



SAAB

Worth Protecting

Annual and Sustainability Report 2021



Creating greater value

Peace and security are fundamental for human rights and freedom. This is worth protecting. Empowered by its 18,000 employees, Saab is a leading defence and security company that pushes intellectual and technological boundaries to create a safer, more sustainable and more equitable world. With its strong order backlog and focused strategy, Saab is well positioned on its growth journey to create greater value for all its stakeholders, including society, customers, employees and shareholders.





Our mission

Our commitment to society is at the core of Saab and sustainability is the very basis for the company's long-term development and growth. Peace, security and stability are prerequisites to ensure that we together reach all the UN Sustainable Development Goals. In a world where threats against societies are growing increasingly diverse, and with climate change giving rise to a new instability, Saab contributes to defence and security capabilities as a trusted partner in Sweden and many other countries.

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39

Sales
Billion SEK

105

Order backlog
Billion SEK

30

Countries with Saab
operations

18,000

Employees

About this report

Sustainability priorities are integrated throughout the annual report. Pages 50-79 describe Saab's sustainability work in greater detail. The formal annual report comprises pages 36-153. Certain figures have been rounded off, so tables and calculations do not always add up exactly. A printed copy of the annual report can be ordered from annual.report@saabgroup.com.

The year in brief

A year with strong growth and cash flow generation

In 2021, Saab continued to win important contracts, delivered sales growth of 11% and strengthened its position in strategic markets, supported by the company's global multi-domestic strategy. With a solid operating income and a strong cash flow, several of Saab's business areas showed improved performance. During the year, measures were also taken towards improving efficiency through a new organisational structure as well as accelerating Saab's sustainability efforts.

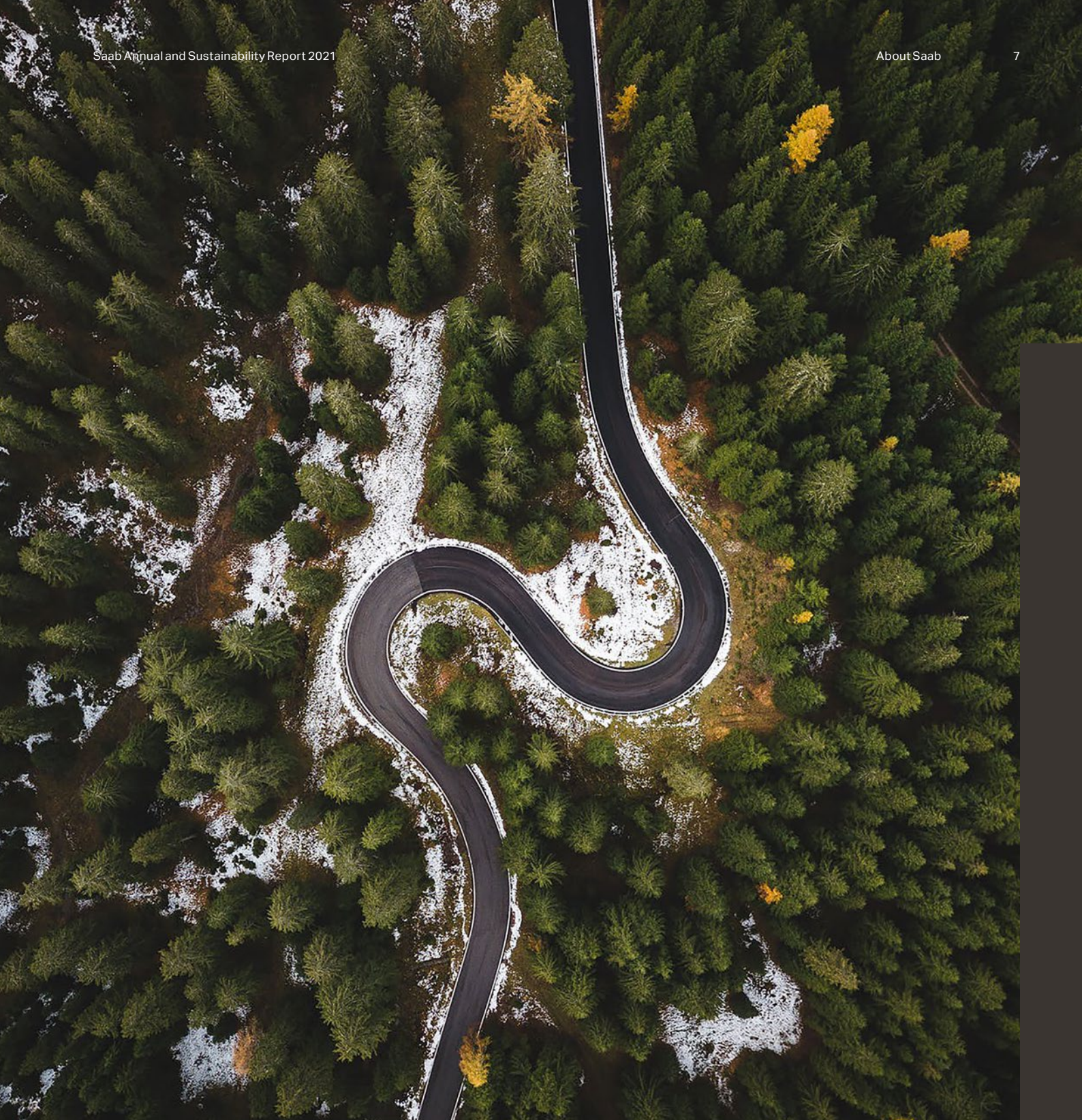
KEY HIGHLIGHTS 2021

- **Order growth of 3%** which further strengthened Saab's position in key markets with an order backlog amounting to SEK 105bn.
- **Sales growth of 11%** driven by solid project execution in the defence business while the civil aviation business remained weak.
- **Operating income increased 5%** and amounted to SEK 2,888m, with a margin of 7.4%. Most business areas contributed positively.
- **Strong operational cash flow** of SEK 3,276m with large milestone payments during the year.
- **A new organisational structure** including the Operational Excellence function came into effect to improve efficiency.
- **Saab strengthened its presence** in key markets such as Sweden, Germany and Finland and opened its U.S. T-7 facility in West Lafayette.
- **Accelerating sustainability.** Joined the Race to Zero initiative and adopted a long-term climate goal of net zero emissions by 2050.
- **Outlook 2022:** organic growth to be around 5%, an operating income improvement between 8-12% and operational cash flow to be positive for 2022, however at a lower level than in 2021.

Key ratios

MSEK	2019	2020	2021
Sales	35,433	35,431	39,154
Organic sales growth, %	6	1	11
EBITDA	4,305	2,833	4,826
EBIT	2,937	1,315	2,888
EBIT margin, %	8.3	3.7	7.4
Adjusted EBIT margin, %	8.3	7.4	7.4
Income before taxes	2,607	1,112	2,577
Net income for the year	2,025	1,092	2,025
EPS, SEK	14.81	8.01	14.45
Free cash flow	-2,036	3,753	2,737
Net debt to EBITDA ratio	1.64	1.51	0.44
Dividend per share, SEK	-	4.70	4.90*

* Proposed dividend



Financial highlights

Order intake (MSEK)

43,569

Sales (MSEK)

39,154

Adjusted EBIT growth

5%

Operating margin

7.4%

Operational cash flow (MSEK)

3,276

Equity/asset ratio

35.7%

Chairman and CEO letter

Supporting societies' resilience and creating value for our shareholders

Dear shareholder,

2021 was a year when the world started to open up and the global economy started to recover after the initial phases of the covid pandemic. Still, the spread of new variants of the virus and national restrictions continued to pose challenges for societies and businesses around the world. Meanwhile, ongoing global challenges in relation to climate change, global tensions and geopolitical instability intensified. As a high-tech company born out of the necessity of innovation, Saab has a role to play in this changing world by continuing to develop, adapt and improve new ground-breaking technology to meet customers' ever-changing needs.

The importance of the defence industry

Since its founding, Saab has developed and manufactured advanced defence systems to support countries in fulfilling their most fundamental obligation, to keep people and societies safe. These capabilities become highlighted in times of growing uncertainty and continue to be a necessary cornerstone in protecting societies and safeguarding democracy, peace, and stability now and in the future. As climate change is becoming an increasing threat to security, it is vital to focus even more

on supporting societies' resilience and ability to handle these challenges.

Investments for further competitiveness

In order to grow and stay competitive in a global market, Saab continues to focus on investments in new technologies. Rapid advances in technology are pushing the boundaries of innovation and efficiency, but also enabling transitions to sustainable solutions. Together with our international partners, Saab is focusing its future investments in the areas of Artificial Intelligence, Autonomy, Cyber and Cloud-technology. In these fields, Saab will continuously invest to secure excellence in competence and future capabilities.

Our profitable growth-journey

During the year, Saab continued to win important contracts and strengthened its order backlog. Going forward, project execution and operational excellence will be key drivers in reaching our long-term goals. The Board has put a lot of focus on ensuring successful delivery of the order backlog and our CEO and management have clearly set out the target to improve operations. Saab has an exciting time ahead with important campaigns and major programmes ongoing.

Further progress in sustainability

As a defence company in a political and government dominated market, Saab must ensure the highest ethical standards. Saab's anti-corruption programme is a foundation in our strategy for sustainable growth and profitability.

Saab's commitment to Race to Zero is another important step to address the broader sustainability challenge. I look forward to Saab further integrating climate targets into its strategic work.

After a challenging but successful year, I remain confident in Saab's ability to deliver on its goals and would like to thank you shareholders for your continued support and trust in Saab on this journey.

Stockholm, February 2022

Marcus Wallenberg
Chairman



Executing on our growth strategy and contributing to a sustainable society

As our Chairman has highlighted, societies around the globe are adapting to the new normal and taking measures to mitigate the effects of the pandemic. Despite these challenging circumstances, Saab has been able to continue executing on its priorities, including our efforts with international expansion, operational efficiency, and a contribution to a sustainable society. During the year, we delivered on our financial goals, achieving a sales growth of 11 per cent, well above our long-term sales growth target. Moreover, the operating margin of 7.4 per cent came in line with our guidance for the year as well as the operational cash flow, which was positive for the second year in a row and amounted to SEK 3.3 billion.

A year with strong orders and international growth

Orders continued to grow in 2021 and Saab's order backlog amounted to SEK 105 billion (100). This is a strong proof-point of our portfolio and the capabilities of the company. We continued to execute on our global multi-domestic strategy and strengthened our position in important markets. A milestone for Saab's international expansion during the year was the opening of the new U.S. facility in West Lafayette, Indiana. As we are growing our local footprint in strategic markets, we are continuously supporting key national capabilities and technologies. Saab secured a number of important orders during the year such as the contract to modernise the German Navy's frigates, further capabilities for the A26 Blekinge-class submarines, extensive Carl-Gustaf orders and several Training and Simulation orders. We also delivered; the third GlobalEye to the UAE, T-7A aft sections for the flight test programme to Boeing and presented the first six serial produced Gripen E aircrafts to Brazil and Sweden.

Innovation and operational efficiency

Our commitment to our customers and to society can only be realised if we maintain our capability edge and stay at the forefront of technology, whilst being more sustainable. Saab continues to focus its investment in five core areas (fighter systems, advanced weapon systems, sensors, command and control, and underwater systems) and the innovations of tomorrow. Our employees are instrumental in this journey, and Saab is continuously looking to attract new talent and to invest in our colleagues to maintain this edge.

To keep the focus on our core business, we need to make sure that the organisation is equipped to do so. On 1 July 2021, Saab's new organisational structure came into effect. Six business areas became four, with the aim to create a clearer connection between businesses, core areas and services, and a simplified



customer interaction. A new Operational Excellence function was also created in order to make Saab even more efficient in our projects, supply chain, sourcing, and IT. This will contribute to Saab's long-term goals.

Our sustainability agenda

A commitment to society has been at the core of Saab's business since its founding; supporting nations to keep people and society safe. This is even more important now when we see increasing instability and tension in the world. Saab reiterates its continued support for the UN Global Compact and its ten principles. An essential part in our engagement for sustainability is also to minimise the environmental impact from all parts of our operations. During 2021, Saab took further steps and joined the Race to Zero campaign, committing to reduce our greenhouse gas emissions to become net zero by 2050, based on Science Based Targets.

I am proud that we are continuing to take steps on our sustainable growth journey, ensuring that we are profitable in the longer term and creating value for all our stakeholders and society as a whole. I would like to thank all of Saab's employees, who were fundamental in our successes during 2021.

Stockholm, February 2022

Micael Johansson
CEO and President

Saab's value creation model

Creating shareholder value

Saab's strategic goals are to grow sales and improve long-term profitability. This will be done in combination with generating a positive cash flow. Additional value will be created by accelerating Saab's sustainability work, which today is an integrated part of how Saab does business and plans to grow. Our strategic framework and shareholder value creation roadmap is supported by four value drivers as illustrated below.

Our strategic framework



Four key value drivers



Core areas

Focus is on driving growth through Saab's portfolio and capability edge while achieving scale in the five core areas.

Future capabilities

Embracing new technologies together with customers and combining Saab's know-how with disruptive technology approaches and leveraging on collaboration through partnerships.

Multi-domestic

Focus on strategic markets and supporting nations in building their national capabilities. This will further strengthen Saab's international footprint.

Performance

Turning strong order intake into profitable growth by improved project execution.

People

Continuously develop the right competences and leadership as well as to attract and retain.

Sustainability

Further developing Saab's sustainability strategy, policies and processes to improve the sustainability performance and competitiveness.

1

Targeted growth in strategic markets within core technology areas

Growing sales in home market as well as in international markets, supported by Saab's global multi-domestic growth strategy.

→ Read more on pages 16-21

2

Technology leadership for increased competitiveness

Continued investments in R&D and innovation for competitiveness, future growth and capital return.

→ Read more on pages 22-25



Financial targets for value creation

3

Creating efficiency through Operational Excellence and portfolio optimisation

Improved project execution and improvement in gross margin, R&D productivity and portfolio efficiency.

→ Read more on pages 26-27

4

Sustainability as an integrated part of the strategy to drive value

Through innovation and responsible business practices, Saab will contribute to safe and resilient societies which is fundamental for a sustainable future.

→ Read more on pages 28-33



Sales growth

Target: organic growth of average 5 per cent per year over a business cycle

≥10%

Operating margin

Target: average of at least 10 per cent per year over a business cycle

>30%

Equity/assets ratio

Target: exceed 30 per cent

→ Read more about Saab's outlook and long-term targets on page 34

This is Saab

Here for a reason

Since its foundation, Saab has been dedicated to the objective of supporting the Swedish Armed Forces in their mission to defend Sweden, its interests and freedom, and the right of its citizens to choose the way they live. Over time, Saab has developed into a global partner with an increased focus on international cooperation to support countries in their mission to keep societies and people safe. Saab's contribution to enhanced security and defence capabilities is now evident in many countries around the world, while our commitment to Sweden remains constant.

A greater task

Saab is not just a company like any other. Our task is greater than that. A commitment to the needs of society has always been at the core of Saab's business.

In recent years, our open society has been tested and our customers' environments are constantly changing. We deliver capabilities to customers who have the great responsibility of protecting their countries' values and borders while defending people's human rights and freedom.

Under the auspices of the UN, the global community has set out 17 Sustainable Development Goals (SDGs) for the world to attain. Peace, security and stability are important prerequisites for achieving sustainable development, as clarified by SDG 16 – Peace, Justice and Strong Institutions. Saab is working actively to counter corruption as well as to minimise risk for violations of human rights within and outside our supply chain. Saab's innovative, resource-efficient products and services help ensure the security and sovereignty of societies every day. The important security and geopolitical dimensions of climate change only further underline the importance of our work.

Changing the world for the better

As a security and defence company, Saab has a responsibility to change the world for the better. Our commitment to sustainability sets the foundation for Saab's long-term development. As a part of this, Saab has in accordance with the Science Based Targets initiative, committed to halving our direct greenhouse gas emissions by 2030 and reducing them to net zero by 2050.

Saab's sustainability commitment reaches beyond just complying with existing laws and regulations. By acting responsibly in everything we do, working closely with national authorities to create security and defence capabilities in a responsible and sustainable way, we earn the trust and confidence of customers, employees and society.

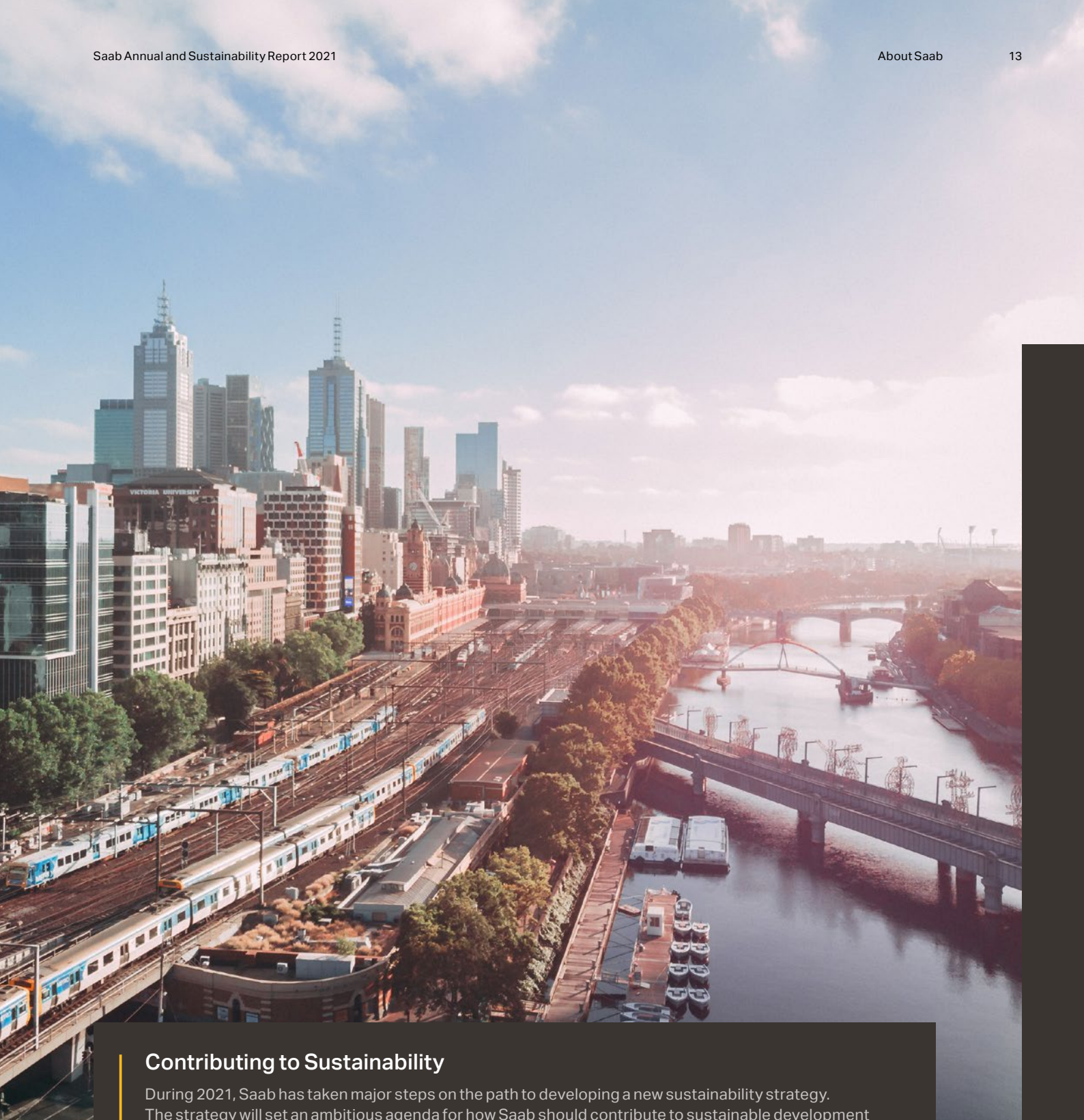
Creating greater value

In addition to Saab's greater task, the company has financial priorities of which one is to drive profitable growth. This enables Saab to continue investing in R&D and sustainable innovation that will support the company's future growth. Saab aims to create long-term value for all its stakeholders, including shareholders, customers, employees and society as a whole.

“As a security and defence company, Saab has a responsibility to change the world for the better”

Saab's transformation

Saab is a Swedish niche player on a global defence market. With its international business growing, Saab's ambition is to strengthen its multi-domestic position in strategic markets. The aim is also to sustain a high-tech offering with increased turnover and sustainable profitability.



Contributing to Sustainability

During 2021, Saab has taken major steps on the path to developing a new sustainability strategy. The strategy will set an ambitious agenda for how Saab should contribute to sustainable development and is built on insights from a stakeholder dialogue and an analysis of Saab's impact on society. Saab's most important contribution to achieving the UN's global Sustainable Development Goals concerns **SDG 16 – Peace, Justice and Strong institutions**. Through the company's ambitious climate commitment Saab is also making an important contribution to **SDG 13 – Climate Action**. Saab's sustainable innovation, partnerships and participation in industrial cooperation translates into a contribution to **SDG 17 – Partnerships for the Goals**. Saab also significantly contributes to **SDG 3, 4, 5, 8 and 9**. Read more about this topic in the Sustainability Report on pages 50-79.

16 PEACE, JUSTICE AND STRONG INSTITUTIONS 	13 CLIMATE ACTION 	17 PARTNERSHIPS FOR THE GOALS 	3 GOOD HEALTH AND WELL-BEING 	4 QUALITY EDUCATION 	5 GENDER EQUALITY 	8 DECENT WORK AND ECONOMIC GROWTH 	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 
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The world around us

A changing international landscape

In a world marked by rising geopolitical tensions and a shifting power balance there is also a growing influence of climate change and an increased focus on national supply capabilities. Technological development is rapid and digitalisation accelerating. In this complex and fast-changing world, nations are increasing their means to keep their citizens and societies safe. By supporting the task of security and peace, Saab contributes to sustainability in a growing market.

A number of fundamental trends in today's world are driving the global aerospace and defence market and making Saab's strategy and execution more relevant going forward.

1 Rising geopolitical tensions

Recent years have seen a rise in political tensions and trade disputes between countries. We are moving into an era with increasing levels of distrust among great powers and some geographic regions' roles have gained more significance. Consequently, we see a trend of increased global military spending.

2 Increasing focus on national capabilities to secure supply

In a world previously used to global supply chains, there is now an increasing focus on national capabilities in order to secure supply in the face of new uncertainties. Economic protectionism and nationalism threatens to fracture established post-world war institutions and international systems.

3 Climate change creates new conflicts and focus on sustainability

Climate change has a security dimension. It increases the risk of conflicts, poverty and hunger, while posing new threats to human rights and triggering migration. But it is also causing states, institutions and businesses to focus increasingly on achieving sustainable development.

4 Accelerated digitalisation and rapid technological development

As digitalisation is accelerating globally, Europe's technological advantage is challenged. The future battlefield is being transformed by the development of unmanned/autonomous systems, technology providing an information advantage and effective new systems making high-value targets vulnerable.

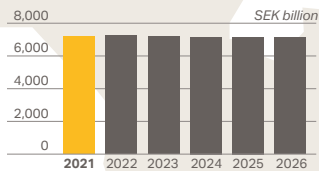


Saab's position

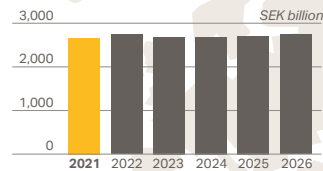
In the last decade, Saab has made significant investments in core technologies. Combined with strategic partnerships, these investments have enabled the company to build a strong and clear position in the export market through technological know-how. Current developments increase the importance of high-tech defence systems in Saab's existing markets. The company has a strong position for providing security and defence capabilities to Sweden as well as other countries, in partnerships based on strong, multi-domestic capabilities. Saab's accelerated efforts in sustainability will also give the company an added competitive advantage.

Growing global defence spending

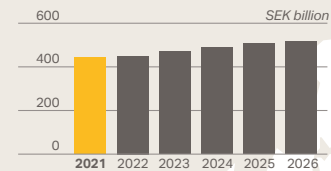
North America



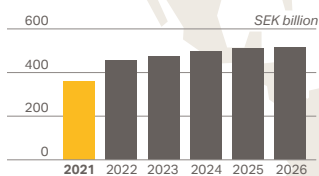
Western Europe



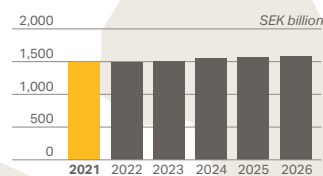
Eastern Europe



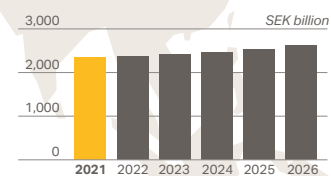
Latin America



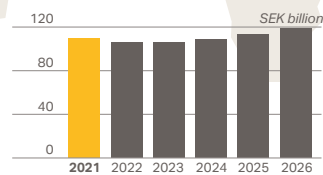
Middle East and North Africa



Asia Pacific excl. China



Sub-Saharan Africa



Source: Janes

Defence market highlights

- **Growing needs** for defence capabilities globally is leading to heavy investments in national defence.
- Several countries' governments are **increasing their defence budgets**, including Saab's largest market Sweden, for the next coming years.
- In the U.S., the congress passed the National Defense Authorization Act which includes a **5% increase in the defence budget** in 2022.
- European defence procurements is expected to remain at **high levels**, while emerging markets **will grow fast** from a low level.
- **Growth is expected** in areas such as future fighter systems, naval systems and in sensors, command and control and advanced weapons.

The pandemic and its impact on the business

As populations have been getting vaccinated, some restrictions have been lifted during the year and societies and businesses are adapting to a new normal. The new variant of the virus has, however, required further measures by authorities to mitigate the effects of the pandemic, which is still ongoing. For Saab, the uncertainty surrounding COVID-19 has primarily been linked to disruptions in the supply chain, lockdown in society and the market conditions in civil operations. In the areas where demand has decreased, a review of capacity, including staffing, is ongoing. When it comes to the supply chain challenges in many industries, the risks remain. Saab has so far been able to limit the impact from the supply shortage crisis through long cycles and inventory management. Saab has a close dialogue with suppliers to mitigate potential future effects and to secure delivery of products.

Targeted growth in strategic markets

A global multi-domestic growth strategy

While Sweden remains at the core of Saab's strategic foundation, the company's future success is tied to its ability to expand and grow internationally. Aided by strong partnerships and a high-tech offering within core technology areas, Saab is committed to becoming a global multi-domestic company and strengthen its position in strategic markets. This will enable further growth on the company's journey to create value.

Sweden – a strong base

Sweden is Saab's main reference customer and an important launch market. Throughout the company's history, Saab has collaborated closely with the Swedish national defence forces, developing a range of high-technological and cost-effective capabilities that continue to be under constant development. Saab's products and systems – for example Gripen fighters, Erieye radar, Visby corvettes and Gotland class submarines – are an integral part of Sweden's defence. Saab has also been key in the modernisation of the Swedish air defence, and supplies the Swedish army with products such as the Carl-Gustaf system.

Given its strong position, Saab is constantly investing in competences and new technology in order to meet tomorrow's threat environment. Every new capability is designed in close collaboration with professionals of high expertise, to safeguard that Saab meets the high demands set by the customer. Historically, Saab has participated in some of the biggest defence investment projects that have been carried out in Swedish history.

Saab's Swedish programmes have yielded great technical know-how and new applications in a number of areas. There have also been important spillover effects from the research and development carried out that have enabled Saab's presence in the civil market. Saab aims to continue building on its long-standing and close relations with Sweden, its authorities and Armed Forces.

Potential for further growth

Defence spending in Sweden is expected to increase substantially over the coming years in the face of an increasingly unsecure and unpredictable world. With a total value of defence funding of SEK 450 billion planned between 2020-2025 (a 40 per cent increase), Sweden will continue to be an important market for Saab with its proven portfolio and capabilities adapted to Sweden's location and requirements. Expected defence spending, as a percentage of GDP in 2025, is to be 1.5 per cent compared to the defence spend in 2020 of 1.2 per cent.

A local supplier globally

Looking beyond the Swedish market, Saab's multi-domestic strategy for global growth is based on its competitiveness and world-leading expertise in five core areas. Adding to strategic markets such as the U.S., the U.K. and Australia, as of January 1st, 2022, Germany has been included as a strategic market for growth by Saab. By leveraging strong partnerships, Saab can increase its local presence and become a trusted domestic supplier in these countries. In this way Saab is striving to establish a global and multi-domestic base, making the company a natural part of these countries' national defence capabilities, similar to the role Saab has attained in Sweden. The aim is to attain national industry status in selected niche areas.

Aided by partnerships with domestic suppliers, Saab has an established local operational presence as well as an installed base in countries where future business opportunities have been identified. Key drivers for growth will be increased order intake and domestic sales, R&D, investments and export with support from partnerships, as well as industrial and university collaborations to build a platform for future growth.

Platform for growth in the U.S.

Development of high-tech defence systems is regarded as an issue of national security in many countries, which makes them unwilling to import this type of technology. One example is the U.S., which has the largest defence market in the world but only accounts for one per cent of

"As of January 2022, Germany has been included as a strategic market for growth by Saab"



“Focus going forward will be international growth within Saab’s core areas as well as M&A in strategic markets”

the total global import. This is why Saab's goal is to achieve a global and multi-domestic cluster.

With the grand opening of Saab's new U.S. facility in West Lafayette, Indiana, in October 2021, Saab took an important step in its international expansion. The new site will cater for advanced manufacturing of fully installed aft airframe sections of the T-7A, which will be the first products off the production line, but it will also enable deeper partnership with Purdue University. Through this, Purdue will support Saab to expand U.S.-based research and development programmes in fields such as sensor systems, artificial intelligence and autonomous systems. Saab is also establishing competence hubs in different areas in other markets, including command & control systems in Australia and radar systems in the U.S.

In addition, Saab has during the recent years invested in the expansion of operations in Finland, establishing extensive capabilities in research and development, as well as production. In 2021, Saab further expanded its strategic research co-operation with Aalto University in Finland, focusing on autonomous systems, cognitive technologies and machine learning. The aim is that competences will be shared with other regions and that these operational entities will be able to export what they develop and produce to other countries.

Importance of compliance and anti-corruption as Saab grows its international business

The market for security and defence equipment is highly regulated. Saab is committed to complying with all export control regulations applicable to its business. In addition to regular training for key personnel, compliance is enabled through the employment of a competent organisation, stringent processes, internal audits and adapted IT tools.

→ [Read more about export compliance on pages 72-73](#)

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

Saab has zero tolerance for corruption and is guided by the company's fundamental values, code of conduct, current laws, industry codes of conduct and clearly defined internal processes to prevent risks of corruption. Saab's management of anti-corruption risks is an important aspect of Saab's wider sustainability efforts.

→ [Read more about anti-corruption on pages 58-61](#)

Increased focus on information security growing with our customers

Saab handles information of vital importance to its customers and in many cases to Sweden's and other nations' security. The world is becoming increasingly uncertain while cyber security challenges keep growing, making continuous and systematic security management and development critical. Saab is also committed to protecting the personal data of employees and customers. The company has established a global privacy organisation and governance structure to this end.

→ [Read more about information security on pages 74-75](#)

Milestones in international markets in 2021

- **Taking an important step in the Gripen E project** and entering serial delivery phase to the Brazilian and Swedish Air Forces.
- **Progress on the EMD phase of the T-7A Red Hawk program** with the delivery of the third aft-section of the aircraft to partner Boeing.
- **Grand Opening of the new U.S. facility at West Lafayette, Indiana** to support Saab's global expansion strategy and growth in the U.S.
- **Further strengthening Saab's presence in Germany with the important contract** to modernise the German Navy's F123 Frigates (value of SEK 4.6 billion).
- **Strong growth in Ground Combat and Training and Simulation orders** in several strategic markets.





Saab's five core technology areas

Saab has a world-leading position in five core areas where the company is heavily investing in technology to sustain its market leadership. Within these core areas, Saab also has strong support from customers and expects significant growth going forward. Saab will continue to focus its R&D investments in these areas in order to secure excellence in competence and future capabilities. The five core areas are:

Fighter systems

World-class fighter system Gripen. Research, development and production of other aircraft systems including future manned and unmanned systems plus further development of existing products.

Advanced weapon systems

Market-leading product portfolio comprising ground combat weapons, missile systems and torpedoes for all branches of armed forces.

Sensors

World leading sensor, microwave and antenna technology for radars and electronic warfare solutions, ranging from airborne early warning systems, and combat air solutions to land and naval applications.

Command and control systems

Complete command and control solutions as well as parts of large, complex system-of-systems. The offer ranges from fire control to complete integrated combat systems for the naval, air and land domains.

Underwater systems

World-class naval systems, specialising in low observable surface vessels, advanced underwater weapon systems and submarines as well as unique capabilities within autonomous underwater systems.



Saab's multi-domestic strategy

U.S.

Strengthening Saab's local operations and partnerships to grow in the largest market in the world and source of R&D.

U.K.

Close partnerships in multiple areas, FCAS being an opportunity for the next generation fighter development.

Brazil

Adding to Brazil's defence capabilities with the Gripen contract as a base for further opportunities and close partnerships.

Germany

Increasingly important as the largest market in the EU. As of January 2022, Germany is a strategic market for Saab.

Sweden

Home market and main reference customer in which Saab seeks to maintain its position within sovereign defence capabilities.

Finland

Focus on continue growing in Finland by supporting the Finnish Defence Forces and through cooperations within key areas.

Australia

Further strengthening position as vital part of national industry.

Case

U.S. Surveillance business – a blueprint for the Saab multi-domestic strategy

The Uniqueness

- Technology leader in the naval domain and strong offering on land systems
- Radar, EW, CS and ATM
- Leveraging the best of Swedish and American innovation

Our Surveillance footprint

- Sales ~200 MUSD in 2021
- 9% Sales CAGR last 10 years
- Increased technology work done locally
- Extensive manufacturing and test facilities
- Base in Syracuse, N.Y. with ~500 employees

Growth potential

- Stable customer base – serving five branches of the U.S. military
- Growing radar demand in the U.S., accounts for ~50% of global demand
- Market expected to grow in airborne, land and maritime domains
- Key U.S. programs within e.g. the U.S. Army, U.S. Navy and U.S. Air Force
- Export opportunities out of U.S.

Key recent wins

- Advanced Digital Radar Technology
- Threat Systems Radars
- Variable Aperture Digital Radar
- MK9 Continuous Wave Illuminator
- AN/SPN-50 Low Rate Initial Production
- CEROS Demonstrator (for the U.S. Navy)
- Laser Warning Systems Technology Demonstration

The core of Saab's multi-domestic strategy is to establish our operations in strategic countries. A successful example of this is the business area Surveillance's establishment in the U.S. within the radar area but also electronic warfare, combat management systems and air traffic management. Through transferring technologies from Sweden, leveraging the competence and capabilities in the American organisation, Saab's products are adapted to the U.S. market.

Saab's business in the U.S. has grown continuously during the last ten years and is expected to grow even more. In addition to Saab's manufacturing and engineering capability and test capability in the country, investments are also made in research and development in the U.S. to enable further growth.



Illustrates the U.S. Navy and the U.S. Coast Guard ships Saab are onboard today with our adapted sensor Sea Giraffe.

Sea Giraffe family aboard six classes of U.S. ships



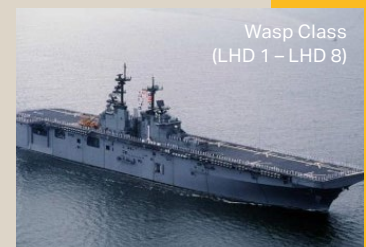
Independence Class
(LCS 2 – LCS 38)



Heritage Class
(OPC 1 – OPC 25)



Expeditionary Staging Base
(ESB 4)



Wasp Class
(LHD 1 – LHD 8)



Nimitz Class
(CVN 69 – CVN 77)



America Class
(LHA 6 – LHA 9)

Case

Potential for further growth in Training & Simulation

Training & Simulation is a growing business, with a strong market position in Europe and a market share of 25% in the U.S. Ahead, we see an increased need for the training of larger forces on battalion and brigade level, especially in Europe. Another important aspect of this business is the aftermarket opportunities within support and services.

