity per share

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

Free cash flow

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

Free cash flow per share

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

Gross margin

Gross income as a percentage of sales.

Net investments

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

Net liquidity/net debt

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

Items affecting comparability

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

Operating income

Income before financial items and tax.

Operating income adjusted for items affecting comparability

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

Operating margin adjusted for items affecting comparability

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

Operating margin

Operating income (EBIT) as a percentage of sales.

Operational cash flow

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

Order backlog

Total value of orders at the end of the period.

Order bookings

Total value of orders received during the period.

Organic sales growth

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

Research and development

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

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

Return on capital employed

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

Return on equity

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

Sales adjusted for items affecting comparability

Sales adjusted for items classified as affecting comparability

Glossary

C4I	Command, Control, Communications, Computers, and Intelligence
FMV	Swedish Defence Materiel Administration
FRN	Floating Rate Note
FTE	Full Time Equivalent, corresponds to one employee working full-time for one year

IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
ISR	Intelligence, Surveillance and Reconnaissance systems
MTN	Medium Term Note, bonds with a duration of 1-15 years

Linköping 11 February 2021

Saab AB (publ)

The Board of Directors

This year-end report has not been subject to review by the company's auditors

Important information

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

This information is such that Saab AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out below, on 11 February 2021 at 07.30 (CET).

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Press and financial analyst conference

11 February 2021 at 10.00 (CET)

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

Live webcast:

<http://saab-interimreport.creo.se/210211>

Conference call:

Please, dial in using one of the numbers below:
Sweden: +46 8 566 427 03
UK: +44 333 330 09265
US: +1 833 526 8398

The year-end report, the presentation material and the webcast will be available on www.saab.com.

Calendar

Annual General Meeting 2021
13 April, 2021

Interim report January–March 2021
Published 23 April 2021

Interim report January–June 2021
Published 21 July 2021

Interim report January–September 2021
Published 22 October 2021

Year-end report 2021
Published 11 February 2022



2020: Q4