Key focus going forward will be to combine live training with virtual training and the utilisation of AI technology for analytics. Another key focus is on interoperability and with more than 40 customers worldwide, Saab has defined a standard for international forces to train together. 16 nations have joined the standard so far and since Saab has installed bases in many places, we can move our training capability around the world following the forces.



T&S in nutshell

The Uniqueness

- High realism with ballistic simulation
- Scalability through modular design
- Standardisation and interoperable worldwide
- Deployable in several combat setups
- Leads Interoperability User Community - interoperability and standards within 16 countries

Our offering

- Equipment and solutions for army forces to practise live combat exercises
- Core capabilities in live training, virtual training, live fire training and services
- Supports many weapon types
- Combat Training Centres (CTC)
- Full-service support of training sites, 22 sites globally with ~700 employees

How we are driving growth in T&S

The market potential

- Large growing market in Europe
- Training more important in future defence operations
- Increased multinational exercises
- Growing interest in analytics
- Follow army forces around the world
- T&S has a large installed base
- Aftermarket opportunities

Strong sales growth in 2021 of 25%

T&S positioned for growth

- More than 40 customers worldwide
- Dominate in Europe and 25% market share in the U.S. with one global product portfolio
- Recent large contracts: to the Netherlands and the U.S. Marine Corps
- Increasing focus on aftermarket
- Sustainable business model

R&D investments and sustainable innovation

Technology leadership for increased competitiveness

Continuous investments in technology and innovation will further enable our capability edge to win in a highly competitive marketplace. Saab is a comparatively small but agile company in its industry and can rapidly adopt new technologies and ways of working. Sustaining the company's competitive edge through a well-established pace of innovation is key to future profitable growth. This is why a significant portion of employees are engaged in R&D and a constant exploration of new ideas is promoted.

Saab invests about 20 per cent of its annual sales in innovation together with customers, making it one of the Swedish tech companies investing most heavily in Research and Development (R&D). Focus is on Saab's core areas, but also in new technologies to improve the existing product offering, as well as to build new, unique capabilities for the future. An increasing number of employees are dedicated to R&D work. In 2021 they made up more than half of Saab's work force worldwide.

At Saab, innovation is managed as business critical. An innovation-friendly corporate culture is promoted and new ideas encouraged. Arenas for innovation are created both internally and in collaboration with customers and various partners, which broadens the supply of innovative thinking. As diversity gives an organisation access to different perspectives and stimulates innovation, Saab encourages it among employees. Achieving diversity is also an important parameter in Saab's global recruiting process and leadership training. Gender equality is a high priority and Saab's goal by 2025 is to increase the share of women managers to 30 per cent globally and 35 per cent in Sweden.

Increased efficiency and internationalisation

One of the strengths behind the leading position that Saab has attained in its core areas is the fact that the company is relatively small from a global perspective, with a flat organisation and short lead times. A long-term aim is to further increase R&D efficiency by reducing the number of unique or special-order systems and increasing shared components and software. Furthermore, when it comes to technologies such as AI and automation, Saab encourages engineers to move between different core areas. This way the company can identify potential synergies between areas which, in turn, can lead to the development of new solutions or combinations of product areas.

At the moment, a majority of the R&D work is performed in Sweden, but part of Saab's global and multi-domestic strategy is to increase R&D capabilities in selected markets. The aim is to build up the company's intellectual property, extend its industrial partnerships, e.g. with Boeing in the U.S., and increase collaborations with universities. At the Imperial College in London, for example, Saab has opened an innovation hub that encourages engineering innovation and explores the British expertise in various areas, with an initial focus on radar technology. Another objective of the strategy is to create virtual innovation hubs in order to promote cross-border cooperation between Saab's operations in different locations worldwide.

Opportunities with new technologies

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

Saab continuously evaluates potential new business models to capitalise on these new technologies with or without partners. Already, the company has made major investments in digitisation, software defined systems and virtualisation. Saab also has a world-leading position in sensor technology and have made important investments in opportunities in this area. Looking ahead, the aim is to further develop the product portfolio in ways that create value for the customer. Identified opportunities will be scaled up from demonstration in Saab's Innovation Labs through development and industrial adaptation and ultimately, to final delivery.

Increasing sustainable innovation

R&D and collaborations also make up an important part of Saab's work to reduce its environmental impact by creating sustainable solutions fulfilling customers' needs. In 2021 Saab made an even clearer commitment to this by joining the United Nations Climate Change (UNFCCC) Race to Zero campaign, committing to reduce

"A long-term aim is to increase R&D efficiency by reducing the number of unique systems"



“Today Saab is differentiated by the fact that its products use resource efficiently throughout their entire life cycle”

greenhouse gas emissions to net zero by 2050. Progress will be measured using the Science Based Targets initiative (SBTi) method.

Already today, Saab is differentiated by the fact that the company's products use resources efficiently throughout their entire life cycle. Saab's Climate Impact Portfolio categorises products and services that can help contribute to more sustainable operations and reduce climate impact. To continuously increase and improve its environmentally sustainable offering, Saab has established the Saab Climate Fund which supports sustainable innovations throughout the company. One example of this is the remote product support made possible by a secured AR/VR solution.

Ideas from within and outside Saab

Within the company new ideas are encouraged through Saab's Innovation Greenhouse, where employees can apply for support when they have insights, ideas and see innovation opportunities. After evaluating whether it is desirable, feasible and viable, the Greenhouse can support the testing and development of an idea with a view to scaling it up as a prospect for the wider business.

Saab also has a Start-Up team that on one hand meets continuously with Swedish and international start-up companies to identify promising collaborations. On the other hand, the team works with different Saab business units to identify needs and challenges that could be addressed in start-up collaborations.

Occasionally, development projects within Saab also result in potential applications that fall outside the company's core business. In these cases, the projects are managed by Saab Ventures for further development, together with external investors if it is possible. In this way, technologies developed by Saab can create long-term value even outside the company's strategic markets. Saab Ventures also collaborates with start-ups and other small and medium-sized companies.

Joint initiatives

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

Saab's Climate Impact Portfolio

Examples of new additions to the Climate Impact Portfolio during 2021:

Aerial fire fighters

Saab has been tasked by the Swedish Civil Contingencies Agency (MSB) to provide aerial fire fighters as part of the broader RescEU-initiative. These aerial firefighters can be deployed within hours to assist in fire fighting missions throughout Sweden and the EU. In 2021 a team of Saab pilots, technicians and Fire Boss aircraft were deployed to Greece to assist in the international rescue effort during a heat wave which caused large scale forest fires. The mission helped to prevent loss and damage to societies, whilst also limiting emissions from the fires.

Sustainable Underground Mining (SUM)

The mining industry is on a path to transition its business in order to supply the steel industry and others with the materials needed to create a sustainable supply chain. Saab subsidiary Combitech contributes to this transition by partnering with several mining industry leaders, creating and providing the digital solutions to enable more energy efficient and fossil free mining. These solutions will be key to providing the raw materials required for building the sustainable solutions of our societies.

Surface radar enables offshore wind farm expansion

Offshore wind farms are expanding rapidly to meet future energy needs as a part of heading towards a fossil-free society. A common issue with offshore wind farms is the turbine blades and their effect on a nation's military air defence and early warning capabilities. Saab's Giraffe 1X and 4A radars handle this challenge and enable establishments of large wind farms without compromising national defence.

18%

Total R&D spending as % of sales in 2021

5%

Saab's own R&D spending as % of sales in 2021

2/3

Share of R&D in new product development

Recent R&D investments in innovative Saab products

- The fighter aircraft Gripen E
- 9LV Naval Combat Management System
- Latest generation Carl-Gustaf M4
- GlobalEye Early Warning system
- Giraffe 4A multi-purpose radar
- Submarine A26

Case

Profitable growth through innovation in Ground Combat

The Uniqueness

- Strong portfolio: Carl-Gustaf, AT4 & NLAW
- Tactical flexibility
- Broad variety of ammunition
- Ease of use

The Market Potential

- Increase in defence spendings
- Build on the installed base
- Migration into new version of Carl-Gustaf M4
- Guided munition in cooperation with Raytheon

The Enablers

- 7 decades of experience
- Modular design
- More than 40 customers worldwide
- Strong position in Europe, U.S. & India

The Operations

- Doubled sales in the last 5 years
- Stable profitability >10%
- Need to increase production capacity
- Multiple-site strategy

The Ground Combat business has grown over the last years through innovative solutions while maintaining stable profitability. For decades, Saab has been successful in developing capabilities within Ground Combat that have fulfilled many customers' needs. Modular design, tactical flexibility, variety of ammunition and ease of use are some of the key features in the strong portfolio consisting of Carl-Gustaf, AT4 and NLAW.

The market potential in the area is high following the increase in defence spending and one example of how Saab will take advantage of this potential is to build on already installed base and migrate into the new version of Carl-Gustaf M4. To drive further profitable growth, the focus now is to increase the production capacity in order to deliver higher volumes.



Operational excellence and portfolio optimisation

Driving efficiency for improved profitability

To support profitable growth and secure resources for future investments, Saab is focusing on improved efficiency in operations as well as on optimising its portfolio.

Saab's long-term aspiration is profitable growth – to grow sales while obtaining a stronger gross margin - by serving defence and security customers better than its competitors. Achieving operational efficiency helps supply the resources for investing in tomorrow's technologies and services, thus enabling further growth and creating more value for Saab and its stakeholders.

A new organisation structure for improved efficiency

In 2021, Saab adapted its organisation so that governance and management will better support these growth ambitions and future investments. With a new, simplified structure based on four business areas, replacing the former six, there is a clearer connection between business areas, core areas and services. This makes interaction with customers simpler, removes internal interfaces and increases focus on efficiency.

The four new business areas all have a clear connection to Saab's defined core technology areas. Business area Aeronautics is connected to the core area Fighter Systems, business area Dynamics to the core area Advanced Weapon Systems, business area Surveillance to the core areas Sensors and Command and Control Systems, and business area Kockums to the core area Underwater Systems. Meanwhile, the Saab-owned technology consulting company Combitech has gained more independence and is no longer a part of a business area.

"The four new business areas all have a clear connection to Saab's defined core technology areas"

The new function Operational Excellence

Following the implementation of the new organisational structure, Saab also created a new central function responsible for Operational Excellence, charged with developing and supporting the organisation in all aspects of operational efficiency. Working across the four business areas, this new function captures IT, procurement, property and quality.

The aim is to optimise operations both locally and centrally, identifying synergies, sharing best practices, coordinating and aligning organisational structures and processes for increased efficiency when it comes to both execution and compliance. This is an effort that will continue over some years and will support operations in reducing operating expenses. Learning from each other between business areas and units, achieving common processes and ways of working will make it possible to optimise, identify overlaps and support gross margin expansion.

New focus areas that strengthens the operations

By establishing the Operational Excellence function, there will be more focus on the overview of the entire infrastructure landscape at Saab. The objective is to create a stronger connection between business processes, people and technology, working proactively to realise projects in aligned and optimal ways within the organisation. Reduced variance will increase efficiency while facilitating compliance to standards and regulations.

Another focus area within Operational Excellence will be on business requirements and risk management. New business for Saab often comes with new demands in terms of compliance with standards and regulations. New ways to analyse potential business deals at an early stage in compliance matters will both increase efficiency and reduce risks of non-compliance.

A drive to revitalise Saab's work to improve quality through processes, methods and tools has also been initiated. Four pilot projects have been launched during the year and will be analysed during 2022. The idea is to facilitate the use of best practices, sharing experiences and learnings between business areas and business units, jointly identifying the best tools and processes,

“The portfolio optimisation initiative will continue over the coming years, with the ambition to generate improvement of R&D productivity”

for example within purchasing. By eliminating silos and, when possible, using the same processes and resources, Saab can reduce operational overlaps and variations that drive costs, increasing efficiency and speed.

Resource-efficient products

Saab also focuses on the use of resources in its efforts for efficiency. The company's products are designed for a long operating life. By using resources efficiently throughout their entire life cycle, Saab creates products with less environmental impact and low life cycle costs. In addition, there is an ambition to increase circular flows within the product life cycle and operations. Another important task that Saab is working strategically on is to phase out hazardous substances in products, which is also increasingly in focus by many customers.

Sharpening the portfolio

As part of Saab's strategy to increase efficiency, the company is also executing changes to its product portfolio. Since the beginning of 2019, Saab has been driving an optimisation of profitable products and services within the company's five core areas, or areas supporting them. In these areas the company has a

world-leading position and expects significant growth. Saab is also focusing its overall R&D efforts into future capabilities within the core areas.

Furthermore, reviewing the portfolio allows Saab to identify synergies between product areas, potentially leading to new solutions or combinations of product areas. An effort to develop modular systems is included in the initiative as well, allowing Saab to re-use and scale different kinds of modules within several products and systems. The portfolio optimisation initiative will continue over the coming years, with the ambition to generate improvement of R&D productivity.

Health, safety, inclusion and diversity in operations

An important part of operations is also to offer an inclusive, safe and healthy workplace. By working actively with occupational health and safety, Saab reduces the risk of accidents, illnesses and on-the-job injuries in the short and long term. With regards to diversity, everyone who works with recruiting at Saab receives regular information on the topic. Diversity is also an important part of leadership training and the recruitment process at Saab. The focus on people and a healthy workplace is vital to ensure that Saab stays competitive and innovative, today and in the future.



Saab's portfolio optimisation so far

- Reduced the number of products in the portfolio by approximately 17 per cent through the phasing out of products that were either non-core or out-dated.
- Three divestments have been made: QPS (Quality Positioning Services), NVH (Noise Vibration Harshness) and Vricon. This totals 1.4 billion SEK in divested value over the last three years, which enables major re-investment into core platform R&D programmes.
- In some cases, certain projects have been halted because of their non-core nature or demand for significant investments to win a first contract, e.g. some civil avionics products.

Sustainability as a value driver

Saab's sustainability strategy

Sustainability is an integrated part of Saab's strategy to drive value for customers, partners, employees, owners and society as a whole. Contributing to safe and resilient societies in light of increased instability in the world, Saab is committed to maximising the positive impact on sustainability from its operations while ensuring that research, innovation and technology help enable sustainable development.

Saab's mission: Keeping people and society safe

Our commitment to society is at the core of Saab and sustainability is the very basis for the company's long-term development and growth. Peace, security and stability are prerequisites to ensure that we together reach all the UN SDGs. In a world where threats against societies are growing increasingly diverse, and with climate change giving rise to a new instability, Saab contributes to defence and security capabilities as a trusted partner in Sweden and many other countries.

Accelerating our sustainability efforts

During 2021, Saab has taken major steps on the path to developing a new sustainability strategy for the Group. By conducting a stakeholder dialogue and analysing the impact of the company throughout the value chain,

a materiality analysis has been produced, providing a strong foundation for the strategy. The new strategy aims to further integrate the management of sustainability into Saab's core business to create a common agenda for the entire company. A crucial aspect of the strategy is maximising Saab's positive impacts and mitigating any unfavorable impact in order for Saab to contribute to sustainable development throughout the value chain. Through innovation and responsible business, Saab contributes to safe and resilient societies and is a fundamental element of a sustainable future.

The framework to the right outlines Saab's sustainability priorities moving forward and the model sums up how they tie into Agenda 2030 and the global community's Sustainable Development Goals (SDGs). If you want to learn more about Saab's work within sustainability, please see the Sustainability Report on page 50-79.

PARTNERING FOR INNOVATION

Close partnerships and collaborations

In sync with Saab's own research, development and innovations, the company has close partnerships with suppliers and customers and thus contributes to broad-based collaborations between industry, academia and the public sector. All with an eye on developing products that are safe to use and adapted to the customers' needs, while being sustainable.

Saab's innovative capabilities are enhanced by these collaborations which open access to new knowledge. One example is partnerships with universities, where employees from Saab have the opportunity to study for a PhD, while researchers and students from the schools can be involved in Saab's technology development. Saab also helps to fund a number of adjunct professors.

When Saab wins large contracts, the customer country often demands industrial collaborations, frequently with technology and skills transfers as important elements. Through customised offers, Saab and its partners have contributed to several successful projects that are helping national economies.



Saab's sustainability strategy

The updated sustainability strategy aims to further integrate management of sustainability into Saab's core business and to create a common agenda for the whole company concerning sustainability. The updated strategy focuses on three main aspects: partnering for innovation, conducting responsible business activities and contributing to safe and resilient societies. These are areas where Saab has the most material impact on environmental, social and economic issues. The model below illustrates Saab's sustainability strategy and its connection to the Sustainable Development Goals. Read more about sustainability at Saab in the Sustainability Report on pages 50-79.



“Through innovation and responsible business, Saab contributes to safe and resilient societies and is a fundamental element of a sustainable future”

RESPONSIBLE BUSINESS

A part of the solution

In order to continue to create value in the long term, it is imperative that Saab operates in an environmentally and socially sustainable way. The ongoing climate crisis calls for a transformation of our entire society. Saab is striving to take an active part in this shift and has therefore joined the Race to Zero campaign, with a commitment to set Science Based Targets in line with the Paris agreement and to reduce the company's greenhouse gas emissions to net zero by 2050. Specific targets for this will be set in accordance with SBTi (the Science Based Targets initiative) during 2022.

Saab's ambition is to increase circular flows of resources within the product life cycles and in its operations. The company is also working strategically to phase out hazardous substances in products and contribute to a non-toxic environment.

Product safety

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

Responsible employer

It is an important priority that Saab is an inclusive, safe and healthy workplace. Employees are the driving force that will keep Saab competitive and at the forefront of technology. Diversity gives the organisation access to different perspectives and stimulates innovation. Diversity and inclusion is therefore an important part of Saab's future success. Furthermore, by working actively with occupational health and safety, Saab reduces the risk of accidents, illnesses and on-the-job injuries in the short and long term. Read more about how Saab takes responsibility as an employer in the Sustainability Report on pages 68-70.

Responsible sourcing

Saab sees suppliers as an extension of its own operations and expects them to take the same social and environmental responsibility as Saab does. Governance to ensure responsibility in the supply chain not only minimises risks, but also leads to higher quality in the products Saab buys. Saab's code of conduct for suppliers, which is based on the UN Global Compact's principles, is included in all new contracts and in contracts that are renegotiated. In the Supplier Code of Conduct, Saab stipulates that suppliers must place similar demands on their subcontractors.

CONTRIBUTING TO SAFE AND RESILIENT SOCIETIES

Human rights and compliance

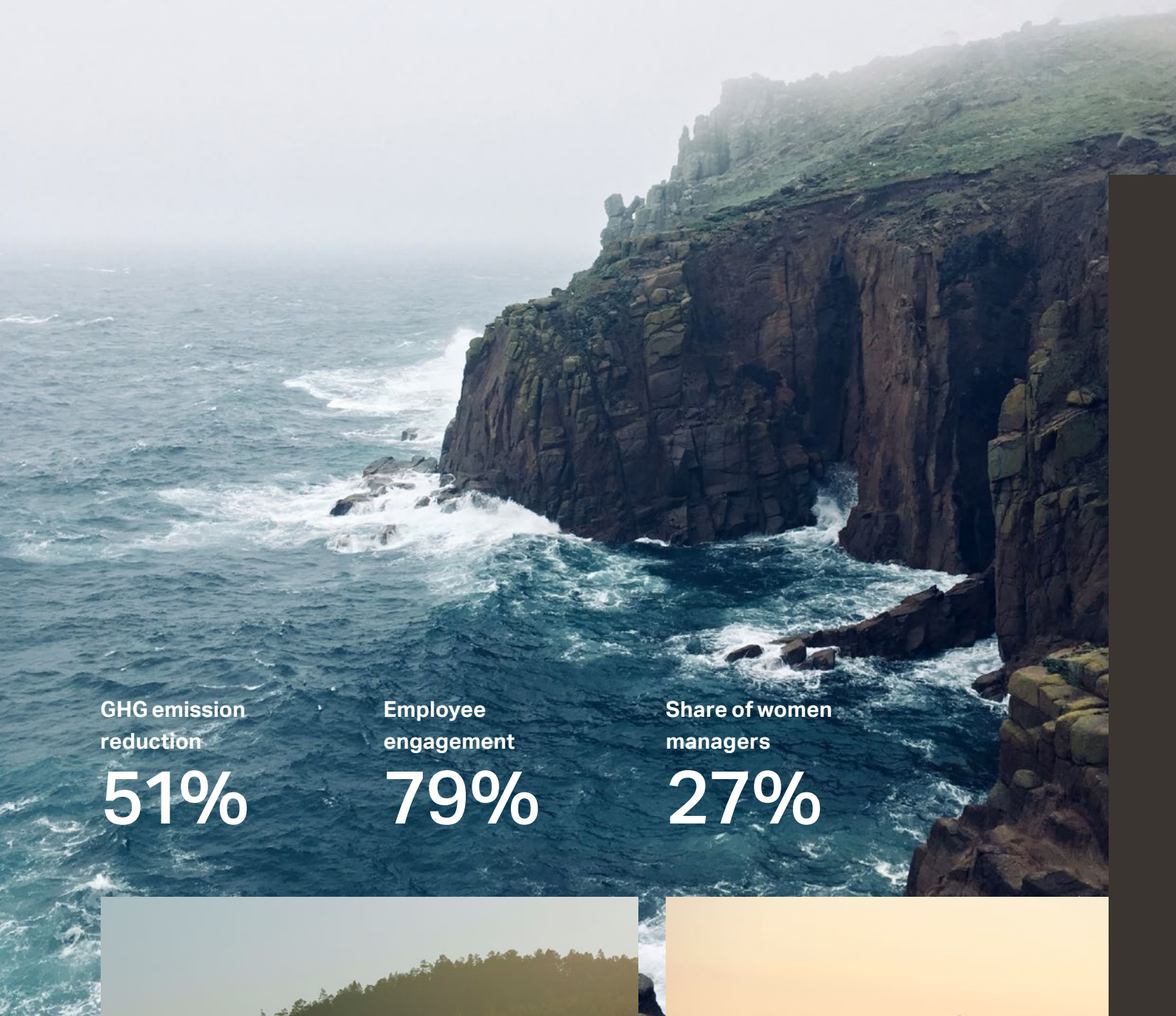
Defending open societies includes the defence of human rights. Open societies can only be resilient and safe if human rights are respected. Beyond Saab's own operations, where principles and processes for respecting human rights are in place, for a company like Saab there are also substantial business risks in this area. Since Saab is and will be dependent on export and partnership with other countries to stay competitive and cost-efficient, the company has set the goal to be an industry leader in our sector in managing human rights risks. Saab will therefore introduce a Responsible Sales Policy during 2022, with the purpose of helping to manage risks regarding the sale of Saab's products and services.

By acting responsibly in everything Saab does, following laws and regulations and working closely with national authorities, the company earns the confidence of customers, employees and society. The areas of anti-corruption, export control and information security are critical to Saab. The company therefore works continuously to develop better routines and processes. Here too, the goal is to have industry-leading compliance programmes.

A long-term approach

Aware of the challenges the transition to a society built on sustainable development entails, Saab recognises the importance of a long-term approach and relationship-building with all our stakeholders. Considering that several of the company's projects extend over very long periods, this is an essential aspect. It is therefore important for Saab to work systematically with sustainability issues in the value chain and to have a close dialogue with customers, suppliers and other key stakeholders. Saab continuously measures and monitors key sustainability aspects and integrates them in its processes.

Find more information about Saab's sustainability work in the Sustainability Report on pages 50-79.



GHG emission
reduction

51%

Employee
engagement

79%

Share of women
managers

27%



Case

Energy efficiency measures throughout Saab's operations



Improved energy efficiency is a prioritised area for Saab, which reduces the emissions from the operations and contributes to Saab's environmental targets. To the right are examples of activities from 2021 that have improved energy efficiency. Find more information about Saab's environmental targets and sustainability work in the Sustainability Report on pages 50-79.

The energy efficiency improvements below are estimated to reduce electricity and heat consumption by up to 2 770 MWh per year. Examples of improvements include:

- Replacement of lighting with LED
- Operation and time-optimisation of ventilation systems
- Energy saving measures in heating systems
- Installation of electricity meters for property and production equipment to facilitate optimisation of usage

Other examples of energy efficiency measures during the year are:

- Procurement of International Renewable Energy Certificates (I-REC) for electricity used at Saab's site in South Africa, resulting in CO₂ emissions reduction by approximately 4,200 ton annually
- Continued to plan for and install charging infrastructure for electrical cars at most of Saab's main sites
- Insulation measures at large sites
- Replaced oil boiler with geothermal heat

Case

Driving sustainable solutions with Sabertooth

Sustainability is an integral part of Saab's operations and strategy. The Saab Seaeye Sabertooth is just one example of how Saab helps customers reach their environmental targets, contributing to reduced climate impact.

The Sabertooth is an autonomous underwater vehicle collecting data that can be utilised in many different areas, such as marine, research, defence and security, aquaculture and offshore energy. Through renewable energy innovation, the Sabertooth can be powered by wave energy, resulting in zero emission operations, which also enables longer missions. Compared to the use of traditional surface vessels, it gives great opportunity for substantial reductions in CO₂ emission and accompanying cost reduction. Through continuing this kind of research and development, Saab will stay innovative and contribute with new products and solutions for a more sustainable future.



Key highlights

- Sabertooth – an autonomous under water multi-role vehicle
- Renewable energy – converted from waves powering the Sabertooth = zero emissions
- Decreases the need for support vessels, and enables customers to reduce dependency on grid and logistics
- CO₂e reductions of approximately 180+ tonnes per system and year, equal to 1,000 short-haul air passenger trips
- Zero emission operation is important in many under water sectors, such as marine, research, defence and security, aquaculture and offshore energy



Closing remarks – the CFO explains

Our outlook and long-term targets

2021 was a successful year for Saab. The Group strengthened its platform for future growth by growing orders despite the effects from the pandemic. With a consistent focus on project execution and efficiency, Saab also delivered on its outlook for 2021. Looking into 2022, Saab expects continued sales growth and earnings improvement. Cash flow is also estimated to be positive, as stated in the company's outlook in the Q4 2021 year-end report.

In 2021, Saab strengthened its platform for future growth by continuing to grow its order intake. With a consistent focus on improving operations through project execution and efficiency, we also delivered on our outlook for 2021. Sales grew 11 per cent and earnings showed an improvement of 5 per cent, compared to adjusted operating income the previous year, which corresponded to a margin of 7.4 per cent. The company delivered a strong positive operational cash flow for the second year in a row.

Growth is essential for Saab and over the last five years, the company has achieved a compound annual growth rate in sales of 5 per cent. We expect to grow organically but also through M&A in core areas and strategic markets. Organic growth will be driven by continued R&D investments to sustain technology leadership and by staying relevant and close to our customers through our multi-domestic strategy. Demand for our products in the market remains high and this will support further growth. For the full year 2022, Saab expects organic sales growth to be around 5 per cent.

Efficiency and productivity improvements will be important going forward and we expect to see continuous positive effects from this work, supported by the new organisation that we put in place during 2021. Executing successfully on the key programmes is also essential to continue improving the Group's profitability. Based on our outlook for 2022, Saab expects to grow its operating income by 8-12 per cent for the full year.

In 2021, the operational cash flow amounted to SEK 3.3 billion (2.8) and was driven by higher EBITDA and large milestone payments during the year. Looking ahead, operational cash flow is estimated to continue to be positive for 2022, however at a lower level than in 2021, following the pattern of our milestone payments.

As has been covered in the annual report, Saab is accelerating its sustainability efforts and is making it an even more integral part of operations and the strategy. In 2022, Saab's Board also proposed to the AGM that parts of the management's performance targets is to be connected to sustainability metrics. This work will further support the Group's ambition for long-term sustainable value creation. Based on Saab's financial results and future outlook, the Board proposes an increase of the dividend to SEK 4.90 (4.70) per share for 2021.



Christian Luiga, CFO and Deputy CEO

This corresponds to 34 per cent of net income and is within the range of Saab's long-term dividend pay-out target of 20-40 per cent.

Saab's priorities going forward

- Accelerate innovation and invest in future capabilities, including autonomous systems, distributed sensors and defence cloud.
- Growth within core areas and through Saab's multi-domestic strategy.
- Delivery on key programmes.
- Ongoing productivity and efficiency improvements.
- Sustainability agenda and commitment to society

Saab's outlook 2022

- Organic sales growth to be around 5%.
- EBIT improvement between 8-12% compared to 2021.
- Operational cash flow expected to be positive for 2022, however at a lower level than in 2021.

Saab's long-term targets

- Organic sales growth will average 5% per year over a business cycle.
- Operating margin will average at least 10% per year over a business cycle.
- Equity/asset ratio will exceed 30%.



Administration report and financial statements

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Financial review 2021



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

Saab has been listed on Nasdaq Stockholm since 1998 and on the Large Cap list since 2006. The largest shareholder is Investor, with 30.2 per cent of the shares, corresponding to 40.7 per cent of the votes. The voting percentage is calculated based on the number of shares, excluding treasury shares, at year-end. At year-end, there were a total of 135,845,847 shares in the company, distributed between 2,383,903 Series A shares with ten votes each and 133,461,944 Series B shares with one vote each.

At year-end, a total of 4,035,669 Series B shares had been repurchased to guarantee the Group's share matching plans. The repurchased shares are held as treasury shares.

Corporate Governance Report

In accordance with the Swedish Annual Accounts Act, Saab has prepared a corporate governance report. The corporate governance report, found here on pages 82-91, contains the Board of Directors' report on internal control of financial reporting, which includes disclosures on both the Parent Company and the Group.

Sustainability Report

In accordance with the Annual Accounts Act, Saab has prepared a sustainability report, which can be found in this document on pages 44-49 and 50-79. For information on Saab's strategy, see page 10.

OPERATIONS

As one of the world's leading high technology companies, Saab offers products, solutions and services for military defence and civil security. In 2021, the Group had customers in about 100 countries, while research and development is concentrated in Sweden. The Group has employees mainly in Europe, South Africa, the U.S. and Australia, with

local offices in more than 30 countries around the world.

As of 1 July, 2021, Saab was organised in four business areas: Aeronautics, Dynamics, Surveillance and Kockums. In addition, Combitech, which provides consulting services, is an independent, wholly owned subsidiary of Saab.

CORPORATE

Corporate comprises Group staff and departments as well as other operations outside the core business.

Corporate reported operating income of SEK -361 million (65) in 2021. Adjusted for items affecting comparability, operating income amounted to SEK -279 million for 2020.

LONG-TERM FINANCIAL GOALS

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

Organic sales growth will average 5 per cent per year over a business cycle. In 2021, organic sales growth was 11 per cent (1).

The operating margin (EBIT) will average at least 10 per cent per year over a business cycle. In 2021, the operating margin was 7.4 per cent (3.7).

The equity/assets ratio will exceed 30 per cent. At year-end 2021, the equity/assets ratio was 35.7 per cent (35.7).

DIVIDEND AND DIVIDEND POLICY

Saab's long-term policy is to pay a dividend corresponding to 20-40 per cent of net income over a business cycle. For the financial year 2021, the Board of Directors is proposing a dividend of SEK 4.90 per share (4.70). The proposed dividend corresponds to 34 per cent (58) of net income.

OUTLOOK 2022

Sales growth: Organic sales growth of around 5%.

Operating income: Operating income improvement between 8-12% compared to 2021.

Operational cash flow: Operational cash flow to be positive for 2022 however at a lower level than in 2021.

Business area

Aeronautics

Aeronautics product offering

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

- Gripen is the world's most adaptable and flexible combat aircraft system. With its modular design, it can be upgraded and adapted to customers' requirements
- Development, integration and modification of aircraft platforms for airborne surveillance systems such as GlobalEye
- Development and production of advanced aerostructures and systems for the commercial aviation industry
- Development of future manned and unmanned aircraft systems
- Saab and Boeing have jointly developed the next generation trainer jet for the U.S. Air Force, the T-7A

Aeronautics includes the business units Gripen E/F, Gripen C/D, Aviation Services, Aerospace Systems and Gripen Support.

Financial highlights 2021

Aeronautics order intake for 2021 grew by 30% and amounted to SEK 7.8 billion (6), driven by several large orders such as the extension contract for Gripen support and maintenance services to Sweden, new equipment to Gripen E to Sweden and the capability upgrade of the Hungarian Gripen fleet. With a continued high activity level in the Gripen E programmes, sales for the full year 2021 of SEK 12.3 billion was in line with adjusted sales in 2020. The operating margin was slightly higher than the adjusted margin in 2020 and amounted to 6.1% (-7.7), despite negative impact from the civil aviation and T-7A operations. Cash flow for the business area was negative due to working capital build-up in the Gripen and T-7 programmes.

Share of sales 2021
31%

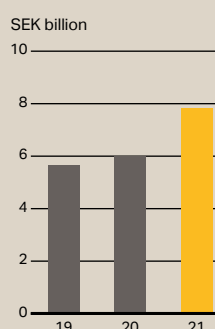


Key figures

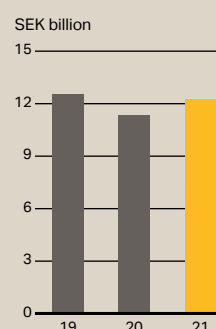
MSEK	2021	2020
Order bookings	7,828	6,006
Order backlog	42,429	46,842
Sales	12,263	11,340
EBITDA	871	-771
EBITDA margin, %	7.1	-6.8
Operating income (EBIT)	746	-875
Operating margin, %	6.1	-7.7
Adjusted operating income ¹⁾	746	711
Adjusted operating margin, % ¹⁾	6.1	5.7
Operational cash flow	-768	-1 077

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

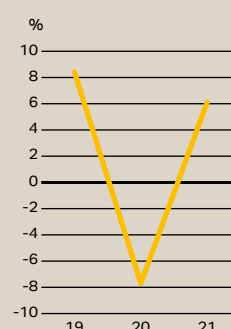
Order bookings



Sales



Operating margin



Business area

Dynamics

Dynamics product offering

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

- Strong portfolio of ground combat weapons, including Carl-Gustaf, AT4 and NLAW
- World-leading land-based air defence systems, RBS 15 air-to-surface missile and international missile programmes
- Next generation underwater systems, with autonomous vehicles as well as torpedoes and underwater sensors
- Complete training solutions for the land domain
- Wide range of advanced camouflage systems

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

Financial highlights 2021

During 2021, Dynamics continued to see strong demand for its products, with strong order intake driven by Carl-Gustaf orders and several combat training solutions contracts. Sales for the full year amounted to SEK 8.7 billion (7.6), corresponding to a growth of 14%, driven by high activity level and deliveries. The operating margin of 12.8% (12.0) also increased compared to 2020 as a result of increased volumes and project completions. Cash flow for the full year was positive and amounted to SEK 0.7 billion (0.8).

Share of sales 2021
22%

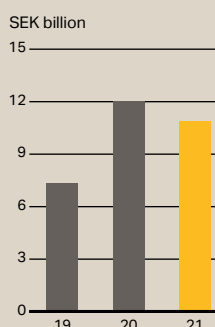


Key figures

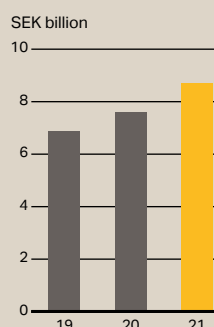
MSEK	2021	2020
Order bookings	10,909	12,028
Order backlog	21,831	19,418
Sales	8,690	7,608
EBITDA	1,201	1,003
EBITDA margin, %	13.8	13.2
Operating income (EBIT)	1,113	912
Operating margin, %	12.8	12.0
Adjusted operating income ¹⁾	1,113	927
Adjusted operating margin, % ¹⁾	12.8	12.2
Operational cash flow	705	811

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

Order bookings



Sales



Operating margin



Business area

Surveillance

Surveillance product offering

Business area Surveillance provides world-class solutions for surveillance, command & control and self-protection systems for defence, safety and security applications. Surveillance develops world-leading sensor solutions for airborne, ground based and naval platforms. The systems are high performing, compact, robust and easy to operate, and can effectively be integrated into our customers' existing solutions. Surveillance is also the competence center in Saab for cyber security, Artificial Intelligence and big data analysis.

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

Surveillance includes the business units Radar Solutions, Electronic Warfare and Aircraft Systems, Combat Systems and Traffic Management.

Financial highlights 2021

Surveillance continued to sustain a healthy order backlog of SEK 31.4 billion in 2021. Key orders during the year comprised of the contract to modernize the German Navy's F123 frigates, an order for upgrading Germany's Tornado aircrafts with radar warning equipment, radar systems for the U.S. Navy as well as parts of a Gripen C/D support contract. Sales volumes in 2021 increased 7%, driven by high activity level. Operating income decreased compared to last year, mainly due to higher amortisation of capitalised development costs related to GlobalEye. For the full year, cash flow improved to SEK 3.8 billion (2.1), mainly driven by milestone payments received for GlobalEye.

Share of sales 2021
32%

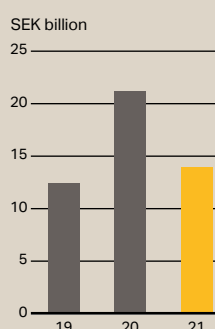


Key figures

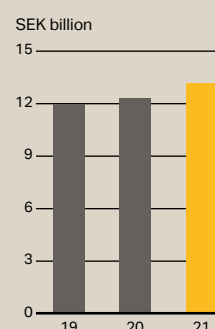
MSEK	2021	2020
Order bookings	13,921	21,166
Order backlog	31,447	30,154
Sales	13,175	12,324
EBITDA	1,648	1,276
EBITDA margin, %	12.5	10.4
Operating income (EBIT)	888	821
Operating margin, %	6.7	6.7
Adjusted operating income ¹⁾	888	987
Adjusted operating margin, % ¹⁾	6.7	7.9
Operational cash flow	3,846	2,146

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

Order bookings



Sales



Operating margin



Business area

Kockums

Kockums product offering

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

- Design, construction and in-service support for submarines, surface vessels, high-speed patrol and pilot boats
- One example is the Gotland-class submarines built in the '90s, equipped with modern technology after a mid-life upgrade making them state-of-the-art in conventional submarines
- Unique expertise in stealth technology, shock resistance, modularity and systems integration
- Products designed for availability, simplified maintenance and a long operating life

Kockums includes the business units Submarines, Surface Ships and Docksta.

Financial highlights 2021

In 2021, Kockums strengthened its order backlog significantly with an order intake amounting to SEK 8.9 billion (1.8). An important contract received during the year was the further capability order for the A26 submarine to Sweden. Several new small and medium-sized orders also contributed to the order backlog. Sales increased by 12% for the full year mainly due to good performance in the business unit Submarines. Following the sales growth and ongoing productivity improvement, the operating income increased for the full year and corresponded to a margin of 6.1% (3.9). Cash flow was slightly negative due to lower milestone payments in 2021.



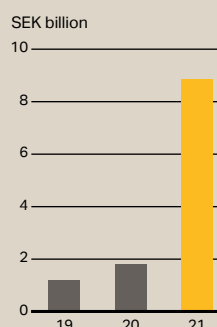
Share of sales 2021

9%

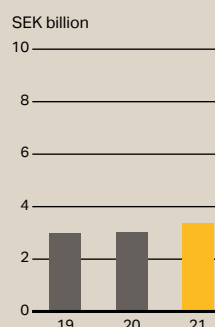
Key figures

MSEK	2021	2020
Order bookings	8,853	1,801
Order backlog	9,099	3,631
Sales	3,388	3,027
EBITDA	243	153
EBITDA margin, %	7.2	5.1
Operating income (EBIT)	208	119
Operating margin, %	6.1	3.9
Operational cash flow	-13	983

Order bookings



Sales



Operating margin



Significant events in 2021

Events in brief

- **On 18 March**, Saab announced changes in the organisation and management for further growth. Saab is adapting the organisation so that governance and management will better support the company's profitable growth ambitions.
- **On 31 March**, Saab and the Swedish Defence Materiel Administration (FMV) extended a contract to provide support and maintenance services for Gripen. The order value amounts to approximately SEK 1.6 bn. Saab booked SEK 1.5 bn of the value in Q1.
- **On 13 April**, Saab held its fully digital Annual General Meeting and through electronic connection in accordance with the temporary law applicable during 2021. The Annual General Meeting decided on a dividend of SEK 4.70 per share to the shareholders. Read more on <https://www.saab.com/about/corporate-governance/shareholders-meeting/annual-general-meeting-2021>.
- **On 5 May**, Saab received an order from the Swedish Defence Materiel Administration, FMV, to provide future development support for Gripen. Total order value is SEK 998m.
- **On 21 May**, Carl-Johan Bergholm was presented as the new head of Saab's Business Area Surveillance. Charlotta Björklund was presented as the new head of the function Operational Excellence. Both were selected as members of Saab's Group Management.
- **On 11 June**, Saab's board utilised the authorisation to repurchase own shares of series B in order to secure delivery of shares to participants in Saab's long-term Share Matching Plan, Performance Share Plan and Special Projects Incentive.
- **Saab's new** organisational structure with four business areas was effective as of July 1, 2021.
- **During the period 9 July – 29 July 2021**, Saab AB repurchased in total 1.000.000 own shares of series B as part of the share buy-back programme initiated by the Board of Directors in order to secure delivery of shares to participants in Saab's long-term Share Matching Plan, Performance Share Plan and Special Projects Incentive.
- **On 30 July**, Saab announced a contract with the German Federal Office of BAAlNBw, for the order to deliver and integrate new naval radars and fire control directors for the German Navy's Frigates F123. Order value is approx. 4.6 bn SEK.
- **On 27 August**, Saab received a further capability order for the A26 Submarine for Sweden. Order value is SEK 5.2 bn and the delivery will take place in 2027 and 2028.
- **On 31 August**, Saab Digital Air Traffic Solutions (SDATS) was selected for a long-term framework agreement by skeyes, the Air Traffic Control organisation of Belgium. The framework agreement has a total value of just over 48 million Euro, spread over 18 years.
- **Saab signed on 7 September** a contract for the delivery of live training systems and services to the Polish Armed Forces. The total order value is approximately 1 billion SEK.
- **On 16 September**, Saab received orders for the Carl-Gustaf® M4 with included ammunition. The combined order value is approximately 900 million SEK.
- **On 13 October**, Saab announced that the Group joins the United Nations Climate Change (UNFCCC) Race to Zero campaign and commits to reduce greenhouse gas emissions by 50 per cent by 2030 and to net zero by 2050.
- **On 13 October**, Saab announced the grand opening of its new facility located in West Lafayette, Indiana, U.S. This purpose-built facility will be the base for Saab's domestic production of the aft airframe section for the T-7A trainer.
- **On 24 November**, Saab held a high-level meeting with authorities from Brazil and Sweden to present the first six serial production Gripen E aircraft, which have left the factory and entered the delivery phase.
- **On 15 December**, Saab announced an order from the Swedish Defence Materiel Administration (FMV) regarding new equipment for Gripen E. This is a supplementary contract to the original Gripen E contract from 2013. Order value amounts to approximately SEK 1.4 bn. Saab booked SEK 1.1 bn in Q4 2021.
- **On 21 December**, Saab received orders from the Swedish Defence Materiel Administration (FMV) for deliveries of both the new High Explosive round and Fire Control Device for the recoilless Carl-Gustaf® rifle. The order values are approximately SEK 300m and SEK 65m respectively and deliveries will take place during 2022-2023.

Events after the conclusion of the period

- **On 12 January 2022**, Saab announced that the Hungarian Government Commissioner Office responsible for defence development and the Swedish Defence Materiel Administration (FMV) have successfully completed the negotiations for the MS20 Block 2 capability upgrade to the Hungarian fleet of Gripen fighter aircraft. Saab will deliver the upgrade. The order was booked in Q4 2021.



↑
Saab delivers for the
T-7A Flight Test Program

→
Several Training & Simulations
orders received in 2021



Risks and uncertainties

All businesses entail risk and risk management is a continuous process. Risks that are managed well add value by supporting strategy fulfilment and can lead to opportunities. Risks that are not managed properly can cause damages and losses. Saab takes a structured and proactive approach to identifying and managing risks and opportunities to safeguard the business.

Saab develops, manufactures and supplies technologically advanced systems and products to military and civil customers around the world. Operations largely consist of technology development as well as major projects carried out over long periods of time, usually several years, in close cooperation with customers, suppliers, partners and institutions.

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

RISK MANAGEMENT

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

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

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

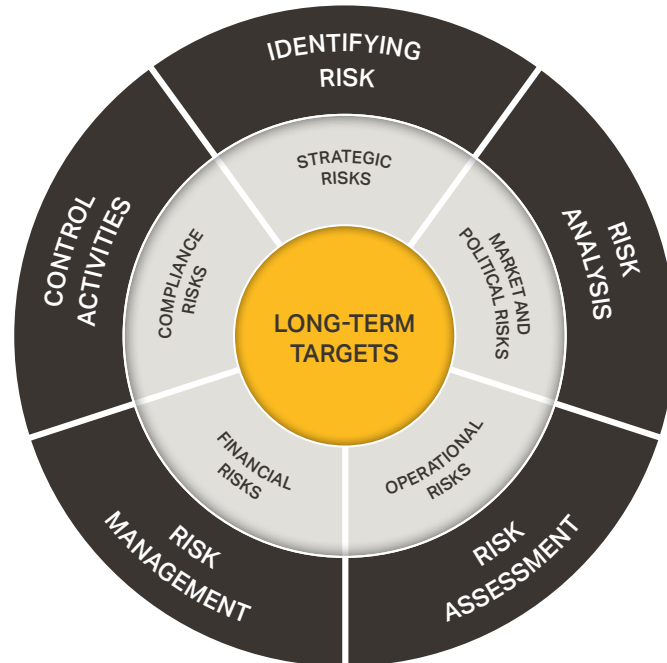
Most of the risks that are identified are managed within the business areas. Among these risks, Saab identifies a number of risks through the ERM process that individually or in combination can have a large impact at the business area level. These risks are weighed against the company's risk tolerance,

and decisions are made on the appropriate measures to avoid, reduce, spread or accept risks. When needed, action plans are defined and implemented to minimise the probability and impact of identified risks. A number of these risks can potentially also affect the entire Group.

ERM work is part of the strategic work and involves the managements of the business areas as well as Group Management and Group functions. Sustainability is integrated in Saab's business and in the risk management framework.

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

In addition, Saab has a process for monitoring internal control within financial and business related processes. Key controls, designed to handle a specific risk, are performed within Business areas and Group functions. Semi-annually a self-assessment on completed key controls is performed. The testing of the control framework is performed by internal resources together with the external auditors and reported to the Audit Committee once a year. Saab's Internal Audit function is independently responsible to perform audits on financial and business matters. The audits are reported and followed up by management and the Audit Committee.



INSURANCE AND LOSS PREVENTION

The Saab Group's global insurance programme contains all the usual types of business insurance, including product liability. The management of insurance policies is centralised to Group Treasury and the insurances are procured globally but also domestically. Insurance policies comply with local laws where applicable.

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

EXTERNAL ENVIRONMENTAL AND CLIMATE RISKS

Climate and sustainability aspects are important parts of Saab's long-term strategy work, since for example climate change can impact operations. Natural disasters can disrupt operations and/or affect the supply chain, and rules and requirements for industrial processes are continuously tightened or sharpened. Saab works continuously to mitigate such risks on the business, for example in planning new facilities around the world. Saab is taking measures to mitigate the occurrence of risks

like extreme weather or higher energy costs, and takes into account the environmental considerations regarding building requirements, whilst striving to provide the best conditions for employees in accordance with Saab's environmental policy and climate goals.

In 2019, Saab started an internal analysis to better understand actual and potential impacts of climate-related risks and opportunities on our business, strategy and financial planning. The work and focus have continued and in 2021, a first internal report based on the guidelines of the Taskforce on Climate-related Financial Disclosures (TCFD) was completed. Saab will continue to develop its strategy and operational work around climate-related risks assessments and scenario analysis going forward. The risks identified in the TCFD analysis are an integrated part of the enterprise risk management. For examples of climate-related business opportunities see page 24.

RISKS RELATED TO COVID-19

Since the beginning of the pandemic, the COVID-19 risks and uncertainties for Saab are related to employee health and well-being, disruptions in the supply chain and limitation in meetings with customers and suppliers as well as the significantly declined demand in commercial aviation. The crisis management organisation was activated in early 2020 and actions taken to mitigate the pandemic's impact include, among others, working from home and social distancing for employees working in the facilities, alternative sourcing, production re-planning, increased digital communication, internal reallocation of resources and securing of credit facilities.

During autumn, actions were in place for a safe return to workplace in relation to COVID-19 for all employees. However as the situation has worsened again in the end of 2021, mitigation actions such as for example working from home and social distancing for employees working in Saab facilities are back in place.

RISKS RELATED TO FRAMEWORK FOR SUSTAINABLE FINANCE

In recent years, the EU has launched a series of initiatives to put in place a regulatory framework for sustainable finance, based on environmental, social and governance (ESG) criteria. The main strategic objective of these initiatives is to mobilise private sector investments to support the green and low-carbon transition. Saab reports this year taxonomy eligible activities in relation to the first two environmental objectives. In parallel, there is also an increasing debate on the social dimension of sustainability, including attempts to define which activities are socially responsible. Policymakers and regulators work to find a common understanding of what is sustainable. There is a risk financial market operators will continue to develop their own interpretation of the social aspects of sustainability that may affect financing and investors support of defence activities. Therefore, Saab focus on expanding the sustainability strategy to answer questions from stakeholders.

Risk	Description	Management
STRATEGIC RISKS	The strategy to grow globally by strengthening its presence in key markets, developing innovative solutions and acquiring companies in priority areas exposes Saab to various risks that can affect its ability to create value and reach its goals.	Strategic risks are managed through strategies and plans established by the Board of Directors, Group Management and the managements of the business areas and Group Functions.
Development and introduction of new high-tech systems and products	<p>Saab's success is dependent on its ability to develop and manufacture innovative products and launch them on the market at the right time and at competitive prices. Due to long development cycles, market changes can mean that demand has changed when products are ready to bring to market. The risk is that the products do not generate the previously expected return.</p> <p>Historically, a large share of Saab's product renewal has been achieved collaboratively with the Swedish Armed Forces and FMV and together with other nations.</p> <p>There is also risks for technology shifts, present competitors or new smaller companies developing new products or disruptive technologies that can make Saab's products appear obsolete.</p> <p>Saab can also be exposed to risks from a shifting market and increased competition due to the effect of climate change.</p>	<ul style="list-style-type: none"> Investments in new products are made after analysis and assessment of future business opportunities. To reduce the development risk inherent in major systems multinational partnerships are imperative and for internally developed products, such as for example radar, command and control, and electronic warfare systems as well as tactical weapons it is important to early identify a launch customer. Saab expects Sweden to account for the largest share of its development expenditures in the fighter aircraft, missile and underwater areas. Develop certain technology in partnership with other companies, e.g. the T-7 trainer aircraft together with Boeing. Product development through modularisation which enables new models to be developed continuously, cost-effectively and faster. Balancing R&D between the traditional and new technologies. Saab is for example active in AI, additive manufacturing, machine learning and automation as well as create products with less environmental impact.
International expansion and collaborations	Acquisitions and collaborations are an integral part of Saab's international growth strategy to further strengthen its presence in selected key markets.	<ul style="list-style-type: none"> Thorough strategical, geopolitical and market analysis in connection with acquisitions and expansion. Business case driven expansion in focus countries. A combination of organic growth and acquisitions. International collaboration programs, partnerships and joint ventures with other companies. Allocation of resources and local stakeholder management. Research collaborations with universities. A central organisation that is responsible for the acquisition process and supports the business.
Attract and retain key employees	<p>Saab's future competitiveness and growth depends on its ability to globally attract and retain employees and leaders with the right skills in e.g. multiple technologies, production, IT security, digitalization, business development and project management. Saab is also dependent on the professional development of its employees.</p> <p>Saab works with very complex technology and the product life cycle is very long. It could therefore also be a challenge to ensure competence continuity over time.</p> <p>A detailed description of Saab's sustainability work and key performance indicators for employees can be found on pages 50–79.</p>	<ul style="list-style-type: none"> Strategic talent mapping and planning ensures access to employees with the right skills at the right time. Strategic Workforce Planning. Apply a structured process to develop employees and identify talents. Job rotation. Retention management. Have during 2021 launched "Learning landscape" to support upskill and reskill of present employees. Salaries and other conditions are adapted to the market and linked to business priorities. Saab strives to maintain good relationships with unions. Work long term to position Saab as an attractive employer among students and young professionals. Offer PhD services, trainee programs, master's thesis opportunities and summer jobs. Promote education and an interest in technology among younger students to broaden the future recruiting base.

Risk	Description	Management
Information management and cyber security related risks	<p>Saab manages information that is vital to its customers and in many cases to their national security. The information security risk for Saab is that information will fall into the wrong hands if handled incorrectly or in the event of an IT breach or manipulation of communication channels.</p> <p>Cyber security risks are increasing in importance and the risks has increased among others in light of the speed of digital transformation and increased use of homeworking during the pandemic.</p> <p>Cyber threats are a category of risk that has increased for Saab's products, which contain a large amount of software and defence secrets, since it has become more common for these products to be linked to civil networks.</p> <p>Saab also relies on IT systems in its daily operations. Disruptions to or errors in critical systems can have a direct impact on operations. Mismanagement of financial systems can impact the company's financial reporting.</p> <p>The General Data Protection Regulation (GDPR) has an impact on the handling of personal data. Failure to comply may result in substantial fines and reputational damage.</p>	<ul style="list-style-type: none"> • Cyber security is regularly discussed, addressed and invested in. Adherence to increasing requirements from customers and governments regarding information security standards. • Strategic initiatives to further ramp-up the secure digitalization. • Continuous and systematic information and IT security work and periodic audits of IT security. • Clearly defined rules, processes, routines and technical solutions for information, IT and communication security. • Standardised processes to implement new systems, upgrades and daily operations. • All employees receive training in information management and security. • Security measures taken and extra information to employees regarding security aspects at homeworking. • Different levels of physical and digital security classifications to reduce the risk of information leaks. • Work with solutions to increase cyber security in Saab's products. • Routines to ensure that the GDPR regulation is followed.
MARKET AND POLITICAL RISKS	<p>About 85 per cent of Saab's sales consists of defence materiel, which is regulated by national laws and regulations as well as international conventions, and more than half of total sales are international. Saab is therefore dependent on stable political and multinational relationships around the world and national priorities.</p>	<p>Saab works proactively to manage market and political risks and uncertainties, through strategic impact assessments and alternative strategies. It is impossible, however, to completely avoid losing business opportunities or incurring damage if political or other market risks are realised.</p>
Geopolitical and macroeconomic risks and uncertainties	<p>Demand for the defence materiel is dependent on the political mandate and willingness of national governments as well as fiscal flexibility. The defence industry is therefore affected by a number of macroeconomic factors, e.g. global economic growth, trade barriers and changes in exchange rates. It is also exposed to geopolitical risks.</p> <p>The large share of Saab's order backlog consists of contracts with an order value over SEK 1 billion, which will be delivered over many years. Consequently, the impact on Saab could be significant if a major contract is broken or amended and renegotiated because the customer is adversely affected by market factors.</p>	<ul style="list-style-type: none"> • Strategical, geopolitical and market analysis of new regions and countries. • Market intelligence. • Dialog with authorities and the political establishment. • Proactive measures to assess and manage risks and opportunities. • Major investments are mainly in focus countries and strategic markets. • Building long-term international relationships and partnerships with key stakeholders. • Terms and conditions. • Export guarantees, insurance solutions and other instruments.
Regulatory changes	<p>The large share of Saab's exports is from Sweden, where the Swedish Inspectorate of Strategic Products (ISP) determines which defence products Saab may manufacture, market, sell and export to which countries. ISP does an overall assessment that weighs several factors. Since 2018, the democratic status of the recipient country is also playing an important role. Saab may also be dependent on export control laws in other countries where it has operations or suppliers. Some of Saab's civil products are governed by export controls on dual-use products. The risk for Saab arises from changes to laws, regulations and permits.</p> <p>Increasing business requirements from customers and governments to adhere to different standards.</p>	<ul style="list-style-type: none"> • Continuously monitor laws, regulations and standards to adapt the business as needed. • During 2021, established a new central function with responsibility for compliance to business requirements. • Dialogue with authorities in the political establishment. • Terms and conditions. • Central and local export control functions.

Risk	Description	Management
OPERATIONAL RISKS	Operational risks can affect Saab's ability to deliver on its commitments and are important to day-to-day operations. The risks include risks relating to order bookings, contract management, project execution, suppliers, product liability, the environment, and occupational health and safety.	Operational risks are managed in tactical and operational decisions as well as at an operating level throughout the organisation. Information about Saab's work with product liability and with environmental and occupational health and safety risks can be found in the sustainability report on pages 50–79.
Risks related to execution of long-term customer projects	<p>Saab's operations involve complex, long-term development projects on the leading edge of technology that in some cases also include industrial co-operations with the customer's country. When a contract is signed, the product may not be fully developed in some instances. Contracts also often include a fixed-price component, which can entail a risk of incorrect pricing if the costs cannot be adequately estimated.</p> <p>The risk in long-term customer projects is therefore that Saab does not succeed in delivering cost-efficient high-tech solutions as per the terms of the contract or in implementing the required industrial co-operation. Consequently, the commitment may not be fulfilled and the costs may run significantly higher with a negative impact on financial position and cash flow.</p> <p>The Group applies the percentage of completion method to recognise revenue from the majority of long-term customer projects. An estimation of total costs, including assessments of technical and commercial risks, is critical to revenue recognition and provisions for project losses as well as inventory valuations. Revised estimates of total project costs have a retroactive impact on results.</p>	<ul style="list-style-type: none"> • An established quality assurance process – the Win Business process – includes a comprehensive analysis of risks and what is required to manage them. • During project execution – the Execute Business process – various types of reviews with clear tollgates are conducted continuously to identify and assess these risks and the measures taken to mitigate them. • Effective management of both the product delivery and the industrial co-operations. • Measuring and follow-up of productivity and efficiency. • Leverage technologies and products across Saab. • High demands are placed on project planning and control as well as monitoring to ensure at any given time that assumptions and assessments provide a satisfactory basis for reporting revenue and results. • Saab's largest projects are also regularly monitored by Group Management and reported to the Board of Directors. • Other projects with high impact are regularly monitored by each business area management and reported to Group Management. • Saab's internal audit is also independently reviewing the process adherence of a number of projects each year.
Dependence on new contracts and increased competition	<p>A large share of Saab's revenue comes from a limited number of customers and relatively few contracts. Saab is therefore dependent on winning new contracts in a market with limited access, since there are only a certain number of governments and defence contractors to sell to.</p> <p>Competition in the military market as well as the commercial aircraft and security market is fierce. U.S. and European companies are especially strong players, with competition also increasing from companies in other parts of the world. Many competitors are also strong in their home markets.</p> <p>EU strives to consolidate the EU defence industry towards strong champions in each segment to avoid dilution of R&D funding. This could limit access to the European defence market.</p>	<ul style="list-style-type: none"> • The marketing organisation is organised to focus marketing and sales on key markets with the potential for new business. • Saab has identified four strategic markets: Australia, Germany, the U.K. and the U.S., where the local presence has been and will be further strengthened. Saab has also increased the local presence in focus countries, for example Brazil and Finland, with own operations and collaborations. • Product portfolio optimisation. • Focus on quality, innovation, security, development times, delivery precision and price. • Reference customers, partnerships and industrial collaborations. • Saab is part of the European defence industry and has operations and collaborations in several European countries.
Supply chain risks	<p>Saab is dependent on deliveries from subcontractors of e.g. sub-systems, components and equipment. For certain subsystems, Saab is dependent on deliveries from one or a few suppliers.</p> <p>The suppliers must share the same values as expressed in Saab's supplier Code of Conduct and have sustainable production to avoid negatively impacting Saab.</p> <p>Saab is exposed to the worldwide shortage and increased cost of electronic components etc. as well as shortage and increased costs for transportation as a direct or indirect consequence of the pandemic.</p> <p>Without a clear definition on sustainability, there is a risk that suppliers avoid doing business with defence companies to avoid being defined as unsustainable.</p>	<ul style="list-style-type: none"> • Select, evaluate and document suppliers and business partners based on objective criteria such as quality, the environment, delivery, price and reliability. • Active work with supply chain alternatives, such as second sourcing, in- and outsourcing to secure supply. • Close co-operations with suppliers for high quality. • Systematic measures to ensure that suppliers take ethical, social and environmental responsibility and work proactively to prevent damages. • Saab's supplier Code of Conduct and compliance monitoring. • Stakeholder dialogue of the impact of Saab throughout the value chain and actively participate in branch organisations work regarding the sustainability of the defence industry.
Pandemic risks	<p>A pandemic may potentially affect part of or the whole business from order intake, operations, deliveries, supply chain to employee health and well-being.</p> <p>A pandemic could potentially delay decisions due to other priorities in national budgets and in the long-run impact defence budgets. Larger procurement campaigns may also be affected. It could also increase protectionism in certain markets.</p>	<ul style="list-style-type: none"> • A well prepared crises management organisation and Business Continuity Management in place. • Prepared for disturbances in for example supply chain. • Digital tools for secure meetings with customers and suppliers and possibility for homeworking. • Increased partnerships and local operations.

Risk	Description	Management
FINANCIAL RISKS	<p>Financial risks can affect the ability to protect Saab's financial position. The risk consists of potentially negative effects on Saab's financial assets and liabilities as well as contractual commitments. For more information, see note 35.</p> <p>There is a risk that financial institutes and investors, without a clear common definition on sustainability, do not see the defence industry as sustainable and avoid investing in Saab. Hence, there is a risk that the defence industry will not be seen as sustainable by investors and financial institutes.</p>	<p>Financial risks are governed by the Group's financial policy, which is adopted by Saab's Board of Directors, as well as detailed directives and processes. Management of these risks is centralised in Group Treasury and largely involves the use of financial instruments. The goal is to actively manage financial risks in order to reduce any negative impacts on the Group's results, competitive strength and financial flexibility.</p> <p>Focus on expanding the sustainability strategy to answer the questions from stakeholders, as reported in the Sustainability Report.</p> <p>A Responsible sales policy under implementation.</p> <p>Stakeholder dialogue of the impact of Saab throughout the value chain, implementing TCFD guidelines, communication and KPI reporting. Actively participate in branch organisations work regarding the sustainability of the defence industry.</p> <p>Group Treasury also supports the business areas in implementing financial policies and guidelines, and with training.</p>
Interest rate risk	The risk that Saab's net financial items will be negatively affected by changes in interest rate levels. Saab is exposed when the market value of certain items in the statement of financial position is affected by changes in underlying interest rates. The financial item with the largest exposure is pension obligations. Saab has both interest-bearing assets and liabilities.	<ul style="list-style-type: none"> • Interest rate futures and swaps to achieve the desired interest rate duration. • Interest rate and foreign currency risk from foreign currency funding is managed with currency swaps (internal) or cross currency basis swaps (external).
Currency risk	The risk that unfavourable exchange rates will negatively affect results or equity, e.g. when revenue and expenses are in currencies other than the functional currency (transaction exposure), when translating foreign subsidiaries to SEK (translation exposure) and when submitting fixed-price tenders in foreign currency.	<ul style="list-style-type: none"> • Currency exposure in the order backlog (transaction exposure) is hedged through netting and with currency derivatives (mainly forward exchange contracts), which means that changes in exchange rates do not affect the future results from the order backlog. • Foreign currency risk due to translation exposure is not hedged. • Fixed-price tenders in foreign currency are managed in a separate hedge portfolio.
Commodity price and shortage risk	<p>The risk that the result will be negatively affected by changes in commodity prices. Saab is exposed to commodity prices when purchasing raw materials and through electricity usage.</p> <p>Raw material constraints in the world market affects availability of steel, aluminium, copper, magnesium and chemicals. Due to these constraints Saab is exposed to risks of increased lead-times and prices within the supply chain.</p> <p>Saab is dependent on for example electricity for its operation. Shortage due to extreme weather and/or increased demand could impact the business.</p>	<ul style="list-style-type: none"> • Exposure to prices in raw materials are primarily managed through contract clauses with customers and suppliers. • Proactive work with suppliers and long-term planning. • Exposure to fluctuation in electricity price is hedged with derivatives. • Ensuring functioning infrastructure and securing safe surroundings.
Refinancing risk	The risk that Saab cannot refinance maturing loans with either new loans or its own funds, or that it becomes significantly more expensive. For more information, see note 30. Financial debt mainly consists of bonds issued under a Medium Term Note programme.	<ul style="list-style-type: none"> • Debt is managed by Group Treasury and loans are primarily raised by the Parent Company to ensure efficiency and risk control. • Two Revolving Credit facilities (RCF) amounting to 6 BSEK was signed during 2021 (4 BSEK with 9 bank for 5 years, and 2 BSEK with 4 banks for 2 + 1 + 1 years). • A diversified loan maturity structure. • Issuing bonds with long maturity. • Capital is tied up in the loan portfolio for an average of 24-60 months.
Counterparty risk	<p>Saab is exposed in its day-to-day operations to credit risks, mainly in transactions with customers and financial institutions.</p> <p>Credit risk in accounts receivable is considered low, since the receivables are primarily from governments and public authorities.</p> <p>Financial credit risk consists of exposure to financial institutions through e.g. deposits, investments and outstanding derivatives.</p>	<ul style="list-style-type: none"> • Accounts receivable payment risks are when deemed necessary covered through letters of credit or through export credit insurance. • All financial counterparties must have a long-term credit rating of no lower than A- from Standard and Poor's or A3 from Moody's. • ISDA master agreements with financial counterparties.
Reporting risk and tax risk	<p>The risk related to communication the financial information to the capital market is that the reports do not provide a fair presentation of Saab's actual financial position and results.</p> <p>Reporting errors could result in management drawing the wrong conclusions.</p> <p>Risks associated with transfer prices, but also new tax rules and guidelines and local tax laws in the countries where Saab operates.</p>	<ul style="list-style-type: none"> • Saab's units regularly report their financial position in accordance with the International Financial Reporting Standards (IFRS). Saab's consolidated accounts, based on these reports, are prepared in accordance with IFRS and relevant parts of the Annual Accounts Act. See more information in note 1. • Saab's result is analysed by business area and group functions before publication. • Saab has routines to ensure legal compliance, e.g. internal control, internal audit and external auditors. • The central unit Group Tax is responsible for policies, instructions and guidelines in the tax area, and monitors compliance with local tax laws and transfer price policies.

Risk	Description	Management
Pension obligations	<p>Saab has relatively high pension commitments, some owed under defined benefit plans. Changes in assumptions of interest and inflation rated, mortality, retirement age and pensionable remunerations could result in significant changes to the present value of already accrued benefit obligations as well as the cost of new benefit accruals, affecting funding level of such plan. Investments, independently managed by Saab Pension fund exposed to market risk can also substantially affected funding levels. See more information in note 31.</p> <p>If there is a shortfall in benefit plans, Saab could be required to make substantial unexpected cash contribution which would adversely affect cash flow and Saab's financial position.</p>	<ul style="list-style-type: none"> • For its defined-contribution pensions, Saab pays fees to a separate legal entity that assumes the obligations. • Defined-benefit pension obligations remain in the Group and are secured through Saab's pension foundation or insurance. • The exposure is controlled by ensuring strict adherence to investment policy. • Obligations are compared annually to the foundation's assets, and in the event of a deficit, Saab reports this as a debt in the statement of financial position.

Risk	Description	Management
COMPLIANCE RISKS	<p>In its operations, Saab is obligated to follow laws and regulations, be compliant with agreed customer regulations and make conscious decisions about which global standards Saab will live up to.</p> <p>Saab does business around the world and has relationships with customers and other stakeholders on every continent. Ethical values, transparent relationships and compliance are critical for Saab. The trust of the public and the political system, together with employee pride, is critical to Saab's long-term profitability and survival.</p> <p>Saab is aware that conducting business in certain parts of the world constitutes higher risks for potential human rights violations not only in the own organisation, but also through business relationships and in the supply chain.</p> <p>Saab's operations are also affected by approvals, licenses, patents and other intellectual property.</p> <p>Learn more about Saab's sustainability work and key performance indicators on pages 50–79.</p>	<p>Compliance issues are integrated in the business strategy and affect Saab's strategic priorities. This work is guided by Saab's Code of Conduct, which is adopted by the Board of Directors.</p> <ul style="list-style-type: none"> • Policy of zero tolerance for bribes and corruption and committed to respect human rights in line with applicable legislation throughout the world and relevant global frameworks. • Training in Saab's Code of Conduct. • Strict scrutiny of marketing consultants and business partners. • Whistleblower system. • Supplier Code of Conduct. • Clear roles and responsibilities. • Information and IT security strategy and security classification. • Internal training on information management for all employees. • Systematic environmental work to reduce environmental impacts. • Occupational health and safety policy. • Yearly employee survey. • Participation in the UN's Global Compact. • ISO 9001,14001 and 45001 certified. • Saab's internal ethics and compliance function. • Internal Control and Internal Audit.

Sustainability report

Saab's mission is to keep people and societies safe. We deliver capabilities to customers with the great responsibility to protect their people and society. Therefore, as we continue on our growth journey, we do so guided by our fundamental sustainability commitment to help nations keep people and society safe. Saab has during 2021 taken large steps to develop a new sustainability strategy for the Saab Group.

Sustainability approach

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

Since the founding of the company, a commitment to the needs of society has been at the core of Saab's business. Peace, security and stability are prerequisites to ensure that we manage to reach all the Global Goals for Sustainable Development, that we as a global community have set out. In a world where threats against our societies are growing increasingly diverse, Saab contributes to defence and security capabilities around the world. As such, Saab has an important part to play also in a sustainable future.

Through its operations Saab has positive impact on economic, social and environmental areas. This includes for example security, sustainable innovation, interest in technology,

international cooperation, anti-corruption and diversity. Saab strives to manage the environmental, economic and social impacts of its operations and is committed to contributing to sustainable development. Sustainability is integrated in all aspects of Saab's strategy to mitigate risk and realise opportunities. In order to take the next step within sustainability Saab's top management and board of directors have been actively involved in setting the agenda and developing Saab's commitments.

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

Partnerships and cooperation

Sustainability can only be achieved through partnerships. Saab is encouraged by the steps that customers and governments are taking concerning sustainability commitments. Our customers are essential parts of Saab's value chain and thus has a big impact on Saab's sustainability efforts. By partnering with our customers and other stakeholders on sustainability Saab looks forward to finding ways to offset and mitigate negative impacts, while maximising the positive impacts from the defence and security sector.

Prioritised sustainability areas

Saab has during 2021 taken large steps to develop a new sustainability strategy for the Saab Group. Read more about Saab's management approach on page 54-57. The framework to the right illustrates Saab's strategic sustainability priorities. From 2022 this will become Saab's reporting framework for sustainability information in quarterly and annual reports. During 2022 Saab will update and develop the specific sustainability goals and targets relating to the new framework.

Key activities during the year

- Development of a **new sustainability strategy** for the Saab Group.
- Ahead of COP26, Saab committed to the "Business Ambition for 1.5°C" campaign, acknowledging the **importance of climate action**.
- Saab has become **part of the UN Climate Champions** and "Race to Zero" initiative, to reach net-zero emissions by 2050, backed by the Science Based Targets initiative (SBTi).
- Conducted stakeholder dialogue and materiality analysis.
- **Sustainability Board** and **Group Sustainability** established.
- **New strategy** for diversity and inclusion developed.
- **Steps taken** within supply-chain management, including new procurement strategy.
- Decision taken to implement a **Responsible Sales Policy** during 2022.
- A first internal report based on the guidelines of the **Taskforce on Climate-related Financial Disclosures** (TCFD) was completed.

Saab's updated sustainability strategy



About Saab's sustainability report

Saab's sustainability report contains information on the company's development and impact in the areas of anti-corruption, the environment, employees, human rights and society. The report describes work practices, goals, results, performance indicators and material sustainability risks for each area. The sustainability report is prepared in accordance with the Annual Accounts Act and comprises all of the Group's operations for the financial year 2021, unless indicated otherwise. Saab also reports sustainability data in accordance with the Global Reporting Initiative (GRI) and the UN Global Compact. The GRI Index with cross references to the UN Global Compact can be found at the end of the sustainability report. Information about Saab's business model can be found on page 10. A limited assurance has been conducted on the sustainability report by PwC. The auditor's limited assurance report on Saab Ab's sustainability report and statement on the statutory sustainability report can be found on page 158. Since 2006, Saab reports climate aspects to the carbon disclosure initiative CDP. For more information on CDP and Saab's complete report, see www.cdp.net.



Goals and results

For Saab, sustainability is an integrated part of the strategy to drive value creation. Governance, targets and tracking of key performance indicators are essential aspects within sustainability management. The goals and targets presented below represent Saab's current sustainability framework. This

will be the last year that Saab's sustainability goals and targets are presented in this way. From 2022 Saab will use the framework presented on the previous page when reporting sustainability topics. Read more about Saab's new sustainability strategy under the heading "Sustainability Strategy".

ANTI-CORRUPTION

Priority sustainability issue	Long-term goals	Results 2021	Connection to the UN's SDGs ¹⁾
Zero tolerance for corruption	Saab's anti-corruption program will be among the best in the industry. All employees will understand the importance of and promote openness and integrity.	Continued development of the programme, including introduction of Ethics and Compliance Officers at all Business Areas. See pages 58-61 for more information.	Target 16.5: Reduce corruption and bribery.

ENVIRONMENT

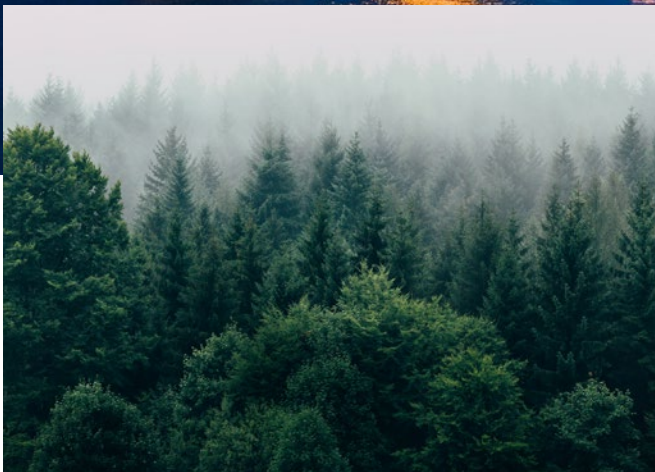
Priority sustainability issue	Long-term goals	Results 2021	Connection to the UN's SDGs ¹⁾
Reduce climate impact	Reduce Saab's GHG emissions by 33% by 2030 (related to 2017).	51% reduction, due to reduced emissions from own furnaces and flight operations, increased percentage of renewable energy and reduced travel.	Goal 13: Climate action.
Phase out hazardous substances	Phase out chromates, cadmium and other prioritized hazardous substances.	See activities on page 64-65.	
Resource efficiency	Reduce waste to landfill by 10% by 2025 (related to 2019).	77% reduction due to reuse of blasting material and annual variations.	
	Reduce water usage by 20% by 2025 (related to 2018).	6% increase due to increased production.	
	Reduce number of chemical products with 20% within product categories adhesives and paints by 2025.	Not meaningfully measurable during 2021 due to reorganisation of Saab's Business Areas. The reference year for this performance indicator will be changed to 2021. See page 64-65 for activities.	

EMPLOYEES

Priority sustainability issue	Long-term goals	Results 2021	Connection to the UN's SDGs ¹⁾
Health and safety	Higher propensity to report incidents, with the goal of 10 reported incidents per workplace injury (increased incidence reporting leads to fewer accidents).	5,1 reported incidents per workplace injury.	
Diversity and inclusion	At least 25% of employees and 30% of managers will be women by 2025.	24% of employees and 27% of managers were women.	Goal 5: Gender equality
Personal development	100% of employees will meet annually with their manager to discuss goals, personal development and performance.	73% of employees have discussed their personal goals, development and performance.	

HUMAN RIGHTS

Priority sustainability issue	Long-term goals	Results 2021	Connection to the UN's SDGs ¹⁾
Export compliance	Saab will continuously develop rules and processes to remain a leader in export control.	Continued development, including decision to implement a Responsible Sales Policy. See page 72-73 for more information.	Target 16.4: Reduce illicit arms flows.
Responsible supplier relationships	Saab will continuously collaborate with suppliers on social and environmental responsibility.	Continued development, including introduction of new tool for evaluation of suppliers. See page 72-73 for more information.	



SOCIETY

Priority sustainability issue	Long-term goals	Results 2021	Connection to the UN's SDGs ¹⁾
Information security	Integrate information security in all central processes.	Integration in 45% of all central processes.	
Product safety	The safety level in Saab's systems and products will meet relevant laws, regulations, international standards and best practices.	See page 74-75.	
Innovation and spreading knowledge	Saab will annually have at least 30 PhD candidates.	54 PhD candidates.	Target 9.5: Encourage innovation and substantially increase the number of research and development workers.
Promote education and an interest in technology	Increase partnerships with primary and secondary schools in communities where Saab is active.	See page 74-75.	Target 4.4: Increase the number of youth and adults with relevant skills including technical and vocational skills, for employment.

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

A new sustainability strategy

Saab has during 2021 taken large steps to develop a new sustainability strategy. By conducting stakeholder dialogue and analysing the impact of the company throughout the value chain a materiality analysis has been produced, which creates a strong foundation for the strategy.

The sustainability strategy aims to further integrate management of sustainability topics into Saab's core business and to create a common agenda for the whole company. A crucial aspect of the strategy is maximising Saab's positive impacts and mitigating the negative impacts in order for Saab to contribute to sustainable development throughout the value chain. Saab should through innovation and responsible business practices contribute to the development of safe and resilient societies, thus becoming a fundamental actor of a sustainable future.

New strategic focus

The updated strategy focuses on three main aspects: partnering for innovation, responsible business practices and contributing to safe and resilient societies. Within these three areas specific sustainability topics are grouped, which shows how different sustainability

topics contribute to the same sustainable development goals (see illustration on page 51). The choice of specific sustainability areas are based on Saab's materiality analysis.

Stakeholder dialogue

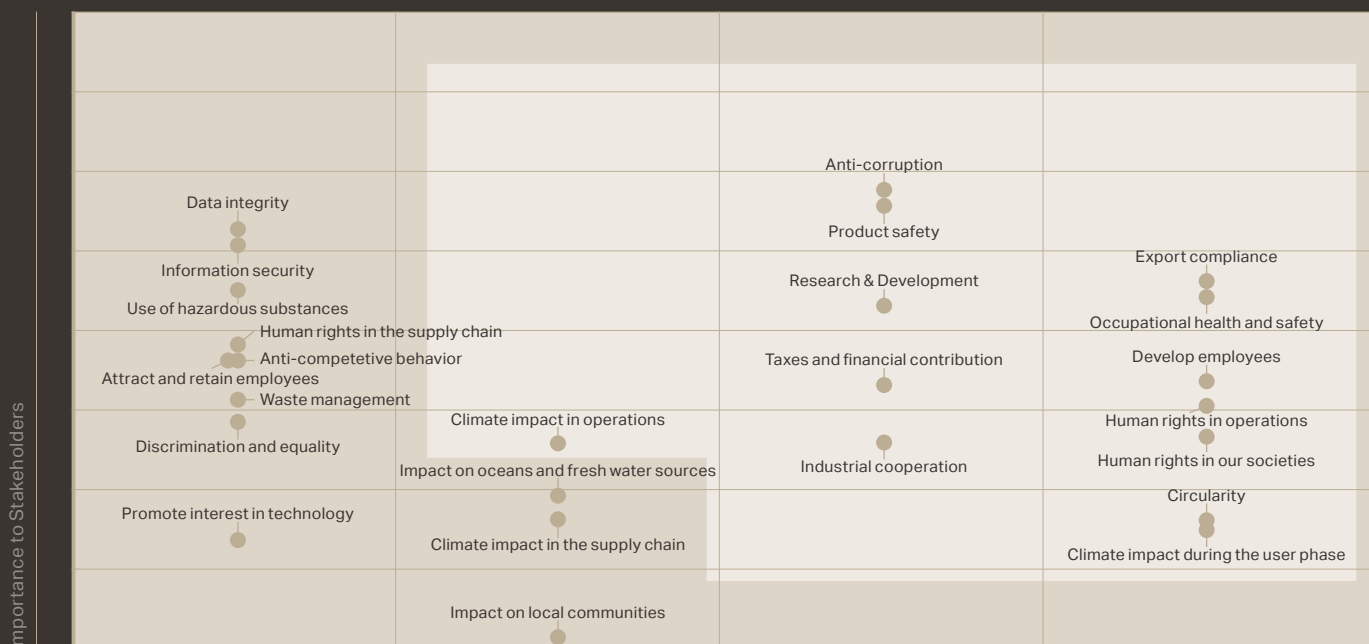
Stakeholder expectations on Saab, together with Saab's own strategic assessment, serve as the basis for selecting priority aspects for Saab's sustainability work and, as a result, the contents of this sustainability report.

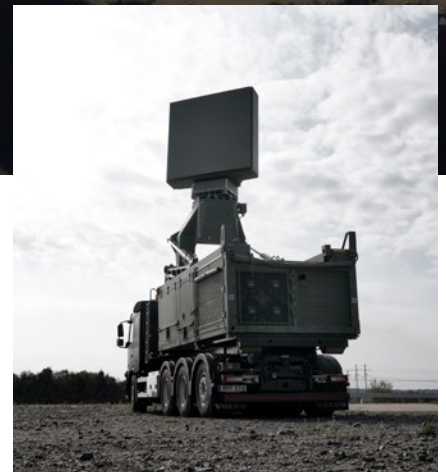
Saab has during 2021 conducted a thorough process to produce a materiality analysis for the Saab Group. The process included the identification of Saab's main stakeholder groups, sending out an electronic survey to the stakeholder groups, conducting stakeholder interviews and analysing the extensive material that was collected. The stakeholder groups that were asked to participate in Saab's sustainability survey included shareholders, financial institutions, employees, customers, civil society actors and suppliers. The specific stakeholders were chosen with regard to the level of mutual impact with Saab. With help from the collected data and internal workshops Saab has developed a materiality analysis and a new sustainability strategy for the Saab Group.

Materiality analysis

The matrix below illustrates Saab's material sustainability topics. The matrix is based on data collected from a sustainability survey sent out to key stakeholder groups during 2021 and on Saab's own strategic assessment of its impact on social and economic development and environmental protection. The closer the topic is to the top right corner the more material it is for the Saab Group, which affects the degree to which related issue needs to be managed. According to the materiality analysis Saab's most material topics are anti-corruption, product safety, export compliance and occupational health and safety, which is reflected in Saab's new sustainability strategy. Saab top management and board of directors have been actively involved in the development of the sustainability strategy and materiality analysis, together with Group Sustainability and other internal stakeholders.

What are Saab's material topics?





Sustainable development goals

Saab is committed to contributing to the UN Sustainable Development Goals (SDG), which is reflected in Saab's new sustainability strategy. Based on the materiality analysis that was conducted during 2021 Saab has mapped out where the company has the greatest impact on sustainable development and where efforts should be focused in order to find synergies between Saab's business plan and the SDGs. The outcome of the mapping was that Saab contributes most materially to the following SDGs: 3, 4, 5, 8, 9, 13, 16 and 17. During 2022 Saab will focus on mapping the SDG targets within these goals against Saab's own sustainability goals and targets.

16 PEACE, JUSTICE AND STRONG INSTITUTIONS 	13 CLIMATE ACTION 	17 PARTNERSHIPS FOR THE GOALS 	3 GOOD HEALTH AND WELL-BEING 	4 QUALITY EDUCATION 	5 GENDER EQUALITY 	8 DECENT WORK AND ECONOMIC GROWTH 	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 
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Governance of sustainability work

The Board of Directors is responsible for overseeing the company's strategic direction, in which sustainability is an important part, to ensure long-term profitability. Saab's Group Sustainability function coordinates and drives sustainability work within the Saab Group. During 2021 a Head of Sustainability has been recruited, who reports to the Deputy CEO. Furthermore, a Sustainability Board has been established to further strengthen the governance of sustainability work. The Sustainability Board will be responsible for overseeing the implementation of the Sustainability Strategy and setting the agenda for Saab's sustainability work.

Zero tolerance for corruption

The Board of Directors adopts the Code of Conduct. The Audit Committee is responsible for monitoring the development of the Code of Conduct and the efficiency and adequacy of Saab's anti-bribery and corruption (ABC) program. Group Ethics and Compliance manages and develops the anti-bribery and corruption program under the supervision of the Ethics and Compliance Board, which is chaired by the General Counsel and meets at least eight times per year. Market Network Management (MNM) operates the Business Intermediary onboarding process and conducts business partner due diligence investigations. Local Ethics and Compliance Officers oversee the implementation of the ABC-program

in Business Areas and provide first line guidance and advice.

Reduce environmental impact

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

Employees

Saab's Head of Group Human Resources has overarching responsibility for HR work within the Group. This work is further developed in close collaboration with the HR functions within each business area and is led by the HR staff. To promote diversity and inclusion, the work is planned and carried out by an engagement team with representatives

from all parts of Saab. This team gets direction from and is overseen by a steering group with representatives, called "Champions", from each business areas management team, together with representatives from HR. Their work is overseen by Group Management.

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

Human rights

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

Saab works continuously to find better ways to minimise social risks in the supply chain. The Procurement Council, which is comprised of Saab's procurement managers, has overarching responsibility. Strategies are developed by a Group procurement unit. The work at an operational level is coordinated and developed through a working group, made up of procurement representatives from each business area, who are led by the central procurement function. A cross-functional reference group is also available as support.

Contribute to society

Saab's ambition is to contribute to social development in the markets where we operate with a focus on promoting education and an interest in technology. This work is guided by Saab's vision and business idea and should, according to the strategy for social





engagement, mainly be done with the help of Saab's employees and technologies and focus on encouraging young people to take an interest in technology and education.

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

Policies

Saab's sustainability work is managed through established policy documents such as the Code of Conduct, Supplier Code of Conduct, Environmental Policy, Anti-Bribery and Corruption Policy, Modern Slavery Policy, Conflict Minerals Policy, Occupational Health and Safety Policy, Diversity and Inclusion Policy, Business Travel Policy and Security Policy. The Code of Conduct contains sections on business ethics, information security, social responsibility, the workplace, the environment and more. The Code is available in Swedish, English, Portuguese, Spanish, German, Arabic and Czech. Saab also has a

Supplier Code of Conduct based on the UN Global Compact's ten principles and the International Labour Organisation's core conventions. Saab will during 2022 implement a Tax Policy and Responsible Sales Policy. Group policies are available to all employees in Saab's global management system. Saab is certified according to ISO 9001, ISO 14001 and ISO 45001.

Collaborations, initiatives and memberships

Saab has since 2011 participated in the UN Global Compact and has pledged to follow its ten principles on human rights, labour, the environment and anti-corruption. As guidance in its sustainability work, Saab has chosen to participate in a number of sustainability initiatives and organisations. Examples include:

- Aerospace and Defence Industries Association of Europe (ASD)
- International Forum on Business Ethical Conduct (IFBEC)
- Swedish Security and Defence Industry Association (SOFF)
- International Aerospace Environmental Group (IAEG)
- International Council of Swedish Industry (NIR)
- Global Compact Network Nordic Countries
- Enact's Swedish Network for Business and Human Rights
- Climate disclosure to CDP
- Fossil Free Sweden (Fossilfritt Sverige)
- International Chamber of Commerce (ICC) Sweden
- Science Based Target initiative (SBTi)

Anti-Corruption

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

Corruption risk assessment

Saab seeks to identify and assess corruption risks and programme improvements in multiple ways. The business corruption risk module of the enterprise risk management (ERM) process serves to rate the corruption risk in Saab's business dealings. This is done using a method that measures the corruption risk in all business prospects above 50 MSEK against a set of weighted risk indicators and a country risk multiplier. All of Saab's four Business Areas performed the business corruption risk assessment in 2021.

The countries with the highest risk score according to the latest business corruption risk assessment

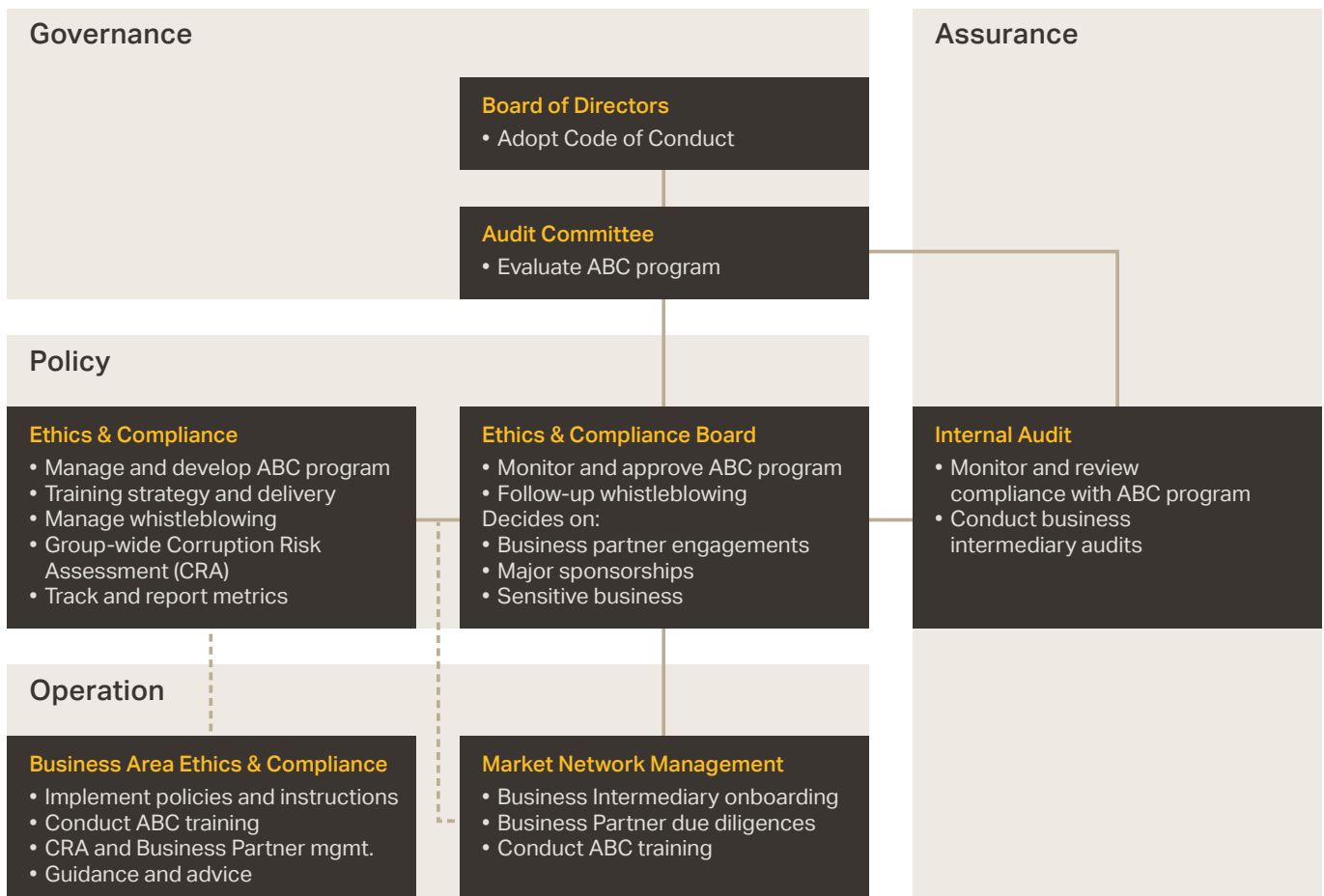
1. Brazil
2. Colombia
3. Philippines
4. India
5. Hungary

In addition, Ethics and Compliance performs an annual program risk assessment to identify and manage corruption risks and gaps in Saab's anti-bribery and corruption program. Data to the program risk assessment is collected from a number of sources including stakeholder workshops, regulatory requirements, external benchmarking, ERM-output and other metrics.

The most significant program risks/gaps according to the latest program risk assessment

- The engagement of business intermediaries
- The global whistleblowing system is not fully compliant with the new EU directive
- There has been a decrease in face-to-face training activities during the pandemic
- The management and governance of joint ventures
- The ongoing monitoring and control of business intermediaries

Local compliance reviews in foreign operations are conducted in person at regular intervals of three to four years to verify compliance and identify improvements to the programme. The result of all assessments and activities are converted into actions in annual activity plans or road maps.



Scrutiny of business partners

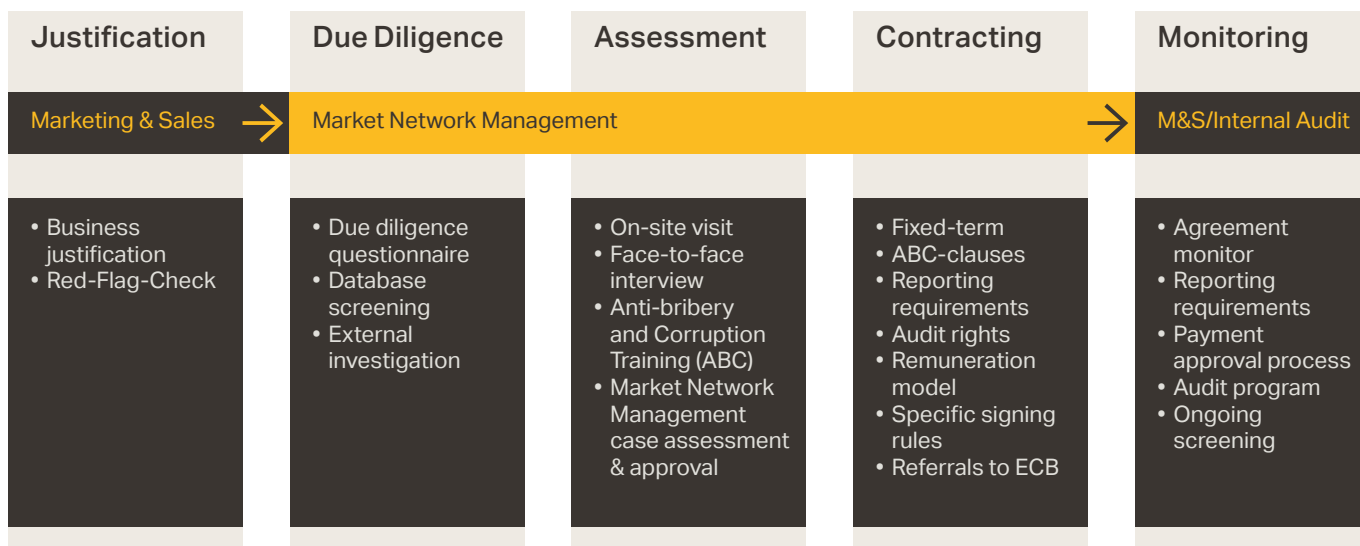
Business partners may pose a legal and reputational risk if not managed correctly. This is particularly true for business partners that are engaged in promoting or assisting Saab’s marketing and sales efforts, business development or strategic planning (“Business intermediaries”) and the company has dedicated resources and processes in place to manage and mitigate business partner risk in general, and business intermediary risk specifically.

Business intermediary engagements are governed by a centralised process

serving to (i) assess the business intermediary’s credentials and suitability for the assignment through due diligence and background controls, (ii) train and bind the business intermediary to Saab’s anti-bribery and compliance expectations through appropriate contractual commitments, and (iii) follow-up and control the business intermediary’s performance and conduct. The Ethics and Compliance Board (ECB) approves individual engagements above certain thresholds and reviews statistics. Saab’s internal auditors conduct reviews each year of a number

of selected business intermediaries to verify compliance and ensure that the intermediary is acting in line with Saab’s values and contractual terms. Each engagement has a dedicated agreement monitor responsible to follow-up performance of services, activity reporting and payment process.

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



Number of business intermediaries as of December 2021 and their distribution based on Transparency International’s Corruption Perception Index (CPI)

Type of business intermediary	Total	Corruption Perception Index (CPI)				
		0-30	31-40	41-60	61-80	81-100
Market Consultants	105	0	29	20	40	16
Resellers	42	0	9	13	19	1

Training and assessment of Business Intermediaries

Number and % of business intermediaries that have undergone ABC ¹ training	Number of business intermediaries that failed due diligence or were terminated due to ethical concerns in 2021	Number of business intermediaries that have been audited by Saab in 2021	Number of business intermediaries audits resulting in material remarks in 2021
147 (100%)	10	7	4
Number and % of targeted employees that have taken the new marketing and sales ABC e-learning	Number and % of targeted employees that have taken the new procurement ABC e-learning	Number of ABC classroom sessions held in 2021	
Nov 15 - Dec 31, 2021: 603 (68%)	Nov 15 - Dec 31, 2021: 356 (73%)	34	

Gifts and hospitality

Saab's rules on gifts and hospitality provide clear guidance and set requirements of approval depending on the value of the benefit. A tool is in place to document and identify red flags. Sponsorships and donations are also subject to a structured decision-making process and requirements regarding documentation and recording. Saab as a policy does not sponsor political parties or candidates.

Training

Web-based Code of Conduct training is mandated for all employees. Senior executives, business leaders and those in high-risk functions including marketing and sales, business development, project management and sourcing also receive customized anti-corruption training through web courses and classroom sessions. The Board of Directors receives more extensive anti-corruption training every three years with the latest training taking place in 2020.

In October 2021, Saab implemented a group-wide management system for employee training, Workday Learning. The system will make the management of Saab's anti-corruption training program more efficient and improve data collection and reporting.

Whistleblowing

Employees who become aware of or suspect a violation of Saab's Code of Conduct are expected to speak-up and report it, either through the normal line reporting or through Saab's whistleblowing hotline. The whistleblowing hotline is hosted by an external party and allows employees to report anonymously online or by phone. Reports and investigations are treated confidentially and Saab does not accept any form of retaliation.

Examples of activities in 2021

- Introduction of Ethics and Compliance Officers in all Business Areas
- Digitalisation of Business Intermediaries on-boarding process
- Mapping and implementation of Ethics and Compliance perspectives in HR processes

Planned activities in 2022

- New Code of Conduct
- Adjustment of whistleblowing hotline to EU Directive

Primary risks

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

Primary policy documents

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

Cases of whistleblowing

Issue types	Number of reports to the whistleblowing hotline in 2021	Number of reports resulting in disciplinary action
Bribery and corruption	1	1
Competition law and anti-trust	0	0
Conflict of interest	4	1
Discrimination and harassment	4	2
Environment	0	0
Finance and accounting	0	0
Information management - personal data and business critical information	1	1
Misuse of company assets	1	0
Personal health and safety	0	0
Security - IT, personal and physical	3	1
Trade regulations	0	0
Inquiry	3	0
Total:	17	6

1) Anti-bribery and corruption

In today's global environment, companies are an important part of the process of creating sustainability and enhancing ethical business conduct.



Environment

To strengthen competitiveness and contribute to a sustainable society, Saab is working actively to reduce its environmental impact, throughout the operations and value chain.

Saab's environmental strategy is focused on reducing climate impact, reducing use of hazardous substances and improving the resource efficiency. Environmental activities and requirements are integrated and managed through Saab's global management system in every stage of the product lifecycle, from product development to end-of-life.

Reduce climate impact

In 2018, Saab set a corporate wide goal to reduce greenhouse gas emissions by at least 33 per cent by 2030. During 2021, Saab committed to setting science-based targets, backed by the Science Based Targets initiative (SBTi),

and to achieving net zero emissions throughout the value chain by joining the UN Race to Zero 2050.

Compared to 2017 which is the baseline for our current goal, the greenhouse gas emissions during 2021 have decreased by 51%.

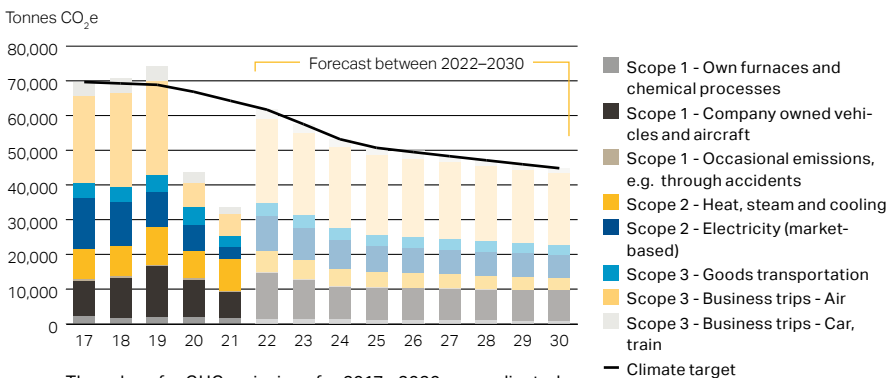
Saab is affiliated to the Swedish initiative Fossil Free Sweden (Fossilfritt Sverige) to support Sweden's work towards becoming the world's first fossil-free welfare nation by the year 2045.

Saab strives in various ways to travel more efficiently and encourages the use of digital meetings. The COVID-19 pandemic has provided us with valuable insight that it is possible to use digital meetings to a larger extent than previously recognised and from evaluation of current data, this has contributed to a change in behaviour that will persist even once the pandemic subsides. During 2021 we have also continued

to implement low and zero emission alternatives to our fleet of company cars in line with the decision to phase out vehicles fuelled solely by fossil fuels by 2025. The uptake of these alternatives has been as high as 80% of all new vehicles during the year. In line with our strategy to support this development, we have continued to plan and deploy charging infrastructure at most of our main sites.

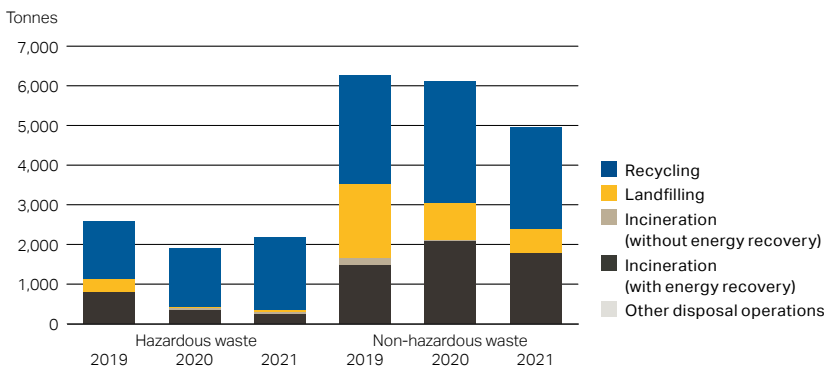
To reduce emissions from own operations, Saab is improving the energy efficiency of our properties. Previous years activities focusing on increased energy efficiency and local energy production through solar power system at our site in South Africa, continue to result in lower emissions from our operations there, and during 2021 international renewable energy certificates (IRECs) equivalent to the remaining

GHG emissions relative to Saab's climate target 2030



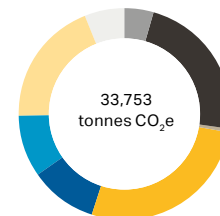
The values for GHG emissions for 2017 - 2020 were adjusted during the year. This was because more detailed data was collected and the analysis methods were improved.

Waste directed to disposal



Total weight of waste directed to disposal in metric tons. All waste to the disposal operations are managed onsite. The values for waste for 2019 - 2020 were adjusted during the year. This was because more detailed data was collected.

GHG emissions by source

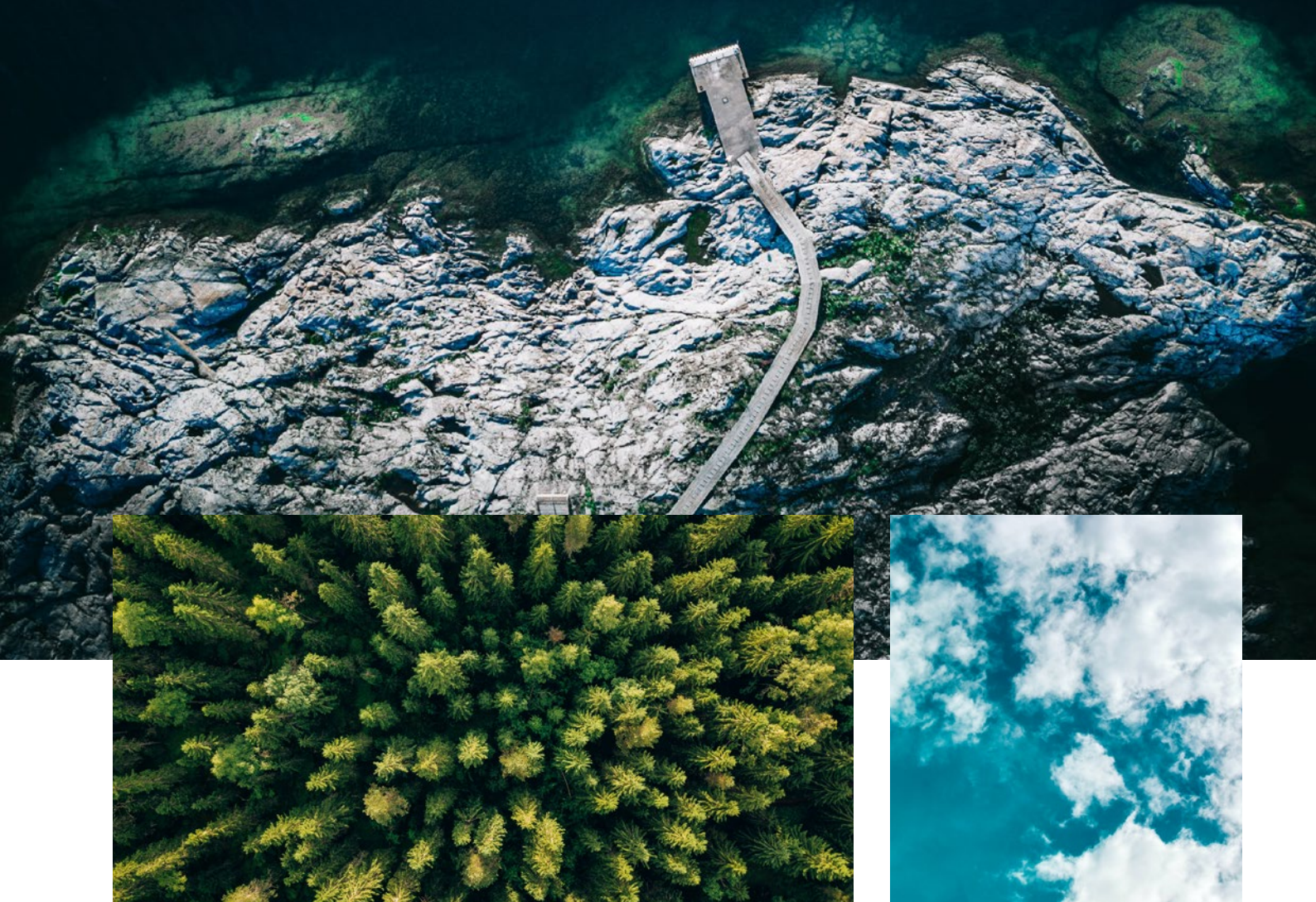


- Scope 1 - Own furnaces and chemical processes, 4.4%
- Scope 1 - Company owned vehicles and aircraft, 22.9%
- Scope 1 - Occasional emissions, e.g. through accidents, 0.6%
- Scope 2 - Heat, steam and cooling, 27.3%
- Scope 2 - Electricity (market-based), 10.3%
- Scope 3 - Goods transportation, 9.3%
- Scope 3 - Business trips - Air, 19.2%
- Scope 3 - Business trips - Car, train, 6.1%

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

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

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



electricity usage have been procured to reduce emissions further.

Continued investments in energy efficiency have been made throughout the company during 2021 which are estimated to reduce electricity and heat consumption by up to 2770 MWh per year. One example of an energy-efficiency measure is our surface treatment facility in Karlskrona, that uses excess heat from compressors generating compressed air. This leads to increased indoor temperature in the large facility, resulting in reduced drying time. The benefits are improved production process (shorter lead time) and lower energy consumption.

Saab has continued to adopt the Taskforce on Climate-related Financial Disclosures (TCFD) framework to analyse the financial risks and opportunities associated with climate change.

This has been done through a dedicated project, including a working and steering group, that has involved many key functions and individuals across the company to participate in workshops related to risk, opportunity and climate change. This work has resulted in identification of several of the risks and opportunities described further in the risk section of this annual and sustainability report (page 44-49). The work is expected to continue in 2022 and thereafter as an integral part of our Enterprise Risk Management process.

Saab reports climate aspects to the global reporting framework CDP and in accordance with the Greenhouse Gas (GHG) Protocol and received the CDP rating A- for the third year in a row. For information on CDP and Saab's complete report, see www.cdp.net.

Resource efficiency and circularity

Within the area of resource efficiency and circularity, Saab has set targets to reduce use of raw material, water and to reduce waste to landfill along with targets to reduce the number of chemical products and further implement environmentally conscious design principles.

Saab's product development process includes activities to ensure resource efficiency and reduce the environmental impact. Architectural solutions are evaluated against criteria such as ability to meet requirements (e.g. modularity, hazardous substances, environmental impact), ability to adapt to projected future needs, development potentials and aspects on maintenance, support and logistics. Through this process, Saab's products are designed for long operating lives. One example is the Gripen

multirole aircraft which, besides having an optimised design with light materials and low fuel consumption, has a unique maintenance concept that extends its operating life. Gripen's smart and easily adaptable technical solutions enables rapid upgrade of the avionics of the aircraft whenever new technology becomes available, which also provides for a long and efficient operating life.

Saab has several examples of circular business models, where a service or functionality is provided instead of selling the specific equipment or hardware. This extends the products' lifecycles and optimises use of resources. One example, is a service that Saab provides for the Swedish Civil Contingencies Agency (MSB) on aerial

firefighting missions. Saab provides full aerial firefighting services with our own aircraft, pilots and maintenance. Another example is where Saab allows customers to lease combat training material, instead of making a purchase, which contributes to a more efficient and circular use of resources.

Saab participates since 2021, together with FMV and other Swedish organisations within the defence sector, in the project A Circular and Climate Neutral Transition of the Defence Industry, funded by Vinnova. The project was launched in the autumn of 2021. The purpose is to facilitate and accelerate the defence industry's transition to circularity and sustainability.

Saab continues to increase the use of additive manufacturing (also known as 3D printing). Additive manufacturing contributes to meeting our target on reduction of raw material usage and preventing waste. Studies on Saab's products show that additive manufacturing can decrease raw material usage by 90 per cent. In 2021, Saab reached a milestone when a Gripen fighter jet successfully completed a test flight while fitted with a 3D-printed replacement hatch. Currently, several of Saab's products contain 3D printed components and the number of components ready for serial production is steadily increasing.

Waste management

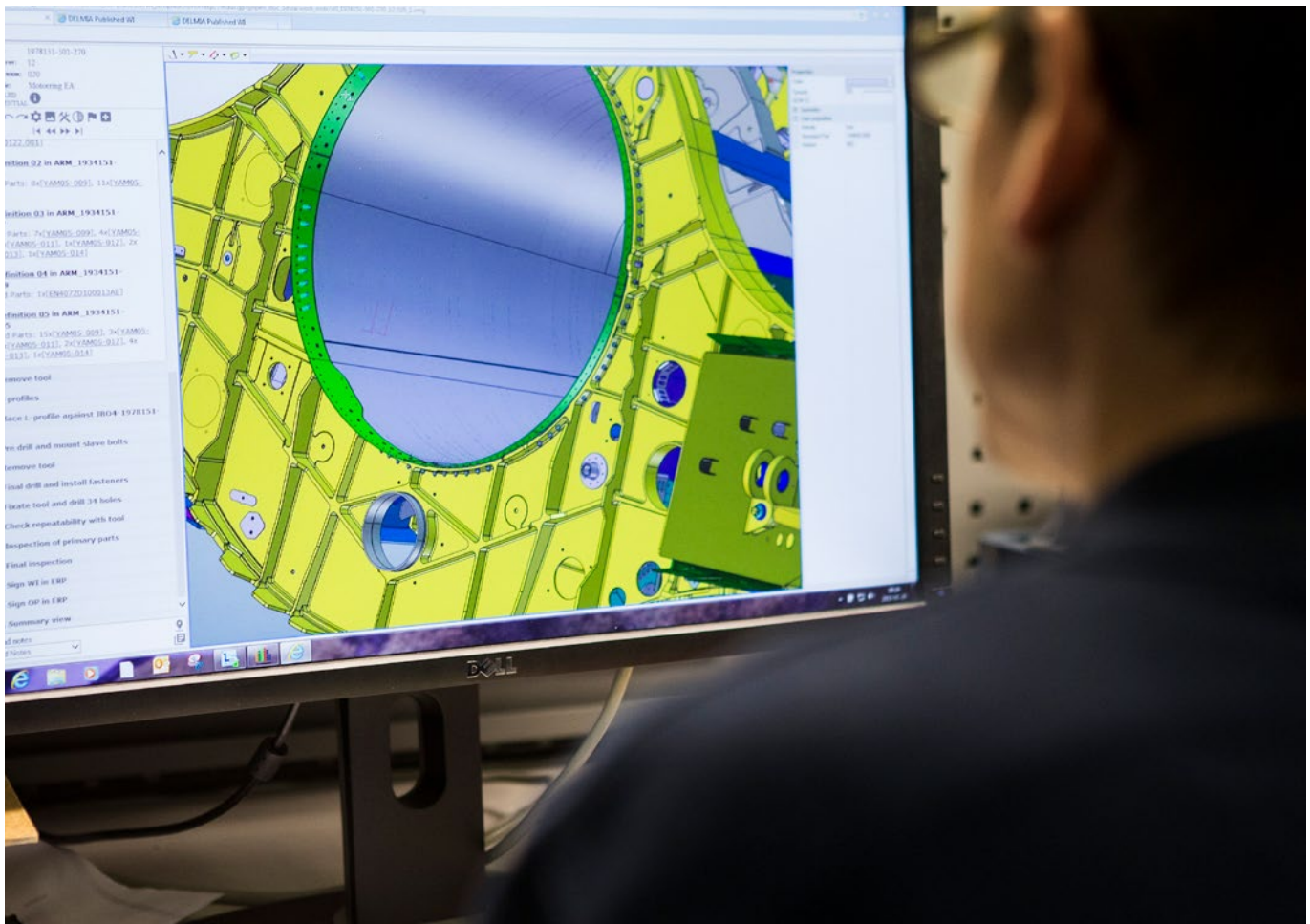
The products that Saab provides have a long operating lifetime and we offer comprehensive support, maintenance and upgrades to extend the product lifetime. In this way, Saab prevents waste generation throughout the value chain, as the need for replacing worn-out or outdated products decreases. To prevent waste generation within Saab's own manufacturing, we are increasing the use of additive manufacturing (3D printing).

During 2021, Saab's units generated a total of 7,154 tonnes of waste. It includes waste generated within own production sites and offices, such as:

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

Saab sorts its waste generated in its operations in various waste fractions to enable handling of materials according to the waste hierarchy. Saab stores hazardous waste enclosed to prevent leakages. Waste is sent to approved waste management facilities, which in turn send reports on the received waste. Based on the received reports, Saab units report waste, separated in different categories, into a central reporting system. Saab ensures minimised impact through far-reaching sorting and by verifying that the waste management operators have necessary permits, so that hazardous waste is safely processed, and reports externally on disposal in accordance with relevant regulations. Impacts may consist of emissions to air during incineration and the formation of leachate at landfills.





Phase out hazardous substances

As a producer and supplier of products, services and solutions worldwide, Saab is working strategically regarding selection of chemical products and materials during the entire life cycle of the products. Our intention is to replace substances of high concern with safe and feasible alternatives where possible, in order to meet global environmental regulations.

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

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

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

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

At qualification of new materials, products and manufacturing processes it is of great importance to Saab to handle restrictions on substances based on legal and customer requirements. Phasing out chromates, lead and cadmium compounds has the highest priority within Saab. We have several internal programmes with the goal to find and qualify new materials, chemical products, primer systems and surface treatments in order to phase out these specific hazardous substances. Saab also participates in several international projects concerning hazardous substances. Due to the high safety and technical performance standards in the aviation and defence sector, some hazardous substances cannot be replaced at present.

Primary risks

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

Primary policy documents

- Environmental Policy
- Code of Conduct
- Supplier Code of Conduct

Examples of performed activities in 2021

Climate

- Installed systems for real-time monitoring at three major production properties in Linköping to optimise energy usage at the site.
- Expanded the amount of selectable models of low and zero emission vehicles used for business travel by car, changed the financial model and expanding charging infrastructure at our sites.
- Initiated a Climate Task Force across our business areas, to share and identify activities in order to reduce emissions.
- Continued to support climate and environmentally friendly innovations through the Saab Climate Fund, adding several new products and services to our list of products and services included in Saab Climate Impact Portfolio.

Resource efficiency

- Reported to CDP Water for the first time.
- Continued measures to enable further reuse of material from sand- och steel blasting at Saab Kockums in Karlskrona.

Hazardous substances

- Reduced use of hazardous substances in products and articles, in particular cadmium and chemical products containing chromates.
- Increased knowledge regarding the use of hazardous substances in products and articles related to reporting obligations to customers and authorities (nationally and at EU level).
- Established internal networks to increase and improve the exchange of technical knowledge and to coordinate Saab's joint phasing out projects.

Planned activities in 2022

- Establish the "science based target" project to focus on climate action in line with our commitment to the Science Based Targets initiative.
- Install systems for real-time monitoring at more production properties to optimise energy usage at these sites.
- Continued energy efficiency measures at our sites with focus on highest emission reduction potential.
- Increase access to funding for climate and environmentally friendly innovations, by expanding the size and scope of the Saab Climate Fund.
- Increase the number of electric vehicle charging points at multiple locations across most of our sites.
- Participate in international technical exchange projects to evaluate and qualify new alternatives that can replace materials, processes and chemical products that contain hazardous substances.
- Continued identification and inventory of the use of hazardous substances in products included in our product portfolio.
- Installation of water saving measures at one manufacturing process in Karlskoga.
- Investigation of the possibility to save water through replacing the surface treatment plant in Linköping.
- Examine possibilities to further increase resource efficiency and circularity within our products and services.



Energy consumption within the organisation

Total fuel consumption within the organisation from non-renewable sources, in joules or multiples, and including fuel types used.	36,624 MWh
Total fuel consumption within the organisation from renewable sources, in joules or multiples, and including fuel types used.	1,732 MWh
In joules, watt-hours or multiples, the total:	
i. electricity consumption	179,259 MWh
ii. heating consumption	98,936 MWh
iii. cooling consumption	16,780 MWh
iv. steam consumption	20,419 MWh
Total energy consumption within the organisation, in joules or multiples.	353,749 MWh 1,273,495 GJ

The analysis is based on the international standard, the Greenhouse Gas Protocol Initiative (GHG protocol), which is the most important standard for measuring greenhouse gas emissions, developed by World Resources Institute (WRI) and World Business Council for Sustainable Development (WBCSD). The GHG protocol finds its carbon inventory and reporting on three main scopes of direct and indirect emissions. The reporting considers the following greenhouse gases, all converted into CO₂ equivalents: CO₂, CH₄ (methane), N₂O (nitrous oxide), SF₆, HFCs and PFCs.

Source: DEFRA 2021, IEA, Energiföretagen etc.

Accounting policy EU-Taxonomy*

Saab reports on the new EU-taxonomy (EU 2020/852) for the first time for the financial year 2021. The EU taxonomy establishes a list of environmentally sustainable economic activities through six environmental objectives. During the year Saab has conducted a group-wide screening to identify taxonomy eligible economic activities related to the environmental objectives of (1) "climate change mitigation" and (2) "climate change adaptation". The four other environmental objectives are not yet formally adopted by EU and will not be in scope for reporting until financial year 2023.

As for 2021, it is only required to report on taxonomy eligibility. Due to the focus in the taxonomy on other sectors, Saab's core business activities are generally not covered by the taxonomy. Saab's identified eligible activities can be found mainly within the traffic management segment, and the reduction of emissions enabled by improved flow of airport traffic and traffic management in sea ports. Aerobahn CDM Suite is a solution that improves efficiency in traffic flows, helping to lower fuel consumption at airports. With Aerobahn, aircraft emissions on the ground are reduced by more than 15%. MaritimeControl is another system that reduces environmental impact through the management of traffic flows at sea ports. Saab also supplies radar stations and cameras required for real-time tracking and monitoring of maritime traffic. These products are deemed to be eligible, according to economic activity 3.6 "Manufacture of other low carbon technologies", in the taxonomy. Own measures and purchased output from suppliers economic activities have not been screened for eligibility 2021.

Performance indicators

The activities that are identified to be eligible for the taxonomy are reported on by using three key performance

indicators (KPIs); Turnover, Capital Expenditure and Operating Expenditure, as defined by the taxonomy regulation.

Key Performance Indicator "Turnover": When disclosing the Turnover KPI for taxonomy eligibility, Saab reports as numerator the share of net sales derived from products or services, associated with taxonomy-eligible economic activities. The denominator includes Saab's net total sales during the reporting year (line item "Sales" in the consolidated income statement).

Key Performance Indicator "Capital Expenditure": When disclosing the Capital Expenditure KPI for taxonomy eligibility, Saab reports as numerator the share of Saab's capitalised expenditure that is related to the economic activities that Saab has defined to be taxonomy-eligible. The denominator includes investments in intangible fixed assets, tangible fixed assets, biological assets and right-of-use assets.

For reference on investments included in the denominator; see line item "Internally Developed Assets" in table "Capitalised Development Costs" and line item "Investments" in table "Other Intangible Assets" in note 15; line item "Investments" in tables for "Operating Properties/Buildings and Land", "Plant and Machinery", "Equipment, Tools and Installations" and "Construction in progress" in note 16; and line item "New leases" in note 17.

Key Performance Indicator "Operating Expenditure": When disclosing the Operating Expenditure KPI for taxonomy eligibility, Saab reports as numerator the share of Saab's operational expenses that is related to the economic activities that Saab has defined to be taxonomy eligible. The denominator includes research and development costs, renovation of premises, short-term leases, maintenance and repairs of tangible fixed assets.



Saab's KPI:s and share of identified eligible taxonomy activities

Key Performance Indicator	Total Saab Group (MSEK)	Share of eligible taxonomy activities (%)	Share of non eligible taxonomy activities (%)
Turnover	39,154	1%	99%
Capital expenditure	2,795	0%	100%
Operation expenditure	2,027	1%	99%

* Saab's interpretations of the taxonomy regulation has been made with regards to public information available as of 31 January, 2022.

Employees

To be even more competitive in the future, Saab has to stay on the forefront of technology. It is our employees who ensure this through their competence, drive and engagement.

For every employee to have a chance of maximising their potential requires competent and engaged leaders. The leadership has a strong focus at Saab as it contributes to shape the culture Saab wants. It is of great importance that the leaders know themselves, their employees and the business.

Develop and retain

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

Saab measures employee engagement, and the results serve as a basis for dialog and development between leaders and their employees.

Saab offers various forms of skills and leadership development for all its employees in our Saab Learning Landscape. An important aspect is our focus on a continuous learning culture. It means that we promote a mindset where the employees constantly improve individual and organisational performance by seeking learning and development in the flow of work. We encourage incorporating sharing and capturing of knowledge and reflection as a natural part of the business as well as structured development and learning activities.

We want our managers to have a purpose with their leadership and the ability to lead and develop our business, our employees and themselves to make a difference. Saab Leadership framework guide managers and help us succeed, increase the degree of innovation, people orientation and collaboration.

To identify potential in employees, Saab uses a well-established talent process. Based on the individual's growth-needs, development plans are put in place aiming to prepare for future steps, for example to a leadership position. Development programmes are available for recent graduates and those starting their careers as well as

those transitioning into a next level position or role.

Saab has long-term collaborations with a number of institutes of technology and universities, mainly in Sweden but also abroad, to jointly ensure that they are teaching the right skills for the future. We encourage our employees to do research and work towards a PhD, and Saab's specialists and adjunct professors give guest lectures at schools to share their knowledge.

Attract employees

To remain competitive, Saab has to continue to attract the right talent. The company is working to position itself as an attractive employer among students and professionals. Digital and physical activities, for example study visits, are important to share what work is like at Saab. Employees are encouraged to talk about what they do professionally and why they work at Saab. Opportunities for students and professionals to learn more are offered through for example summer jobs and thesis work.

Saab is also working long-term to promote education and an interest in technology among young students in order to broaden its future recruiting base and at the same time take social responsibility. Learn more about Saab's social engagement on page 74-75.

Health and safety

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

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

Diversity and inclusion

At Saab we believe that a workplace with diversity amongst our employees increases creativity and boosts innovation, which leads to greater development and a successful business. This together with an inclusive culture where everyone feels welcome, we believe results in higher engagement, better wellbeing and higher performance amongst our employees.

Saab has for several years focused on increasing the share of women in the company since the majority of our employees are men. Through systematic and consistent efforts, the company has succeeded in doubling the share of women in management roles in the ten years between 2007 and 2017. Saab has remained focused on gender equality and has now raised this target. However, this focus needed to be broadened and now diversity and inclusion is part of Saab's engagement and culture focus. Activities with the aim to boost engagement, diversity and inclusion are planned and carried out by engagement teams across the company, with representatives from different parts of Saab connected in a joint network.

An example of ongoing activities is Saab in South Africa that has maintained several projects aimed at people who experience difficulty entering into the job market. The projects that are run align with the South African government's action plan to overcome social and economic imbalances in the country. Since inception, more than 204 South African youths have entered the job market through a Youth Unemployment Programme.

Examples of activities in 2021

- Strategic workforce planning gap analysis within our technology clusters to secure that we build long-term skills, competencies and capabilities.
- Implementation of a new learning platform with access to a modern learning landscape to support continuous learning.
- Launch of a new Leadership Framework.
- KPI:s for OHS according to the GRI standard implemented and information about Saab's occupational health and safety management system and ways of working at Saab's external website.
- The global health and safety E-learning, with the purpose to increase the



knowledge about Saab’s Health and Safety Policy, released and measures to promote a sustainable work life implemented in Workday.

Examples of planned activities in 2022

- Leverage on Saab’s learning landscape and build capability in critical areas.
- Realise global strategic workforce plans.
- Update our Employer Value Proposition (EVP).
- Strengthen our leadership pipeline and capability.
- Increase awareness about incidents that affect health and safety, and knowledge about how to report.
- Extend the global KPI reporting and digitalise health and safety activities.

Primary policy documents

- Code of Conduct
- Occupational Health and Safety Policy
- Travel Security Policy
- Diversity & Inclusion Policy



Primary risks

- That Saab fails to attract and retain the right talents
- That Saab fails to promote diversity and inclusiveness, affecting an important source of innovation
- That Saab fails to maintain an engaging culture with clear goals for employees, which affects motivation and performance negatively
- That Saab fails to provide prerequisites for employees to maintain a work-life balance
- That Saab fails to provide safe working conditions so that employee health may be affected by factors in the work situation

Performance indicators – Develop

	2020	2021	Goal
Number of training sessions completed by employees during the year (only training booked through Saab's internal training portal)	48,059	61,998	
Share of employees who respond in the employee survey that they are engaged in their work	81.4%	79.1%	80%
Share of employees who have discussed their personal goals, development and performance with their manager	73%	73%	100%
Employee turnover (Sweden)	3.4% ¹	6.0%	

Performance indicators – Attract

	2020	2021	Goal
Number of master's thesis candidates (Sweden)	226	184	At least 150
Number of summer jobs (Sweden)	159	255	
Rank in Universum's survey of Swedish engineering students' favourite places to work (Sweden)	6th	7th	

Performance indicators – Health and safety

	2020	2021	Goal
Number of reported incidents per workplace injury (a higher propensity to report incidents reduces the risk of workplace injuries)	4.5	5.1	10
Lost Time Injury Frequency Rate (LTIFR) (Global)	Not reported	0.59	
Lost Time Injury Frequency Rate (LTIFR) (Sweden)	0.85	0.55	
The number (and rate*) of fatalities as a result of work-related injuries	0(0)	0(0)	
The number (and rate*) of high-consequence work-related injuries (excl. fatalities)	6(0.2)	8(0.26)	
The number (and rate*) of recordable work-related injuries	348 (11.6)	522(16.99)	
The main type of work-related injury	Minor cut/crush injuries	Minor cut/crush injuries	
Health index (percentage of employees who have taken 40 hours or less of sick leave in a year) (Sweden)	67.68%	75.35%	
Sick leave (Sweden)	3.59%	2.81%	

* Hours worked in 2021: 30,724,544 (calculations for rates based on number of events, divided by number of hours worked, times 1,000,000)

Performance indicators – Diversity

	2020	2021	Goal
Share of women in Group Management	31%	25%	
Share of women on the Board of Directors (AGM elected)	36%	36%	
Share of women summer workers (Sweden)	33%	31%	
Share of women master's thesis candidates (Sweden)	34%	24%	
Average age of Saab's employees	45 years	46 years	
Share of women managers globally	26%	27%	30%
Share of women employees globally	23%	24%	25%
Share of women managers in Sweden	29%	30%	35%
Share of women employees in Sweden	24%	24%	30%



Responsible business

Saab's stakeholders expect Saab to conduct its operations responsibly. An important part of this is to ensure that the company's operations are carried out in accordance with the laws and regulations that govern its activities. Saab operates in an area where there are both national and international laws and regulations that the company has to observe. Saab also works continuously to manage human rights risks in the company's supply chain, in accordance with the UN Guiding Principles for Business and Human Rights.

Human rights and international humanitarian law

Saab has identified the following human rights issues related to the company's operations as the most salient: compliance with export control rules and responsible supplier relationships. Saab has joined the UN Global Compact, with its 10 principles, and has integrated them into the company's Code of Conduct.

Through purchasing processes and in contact with partners, Saab will raise awareness of the UN Global Compact and thus promote the values Saab stands for. Saab affects human rights throughout the value chain and in a number of areas, from the work with diversity and work environment to anti-corruption and export control. Human rights work is a continuous process that is evolving on an ongoing basis.

The UN Charter states that it is the right of each country to protect its citizens from armed aggression. Military defence is the ultimate prerequisite for this. A domestic defence industry is an important component of defence capabilities, but requires sales and technology cooperation with other countries to develop in the long term. Respect for human rights and international humanitarian law plays an important role in the control exercised nationally in the export of defence equipment. While defence equipment helps to uphold human rights, if misused, they can also be used for violations of human rights and international humanitarian law. The export of defence equipment therefore entails a great deal of responsibility and the area is surrounded by strict regulation. The UN Sustainable Development Goals (SDGs) also highlight the need to combat illicit arms flows.

Saab has its own internal processes that take into account risks related to,

among other things, human rights when assessing new business opportunities. Saab is also in dialogue with Swedish authorities on human rights and the security situation in the world, a dialogue that together with Saab's own risk assessments linked to business opportunities form the basis of the company's internal processes. In addition to human rights, Saab is also following developments regarding international humanitarian law, for example on the issue of autonomy.

Export control

A large part of Saab's exports take place from Sweden. All exports of defence equipment from Sweden are subject to a comprehensive regulatory framework and require a permit. Such permission can be granted if there are security and defence policy reasons for the export and if it is compatible with Swedish foreign policy interests and does not conflict with any of Sweden's international commitments or obligations. Decisions on export authorisations are decided on a case-by-case basis by the Inspectorate of Strategic Products (ISP) which takes into account a number of criteria in its overall assessment, including the situation regarding respect for human rights and international humanitarian law in the intended recipient country. ISP also takes into account the type of product the decision applies to, see below. For more information about the Swedish export control system, see www.isp.se.

Saab has group-wide steering documents and tools to facilitate operations to comply with the export control regulations applicable to the company's products and operations. The Head of Export Compliance is responsible for the company's overall policy, directives and governing documents, advises the business on operational issues and follows up on compliance within the company. Each business area also has its own export control functions that handle the operational work. In order to collaborate and prioritize needs, there is also an export control council with representatives from Saab's business areas.

Saab is constantly developing its processes to improve its work. Internal training in export control is held continuously for employees who come into contact with controlled products or

technology. For export control officers and other key personnel, a biennial conference is held to increase knowledge and understanding of different export control regulations as well as related areas of law. We also collaborate with other industries through various trade associations in Sweden, the EU and the U.S.

Responsible supplier relationships

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

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

New strategic suppliers are evaluated against criteria relating to sustainability performance, including environmental management. Saab has during 2021 started to introduce a supplier-evaluation tool, provided by the third-party supplier Ecovadis, in the procurement processes to measure and monitor sustainability risks and opportunities in the supply-chain. The Ecovadis tool will enable Saab to have a closer dialogue with suppliers regarding sustainability and will enable Saab to measure its impact more accurately.



Examples of activities in 2021

- Participation in network for business and human rights.
- Introduction of third-party supplier of Ecovadis in processes to measure and monitor sustainability risks and opportunities in the supply-chain.
- Development of methods to measure suppliers capability to manage sustainability risks and own models for risk management.
- Work under way to integrate and measure supplier's climate impact in accordance with Science Based Target Initiative (SBTi).
- Scorecard for measuring, among other things, supplier sustainability performance under development.
- Decision taken to implement a Responsible Sales Policy during 2022.

Planned activities in 2022

- Continued implementation of risk management tool Ecovadis into Saab's processes. The goal is that over 50% of strategic suppliers should have started to be reviewed by Ecovadis during 2022 .
- Continue to develop methods to manage sustainability risks in the supply chain.
- Develop and increase procurement employees' knowledge on sustainability topics.
- Over 50% of Saab's strategic suppliers should be compliant with or have signed Saab's Supplier Code of Conduct.
- Scorecard for measuring, among other things, supplier sustainability performance implemented.
- Develop method to flow-down requirements relating to SBTi to strategic suppliers.
- Implement Responsible Sales Policy.

Primary risks

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

Primary policy documents

- Code of Conduct
- Supplier Code of Conduct
- Conflict Minerals Policy
- Modern Slavery Policy
- Export Control Policy

Contributing to society

Saab's sustainability commitment is rooted in its mission to make people and society safe by contributing to security and defence capabilities. With its high-tech business, Saab also creates additional value for society. Saab's operations play an important role in driving innovation and technological development in society. With employees in a large number of locations, Saab creates jobs and opportunities for collaboration and spreads knowledge. Considering the products it sells, Saab naturally takes responsibility for information and product security.

Innovation

Saab's advanced product development generates know-how, technological solutions and innovations for the future. An important part of Saab's innovative capabilities is how we collaborate outside the company to gain access to new knowledge. Partnership with universities is one example that we have had for many years. Among other things, this gives Saab employees the opportunity to research towards a PhD, while researchers and students from the schools can get involved in Saab's work. In collaboration with the universities, a number of adjunct professors have been appointed. Another example is our Startup Collaborations operation. With a systematic approach, we initiate and follow through different collaborations beyond Proof of Concept faces with triple-win results; contributing to our overall sustainability goals, generating Startup momentum and new learnings for Saab within the field. One ongoing example is a collaboration that potentially can enable alternative fossil free energy sources.

During 2021, Saab has continued working with the Greenhouse, the concept for an incubator for cross-organisational ideas. This year the Greenhouse also has given training for Innovation managers and Innovation coaches. The training is based on the innovation management principles for the innovation standard, ISO 56000. Also, the Additive Manufacturing Innovation Lab has delivered several successful products that will contribute to innovation. Other innovation labs are being built to understand, demonstrate and test disruptive technologies and support early dialogues with customers. During the year, an innovation strategy was developed and approved by

the Innovation and Technology Council, a council to steer the cross-company innovation and technology initiatives chaired by the CTO.

In order to take advantage of competencies across the company and create synergies 14 Technology Clusters have been established. These clusters are networks within critical capability areas created to drive learning within Saab and to develop long-term technology and competence plans.

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

Spreading knowledge

When Saab signs large defence contracts, they usually contain more than just a product sale. Many countries also want technology and skills transfer as well as various forms of industrial cooperation. Through customised offerings, Saab has contributed together with partners to several successful projects that affect the country's economy in a positive direction.

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

Promote education and an interest in technology

Saab's ambition is to contribute to social development in the markets where we operate with a focus on promoting

education and an interest in technology. This creates confidence in Saab's business and helps to develop skills that are beneficial to society as well as to Saab. Social initiatives are mainly done with the help of the company's employees, since this provides valuable experience for those who get involved.

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

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

Information security

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

Saab has a global security organisation and works in accordance with ISO 27001 to continuously improve the security governance and security management within the company. We perform regular training and have processes in place for risk and incident management, security audits and vulnerability management. In order for Saab to go from demand-driven security to process-integrated security, Saab established a goal in 2019 to introduce information security controls in all central processes.

Data privacy

Saab is committed to protecting personal data and the integrity of our employees and business partners.

Performance indicators - Information Security

	2020	2021	Goal
Information security integrated in all central processes	40%	45%	100%
Data privacy – turn around time for data subject access request	10 days	10 days	Semi-automated process
Data privacy integrated in all central process	40%	40%	100%

Performance indicators - Innovation and Promoting interest in Technology

	2020	2021	Goal
Number of PhD candidates	48	54	30

Our Data Privacy Program covers and supports all business areas and group functions. The Data Privacy Program provides training to employees and to business partners that process personal data in their work with Saab. We assess IT systems to identify and mitigate privacy risks, and work closely with other functions to manage any potential personal data breaches.

Product safety

With a product portfolio containing everything from advanced aircraft systems to submarines, it is imperative that Saab's products are safe to use and do not cause harm to people, property or the environment. The safety level of Saab's systems and products must meet applicable laws, regulations, international standards and best practices.

The methodical safety analysis conducted during product development is described in the System Safety Handbook and included in Saab's global enterprise management system.

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

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

Examples of activities in 2021

- Continued collaboration with start-ups.
- Saab's innovation strategy was approved.
- Continued cooperation with the organisation Pratham through the project "Swedish Industry for Quality Education In India".
- Implemented information security management system according to ISO 27001 for all operational countries and country units.
- Ongoing digitalisation of security processes.
- Participated in project to develop new handbook for system security together with FMV.

Planned activities in 2022

- Continued digitalisation of security processes.
- Further integration of data privacy in existing incident management processes.
- Establish Saab-wide Research and Technology Clusters.
- Evaluate "startup-as-a-service" model for innovation.
- Together with other Swedish companies, the Association of Swedish Engineering Industries and Vinnova establish new advanced digitalisation innovation program for industry.

Examples of universities Saab partners with

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

Primary risks

- That information falls into the wrong hands due to mishandling or a break-in in Saab's IT systems
- Future shortage of engineers
- Unauthorized access to information may lead to a breach of confidentiality and misuse of personal data

Primary policy documents

- System Safety Policy
- Security Policy
- Data Protection Policy
- Policy on Sponsorships and Social Engagement
- Code of Conduct

GRI Content Index

Saab has been reporting in accordance with the Global Reporting Initiative (GRI) yearly since 2014. For 2021, the report has been prepared in accordance with the GRI Standards: Core option. The report comprises all of the group's operations for the financial year 2021, unless

indicated otherwise. The GRI-index is issued in connection with Saab's annual report and is a complement to Saab's sustainability report that is included in the annual report. The GRI-index below contains page references to Saab's Annual Report (AR), CDP-report

and website. The table also contains references to the UN Global compact's ten principles.

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

GENERAL DISCLOSURES	DESCRIPTION	PAGE REFERENCE/NOTE	UN GLOBAL COMPACT
Organisational profile			
102-1 (GRI:2016)	Name of the organisation	Saab AB	
102-2	Activities, brands, products and services	AR 38-41, 72-73	
102-3	Location of headquarters	AR 37	
102-4	Location of operations	AR 164	
102-5	Ownership and legal form	AR 37	
102-6	Markets served	AR 15-19	
102-7	Scale of the organisation	AR 6, 79, 164	
102-8	Information on employees and other workers	AR 79. Omission: Employment type not reported per region. This will be adjusted to 2022.	
102-9	Supply chain	AR 72-73	
102-10	Significant changes to the organisation and its supply chain	AR 42	
102-11	Precautionary principle or approach	AR 50, 56, 62-67	Principle 7
102-12	External initiatives	AR 51, 57	
102-13	Membership of associations	AR 57	
Strategy			
102-14	Statement from senior decision-maker	AR 8-9	
Ethics and integrity			
102-16	Values, principles, standards and norms of behavior	Saab Code of Conduct*	All principles
Governance			
102-18	Governance structure	AR 56-57, 82-87	
Stakeholder engagement			
102-40	List of stakeholder groups	Shareholders, financial institutions, employees, customers, civil society actors and suppliers	
102-41	Collective bargaining agreements	All employees in Sweden have collective bargaining agreements (no information on rest of the world)	Principle 3
102-42	Identifying and selecting stakeholders	AR 54	
102-43	Approach to stakeholder engagement	AR 54	
102-44	Key topics and concerns raised	AR 54	
Reporting practice			
102-45	Entities included in the consolidated financial statements	AR 145-146	
102-46	Defining report content and topic boundaries	AR 50, 54	
102-47	List of material topics	AR 54	
102-48	Restatements of information	AR70: KPI for "Employee turnover, 2020" restated, due to calculation error in 2020 annual report	
102-49	Changes in reporting	Updated materiality analysis	
102-50	Reporting period	AR 76	
102-51	Date of most recent report	4 March 2021 (Annual Report 2020)	
102-52	Reporting cycle	AR 76	
102-53	Contact point for questions regarding the report	sustainability@saabgroup.com	
102-54	Claims of reporting in accordance with the GRI Standards	AR 76	
102-55	GRI content index	AR 76-79	
102-56	External assurance	AR 154-158	



ECONOMIC DISCLOSURES	DESCRIPTION	PAGE REFERENCE/NOTE	UN GLOBAL COMPACT
Anti-corruption			
103-1, 103-2, 103-3	Management approach	AR 56-57, 58-60. Impact occurs inside and outside of Saab	Principle 10
205-1 (2016)	Operations assessed for risks related to corruption	AR 58-60. Omission: Saab reports total number and share related to Business Areas instead of "operations"	Principle 10
205-2 (2016)	Communication and training about anti-corruption policies and procedures	AR 58-60. Omission: Saab reports related to CPI instead of geographical region.	Principle 10
205-3 (2016)	Confirmed incidents of corruption and actions taken	AR 58-60	Principle 10
ENVIRONMENTAL DISCLOSURES	DESCRIPTION	PAGE REFERENCE/NOTE	UN GLOBAL COMPACT
Energy			
103-1, 103-2, 103-3	Management approach	AR 56-57, 62-67. Impact occurs inside and outside of Saab	Principles 7-9
302-1 (GRI:2016)	Energy consumption within the organisation	AR 62-67, for more detailed data see Saab's CDP report at www.cdp.net	Principle 8
302-4 (GRI:2016)	Reduction of energy consumption	AR 62-67, for more detailed data see Saab's CDP report at www.cdp.net	Principle 8
Emissions			
103-1, 103-2, 103-3	Management approach	AR 56-57, 62-67. Impact occurs inside and outside of Saab	Principles 7-9
305-1 (GRI:2016)	Direct (Scope 1) GHG emissions	AR 62-67, for more detailed data see Saab's CDP report at www.cdp.net	Principle 8
305-2 (GRI:2016)	Energy indirect (Scope 2) GHG emissions	AR 62-67, for more detailed data see Saab's CDP report at www.cdp.net	Principle 8
305-3 (GRI:2016)	Other indirect (Scope 3) GHG emissions	AR 62-67, for more detailed data see Saab's CDP report at www.cdp.net	Principle 8
305-5 (GRI:2016)	Reduction of GHG emissions	AR 62-67, for more detailed data see Saab's CDP report at www.cdp.net	Principle 8

Effluents and waste

103-1, 103-2, 103-3	Management approach	AR 56-57, 62-67. Impact occurs inside and outside of Saab	Principles 7-8
306-1, 306-2 (GRI:2020)	Topic-specific management approach	AR 62-67	Principle 8
306-3 (GRI:2020)	Waste generated	AR 62-67	Principle 8
306-5 (GRI:2020)	Waste directed to disposal	AR 62-67	Principle 8

Environmental compliance

103-1, 103-2, 103-3	Management approach	AR 56-57, AR 62-67. Impact occurs inside and outside of Saab	Principle 8
307-1 (GRI:2016)	Non-compliance with environmental laws and regulations	No fines or non-monetary sanctions.	

Supplier environmental assessment

103-1, 103-2, 103-3	Management approach	AR 56, 72-73. Impact occurs mainly outside of Saab	Principle 8
308-1 (GRI:2016)	New suppliers that were screened using environmental criteria	New strategic suppliers are screened. Saab is currently introducing a new tool to manage supply-chain risks. Reporting will be improved from 2022.	Principle 8

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

SOCIAL DISCLOSURES**DESCRIPTION****PAGE REFERENCE/NOTE****UN GLOBAL COMPACT****Occupational health and safety**

103-1, 103-2, 103-3	Management approach	AR 56-57, 68-70. Impact occurs mainly inside of Saab, in particular for employees	Principles 1-2
403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7 (GRI:2018)	Topic-specific management approach	Visit https://www.saab.com/about/sustainability/responsibility-for-society/health-and-safety	Principles 1-2
403-9 (GRI:2018)	Work-related injuries	AR 70	Principles 1-2
Other material disclosure	Number of reported incidents per workplace injury	AR 70	Principles 1-2

Training and education

103-1, 103-2, 103-3	Management approach	AR 56-57, 68-70. Impact occurs both inside and outside of Saab, in particular for employees	
404-3 (GRI:2016)	Percentage of employees receiving regular performance and career development reviews	AR 70	Principle 6
Other material disclosure	Number of completed training sessions by Saab's employees	AR 70	

Diversity and equal opportunities

103-1, 103-2, 103-3	Management approach	AR 56-57, 68-70. Impact occurs both inside and outside of Saab, in particular for employees	Principle 6
405-1 (GRI:2016)	Diversity of governance bodies and employees	AR 70, 79	Principle 6

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

31 DEC 2021

Number of operations

Sweden	73
Outside Sweden	99 (132 including remote and home offices)
Total	172 (excluding remote and home offices)

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

WOMEN

MEN

TOTAL

Sweden employees

Full time	3,515	11,110	14,625
Part time	164	215	379
Total	3,679	11,325	15,004

Outside Sweden employees

Full time	548	2,428	2,976
Part time	92	81	173
Total	640	2,509	3,149

Total employees

Full time	4,063	13,538	17,601
Part time	256	296	552
Total	4,319	13,834	18,153

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

WOMEN

MEN

TOTAL

Employees

Under 30 years	613	1,553	2,166
30–50 years old	2,214	6,387	8,601
Over 50 years old	1,492	5,894	7,386
Total	4,319	13,834	18,153

Group management

Under 30 years	0	0	0
30–50 years old	0	1	1
Over 50 years old	3	8	11
Total	3	9	12

Board of directors*

Under 30 years	0	0	0
30–50 years old	0	1	1
Over 50 years old	4	6	10
Total	4	7	11

* Those elected by the Annual General Meeting.

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

LICENSED OPERATIONS IN THE PARENT COMPANY

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

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

LICENSED OPERATIONS IN SUBSIDIARIES

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

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

A permit process is in progress regarding a new environmental permit for the operations within Saab Bofors Test Center AB in Karlskoga. Saab Bofors Test Center AB also runs operations subject to licensing in the municipalities of Degerfors and Härjedalen. The permit in Degerfors expired 31 January 2021, and there was no need for renewal due to changed operations. Saab Dynamics AB runs operations subject to licensing in the municipalities of Linköping (Malmslätt). In addition, Saab Kockums AB runs operations subject to licensing in Karlskrona and on Muskö island, south of Stockholm. The environmental impact from subsidiaries that are subject to licensing requirements primarily consists of emissions of VOCs from workshops, emissions from aircraft into the atmosphere, emissions of metals and de-icing solvents into water, generation of industrial waste, storing and transfer of explosive goods, and noise disturbing local surroundings.

OPERATIONS SUBJECT TO NOTIFICATION REQUIREMENTS

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



Corporate governance report

INTRODUCTION

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

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

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

Swedish Code of Corporate Governance

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

This Corporate Governance Report is prepared in accordance with the Annual Accounts Act and the Code, and describes how Saab applied the Code in the financial year 2021. Saab's website, www.saab.com, has a special section on corporate governance, which is updated continuously in accordance with the Code.

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

This Corporate Governance Report has been reviewed by the company's auditor. Saab did not deviate from the provisions of the Code in 2021.

1 SHAREHOLDERS' MEETING AND OWNERSHIP STRUCTURE

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

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

Preparations for and the execution of the AGM 2021 were carried out in accordance with the Code, and the AGM 2022 will also comply with the provisions of the Code. The Annual General Meeting of Saab was held on 13 April 2021 in Stockholm. Due to the coronavirus and in order to reduce the risk of spreading the disease, the Board of Directors decided that the Annual General Meeting 2021 should be conducted as a digital meeting in accordance with the temporary law applicable during 2021. The shareholders could exercise their voting rights by participating online in the digital meeting or by postal voting in advance. 288 shareholders were represented at the Meeting, corresponding to about 65 per cent of the total number of votes in the company.

This year the Annual General Meeting will be held on 6 April 2022 in Linköping, for more information, see page 159.

On 31 December 2021, Saab's share capital amounted to SEK 2,173,533,552 and consisted of 2,383,903 Series A shares and 133,461,944 Series B shares. Series A shares have ten votes each, while Series B shares have one vote each. A Series A share may, on demand of the owner, be converted to a Series B share. The Saab shares are registered with Euroclear Sweden AB. The quota value per share is SEK 16. The Series B shares are listed on Nasdaq Stockholm's Large Cap list. The Series A shares are not listed. All Series A shares are owned by Investor AB.

The Board of Directors has an authorisation from the shareholders' meeting to repurchase own shares; see pages 94-95. As of 31 December 2021, Saab held 4,035,669 of its own Series B shares, corresponding to 3.0 per cent of the share capital. For more information on the ownership structure, see page 160.

Largest shareholders, 31 December 2021

Source: Modular Finance	% of capital	% of votes ¹⁾
Investor AB	30.2	40.7
Wallenberg Investments AB	8.7	7.7
AllianceBernstein	4.7	4.1
First Swedish National Pension Fund	3.2	2.8
Vanguard	2.1	1.9
Unionen	1.4	1.2
Norges Bank	1.3	1.2
Zadig Asset Management	1.3	1.1
Nordea Funds	1.2	1.1
BlackRock	1.1	1.0

¹⁾ % of votes is calculated based on the number of share, excluding treasury shares, at 31 December, 2021.

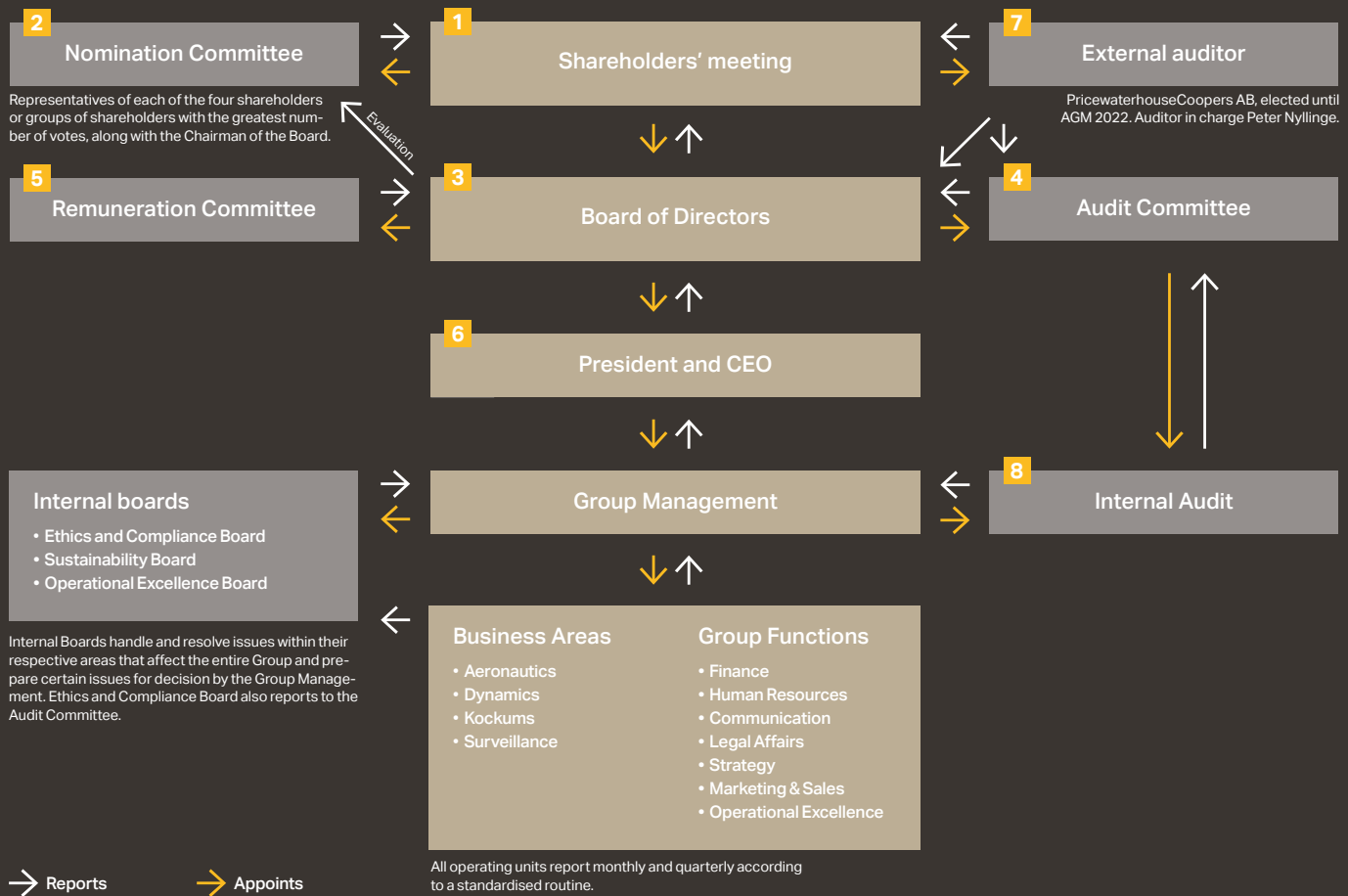
2 NOMINATION COMMITTEE

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

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

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

GOVERNANCE AND REPORTING



Prior to the Annual General Meeting on 13 April 2021, the Nomination Committee issued a proposal for resolution on the Chairman of the shareholders' meeting, the Board of Directors, Auditors, Board fees and auditor fee. The Nomination Committee has applied rule 4.1 of the Code as a diversity policy with respect to the Board. The goal of the policy is that the Nomination Committee's proposal shall lead to that Saab will have a board with an appropriate composition and with satisfactory diversity and breadth in terms of gender, competence, age, experience and background.

Prior to the Annual General Meeting on 6 April 2022, it was announced in a press release on 5 October 2021 that, in addition to Chairman of the Board Marcus Wallenberg, the following shareholder representatives had been appointed to the Nomination Committee (shareholder's name in parentheses): Petra Hedengran (Investor AB), Peter Wallenberg Jr (Wallenberg Investments AB), Ossian Ekdahl (Första AP-fonden) and Anders Algotsson (AFA Försäkring). Petra Hedengran is Chairman of the Nomination Committee.

The Nomination Committee members represent in the aggregate approximately 51 per cent of the votes in Saab based on the ownership structure as of 31 August 2021.

The proposals of the Nomination Committee for resolution at the Annual General Meeting 2022 has been announced in the notice of the Annual General Meeting 2022.

Members of the Nomination Committee for Annual General Meeting 2022

Member	Representing	% of votes, 31 Aug 2021	% of capital, 31 Aug 2021
Petra Hedengran	Investor AB	39.69	30.16
Peter Wallenberg Jr	Wallenberg Investments AB	7.52	8.71
Ossian Ekdahl	Första AP-fonden	2.76	3.20
Anders Algotsson	AFA Försäkring	0.95	1.10
Marcus Wallenberg	Chairman of the Board of Saab AB		

3

BOARD OF DIRECTORS**Composition of the Board**

According to Saab's Articles of Association, the Board of Directors shall, in addition to the employee representatives, consist of at least six and not more than twelve members. Board members are elected annually by the shareholders' meeting. According to the resolution of the Annual General Meeting on 13 April 2021, Saab's Board of Directors shall consist of eleven members elected by the shareholders' meeting with no deputies. In addition, employee organisations appoint three Board members with an equal number of deputies.

At the Annual General Meeting on 13 April 2021, Danica Kragic Jensfelt, Sara Mazur, Johan Menckel, Daniel Nodhäll, Bert Nordberg, Cecilia Stegö Chilò, Erika Söderberg Johnson, Marcus Wallenberg, Joakim Westh and Micael Johansson were re-elected. Henrik Henriksson was elected as a new Board member. Sten Jakobsson had declined re-election. Marcus Wallenberg was elected Chairman of the Board.

The current composition of the Board is the result of the Nomination Committee's work prior to the Annual General Meeting 2021 applying the diversity policy. The members of the Board of Directors of Saab represent a diversity and breadth in terms of gender, competence, age, experience and background. In the aggregate, the Board combines the competence and experience that are important to Saab's operations and that the Nomination Committee deems are needed to meet Saab's future challenges and needs. Of the Board members elected by the shareholders' meeting, and not employed by the company, 36 per cent are women.

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

Information on remuneration to the members of the Board as resolved by the AGM 2021 is set forth in note 8.

Members of the Board elected by the shareholders' meeting

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

Employee representatives

Regulars	Deputies
Stefan Andersson	Conny Holm
Göran Andersson	Tina Mikkelsen
Magnus Gustafsson	Lars Svensson

The Board members' other significant professional commitments, work experience, shareholdings etc. are set forth in the presentation of the Board of Directors on pages 88-89.

Independence requirement

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

Composition and independence of the Board in 2021

Member	Elected	Independent of company/management	Independent of major shareholders
Marcus Wallenberg	1992	Yes	No ¹⁾
Micael Johansson	2020	No ²⁾	Yes
Henrik Henriksson	2021	Yes	Yes
Danica Kragic Jensfelt	2017	Yes	Yes
Sara Mazur	2013	Yes	No ³⁾
Johan Menckel	2019	Yes	Yes
Daniel Nodhäll	2017	Yes	No ⁴⁾
Bert Nordberg	2016	Yes	Yes
Cecilia Stegö Chilò	2010	Yes	Yes
Erika Söderberg Johnson	2017	Yes	Yes
Joakim Westh	2010	Yes	Yes

¹⁾ Member of Investor AB's Board

²⁾ President and CEO of Saab AB

³⁾ Member of Investor AB's Board

⁴⁾ Employed by Investor AB

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

Work of the Board

According to the Board's rules of procedure, seven ordinary meetings shall normally be held each year, in addition to the statutory meeting. The Board can also meet when circumstances demand. In 2021, the Board held one statutory meeting, seven ordinary meetings, six extra meetings, a total of fourteen meetings. The Board meetings in 2021 were held in Stockholm. The Board has also during October 2021 visited Aeronautics operations in Linköping.

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

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

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

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

The Board of Directors' meetings follow an agenda. Prior to each meeting, Board members receive documentation and supporting material for the issues on the agenda. At each Board meeting the CEO presents a Market and Operations Report. A financial report is also presented at each Board

meeting and is addressed in detail prior to the publication of the interim reports and the year-end report. The Board regularly considers investments, research and development, organisational issues, management of significant risk areas, and acquisitions and divestments of companies. The Board's annual work includes deciding on the company's business plan and strategy, which in 2021 were addressed in December. The Board meeting in December also considers the company's budget for the coming year as well as Enterprise Risk Management. The Board then also addressed the performance targets in the company's two performance related share plans. In 2021, the Board especially focused on topics relating to major projects such as Gripen NG to Brazil, Gripen E to Sweden, A26 to Sweden, GlobalEye to the United Arab Emirates and the T-7A jet trainer to the U.S. Air Force as well as other significant export and marketing topics. The Board has also during 2021 worked with specific strategic matters related to the changed organisation, Saab's Gripen offer to Finland and matters related to effects of the COVID-19 pandemic. In 2021, the company arranged two special information sessions for the Board members, where they received detailed information on i.e. autonomy, the Company's work within the area sustainability as well as other important strategic matters.

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

4

BOARD OF DIRECTORS' COMMITTEE WORK

Audit Committee

In accordance with the principles set out in the Swedish Companies Act and the Code, the Board of Directors has appointed an Audit Committee consisting of three members. The work of the Audit Committee is mainly of a preparatory nature, i.e. preparing matters for resolution by the Board. The Audit Committee has certain limited decision-making power. For example, it has established guidelines for services other than auditing that the company may procure from the auditor. The Audit Committee's members following the Annual General Meeting 2021 are Joakim Westh (Chairman of the Committee), Daniel Nodhäll and Erika Söderberg Johnson, whereof both Joakim Westh and Erika Söderberg Johnson are independent of the company and its management as well as of the major shareholders. Moreover, all members of the committee have accounting or auditing competence. The General Counsel, Annika Bärems, was secretary to the Audit Committee in 2021.

The Audit Committee's assignment is set forth in the Board's rules of procedure. The Audit Committee shall, among other things, monitor the company's financial reporting and submit proposals to ensure the integrity of the financial reporting, monitor the efficiency of the company's internal control, internal audit and risk management in respect of the financial reporting, keep itself informed of the audit of the annual report and consolidated accounts, inform the Board of the results of the audit, review and monitor the auditor's impartiality and independence, assist the Nomination Committee in preparing the proposal for the shareholders' meeting's election of the auditor and in certain cases procure auditing

services, in addition to establishing guidelines for services other than auditing that may be provided by the company's auditor. Moreover, the Audit Committee shall annually monitor and evaluate the efficiency and adequacy of the company's anti-bribery and corruption program including the Code of Conduct, and keep itself informed of material deviations or non-compliance with the company's anti-bribery and corruption program, including whistle-blower reports, through regular reporting from the Ethics and Compliance Board. The company's external auditor normally participates in the meetings of the Audit Committee. In 2021, the Audit Committee focused especially on current issues relating to the company's financial position, matters related to effects of the COVID-19 pandemic, the financial reporting, execution of major projects, budget, risk management, internal control assisted the Nomination Committee with proposal for election of auditor and issues relating to the company's business ethical rules.

The Audit Committee keeps minutes of its meetings, which are distributed upon request to the other members of the Board. In 2021, the Committee held five meetings.

5

Remuneration Committee

In accordance with principles set out in the Code, the Board of Directors has appointed a Remuneration Committee consisting of three members. The Remuneration Committee's members following the Annual General Meeting 2021 are Johan Menckel, Marcus Wallenberg and Bert Nordberg. Johan Menckel is the Chairman of the Committee. All are independent of the company and its management. The General Counsel, Annika Bärems, was secretary to the committee in 2021.

The Remuneration Committee's assignments are to prepare the Board's resolutions on remuneration principles, remuneration and other terms of employment for the Group Management, monitor and evaluate variable remuneration programmes for the Group Management, both ongoing and those ended during the year, and monitor and evaluate the application of the remuneration guidelines for senior executives adopted by the Annual General Meeting as well as the current remuneration structures and levels in the company. The Remuneration Committee also proposes remuneration guidelines for senior executives, which, following resolution by the Board of Directors, are submitted to the Annual General Meeting. Matters concerning the employment terms, remuneration and other benefits for the CEO are prepared by the Remuneration Committee for resolution by the Board. The Remuneration Committee is responsible for interpretation and application of the remuneration guidelines for senior executives and to prepare (on behalf of the Board) a report regarding remuneration in accordance with the guidelines. The Remuneration Committee has no decision-making powers of its own. In 2021, the Remuneration Committee focused especially on issues relating to the company's long-term incentive programmes, including the proposed performance targets in the company's two performance related share plans, a fourth complementing performance target in the Performance Share Plan related to CO2 reduction and the preparation of a remuneration report.

The Remuneration Committee keeps minutes of its meetings, which are distributed upon request to the other members of the Board. In 2021, the Committee held three meetings.

Evaluation

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

The questionnaire consists of six parts covering the breadth of the Board's competence, how the Board conducts its work, the Chairman, the Board's composition, the

cooperative atmosphere and possible improvements. The Chairman of the Board does not participate in the Board's discussion on the results of the Chairman's evaluation.

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

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

Attendance and board remuneration in 2021

Name	Audit Committee	Remuneration Committee	Board meetings attended ¹⁾	Committee meetings attended ²⁾	Board remuneration KSEK ³⁾	Audit Committee remuneration KSEK	Remuneration Committee remuneration KSEK	Total remuneration KSEK
Marcus Wallenberg		x	13	2	1,975		95	2,070
Micael Johansson			14					
Sten Jakobsson ⁴⁾		x						
Henrik Henriksson ⁵⁾			7		645			645
Cecilia Stegö Chiló			9		645			645
Danica Kragic Jensfelt			14		645			645
Sara Mazur			13		645			645
Johan Menckel ⁶⁾		x	14	2	645		155	800
Daniel Nodhäll	x		13	5	645	175		820
Bert Nordberg		x	12	3	725		95	820
Erika Söderberg Johnson	x		13	5	645	175		820
Joakim Westh	x		14	5	645	275		920

¹⁾ Of a total of 14 meetings in 2021.

²⁾ Of a total of 5 meetings of the Audit Committee in 2021 and 3 meetings of the Remuneration Committee in 2021.

³⁾ Refers to the remuneration resolved by the AGM 2021 for the period until the AGM 2022. CEO Micael Johansson does not receive remuneration.

⁴⁾ Left the Board at the Annual General Meeting 2021, when declined re-election. Received fee for the period January-March 2021 of SEK 212 500 and participated in 5 Board meetings and 1 committee meeting prior the Annual General Meeting 2021.

⁵⁾ Elected by the AGM in April 2021, thereafter a total of 7 Board meetings of a total of 8 Board meetings.

⁶⁾ New Chair in the Remuneration Committee after the Annual General Meeting 2021, thereafter participated in all meetings.

6

CHIEF EXECUTIVE OFFICER

The President and CEO of Saab is Micael Johansson and he is also a member of the Board of Directors. His significant professional commitments outside the company, earlier positions and shareholding in the company are set forth in the presentation of the Board of Directors, see page 88. Micael Johansson does not have shareholdings or partnerships in any company with which Saab has important business relations.

GUIDELINES FOR REMUNERATION AND OTHER BENEFITS FOR SENIOR EXECUTIVES

The guidelines for remuneration and other benefits for senior executives are found on pages 92-95.

7

THE COMPANY'S AUDITOR

On behalf of the shareholders and in accordance with current laws and regulations, the external auditor examines the financial statements, consolidated accounts, annual report, and administration and management of the company by the Board of Directors and the CEO, and carries out the statutory audit of the corporate governance report and sustainability report. A limited assurance on Saab AB's sustainability report has been conducted. The company's Q3 interim report has

been reviewed by the auditor as well. The auditor presents an auditors' report to the Annual General Meeting. On behalf of the Board, the company's auditor has also reviewed whether the performance targets for the Special Projects Incentive 2021 were met.

The shareholders' meeting elects the auditor. PricewaterhouseCoopers AB was re-elected as auditor by the Annual General Meeting 2021, for the period 2021-2022.

PricewaterhouseCoopers (PwC)

- Elected by the Annual General Meeting 2021 for the period 2021 through the Annual General Meeting 2022.
- Peter Nyllinge, Authorised Public Accountant, is auditor in charge since April 2020. Other major audit assignments: Sandvik AB and Getinge AB.

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

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

AUDIT FEES 2020–2021

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

PwC performed limited services on behalf of the company in 2021 in addition to its audit assignments by consulting on accounting and tax issues.

Auditor's fees for the Group 2020–2021

MSEK	2021	2020
Audit assignments:		
PwC	20	20
Other	4	4
Other assignments:		
PwC	2	2

THE BOARD'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

The Audit Committee considers critical accounting issues and the financial reports presented by the company as well as matters of strategic importance, e.g. asset acquisitions and sales and the Group's financing. It also covers issues such as internal control, regulatory compliance, any significant uncertainty in reported values, post-statement events, changes in estimates and judgements, and other circumstances that may affect the quality of the financial statements. The auditor, elected by the Annual General Meeting, participated in 5 of 5 meetings of the Audit Committee in 2021.

The Board of Directors has met with the auditor to discuss their review of the company for the financial year 2021. The Board on the same occasion met with the auditor while not in the presence of the CEO or other members of the Group Management.

Internal control over financial reporting

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

Control environment

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

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

Risk assessment

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

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

Control activities

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

Information and communication

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

Monitoring and evaluation

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

Board of Directors



**MARCUS
WALLENBERG**

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



**BERT
NORDBERG**

Member of the Board since 2016
Deputy Chair of the Board since 2021
Member of Saab's Remuneration Committee.



**MICHAEL
JOHANSSON**

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



**HENRIK
HENRIKSSON**

Member of the Board since 2021
CEO of H2 Green Steel.



**DANICA KRAGIC
JENSFELT**

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



**SARA
MAZUR**

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



**JOHAN
MENCKEL**

Member of the Board since 2019
Chair of Saab's Remuneration Committee.
EVP, Chief Investment Officer, Investment AB Latour.



**DANIEL
NODHÄLL**

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

MARCUS WALLENBERG

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

Other board commitments:

Chair of SEB and FAM AB. Vice Chair of Investor AB and EQT AB. Board member of AstraZeneca PLC and the Knut and Alice Wallenberg Foundation.

Former employment and positions:

Chair of AB Electrolux, LKAB and Svenska ICC Service AB. President and CEO of Investor AB. Board member of, amongst others, Temasek Holding Ltd, Stora Enso Oyj, EQT Holdings AB.

BERT NORDBERG

Born 1956
Engineer
Shares in Saab: 10,625

Other board commitments:

Chair of Vestas Wind Systems A/S, Sigma Connectivity AB and AXIS AB. Board member of Svenska Cellulosa Aktiebolag (SCA) and Essity Aktiebolag (publ).

Former employment and positions:

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

MICHAEL JOHANSSON

Born 1960
B.Sc.+ in Mathematics and Computer Science at University of Uppsala
Shares in Saab: 35,102

Other board commitments:

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

Former employment and positions:

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

HENRIK HENRIKSSON

Born 1970
B.Sc. in Business Administration, Lund University
Shares in Saab: -

Other board commitments:

Board member of Hexagon AB, Electrolux AB and Svenskt Näringsliv.

Former employment and positions:

Various senior positions within Scania, including President and CEO from 2016-2021.

DANICA KRAGIC JENSFELT

Born 1971
Ph.D. Computer Science
M.Sc. Mechanical Engineering
Shares in Saab: 2,000

Other board commitments:

Board member of FAM AB, H&M Group and CROSEIR AB. Member of the Royal Swedish Academy of Engineering Sciences (IVA) and Swedish Academy of Sciences (KVA).

Former employment and positions:

Board member of Institute for Future Studies. Deputy Director, School of Computer Science and Communication, KTH. Founding member of the Young Academy of Sweden.

SARA MAZUR

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

Other board commitments:

Chair of Wallenberg Autonomous System and Software Program (WASP). Board member of Investor AB and Nobel Prize Outreach AB. Member of the Royal Swedish Academy of Engineering Sciences (IVA).

Former employment and positions:

Vice President and Head of Ericsson Research, Ericsson AB. Vice President System Management, Business Unit Networks, Ericsson AB. Board member of Combiant AB, Chalmers University of Technology AB, RISE Research Institutes of Sweden AB, RISE SICS North Swedish ICT AB.



**CECILIA STEGÖ
CHILÒ**

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



**ERIKA
SÖDERBERG
JOHNSON**

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



**JOAKIM
WESTH**

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



**STEFAN
ANDERSSON**

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



**GÖRAN
ANDERSSON**

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



**MAGNUS
GUSTAFSSON**

Member of the Board since 2021.
Deputy Board member 2016-2021
President of the Local Swedish Association of Graduate Engineers at Saab AB, Linköping.



**CONN
Y
HOLM**

Deputy Board member since 2017 and 1995-2008. Member of the Board 2008-2017
President Saab Group IF Metall Union. Member of the local trade union IF Metall at Electronic Warfare and Aircraft Systems, Huskvarna.



**TINA
MIKKELSEN**

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



**LARS
SVENSSON**

Deputy Board member since 2021
Chair of the Local Swedish Association of Graduate Engineers at Saab AB, Gothenburg.

JOHAN MENCKEL

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

Other board commitments:
Chair of Nord-Lock Group and Bemsiq AB. Board member of Nederman Holding AB, Securitas AB and World Materials Forum, France.

Former employment and positions:
President and CEO of Gränges AB, Board member of Svenska postkodföreningen. CEO of Sapa Heat Transfer. Business Area President of Sapa Profiles Asia. MD of Sapa Heat Transfer Shanghai. Management consultant at Accenture and founder of addnature.com.

DANIEL NODHÄLL

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

Other board commitments:
Board member of Electrolux Professional AB and Husqvarna AB.

Former employment and positions:
Board member of Kunskapsskolan Education Sweden AB. Investment Manager, Head of Capital Goods at Investor AB.

CECILIA STEGÖ CHILÒ

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

Other board commitments:
Board member of Investment AB Spiltan.

Former employment and positions:
Chair of Gotlands Bryggeri AB, Fortum Värme AB (current Stockholm Exergi Holding AB). Board member of Spendrup Bryggeri AB, AMF Fonder AB, Länsförsäkringar Liv, Linköping University Holding AB, Marginalen Group AB and Infostat AB. CEO of the Free Enterprise Foundation of Sweden. Head of think tank Timbro. Cabinet member and Head of the Ministry of Culture.

ERIKA SÖDERBERG JOHNSON

Born 1970
M.Sc. in Economics and Business, Stockholm School of Economics
Shares in Saab: 3,200

Other board commitments:
Board member of Lunar Group A/S.

Former employment and positions:
Chief Financial Officer of Biotage, Karo Bio AB, Affibody AB and Global Genomics AB. Investment Banking Advisor of Enskilda, SEB. Board member of Sectra AB, Qliro Group AB and MedCap AB.

JOAKIM WESTH

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

Other board commitments:
Chair of Amexci AB. Board member of CGI Group Inc., Absolent Group AB and Swedish Match AB.

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

Employee representatives

STEFAN ANDERSSON

Born 1974
B.Sc. Mechanical Engineering, Dalarna University
Shares in Saab: 2,962

GÖRAN ANDERSSON

Born 1972
Shares in Saab: 1,840

MAGNUS GUSTAFSSON

Born 1965
M.Sc. in Applied Physics and Electrical Engineering, Linköping Institute of Technology
Shares in Saab: 1,034

Deputies

**CONN
Y
HOLM**

Born 1947
Upper secondary engineering education
Shares in Saab: 1,579

TINA MIKKELSEN

Born 1973
Electrical Engineering, Stockholms Tekniska Institut (STI)
Shares in Saab: 2,089

LARS SVENSSON

Born 1972
M.Sc.E.E. Chalmers University of Technology
Shares in Saab: 50

Group Management



MICAEL JOHANSSON

President and Chief Executive Officer (CEO)
 Born 1960
 B.Sc.
 Employed 1985
 Shares in Saab 35,102



CHRISTIAN LUIGA

Deputy CEO and Chief Financial Officer
 Economics studies, Stockholm University
 Born 1968
 Employed 2020
 Shares in Saab 14,115



ANDERS CARP

Deputy CEO
 Born 1971
 Employed 2001
 Shares in Saab 14,614



CHARLOTTA BJÖRKLUND

**Senior Vice President and
 Head of Operational Excellence**
 Born 1965
 Employed 2018
 Shares in Saab 1,085



ANNIKA BÅREMO

**Senior Vice President and
 Head of Group Legal Affairs, General
 Counsel, Secretary of the Board of Directors**
 Born 1964
 LLB
 Employed 2012
 Shares in Saab 20,386



LENA ELIASSON

**Senior Vice President and
 Head of Group Human Resources**
 Born 1967
 M.Sc. in Engineering
 Employed 2012
 Shares in Saab 22,801

**CHRISTIAN HEDELIN**

Senior Vice President and
Chief Strategy Officer
Born 1969
MSc Electronic Engineering
Employed 2018
Shares in Saab 4,202

**PÄR HENRIKSSON**

Acting Head of Group Communications
Born 1974
Employed 2017
Shares in Saab 95

**DEAN ROSENFELD**

Senior Vice President and
Chief Marketing Officer
Born 1968
Degree MMgt
Employed 2001
Shares in Saab 4,119

**CARL-JOHAN BERGHOLM**

Senior Vice President and
Head of Business Area Surveillance
Born 1967
Employed 2003
Shares in Saab 1,642

**JONAS HJELM**

Senior Vice President and
Head of Business Area Aeronautics
Born 1971
Employed 2006
Shares in Saab 7,873

**GÖRGEN JOHANSSON**

Senior Vice President and
Head of Business Area Dynamics
Born 1964
MBA
Employed 2004
Shares in Saab 22,997

**LARS TOSSMAN**

Senior Vice President and
Head of Business Area Kockucks
Born 1962
Employed 1986
Shares in Saab 18,280

Changes in the Group Management

During the second quarter, Carl-Johan Bergholm was appointed as the new head of Saab's Business Area Surveillance and Charlotta Björklund was appointed as the head of the new function Operational Excellence, both becoming members of Saab's Group Management.

As of 1 July 2021, Saab's new business area structure came into effect and Ellen Molin, Head of Business Area Support & Services took on the role as Deputy Head of Business Area Aeronautics, and Jessica Öberg, Head of Business Area IPS took on the role as CEO of Combitech. Both therefore left the Group Management.

During the fourth quarter 2021, Sebastian Carlsson left the role as Head of Group Communication and Saab's Group Management to take on the role as Deputy CEO of Combitech.

Remuneration and long-term incentive programmes

GUIDELINES ON REMUNERATION AND OTHER TERMS OF EMPLOYMENT FOR SENIOR EXECUTIVES 2021

Pursuant to the Swedish Companies Act, the Board of Directors shall, at least every fourth year, present a proposal for remuneration guidelines for the company's senior executives to be adopted by the Annual General Meeting. The Annual General Meeting 2021 adopted the Board's proposed guidelines for senior executives which is described below.

During the year, the Remuneration Committee has evaluated the application of the remuneration guidelines. The Remuneration Committee is of the opinion that the guidelines adopted in 2021 achieve their purposes to facilitate the recruitment and retention of senior executives and therefore no changes are proposed to the remuneration guidelines.

Guidelines

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

These guidelines apply from the Annual General Meeting 2021 and are applicable to remuneration agreed, and amendments to remuneration already agreed, after adoption of the guidelines by the Annual General Meeting.

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

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

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

Fixed remuneration

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

Variable remuneration

Saab's operations are mainly characterised by the development of technically advanced products and systems. The products are marketed, further developed, produced and maintained during long periods of time, in some cases three to four decades, which generally entails substantial investments and long-term customer relations all over the world. Consequently, it is important that senior executives have a long-term view and a long-term commitment in the Company's operations and profits. Therefore, long-term incentive is especially well suited to Saab and its shareholders. Hence, Saab does not normally offer any short-term variable cash remuneration to the President or other members of the Group Management. Instead, the variable remuneration consists of long-term share based incentive programs which are adopted by the Shareholders' Meeting and therefore not subject to these guidelines. The President and other members of the Group Management are entitled to participate in these programs. The Board of Directors proposes that the Annual General Meeting 2021 resolve on a long-term incentive program (LTI 2022). The Board's intention is to propose such long-term incentive programs also to future Annual General Meetings. The terms and estimated costs for the Company's long-term incentive programs are presented in the Board's complete proposal to each Annual General Meeting.

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

Variable cash remuneration shall not be paid in other cases.

Other benefits

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

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

Senior executives who are stationed in a country other than their home country may receive additional remuneration and other benefits to the extent reasonable in light of the

special circumstances associated with the arrangement, taking into account, to the extent possible, the overall purpose of these guidelines. Such benefits shall in total not exceed 30 per cent of the fixed annual salary.

Pension

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

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

Adjustments to local regulations

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

Miscellaneous terms

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

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

not for more than 18 months following termination of employment.

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

Consultancy fees to Board Members

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

Additional information in the Annual Report

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

Salary and employment conditions for employees

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

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

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

The Board of Directors has established a Remuneration Committee. The Committee's tasks include preparing a proposal for guidelines for executive remuneration on behalf of the Board, which, after decision by the Board of Directors, is submitted to the Annual General Meeting. The Board of Directors shall prepare a proposal for new guidelines at least every fourth year and submit it to the Annual General Meeting for adoption. The guidelines shall be in force until new guidelines are adopted by the Shareholders' Meeting. The Remuneration Committee shall also prepare the Board's decisions as regards remuneration principles, remuneration and other terms of employment for senior executives, monitor and evaluate programs for variable remuneration for the Group Management, the application of the guidelines for executive remuneration as well as the current remuneration structures and compensation levels in the Company. The President and other

members of the Group Management do not participate in the Board of Directors' processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters.

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

INFORMATION IN THE ANNUAL REPORT NOTE 8

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

INCENTIVE PROGRAMME PROPOSED TO THE ANNUAL GENERAL MEETING 2021

The Board of Directors proposed that the Annual General Meeting 2021 resolve to adopt long-term incentive programme 2022 (LTI 2022), consisting of Share Matching Plan 2022, Performance Share Plan 2022 and Special Projects Incentive 2022, with some changes to the performance targets as regards the Performance Share Plan 2022. The Annual General Meeting resolved in accordance with the Board's proposal.

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

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

Share Matching Plan

Since 2007, Saab offers permanent employees the opportunity to participate in the Share Matching Plan. Employees can withhold up to 5 per cent of their gross base salary to purchase Series B shares on Nasdaq Stockholm during a twelve-month period. Provided that a participant retains the purchased shares for three years after the investment date and is still employed by the Saab Group, the participant will be allotted a corresponding number of Series B shares free of charge. Currently, Share Matching Plans 2018–2022 are ongoing.

According to the resolution of the 2021 Annual General Meeting, the Share Matching Plan comprises a maximum of 1,005,000 shares.

Performance Share Plan

Since 2008, Saab also has a Performance Share Plan for senior executives and key employees. The Performance Share Plan is directed at a limited number of key employees, including the President. Participants can save up to 7.5 per cent of their base salary to purchase Series B shares during a twelve-month period, while participating in the Share Matching Plan

as well, but only up to a maximum of 5 per cent of base salary. Depending on which category they belong to, participants are entitled to 2–7 performance shares for each purchased share.

Participants are entitled to matching of performance shares, free of consideration, provided that the performance targets are achieved and the participants have retained the purchased shares for three years after the investment date and remain employed by the Saab Group.

The number of performance shares is linked to the performance targets established by the Board of Directors. The terms for the performance matching are based on three independent targets for a one-year performance period: organic sales growth, EBIT margin and free cash flow. The relative apportionment between the targets is as follows: 30 per cent of the allotment is attributable to organic sales growth, 30 per cent to EBIT margin and 40 per cent to free cash flow. The performance targets are established by the Board of Directors with a minimum and maximum level for each target. The Board of Directors decides on the performance matching after the end of the one-year performance period.

If the performance outcome falls short of the maximum level but exceeds the minimum level, a linear proportionate performance matching will occur. No performance matching will occur if the performance outcome is equal to or below the minimum level. Before the performance matching is ultimately determined, the Board of Directors will assess whether it is reasonable in relation to the company's financial results and position, conditions in the stock market and other circumstances. If it determines that this is not the case, the Board of Directors will reduce the number of performance shares that will be matched to the lower number of shares it considers appropriate. Performance shares are allotted three years after the investment. Currently, Performance Share Plans 2018–2022 are ongoing.

According to the resolution of the 2021 Annual General Meeting, the Performance Share Plan comprises a maximum of 200,000 shares.

Special Projects Incentive

In 2017, the Annual General Meeting decided to introduce a new programme, the Special Projects Incentive (SPI), as a complement to the Performance Share Plan. The Special Projects Incentive is directed at a limited number of key employees, including the President. Participation in SPI presupposes participation in the Performance Share Plan or the Share Matching Plan. The programme entitles the employee to allotment of performance shares corresponding to 15–52.5 per cent of the cash base salary for the current financial year depending on group affiliation, provided that the employment remains for three years and that performance targets are reached. For the President and other members of the Group Management, the total allotment of shares in SPI and the Performance Share Plan together amounts to a maximum of 75 per cent of the cash base salary for the President and 60 per cent of the cash base salary for the other members of the Group Management.

Performance shares are allotted after three years based on the achievement during the current financial year of eight equally weighted performance targets in SPI 2018–SPI 2020. As of SPI 2021, the programme is based on 10 equally weighted performance targets.

According to the resolution of the 2021 Annual General Meeting, the Special Projects Incentive comprises a maximum of 165,000 shares.

Share repurchases

The Annual General Meeting in 2021 authorised the Board of Directors to repurchase a maximum of 1,370,000 series B shares to secure delivery of shares to participants in Saab's long-term incentive programmes 2022.

The Annual General Meeting 2021 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 share-reholder 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 June, the Board of Directors decided to utilise its authorisation to repurchase own shares of series B in order to secure delivery of shares to participants in Saab's long-term incentive programmes. In the third quarter of 2021, series B shares were repurchased for SEK 246 million.

INCENTIVE PROGRAMME PROPOSED TO THE ANNUAL GENERAL MEETING 2022

The Board of Directors proposes that the Annual General Meeting resolve to adopt long-term incentive programme 2023 (LTI 2023), which consists of three parts: Share Matching Plan 2023, Performance Share Plan 2023 and Special Projects Incentive 2023. The terms and conditions and costs of the above-mentioned programmes are presented in the Board's complete proposal to the Annual General Meeting.

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Consolidated income statement

MSEK	Note	2021	2020
Sales	4,42	39,154	35,431
Cost of goods sold	42	-30,949	-29,755
Gross income		8,205	5,676
Other operating income	6,42	146	1,291
Marketing expenses		-2,266	-2,339
Administrative expenses		-1,434	-1,409
Research and development costs		-1,659	-1,331
Other operating expenses	6,42	-76	-393
Share in income of associated companies and joint ventures	19,42	-28	-180
Operating income		2,888	1,315
Financial income		124	230
Financial expenses		-435	-433
Net financial items	11	-311	-203
Income before taxes		2,577	1,112
Taxes	13	-552	-20
Net income for the year		2,025	1,092
Attributable to:			
Parent Company's shareholders		1,926	1,073
Non-controlling interest		99	19
Earnings per share before dilution (SEK)	14	14,57	8,07
Earnings per share after dilution (SEK)	14	14,45	8,01

Orders

Order bookings amounted to MSEK 43,569 (42,328), an increase of 3 per cent. In the last two years, the book-to-bill ratio has been greater than one, supporting the company's long-term growth. Growth in order bookings during the year was mainly driven by orders in Sweden and Europe. Large orders amounted to MSEK 14,869 (17,222). Medium-sized orders grew 31 per cent and amounted to MSEK 15,495 (11,839). Bookings of small orders was in line with last year and amounted to MSEK 13,205 (13,267). A total of 92% (91) of order bookings was attributable to defence related operations during the year and 54% (70) was related to markets outside Sweden.

In 2021, index and price changes had a positive effect on order bookings of MSEK 1,223, compared to MSEK 588 in 2020.

The order backlog at year-end amounted to MSEK 105,177, compared to MSEK 99,816 at the beginning of the year. In total, 67 per cent (71) of the order backlog is attributable to markets outside Sweden.

Order backlog duration:

2022: SEK 34.0 billion
2023: SEK 24.9 billion
2024: SEK 17.3 billion
2025: SEK 14.4 billion
After 2025: SEK 14.6 billion

Sales per region

MSEK	2021	2020
Sweden	14,841	12,662
Rest of Europe	6,553	6,239
North America	4,203	3,938
Latin America	5,786	4,527
Asia	5,507	6,336
Africa	175	180
Australia, etc.	2,089	1,549
Total	39,154	35,431

Sales per market segment

MSEK	2021	2020
Air	17,232	16,343
Land	8,942	7,480
Naval	8,447	7,183
Civil Security	2,877	2,057
Commercial Aeronautics	762	1,423
Other	894	945
Total	39,154	35,431

Sales growth

Per cent	2021	2020
Organic sales growth	11	1
Acquisitions	-	-
Currency effects regarding revaluation of foreign subsidiaries	0	-1
Total sales growth	11	0

Sales

Sales amounted to MSEK 39,154 (35,431), corresponding to an organic growth of 11 per cent. Adjusted for items affecting comparability in 2020, sales growth was 6.5 per cent.

Dynamics, Surveillance, Kockums and Combitech reported sales growth compared to adjusted full year 2020 as a result of continued high activity in projects and deliveries. In Aeronautics, the weak volumes in the civil aviation operations continued to have a negative impact on sales.

Sales from markets outside Sweden increased to MSEK 24,313 (22,769), corresponding to 62 per cent (64) of total sales. In 2021, all regions, except Asia and Africa, reported sales growth. 90 per cent (88) of sales were related to the defence market.

Income, margin and profitability

The gross margin during 2021 was 21.0 per cent (16.0) and improved slightly compared to the adjusted gross margin last year of 20.6 per cent. Gross income for the period increased 8 per cent compared to the adjusted gross income of 2020.

Total depreciation, amortisation and write-downs amounted to MSEK 1,938 (1,518). Depreciation of tangible fixed assets amounted to

MSEK 1,237 (1,169).

Total R&D expenditures amounted to MSEK 6,897 (7,440), or about 18 per cent (21) of sales. Expenditures for internally funded investments in R&D amounted to MSEK 2,000 (2,450), of which MSEK 891 (1,353) has been capitalised. Capitalised expenditures are mainly attributable to the development of Gripen E/F for future exports.

Amortisation and write-downs of intangible fixed assets amounted to MSEK 701 (349), of which amortisation and write-downs of capitalised development expenditures amounted to MSEK 550 (233). The increase is mainly explained by amortisation of GlobalEye, MSEK 374 (94).

The share of income in associated companies and joint ventures amounted to MSEK -28 (-180).

EBITDA amounted to MSEK 4,826 (2,833) and improved compared to the adjusted EBITDA last year of MSEK 4,256. The improvement was a result of the positive contribution from sales. The EBITDA margin during 2021 was 12.3 per cent (8.0) and the adjusted EBITDA margin for 2020 was 11.6 per cent.

Operating income increased by 5 per cent and amounted to MSEK 2,888 (1,315) compared to the adjusted operating income of MSEK 2,738 in 2020. The operating margin of 7.4 per cent (3.7) was in line

with the adjusted margin of 7.4 per cent during 2020.

During the year, operating income included right-sizing measures and capacity adjustments in the business areas Dynamics, Surveillance and Aeronautics of MSEK 167.

Current and deferred taxes amounted to MSEK -552 (-20), corresponding to an effective tax rate of 21 per cent. Taxes in 2020 were affected by a tax-exempt income from the divestment of the joint venture Vricon.

The return on capital employed was 8.1 per cent (4.3) and the return on equity was 9.0 per cent (5.1). Performance indicators for return on capital employed and return on equity have been significantly impacted by items affecting comparability in 2020.

Consolidated statement of comprehensive income

MSEK	2021	2020
Net income for the year	2,025	1,092
Other comprehensive income/loss:		
Items that will not be reversed in the income statement:		
Revaluation of net pension obligations	485	-252
Tax attributable to revaluation of net pension obligations	-100	54
Total	385	-198
Items that may be reversed in the income statement:		
Translation differences	402	-663
Net gain/loss on cash flow hedges:		
Change in value	-210	1,304
Reversed through profit or loss	-412	-436
Tax attributable to net gain/loss on cash flow hedges	130	-180
Total	-90	25
Other comprehensive income/loss for the year	295	-173
Net comprehensive income/loss for the year	2,320	919
of which Parent Company's shareholders' interest	2,207	926
of which non-controlling interest	113	-7

Revaluation of net pension obligations has had a pre-tax effect of MSEK 485 (-252) on net comprehensive income for the year, see note 31 for more information.

The after-tax effect of net gain/losses of cash flow hedges on net comprehensive income amounted to MSEK -492 (688), see note 35 for more information.

FINANCIAL NET

MSEK	2021	2020
Financial net related to pensions	-52	-73
Net interest items	-66	-70
Currency gains/losses	-29	110
Lease liability interest	-98	-93
Other net financial items	-66	-77
Total	-311	-203

The financial net related to pensions is the financial cost for net pension obligations recognised in the balance sheet. See note 31 for more information regarding defined-benefit pension plans.

Net interest items refer to interest on liquid assets, short-term investments and interest expenses on short- and long-term interest-bearing liabilities and interest on interest-rate swaps.

Currency gains/losses recognised in the financial net are mainly related to currency hedges of the tender portfolio, which are measured at fair value through profit and loss. In 2021, the Group had a negative impact on results from derivatives that hedge tenders in foreign currency while the result was

positive in 2020.

Lease liability interest consists of the interest portion related to lease liabilities recognised in the balance sheet.

Other net financial items consist of realised and unrealised results from short-term investments and derivatives as well as other currency effects, e.g. changes in exchange rates for liquid assets in currencies other than SEK.

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

Consolidated statement of financial position

MSEK	Note	31-12-2021	31-12-2020
ASSETS			
Fixed assets:			
Intangible fixed assets	15	12,162	11,520
Tangible fixed assets	16	7,147	6,608
Biological assets	18	385	376
Right-of-use assets	17	2,472	2,516
Shares in associated companies and joint ventures	19	404	496
Financial investments	35	37	30
Long-term receivables	23	595	617
Deferred tax assets	13	305	231
Total fixed assets		23,507	22,394
Current assets:			
Inventories	24	11,609	10,252
Derivatives	35	779	1,677
Tax receivables		35	28
Accounts receivable	25	5,884	4,062
Contract assets	4,25	9,252	9,900
Other receivables	23	1,179	899
Prepaid expenses and accrued income	26	953	979
Short-term investments	35	10,140	8,104
Liquid assets	27	1,701	2,273
Total current assets		41,532	38,174
TOTAL ASSETS		65,039	60,568
EQUITY AND LIABILITIES			
Equity	28		
Capital stock		2,174	2,174
Other capital contributions		6,099	6,099
Other reserves		370	474
Retained earnings		14,333	12,719
Equity attributable to Parent Company's shareholders		22,976	21,466
Non-controlling interest		273	178
Total equity		23,249	21,644
Liabilities			
Long-term liabilities:			
Long-term lease liabilities	17	2,061	2,095
Other long-term interest-bearing liabilities	29	5,752	5,291
Other liabilities	33	81	100
Provisions for pensions	31	5,918	6,445
Other provisions	32	2,529	2,197
Deferred tax liabilities	13	137	56
Total long-term liabilities		16,478	16,184
Current liabilities:			
Short-term lease liabilities	17	482	444
Other short-term interest-bearing liabilities	29	1,421	2,168
Contract liabilities	4	10,687	8,409
Accounts payable		3,534	3,302
Derivatives	35	615	965
Tax liabilities		179	42
Other liabilities	33	945	778
Accrued expenses and deferred income	34	6,377	5,939
Provisions	32	1,072	693
Total current liabilities		25,312	22,740
Total liabilities		41,790	38,924
TOTAL EQUITY AND LIABILITIES		65,039	60,568

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

Consolidated statement of financial position

Statement of financial position

At the end of December 2021, net debt was MSEK 2,125, an decrease of MSEK 2,148 compared to year-end 2020, when net debt amounted to MSEK 4,273.

Cash flow from operating activities amounted to MSEK 5,713 (5,800).

Due to invoicing and milestone payments in large projects, contract assets decreased by MSEK 648 while contract liabilities increased by MSEK 2,278 compared to year-end 2020. Inventories increased by MSEK 1,357 million during the year, mainly related to future deliveries within Dynamics and Surveillance.

Net provisions for pensions, excluding the special employer's contribution, amounted to MSEK 4,774 as of 31 December 2021, compared to MSEK 5,067 at year-end 2020. The change had a positive effect on net debt of MSEK 293. For further information on Saab's defined-benefit pension plans, see note 31.

Tangible fixed assets amounted to MSEK 7,147 (6,608) at the end of the year.

Right-of-use assets recognised in the balance sheet

amounted to MSEK 2,472 (2,516).

Net investments during the year amounted to MSEK 2,494 (2,868).

Investments in tangible fixed assets amounted to MSEK 1,223 (1,269).

Investments in intangible fixed assets amounted to MSEK 1,297 (1,622), of which MSEK 891 (1,353) related to capitalised R&D expenditures. Capitalised R&D in the balance sheet increased by MSEK 341. The increase is mainly related to investments to develop Gripen E/F for future exports. Of the total investments in intangible fixed assets, MSEK 406 (269) related to other intangible fixed assets. The increase mainly relates to IT security.

As of 31 December 2021, short-term investments and liquid assets amounted to MSEK 11,841, an increase of MSEK 1,464 compared to year-end 2020.

Capital employed increased by MSEK 1,068 during the year to MSEK 37,777.

To secure the delivery of shares to participants in Saab's various share matching plans, the authorisation

from the Annual General Meeting to repurchase shares was utilised. During the year, series B shares were repurchased for MSEK 246. In addition, a dividend of MSEK 622 was paid to the parent company's shareholders.

Net liquidity/debt

MSEK	Note	31-12-2021	31-12-2020
Assets			
Liquid assets	27	1,701	2,273
Short-term investments	35	10,140	8,104
Total liquid investments		11,841	10,377
Short-term interest-bearing receivables	23	66	64
Long-term interest-bearing receivables	23	457	351
Long-term receivables attributable to pensions	23	39	-
Total interest-bearing assets		12,403	10,792
Liabilities			
Lease liabilities	17	2,543	2,539
Bonds and other debt instruments	30	7,085	7,412
Liabilities to associated companies and joint ventures	29	43	39
Other interest-bearing liabilities	29	44	8
Provisions for pensions ¹⁾	31	4,813	5,067
Total interest-bearing liabilities and provisions for pensions		14,528	15,065
Net liquidity (+) / debt (-)		-2,125	-4,273

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

The average net liquidity/debt during 2021 amounted to MSEK -3,016 (-6,850). Net liquidity/debt excluding interest-bearing receivables, net pension obligations and lease liabilities amounted to MSEK 4,669 (2,918) on 31 December 2021.

Consolidated statement of changes in equity

MSEK	Capital stock	Other capital contributions	Other reserves			Retained earnings	Total parent company's shareholders' interest	Non-controlling interest	Total shareholder's equity
			Net result of cash flow hedges	Translation reserve	Revaluation reserve				
Opening balance, 1 January 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
Opening balance, 1 January 2021	2,174	6,099	458	16	-	12,719	21,466	178	21,644
Net comprehensive income/ loss for the year			-492	388		2,311	2,207	113	2,320
Transactions with shareholders:									
Repurchase of shares						-246	-246		-246
Share matching plan						190	190		190
Dividend						-622	-622	-53	-675
Acquisition and sale of non-controlling interest						-19	-19	35	16
Closing balance, 31 December 2021	2,174	6,099	-34	404	-	14,333	22,976	273	23,249

For a definition of other reserves, see note 28.

Consolidated statement of cash flows

MSEK	Note	2021	2020
Operating activities:			
Income after financial items		2,577	1,112
Adjustments for items not affecting cash flow	40	3,513	2,033
Dividend from associated companies and joint ventures		72	63
Income tax paid		-373	-144
Cash flow from operating activities before changes in working capital		5,789	3,064
Cash flow from changes in working capital:			
Contract assets and liabilities		2,929	1,704
Inventories		-1,320	95
Other current receivables		-1,636	805
Other current liabilities		401	468
Provisions		-450	-336
Cash flow from operating activities		5,713	5,800
Investing activities:			
Capitalised development costs		-891	-1,353
Investments in intangible fixed assets		-406	-269
Investments in tangible fixed assets		-1,223	-1,269
Sales and disposals of tangible fixed assets		26	23
Investments in and sale of short-term investments		-2,085	-2,312
Investments in financial assets, associated companies and joint ventures		-125	-97
Sale of financial assets, associated companies and joint ventures		3	1,110
Investments in operations	40	-21	-4
Sale of subsidiaries	40	19	169
Cash flow from investing activities		-4,703	-4,002
Financing activities:			
Repayment of loans		-2,538	-3,077
Amortisation of lease liabilities		-469	-437
Raising of loans		2,248	2,728
Repurchase of shares		-246	-242
Dividend paid to Parent Company's shareholders		-622	-
Dividend paid to non-controlling interests		-27	-12
Transactions with non-controlling interests		15	-85
Cash flow from financing activities		-1,639	-1,125
CASH FLOW FOR THE YEAR	40	-629	673
Liquid assets at beginning of year		2,273	1,687
Exchange rate difference in liquid assets		57	-87
Liquid assets at year-end	40	1,701	2,273

Capital expenditures

The cash flow effect of capital expenditures in tangible fixed assets amounted to MSEK 1,223 (1,269).

Investments in intangible fixed assets amounted to MSEK 1,297 (1,622), of which MSEK 891 (1,353) was related to capitalised development costs and MSEK 406 (269) to other intangible fixed assets.

Cash flow

Cash flow from operating activities, excluding taxes and other financial items, amounted to MSEK 5,770 (5,641), see note 40.

Operational cash flow amounted to MSEK 3,276 (2,773). Cash flow improved as a result of higher EBITDA, lower investments and large milestone payments.

Operational cash flow is defined as cash flow from operating activities and acquisitions and divestments of intangible and tangible fixed assets. Cash flow from operating activities excludes taxes and other financial items but includes amortisation of lease liabilities.

Free cash flow amounted to MSEK 2,737 (3,753). For more detailed information on cash flow, see note 40.

Saab has an established programme to sell trade receivables in order to increase the financial flexibility. As of 31 December 2021, receivables with a value of MSEK 0 (0) had been sold.

Parent company income statement

MSEK	Note	2021	2020
Sales	4,42	23,430	21,986
Cost of goods sold	42	-19,129	-19,518
Gross income		4,301	2,468
Marketing expenses		-1,360	-1,393
Administrative expenses		-768	-863
Research and development costs		-1,549	-1,998
Other operating income	6,42	66	90
Other operating expenses	6,42	-51	-300
Operating income		639	-1,996
Result from financial items:	11		
Result from shares in Group companies		1,134	515
Result from shares in associated companies and joint ventures		-6	889
Result from other securities and receivables held as fixed assets		40	41
Other interest income and similar items		150	149
Interest expenses and similar items		-70	-260
Income after financial items		1,887	-662
Appropriations	12	-487	309
Income before taxes		1,400	-353
Taxes	13	-284	258
Net income for the year		1,116	-95

Sales and income

The Parent Company includes units within the business areas Aeronautics, Surveillance, Dynamics as well as one unit within Combitech. Group staff and Group support are also included.

Parent company comprehensive income

MSEK	2021	2020
Net income for the year	1,116	-95
Other comprehensive income/loss:		
Items that may be reversed in the income statement:		
Translation differences	-	-
Other comprehensive income/loss for the year	-	-
Net comprehensive income/loss for the year	1,116	-95

Parent company balance sheet

MSEK	Note	31-12-2021	31-12-2020
ASSETS			
Fixed assets:			
Intangible fixed assets	15	920	780
Tangible fixed assets	16	4,427	4,183
Financial fixed assets:			
Shares in Group companies	38	6,640	6,342
Receivables from Group companies	21	91	91
Shares in associated companies and joint ventures	20	349	354
Receivables from associated companies and joint ventures	21	397	290
Other long-term securities holdings	22	35	27
Other long-term receivables	23	18	19
Deferred tax assets	13	439	384
Total financial fixed assets		7,969	7,507
Total fixed assets		13,316	12,470
Current assets:			
Inventories	24	7,696	6,833
Current receivables:			
Accounts receivable	25	2,526	2,047
Receivables from Group companies		4,874	3,336
Receivables from associated companies and joint ventures		1	18
Contract assets		6,633	7,591
Other receivables	23	451	697
Prepaid expenses and accrued income	26	2,435	1,849
Total current receivables		16,920	15,538
Short-term investments		10,135	8,076
Cash and bank balances		805	1,598
Total current assets		35,556	32,045
TOTAL ASSETS		48,872	44,515
EQUITY AND LIABILITIES			
Equity			
28			
Restricted equity:			
Capital stock		2,174	2,174
Revaluation reserve		650	656
Statutory reserve		543	543
Unrestricted equity:			
Share premium reserve		5,557	5,557
Retained earnings		4,561	5,327
Net income for the year		1,116	-95
Total equity		14,601	14,162
Untaxed reserves	39	2,686	2,199
Provisions			
Provisions for pensions and similar commitments	31	225	235
Other provisions	32	2,540	2,304
Total provisions		2,765	2,539
Liabilities			
Bonds and other debt instruments	30	7,085	7,412
Liabilities to Group companies		6,878	6,496
Contract liabilities	4	5,903	3,504
Accounts payable		2,126	2,166
Liabilities to associated companies and joint ventures		43	39
Tax liabilities		106	6
Other liabilities	33	775	972
Accrued expenses and deferred income	34	5,904	5,020
Total liabilities		28,820	25,615
TOTAL EQUITY AND LIABILITIES		48,872	44,515

Liquidity, financing, capital expenditures and number of employees

The Parent Company's net debt amounted to SEK 1,542 million as of 31 December 2021 compared to SEK 1,224 million as of 31 December 2020.

Investments in tangible fixed assets amounted to SEK 700 million (668). Investments in intangible assets amounted to SEK 364 million (250). At the end of the period, the Parent Company had 10,064 employees compared to 10,094 at the beginning of the year.

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

Statement of changes in equity for the parent company

MSEK	Restricted equity			Unrestricted equity			Total equity
	Capital stock	Revaluation reserve	Statutory reserve	Share premium reserve	Retained earnings	Net comprehensive income for the year	
Opening balance, 1 January 2020	2,174	663	543	5,557	5,375	-	14,311
Items reported directly in equity:							
Change in revaluation reserve		-7			7		-
Net comprehensive income/loss for the year						-95	-95
Transactions with shareholders:							
Repurchase of shares					-242		-242
Share matching plan					187		187
Closing balance, 31 December 2020	2,174	656	543	5,557	5,327	-95	14,162
Opening balance, 1 January 2021	2,174	656	543	5,557	5,232	-	14,162
Items reported directly in equity:							
Change in revaluation reserve		-6			6		-
Net comprehensive income/loss for the year						1,116	1,116
Transactions with shareholders:							
Repurchase of shares					-246		-246
Dividend					-622		-622
Share matching plan					190		190
Closing balance, 31 December 2021	2,174	650	543	5,557	4,561	1,116	14,601

Parent company statement of cash flows

MSEK	Note	2021	2020
Operating activities:			
Income after financial items		1,887	-662
Adjustments for items not affecting cash flow	40	322	580
Income tax paid		-234	-21
Cash flow from operating activities before changes in working capital		1,975	-103
Cash flow from changes in working capital:			
Contract assets and -liabilities		3,355	1,255
Inventories		-797	325
Other current receivables		-297	-207
Other current liabilities		16	371
Provisions		-334	-250
Cash flow from operating activities		3,918	1,391
Investing activities:			
Shareholders' contributions paid/repaid		-208	-326
Investments in intangible fixed assets		-364	-251
Investments in tangible fixed assets		-700	-666
Sale of tangible fixed assets		5	6
Sale of and investments in short-term investments		-2,084	-2,312
Investments in financial assets		-134	-42
Sale of financial assets		3	1,092
Investments in operations		-73	-
Sale of subsidiaries		-	99
Cash flow from investing activities		-3,555	-2,400
Financing activities:			
Change in receivables/liabilities from Group companies		-456	1,333
Raising of loans		2,203	2,725
Repayment of loans		-2,527	-3,068
Repurchase of shares		-246	-242
Dividend paid to shareholders		-622	-
Group contributions and dividends received		492	852
Cash flow from financing activities		-1,156	1,600
CASH FLOW FOR THE YEAR		-793	591
Liquid assets at beginning of year		1,598	1,007
Liquid assets at year-end	40	805	1,598

Note 1

Accounting Principles

Operations

Saab AB is a Swedish limited company with its registered address in Linköping. The company's Series B shares are listed on Nasdaq Stockholm's large cap list. The operations of Saab AB with its subsidiaries, joint ventures and associated companies (jointly referred to as Saab or the Group) are since 1 July 2021 divided into four business areas: Aeronautics, Dynamics, Surveillance and Kockums. Combitech is reported as a segment outside of the business area structure. In addition, Corporate comprise Group staff, Group departments and secondary operations. The operations in each business area and Combitech are described in note 3.

On 25 February 2022, the Board of Directors and the President and CEO approved this annual report and consolidated accounts for publication, and it will be presented to the Annual General Meeting on 6 April 2022 for adoption.

Conformity to standards and laws

The consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations of the IFRS Interpretations Committee (IFRS IC) as approved by the EU.

The consolidated accounts have also been prepared in accordance with the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups, which contains certain additional disclosure requirements for Swedish consolidated accounts prepared in accordance with IFRS.

The annual report for Saab AB has been prepared according to the Annual Accounts Act, the Swedish Financial Reporting Board's recommendation RFR 2 Reporting by Legal Entities and the pronouncements of the Swedish Financial Reporting Board. Differences between the accounting principles applied by the Parent Company and the Group are the result of limitations on opportunities to apply IFRS by the Parent Company owing to the Annual Accounts Act, the Act on Safeguarding Pension Commitments and in certain cases current tax rules. Significant differences are described below under "Significant differences between the Group's and the Parent Company's accounting principles."

Assumptions in the preparation of the financial reports

The Parent Company's functional currency is Swedish kronor (SEK), which is also the reporting currency for the Parent Company and for the Group. The financial reports are presented in SEK. All amounts, unless indicated otherwise, are rounded off to the nearest million.

The preparation of the financial reports in accordance with IFRS requires the Board of Directors and Management to make estimates and assumptions that affect the application of the accounting principles and the carrying amounts of assets, liabilities, revenue and expenses. These estimates and assumptions are based on historical experience and knowledge of the industry that Saab operates in, and under current circumstances seem reasonable. The result of these estimates and assumptions is then used to determine the carrying amounts of assets and liabilities that otherwise are not clearly indicated by other sources. Actual outcomes may deviate from these estimates and assumptions.

Estimates and assumptions are reviewed regularly, and the effect of changed estimates is recognised in profit or loss unless the assessment relates to a item reported in other comprehensive income.

Estimates made by the Board of Directors and Management in applying the accounting principles in compliance with IFRS that may have a significant impact on the financial reports as well as estimates that may necessitate significant adjustments in financial reports in subsequent years are described in more detail in note 2.

The accounting principles described below for the Group and the accounting principles concerning significant profit/loss and balance sheet items described in the respective note disclosure have been applied consistently for all periods presented in the Group's financial reports, unless otherwise stated.

The consolidated accounts have been prepared with acquisition cost as valuation basis unless otherwise stated below or in the accounting principles in each note.

Impact from COVID-19 on the financial reports

The pandemic has affected Saab's financial reports in a number of areas. The financial effect in the comparative period from revised estimates and assumptions that have been classified as items affecting comparability due to COVID-19 are summarised in note 42. COVID-19 has also affected the Group's measurement of account receivables which is disclosed in note 25.

During the year Saab has, as a consequence of COVID-19, evaluated whether revisions of estimates and assumptions have been necessary. In note 2, the impact from COVID-19 on the areas subject to estimates and assumptions of greatest importance to the Group is disclosed. Furthermore, the pandemic has given rise to various support measures from public entities to private companies. Saab has received some such supports, see note 7 Government grants.

In addition to the financial effects summarised above, the impact on the group from the pandemic is disclosed outside of the financial reports and the notes disclosures in the Administration report in general and more specifically in the

descriptions of the development in each business area, in this Annual and Sustainability report.

Application of new and revised accounting rules

A number of changes to existing accounting standards have entered into force during the year. None of these has had any material effect on the Group.

New and amended standards and interpretations that have not yet entered into force

IASB has issued a number of amendments and standards that have not yet entered into force. None of these are expected to have a material effect on the Group.

Classification of assets and liabilities

Current assets and current liabilities generally consist of amounts that can be recovered or paid within twelve months of the closing day. Other assets and liabilities are recognised as fixed assets or long-term liabilities.

Consolidation principles

Group companies

Group companies are companies in which Saab AB has a decisive influence. Decisive influence exists when Saab has right to and can affect the variable return from the company through a direct or indirect shareholding amounting to more than 50 per cent of the votes, other than in exceptional circumstances where it can be clearly demonstrated that such ownership does not constitute a decisive influence. Decisive influence also exists when the parent owns not more than half of the voting power of an entity but otherwise has a decisive influence over more than half the voting rights or the power to govern the company's financial and operating policies under a statute or agreement. When determining whether a decisive influence exists, potential voting shares that can be exercised or converted without delay are taken into account.

Subsidiaries and acquired operations (business combinations) are recognised according to the purchase accounting method. This means that a business combination is treated as a transaction whereby the Group indirectly acquires the business's assets and takes over its liabilities and contingent liabilities. The Group's cost is determined through an acquisition analysis with regard to the acquisition of operating entities. Cost is comprised of the sum of the fair value of what is paid in cash on the acquisition date through the assumption of liabilities or shares issued. Contingent consideration is included in cost and recognised at its fair value on the acquisition date. The subsequent effects of revaluations of contingent consideration are recognised in profit or loss. Acquired identifiable assets and assumed liabilities are initially recognised at their acquisition-date fair value. The exceptions to this principle are acquired tax assets/liabilities, employee benefits, share-based payment and assets held for sale, which are valued in accordance with the principles described in each respective note disclosure. Exceptions are also made for indemnification assets and repurchased rights. Indemnification assets are valued according to the same principle as the indemnified item. Repurchased rights are valued based on the remaining contractual period regardless of whether other market players might consider opportunities for contract extensions in connection with valuations.

Recognised goodwill consists of the difference between, on the one hand, the cost of Group company's interests, the value of non-controlling interests in the acquired company and the fair value of the previously owned interest and, on the other, the carrying amount of the acquired assets and assumed liabilities in the acquisition analysis. Non-controlling interests are recognised on the acquisition date either at fair value or their proportionate share of the carrying amount of the acquired company's identified assets and liabilities. Acquisitions of non-controlling interests are recognised as transactions affecting the owners' equity.

The financial reports of Group companies are included in the consolidated accounts from the point in time when a decisive influence arises (acquisition date) until this influence ceases. When decisive influence over the Group company ceases but the Group retains an interest in the company, the remaining shares are initially recognised at fair value. The gain or loss that arises is recognised in profit or loss.

Associated companies and joint ventures

Associated companies are companies over which the Group has a significant, but not decisive, influence. Joint ventures are companies that the Group, through a cooperative agreement with one of more parties, shares a decisive influence over. Associated company and joint venture are recognised according to the equity method in the consolidated accounts. See note 19 for further information.

Eliminated transactions

Intra-Group receivables and liabilities, revenue or expenses, and gains or losses that arise from transactions between Group companies are eliminated in their entirety in the preparation of the consolidated accounts.

Note 1, cont.

Gains that arise from transactions with associated companies and joint ventures are eliminated to an extent corresponding to the Group's ownership interest in the company. Losses are eliminated in the same way as gains, but only to the extent that there is no impairment loss.

Foreign currency

Functional currencies are the currencies in each primary economic environment where units of the Group conduct their operations.

Transactions and assets and liabilities in foreign currency

Transactions in foreign currency are recognised in the functional currency at the exchange rate on the transaction day. Monetary assets and liabilities are translated to the functional currency on the closing day at the exchange rate then in effect. Exchange rate differences that arise through these translations are recognised in profit and loss. Non-monetary assets and liabilities recognised at fair value are translated to the functional currency at the rate in effect at the time of valuation at fair value. Changes in exchange rates are then recognised in the same way as other changes in value of the asset or liability.

Translation of financial reports of foreign operations to SEK

Assets and liabilities in operations with a functional currency other than SEK are translated to SEK at the closing day exchange rate. Revenue and expenses in foreign operations are translated to SEK at the average rate. Translation differences that arise through currency translations are recognised directly in other comprehensive income. The amount is recognised separately as a translation reserve in equity.

Significant differences between the Group's and the Parent Company's accounting principles

The Parent Company follows the same accounting principles as the Group with the following exceptions.

Business combinations

Transaction costs are included in the cost of business combinations.

Associated companies and joint ventures

Shares in associated companies and joint ventures are recognised by the Parent Company according to the acquisition cost method. Revenue includes only dividends received.

Intangible fixed assets

All development costs are recognised in profit or loss.

Tangible fixed assets

Tangible fixed assets are recognised after revaluation, if necessary.

Right-of-use assets and lease liabilities

The Parent Company do not recognise leases in the balance sheet as right-of-use assets and lease liabilities. Leasing fees are expensed on a straight-line basis over the lease term in accordance with the exemption from IFRS 16 in RFR 2, Accounting for Legal Entities.

Financial assets and liabilities and other financial instruments

The Parent Company does not apply IFRS 9 in full but the rules for financial instruments in RFR 2. This means among other things that financial fixed assets are measured at cost less any write-down and current financial assets according to the lowest value principle. If the reason for write-down has ceased, it is reversed.

Derivatives and hedge accounting

Derivatives not classified as hedging instruments are carried by the Parent Company according to the lowest value principle. For derivatives classified as hedging instruments, recognition is determined by the hedged item. This means that the derivative is treated as an off-balance sheet item until the hedged transaction has occurred.

Employee benefits

The Parent Company complies with the provisions of the Law on Safeguarding of Pension Commitments and the regulations of the Swedish Financial Supervisory Authority, since this is a condition for tax deductibility.

Untaxed reserves

The amounts allocated to untaxed reserves constitute taxable temporary differences. Due to the connection between reporting and taxation, the deferred tax liability is recognised in the Parent Company as part of untaxed reserves.

Group contributions and shareholders' contributions

Group contributions received are recognised through profit and loss in financial income and expenses. Group contributions paid are capitalized in the shares and participating interests of the parent. Shareholders' contributions are recognised directly in the equity of the recipient and capitalised in the shares and participating interests of the contributor, to the extent write-down is not required.

Note 2

Assumptions in the application of the accounting principles

The Board of Directors and Group Management together have identified the following areas where estimates and assumptions in the application of the accounting principles may have a significant impact on the accounting of the Group's results of operations and financial position and may result in significant adjustments in subsequent financial reports. Developments in these areas are monitored continuously by Group Management and the Board of Directors' Audit Committee.

Uncertainties in estimates and assumptions

Long-term customer contracts

A majority of all long-term customer contracts contain significant development aspects, which are associated with risks. Before a contract is signed with a customer on delivery of a product or service, a thorough analysis is always made of the prerequisites and risks of the delivery through a project management process established within Saab. In the execution stage, continuous reviews are made of the work in the project according to the same process.

An important aspect is to identify risks and assess them and the measures that are taken to mitigate the risks with the help of a risk assessment method.

The Group recognise revenue over time for long-term contracts. An estimation of total costs including an estimate of technical and commercial risks is critical in revenue recognition. Changed estimates of the projects' total costs cause retroactive effects that affect sales and revenue recognition. Saab has during recent years conducted several large customer projects in the development phase, which means greater uncertainties in risks to take into consideration in revenue recognition and estimation of total costs. COVID-19 affected Saab's assessment of the total costs needed to fulfill the Group's obligations in a number of material contracts primarily in 2020. These revised estimates in 2020 led to adjustments of project

estimates in the business area Aeronautics, among others. Adjustments to project estimates with a direct and material impact from COVID-19 have been classified as items affecting comparability in the comparative period, see note 42. In addition to the adjustments of project estimates that were classified as items affecting comparability, ongoing assessments of risks in projects and total costs of projects are part of Saab's operations. These ongoing assessments also results in changes to project estimates, both positive and negative. In these changes to project estimates, COVID-19 might also have had certain impacts, however, not material. Accordingly, they have not been classified as items affecting comparability. The accounting of long-term customer contracts also affects balance sheet items such as contract assets and contract liabilities, accounts receivables, inventories and project loss provisions. Making delivery according to project plan and milestones are important for the cash flow since payments are made upon achievement of milestones or deliveries in projects. See note 4 for more information regarding long-term customer contracts.

Recovery of value of development costs

The Group has invested considerable amounts in research and development. The reported amounts in the statement of financial position are primarily due to development projects relating to the airborne early warning and control system, GlobalEye, and an export version of Gripen. Capitalised development costs amount to MSEK 6,040 (5,699). The recognition of development expenditures as an asset in the statement of financial position requires an assumption that the product is expected to be technically and commercially usable in the future and that future economic benefits are likely. COVID-19 has not affected this assessment as Saab has not identified that the pandemic would affect the long-term business plans supporting capitalisation and the value of these assets. Amortisation of capitalised

Note 2, cont.

development costs is made on a straight-line basis over the period of use, up to a maximum of 10 years. The carrying amount of capitalised development costs is tested on each closing day for any indication of impairment. If an indication exists, the asset's recoverable amount is calculated. For assets not yet ready for use recoverable amount is calculated annually, irrespective of whether there is any indication of impairment or not. See note 15 for further information.

Impairment testing of goodwill

In the calculation of cash-generating units' recovery value to determine whether there is a need for impairment of goodwill, assumptions have been made with regards to the calculation of value in use, based on discounted cash flow projections. A significant deviation in the conditions could necessitate impairment of goodwill. The carrying amount for goodwill amounts to MSEK 5,253 (5,141). See note 15 for further information.

In the measurement of the value in use, with regards to COVID-19, the Group has not needed to revise its principles for determining the discount rate for future cash

flows. Saab has analysed different scenarios and performed stress tests of the calculations of value in use through negative adjustments of key judgments such as growth rate and profitability level during the forecast period and in the terminal value. These stress test have not led to any identified need of impairment.

Pensions

Saab has two types of pension plans: defined-benefit and defined-contribution. In defined-benefit plans, post-employment compensation is based on a percentage of the recipient's salary. The present value of defined-benefit obligations amounts to MSEK 13,729 (12,774). The value of the pension obligation is determined through a number of actuarial assumptions, because of which the obligation can significantly increase or decrease if the actuarial assumptions change. Changes in actuarial gains and losses directly affect the pension obligation and hence the Group's financial position. See note 31 for further information.

Note 3

Segment reporting

Operating segments

Saab is a leading high-technology company, with its main operations in defence, aviation and civil security. Operations are primarily focused on well-defined areas in defence electronics, advanced weapons system and command and control systems as well as military and commercial aviation. Saab is also active in technical services and maintenance. Saab has a strong position in Sweden and the main part of sales is generated in Europe. In addition, Saab has a local presence in South Africa, Australia, the US and other selected countries globally.

Segment information is presented based on management's view, and operating segments are identified based on internal reporting to the company's chief operating decision maker. Saab has identified the Chief Executive Officer as its chief operating decision maker, while the internal reports used by the CEO to oversee operations and make decisions on allocating resources serve as the basis of the information presented. The segments are monitored at the operating income level. In the segment's reporting, all leasing agreements are recognised as a cost on straight line basis over the leasing period. Except IFRS 16, the accounting principles for reportable segments conform to the principles applied by the Group as a whole. Sales of goods and services between segments are made on market terms.

Under the new organisation structure, announced on March 18, 2021, six business areas became four. Combitech is no longer part of the business area structure, but reported separately. Proforma figures showing the performance of the merged business areas for the years 2021, 2020 and 2019 are found at saab.com/investors/financial-data.

The business areas are described below. Complementing the five operating segments is Corporate, which comprises Group staffs and departments as well as other non-core operations.

Aeronautics

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

Dynamics

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

Surveillance

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

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.

Combitech

Combitech is an independent subsidiary of Saab and from 1 July 2021 reported as an operating segment outside the business area structure within Saab Group. Combitech is one of Sweden's largest technology consulting firms, combining technology with cutting-edge expertise to create solutions for our customers' specific needs. Combitech is active in aviation, defence, telecom and other industries as well as the public sector. Combitech offers services in systems development, systems integration, information security, systems security, communications, mechanics, technical product information and logistics.

Significant non-recurring items not affecting cash flow

Significant items affecting comparability that do not affect cash flow are divided by operating segment as follows: Aeronautics MSEK 0 (1,586), Dynamics MSEK 0 (15), Surveillance MSEK 0 (166), Corporate MSEK 0 (653). For further information regarding items affecting comparability see note 42.

Information on large customers

During 2021, Saab had two customers that separately accounted for 10 per cent or more of the Group's sales. The Swedish Defence is a customer of all business areas and total sales amounted to SEK 12,782 million (10,683). The Brazilian State is a customer primarily to business area Aeronautics and total sales amounted to SEK 5,009 million (4,211).

Information on geographical areas

External sales are distributed to the market where the customer is domiciled, while fixed assets are distributed to the market where the asset is geographically located.

Seasonal variation

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

Note 3, cont.

Group	Aeronautics		Dynamics		Surveillance		Kockums		Combitech		Corporate		Eliminations		Group	
MSEK	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
External order bookings	7,774	5,772	10,759	11,704	13,561	20,635	8,835	1,748	2,405	2,328	235	141	-	-	43,569	42,328
Internal order bookings	54	234	150	324	360	531	18	53	1,067	1,091	-	-	-1,649	-2,233	-	-
Total	7,828	6,006	10,909	12,028	13,921	21,166	8,853	1,801	3,472	3,419	235	141	-1,649	-2,233	43,569	42,328
External order backlog	42,301	46,682	21,669	19,236	30,369	28,897	8,911	3,430	1,546	1,371	381	200	-	-	105,177	99,816
Internal order backlog	128	160	162	182	1,078	1,257	188	201	249	246	-	-	-1,805	-2,046	-	-
Total	42,429	46,842	21,831	19,418	31,447	30,154	9,099	3,631	1,795	1,617	381	200	-1,805	-2,046	105,177	99,816
External sales	12,176	11,241	8,518	7,270	12,711	11,797	3,357	3,003	2,235	1,941	157	179	-	-	39,154	35,431
Internal sales	87	99	172	338	464	527	31	24	1,060	1,097	-	-	-1,814	-2,085	-	-
Total sales	12,263	11,340	8,690	7,608	13,175	12,324	3,388	3,027	3,295	3,038	157	179	-1,814	-2,085	39,154	35,431
Operating income before share in income of associated companies and joint ventures	740	-828	1,076	879	888	821	208	119	294	273	-290	231	-	-	2,916	1,495
Share in income of associated companies and joint ventures	6	-47	37	33	-	-	-	-	-	-	-71	-166	-	-	-28	-180
Operating income	746	-875	1,113	912	888	821	208	119	294	273	-361	65	-	-	2,888	1,315
Financial income	-	-	2	2	6	8	-	-	2	-	285	427	-171	-207	124	230
Financial expenses	-172	-207	-68	-67	-88	-101	-10	-12	-14	-17	-254	-236	171	207	-435	-433
Income before taxes	574	-1,082	1,047	847	806	728	198	107	282	256	-330	256	-	-	2,577	1,112
Taxes ¹⁾	-164	-105	-22	-28	87	-45	1	-17	-7	-14	-447	189	-	-	-552	-20
Net income for the year	410	-1,187	1,025	819	893	683	199	90	275	242	-777	445	-	-	2,025	1,092
Assets	16,325	16,443	10,579	8,375	22,549	21,719	4,872	4,816	1,826	1,597	33,817	33,314	-24,929	-25,696	65,039	60,568
Of which shares in associated companies and joint ventures	42	40	217	252	4	4	-	-	-	-	141	200	-	-	404	496
Liabilities	12,981	15,475	7,588	5,555	12,538	12,514	3,692	3,635	1,074	888	21,216	18,923	-17,299	-18,066	41,790	38,924
Operational cash flow	-768	-1,077	705	811	3,846	2,146	-13	983	465	567	-959	-657	-	-	3,276	2,773
Capital employed	8,888	8,630	5,629	4,584	12,360	12,635	1,391	1,230	984	917	8,525	8,713	-	-	37,777	36,709
Investments	1,102	1,285	180	167	438	849	18	26	10	17	772	547	-	-	2,520	2,891
Depreciation	125	104	88	91	760	455	35	34	15	6	915	828	-	-	1,938	1,518

¹⁾ Current taxes in the Parent Company are reported in Corporate

Geographical areas

Group	Sweden		Rest of Europe		North America		Latin America		Asia	
MSEK	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
External sales	14,841	12,662	6,553	6,239	4,203	3,938	5,786	4,527	5,507	6,336
as % of sales	38	36	17	18	11 ¹⁾	11 ¹⁾	15 ²⁾	13 ²⁾	14 ³⁾	18 ³⁾
Fixed assets	19,501	18,624	1,213	1,270	1,700	1,563	136	95	303	243

Group	Africa		Australia, etc.		Total	
MSEK	2021	2020	2021	2020	2021	2020
External sales	175	180	2,089	1,549	39,154	35,431
as % of sales	-	1	5	4	100	100
Fixed assets	409	392	246	207	23,507	22,394

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

²⁾ Which of Brasil represents 14 (12) % of the Group's total sales.

³⁾ Which of United Arab Emirates represents 7 (11) % of the Group's total sales.

Note 3, cont.

Sales by operating segment

MSEK	Parent Company	
	2021	2020
Aeronautics	12,138	11,155
Dynamics	2,088	2,024
Surveillance	8,693	8,364
Combitech	494	438
Corporate	17	5
Total	23,430	21,986

Sales by geographical market

MSEK	Parent Company	
	2021	2020
Sweden	8,619	7,523
Rest of Europe	3,765	3,430
North America	1,177	1,669
Latin America	5,471	4,344
Asia	4,209	4,755
Africa	70	121
Australia, etc.	119	144
Total	23,430	21,986

Note 4 Sales

Accounting principles

Sales

Revenue recognition is based on a contract for the sale of a good or service between two parties. The company recognises revenue when it satisfies the obligation to deliver the promised goods or services to the customer, which means that revenue is recognised when the customer obtains control over the good or service and has the ability to use or obtain the benefits from the good or service. The main principles of revenue recognition are based on a five-step model:

1. Identify the contract
2. Identify the performance obligations
3. Determine the transaction price
4. Allocate the transaction price to each obligation
5. Recognise revenue when the obligation is satisfied.

Long-term customer contracts

A large part of the Group's operations involves long-term customer contracts for the development and manufacture of complex systems that stretch over several reporting periods. The analysis of these contracts according to the five-step model has mainly meant determining the number of performance obligations (step 2) and when they are fulfilled (step 5), i.e. over time or at a given point in time.

Since Saab's long-term customer contracts involve considerable customisation and integration of goods and services, it usually means that a single performance obligation has been identified. A performance obligation is satisfied at a given point in time or over time. If a performance obligation is satisfied over time, one of the following criteria must be met: a) the customer must obtain immediate benefits when the obligation is satisfied, b) Saab's performance creates or improves an asset that the customer controls, or c) Saab's performance does not create an asset with an alternative use to the company and Saab has the right to payment for costs incurred to date, including profit, in the event that the customer terminates the contract for reasons other than the company's failure to perform as promised.

Since Saab's long-term customer contracts involve considerable customisation and integration of goods and services and because the cost to adapt the asset and sell it to a new customer would not be insignificant, the conclusion is most often that the asset is not deemed to have an alternative use. Since the contracts also contain clauses that include the right to payment plus a reasonable profit for costs incurred, it means that the criteria for recognising revenues from long-term customer contracts over time are satisfied. Revenue and costs are therefore recognised in the income statement in relation to the contract's stage of completion.

The stage of completion is based on a determination of the relationship between expenditures incurred as of the closing day and estimated total expenditures to satisfy the contract. Of the total revenue, the portion corresponding to the stage of completion is recognised in each period. The stage of completion can also be determined in certain cases based on milestones or number of units delivered. An expected loss is recognised in the income statement as soon as it is identified. In some long-term customer contracts Saab receives advance payments or build-up material contract assets. If there is a significant financing component, the time value effect is recognised only for contracts where the advance payment still remain after twelve months. Occasionally, the content of the contractual relationship between Saab and the customer is changed through i.a. an additional order. Saab evaluates whether additional orders and other changes to contracts

should be recognised as a part of the original contract or as a new contract. The evaluation is based on whether additional goods or services are added, that are distinct from the original contract, and whether the price of such goods or services correspond to a stand-alone selling price. If both these prerequisites are met the additional order is treated as a new contract.

Products

A share of Saab's revenue is attributable to products where development, customisation and integration are relatively minor and relates for the most part only to the manufacture of products, as well as the resale of spare parts, for example. Revenue from these contracts is recognised at a given point in time, i.e. normally when control of the good has transferred to the customer in accordance with the terms of the contract.

Service assignments

For Saab's service assignments, which include the sale of consulting hours and support services, at a fixed price or on current account, the customer normally obtains the benefits when the obligation is satisfied. Revenue is mainly recognised over time as the assignment is performed according to the contract.

Saab is active in the military defence market as well as the commercial aircraft and security market. In 2021, sales of defence materiel accounted for 90 per cent (88) of Saab's sales. Saab's international sales represent more than half of its total operations and as a rule entail considerable sums that stretch over long periods of time. In 2021, 62 per cent (64) of Saab's sales was to markets outside Sweden.

A large share of Saab's sales comes from a limited number of customers and relatively few contracts. The European market including Sweden is Saab's most important market. The Swedish Defence Materiel Administration (FMV) is Saab's most important customer, accounting for 33 per cent (30) of Saab's sales in 2021.

Saab's operations are distinguished by complex, multi-year development assignments on the cutting edge of technology. In its long-term customer projects, Saab implements and delivers cost-efficient high-tech solutions in accordance with the customer contract. The contract model for major development projects according to which Saab is often engaged in development work is complex and entails risks. Contracts are often signed where the customer orders a product with specifications on its features and which problems it will solve. Saab then commits to deliver in accordance with the specifications and produces the required product or system. Consequently, when contracts are signed, the product in some cases has not been developed and will normally be delivered several years later. Most of the contracts are signed with a fixed-price component. In 2021 Long-term customer contracts accounted for 61 per cent (62) of total sales.

The majority of Saab's sales relate to projects where revenue is recognised over time. This places high demands on project planning and control as well as monitoring to ensure that at any given time the commitments and estimates of project costs and revenue provide a satisfactory basis for recognition of sales and income. Saab continuously updates cost estimates for long-term customer contracts, which has a retroactive effect, both positive and negative, on sales. The impact during 2020 of retroactive effects from project estimates related to COVID-19 were significant, see note 2 and 42. The impact from regular revisions of projects estimates were insignificant in relation to sales during both 2021 and 2020. Approximately 80 percent of sales is recognised over time in pace with project completion.

Accounting for long-term customer contracts affects balance sheet items such as contract assets and contract liabilities as well as accounts receivable, for which

Note 4, cont.

customary payment terms are applied. Many of Saab's large contracts with customers are based on a payment model according to which the majority of the payment is not made until or after the product or system has been delivered or partially delivered. Saab has during 2021 and during recent years conducted several large customer projects in the development phase. During 2021, many of the Group's large projects reached far in the project execution phase which has led to that the Group has reached material milestones. However, milestone payments received during 2021 were partly offset by high activity levels within large projects which led to a slight decrease of contract assets of MSEK 648 during the year. Opening contract liabilities as of 1 January 2021 were practically all recognised in revenue in the financial year.

Provisions for guarantees in connection with products or services sold are normally recognised if a reliable calculation of the provision can be made; see note 32 for further information. The Group has no significant commitments or obligations relating to product returns. Saab has not identified any customer contracts where a significant financing component exists.

Future revenue from contracts with customers

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

Order backlog duration:

MSEK	2021	2020
Within 1 year	33,970	31,373
Within 2 years	24,882	21,869
Within 3 years	17,285	16,748
Within 4 years	14,411	15,247
4 years and forward	14,629	14,579
Total	105,177	99,816

MSEK	Aeronautics		Dynamics		Surveillance		Kockums		Combitech		Corporate/ elimination		Group	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Sales per customer:														
Military customers	11,512	9,872	8,153	6,840	10,967	10,311	3,357	3,003	1,025	906	67	157	35,081	31,089
Civilian customers	664	1,369	365	430	1,744	1,486	-	-	1,210	1,035	90	22	4,073	4,342
Total external sales	12,176	11,241	8,518	7,270	12,711	11,797	3,357	3,003	2,235	1,941	157	179	39,154	35,431
Sales by significant source:														
Long-term customer contracts	9,606	8,477	2,539	2,138	8,898	8,651	2,683	2,323	233	267	47	52	24,006	21,908
Services	2,157	2,607	1,073	1,114	2,885	2,152	666	657	1,931	1,671	66	94	8,778	8,295
Products	413	157	4,906	4,018	928	994	8	23	71	3	44	33	6,370	5,228
Total external sales	12,176	11,241	8,518	7,270	12,711	11,797	3,357	3,003	2,235	1,941	157	179	39,154	35,431
Sales by domain:														
Air	11,321	9,660	207	345	5,454	6,066	-	-	201	197	49	75	17,232	16,343
Land	111	87	5,834	5,374	2,140	1,326	-	-	859	680	-2	13	8,942	7,480
Naval	-	-	1,938	1,513	3,082	2,557	3,357	3,003	21	42	49	68	8,447	7,183
Civil Security	51	104	529	24	1,969	1,665	-	-	313	252	15	12	2,877	2,057
Commercial Aeronautics	693	1,390	-	-	16	17	-	-	5	10	48	6	762	1,423
Other	-	-	10	14	50	166	-	-	836	760	-2	5	894	945
Total external sales	12,176	11,241	8,518	7,270	12,711	11,797	3,357	3,003	2,235	1,941	157	179	39,154	35,431
Sales recognition method:														
Over time	10,875	9,634	3,087	2,830	11,127	10,192	3,303	2,840	2,051	1,865	76	97	30,519	27,458
Point in time	1,301	1,607	5,431	4,440	1,584	1,605	54	163	184	76	81	82	8,635	7,973
Total external sales	12,176	11,241	8,518	7,270	12,711	11,797	3,357	3,003	2,235	1,941	157	179	39,154	35,431

Sales by customer

MSEK	Parent Company	
	2021	2020
Military customers	22,413	20,053
Civilian customers	1,017	1,933
Total	23,430	21,986

Sales by significant source

MSEK	Parent Company	
	2021	2020
Long-term customer contracts	17,052	15,739
Services	4,662	4,762
Products	1,716	1,485
Total	23,430	21,986

Sales by domain

MSEK	Parent Company	
	2021	2020
Air	16,549	15,378
Land	3,557	2,758
Naval	2,093	1,887
Civil Security	504	567
Commercial Aeronautics	720	1,396
Other	7	-
Total	23,430	21,986

Sales recognition method

MSEK	Parent Company	
	2021	2020
Over time	19,757	18,192
Point in time	3,673	3,794
Total	23,430	21,986

Note 5

Operating expenses

Operating expenses

The income statement is classified according to function as follows:

Cost of goods sold comprises costs for material handling and manufacturing costs, including salary and material costs, purchased services, premises, and the depreciation/amortisation and write-down of intangible and tangible fixed assets other than self-financed capitalised development cost (see below). Customer-financed research and development is recognised in cost of goods sold.

Administrative expenses relate to expenses for the Board of Directors, Group Management and staff functions as well as expenses attributable to business area and business unit managements.

Marketing expenses comprise expenses for the in-house marketing and sales organisation as well as external marketing and selling expenses.

Research and development costs are recognised separately and comprise the cost of self-financed new and continued product development as well as amortisation of capitalised development costs.

Operating expenses classified by the type of cost, excluding other operating income and expenses, are distributed as follows:

MSEK	Group	
	2021	2020
Materials and components	9,643	8,942
Purchased services	4,464	4,523
Personnel costs	15,133	14,667
Depreciation/amortisation and write-downs	2,172	1,966
Other external costs	4,895	4,736
Total	36,307	34,834

Depreciation/amortisation and write-downs include write-downs and reversal of write-downs on inventory.

Note 6

Other operating income and expenses

Accounting principles

Other operating income and expenses

Other operating income and expenses relate to operating activities that fall outside of core operations, costs not directly attributable to functions in the income statement, exchange rate differences on items of an operating nature,

government grants, changes in the value of derivatives of an operating nature and capital gains/losses on the sale of tangible fixed assets. Also included at the Group level are capital gains/losses on the sale of subsidiaries, operations, associated companies and joint ventures.

Other operating income

MSEK	Group		Parent Company	
	2021	2020	2021	2020
Disbursement from collective health insurance provider	52	-	34	-
Government grants	29	48	19	41
Gain from other operating activities	14	13	-	-
Exchange rate gains on operating receivables/liabilities and change in value of derivatives	9	41	-	11
Change in fair value of biological assets	9	8	-	-
Insurance compensation	9	9	9	9
Gain on sale of tangible fixed assets	3	8	0	4
Gain on sale of Group companies	1	110	-	-
Gain on sale of associated companies/joint ventures	-	997	-	-
Repayment of purchase price previous acquisition	-	13	-	-
Other	20	44	4	25
Total	146	1,291	66	90

Other operating expenses

MSEK	Group		Parent Company	
	2021	2020	2021	2020
Exchange rate gains on operating receivables/liabilities and change in value of derivatives	-44	-22	-36	-
Loss on sale and disposal of tangible fixed assets	-15	-2	-15	-
Impairment of receivables from associated companies	-2	-59	-	-
Loss from other operating activities	-2	-5	-	-
Provision for disputes and legal proceedings	-	-300	-	-300
Other	-13	-5	0	-
Total	-76	-393	-51	-300

Note 7

Government grants

Accounting principles

Saab receives government grants, mainly various grants from EU related to research and development projects. These are recognised when there is a reasonable certainty that the grant will be received and that the Group will meet the conditions associated with the grant. Project-related government grants are systematically recognised in the income statement primarily as cost deduction over the same periods as the expenses for which the grants are intended to compensate.

Government grants received during 2020 related to compensation for sick leave costs in connection with COVID-19 were recognised as other operating income in the income statement.

During 2021, MSEK 105 (148) was received in project-related support.

MSEK 128 (80) has been recognised through profit or loss mainly by deducting research and development expenditures and cost of goods sold. In the statement of financial position at year-end, MSEK 90 (113) is recognised as prepaid income.

In addition to project-related support, in 2020, Saab received, in accordance with the temporary rules introduced in Sweden in connection with COVID-19, compensation for all sick leave costs in the Swedish operations. The support was paid to all Swedish employers and did not require an application. The support amounted to SEK 35 million during 2020 and was recognised as other operating income in each business area. Saab has during 2020 or 2021 not applied for short-time work allowances for employees of the business units Aerostructures and Combitech within the business area Aeronautics and segment Combitech (both reported in the former business area IPS in 2020).

No contingent liabilities or contingent assets are reported.

Note 8

Employees and staff costs

The average number of employees in 2021 amounted to 18,045 (17,822), of whom 77 per cent (77) were men. For information about number of employees per locality and by country see page 164.

Average number of employees¹⁾

	2021	of whom men	2020	of whom men
Parent company				
Sweden	9,782	77%	9,818	77%
Rest of Europe	8	84%	9	88%
North America	1	- %	0	-
Latin America	33	93%	21	86%
Asia	55	79%	50	83%
Parent company, total	9,879	77%	9,898	77%
Group companies				
Sweden	4,994	76%	4,792	77%
Rest of Europe	1,155	85%	1,078	84%
North America	694	76%	712	74%
Latin America	105	69%	80	66%
Asia	218	81%	191	79%
Africa	432	72%	548	72%
Australia, etc	568	80%	523	81%
Group companies, total	8,166	77%	7,924	77%
Group, total	18,045	77%	17,822	77%

¹⁾ The average number of employees has been calculated as an average of the number of Full Time Equivalents (FTE). The term Full-Time Equivalents excludes long-term absentees and consultants. Fixed term employees and probationers are however included in the calculation.

Gender distribution of corporate management

Share of women, per cent	Parent Company	
	2021	2020
Board of Directors ¹⁾	40	40
Other senior executives	23	31

¹⁾ Of the Board members elected by the shareholders' meeting, and not employed by the company.

Salaries, other remuneration and social security expenses

MSEK	2021		2020	
	Salaries and other remuneration	Social security expenses	Salaries and other remuneration	Social security expenses
Parent Company	5,784	2,877	5,589	2,769
of which pension costs ¹⁾		1,071		1,018
Group companies	4,928	1,544	4,779	1,530
of which pension costs ²⁾		602		639
Group, total	10,712	4,421	10,368	4,299
of which pension costs ³⁾		1,673		1,657

¹⁾ Of the Parent Company's pension costs, MSEK 8 (10) referred to the Parent Company's Board and President, including deputies and Executive Vice President. The company's outstanding pension obligations for these individuals, amounted to MSEK 8 (10), of which MSEK 7 (9) referred to former Board members and President, including deputies and Executive Vice Presidents.

²⁾ Adjusted according to different accounting principles regarding defined-benefit plans between Parent Company and Group. See notes 1 and 31 for more information.

³⁾ Of the Group's pension costs, MSEK 20 (21) referred to the Group's and Group companies' Boards and Presidents. The Group's outstanding pension obligations for these individuals amounted to MSEK 8 (10), of which MSEK 7 (9) referred to former board members and Presidents.

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

MSEK	2021		2020	
	Board, President and Executive Vice Presidents	Other employees	Board, President and Executive Vice Presidents	Other employees
Parent Company	36	5,748	33	5,556
Group companies	83	4,845	81	4,698
Group, total	119	10,593	114	10,254

Of the salaries and remuneration paid to other employees in the Group, MSEK 35 (40) referred to senior executives other than Board members, the President and Executive Vice Presidents. Salaries and other remuneration to the President, Executive Vice Presidents and other senior executives according to the information above does not include share-based payments. Pages 114-115 includes information about share-based payments.

For information on post-employment benefits, see note 31.

Senior executives' benefits

Remuneration to Board members

In accordance with the resolution of the Annual General Meeting, the fees paid to members of the Board, for the term April 2021 – April 2022, amount to SEK 7,860,000 (7,560,000), consisting of SEK 1,975,000 (1,900,000) to the Chairman, SEK 725,000 (700,000) to the Deputy Chairman and SEK 645,000 (620,000) to each of the other members elected by the Annual General Meeting, with the exception of the President.

For audit committee work during the term April 2021 – April 2022, committee chairman Joakim Westh also received a fee of SEK 275,000 (250,000) and committee members Erika Söderberg Johnson and Daniel Nodhäll each received a fee of SEK 175,000 (165,000).

For remuneration committee work, during the term April 2021 – April 2022, committee chairman Johan Menckel (previous term Sten Jakobsson) also received a fee of SEK 155,000 (150,000) and committee members Marcus Wallenberg and Bert Nordberg each received a fee of SEK 95,000 (90,000).

Remuneration to Board members and committee members recognised as cost for fiscal year 2021 is shown in the table on pages 114-115.

Remuneration to the President

The remuneration to the President and CEO consists of a fixed salary. No short-term variable remuneration is paid. The preparation process for compensation issues regarding the President is handled by the Board's Remuneration Committee according to the principles laid down by the Annual General Meeting and then voted on by the Board.

In the period 1 January through 31 December 2021, the cost for salary and other benefits to President and CEO Micael Johansson amounted in total to SEK 18,795,905 (19,951,266), of which other benefits, including share related plans, amounted to SEK 5,699,428 (4,774,431). Micael Johansson has participated in ongoing Share Matching plan 2018-2021, in Performance Share Plan 2018-2021 and in Saab's performance programme Special Projects Incentive 2018-2021. For more detailed information regarding Saab's long-term incentive programmes, see pages 115-117.

Pension terms

The retirement age for the President is 65 years. The President has a defined contribution pension plan and may decide himself on the payment term, though within the provisions of Swedish income tax law. The pension cost for Saab consists of pension premiums amounting to 35 per cent of the fixed salary. Pension premiums are paid as long as the President remains an employee of the company, but not beyond the age of 65. To this is added the cost of pension premiums according to the ITP plan. The pension commitment is vested.

For 2021 the cost of President Micael Johansson's pension including ITP, was SEK 4,942,691 (4,819,063).

Severance terms

If terminated by the company, the President will receive a salary and pension benefits for a period of six months (period of notice). Thereafter he will receive severance pay equivalent to one year of salary, based on his current fixed salary. If the President does not obtain new employment, he will receive an additional six months of severance pay. The severance will be deducted from income received from other employment during the same period. If the President resigns voluntarily, there is a six-month period of notice with salary and pension benefits, but no severance pay. The President's agreement includes a non-compete clause.

Remuneration to other senior executives

The group of other senior executives included 12 individuals (12) at 31 December 2021: the Executive Vice President, the Heads of the Business Areas and the Heads of Group staffs. At 31 December 2021, Group Management was comprised of Micael Johansson (President), Christian Luiga, Görgen Johansson, Anders Carp, Jonas Hjälm, Lars Tossman, Christian Hedelin, Dean Rosenfield, Charlotta Björklund, Annika Bäreemo, Carl-Johan Bergholm, Sebastian Carlsson and Lena Eliasson. The remuneration paid to other senior executives consists of a fixed salary. No short-term variable remuneration is paid. Compensation issues regarding the other senior executives are prepared by the Head of Group Human Resources and presented to the President, who makes a decision that is presented to the Compensation Committee and the Board.

Note 8, cont.

Of the other senior executives, one individual received cash settlement of a non-recurring nature upon recruitment according to a resolution 2018. An amount totalling SEK 850,500 will be paid during a period of 36 months from the start of employment. The payments are made monthly in the form of pension premiums and are conditional upon the recipients not giving notice of termination of employment. SEK 236,250 (283,500) has been paid during 2021 and thereby the total amount of SEK 850,500 has been paid.

All eligible executives have participated in ongoing Performance Share Plan 2018-2021, Share Matching Plan 2018-2021 and Special Projects Incentive 2018-2021.

In 2021, the cost for salaries and other benefits to other senior executives totalled SEK 67,840,987 (77,692,124), of which other benefits, including share related plans, amounted to SEK 19,243,936 (27,647,957). For more detailed information regarding Saab's long-term incentive programmes, see pages 115-117.

Pension terms

The retirement age for other senior executives is at least 62 years. However, three (three) persons have a pension age according to existing law and collective agreement.

In addition to ITP, 7 members (9) of the group are affiliated with the Saab plan and 2 (0) members of the group are affiliated with the New Saab plan, both plans are defined-contribution and vested. The Saab plan provides pension benefits in addition to ITP or its equivalent on salary levels between 20 and 30 basic amounts as well as on salary segments over 30 basic amounts. Moreover, an insurance policy finances the period between the agreed pension age, 62 years, and 65 years.

The pension cost for the Saab plan consists of pension premiums, which are based on a percentage of qualifying salaries. The percentage rate is determined by each executive's time remaining until agreed pension age, 62 years, when joining the plan. The aggregate insurance balance should cover a targeted pension from 65 years of approximately 32.5 per cent of salary levels between 20 and 30 basic amounts and approximately 50 per cent of segments over 30 basic amounts of qualifying salaries. The pension age in the New Saab plan shall be 65 years.

According to the New Saab plan, contributions are made for old age pension benefits from the age of 65 on salary levels exceeding 30 income base amounts

per year, unless it is not already made under ITP1. The New Saab plan entails contributions of 30 per cent on the part of the annual salary that is not insured by the ITP plan.

The individuals themselves can decide on the payment term, though within the provisions of Swedish income tax law. Premium payments continue as long as the individuals remain in their positions or as employees of the company.

Pension obligations are vested. In 2021, pension costs for other senior executives, including ITP and its equivalent, amounted to SEK 17,021,627 (15,771,150). Other senior executives are entitled, or obliged if the company so requests, to retire on pension as of the agreed retirement age.

Severance terms and severance pay

Upon termination by the company, the group of other senior executives normally receives salary and pension benefits for six months (period of notice). Thereafter 9 (9) senior executives receive severance pay, according to agreement, equivalent to a maximum of 18 months of salary, based on their fixed salary. Severance is paid monthly with the first payment in the month after the employment has ended. Severance is not paid for the period falling after the contractual pension age. Together, the term of notice and severance may not exceed 24 months.

The severance will be deducted from income received from other employment during the same period. Upon termination by themselves, there is a six-month period of notice with salary and pension benefits, but no severance pay.

Other benefits

All senior executives have medical insurance and are entitled to a company car. Several senior executives also have benefits in the form of overnight housing and travel.

Summary of compensation and other benefits during 2021

SEK	Base salary/ Board and committee fee	Variable compensation remuneration	Share related plans ²⁾	Other benefits ¹⁾	Pension cost	Total
Chairman of the Board						
Marcus Wallenberg	2,050,000					2,050,000
Deputy Chairman						
Sten Jakobsson	212,500					212,500
Bert Nordberg	615,000					615,000
Other Board members						
Sara Mazur	638,750					638,750
Cecilia Stegö Chilò	638,750					638,750
Joakim Westh	907,500					907,500
Bert Nordberg	177,500					177,500
Danica Kragic Jensfelt	638,750					638,750
Daniel Nodhäll	811,250					811,250
Erika Söderberg Johnson	811,250					811,250
Johan Menckel	755,000					755,000
Henrik Henriksson	483,750					483,750
President and CEO Micael Johansson	13,096,477		5,383,398	316,030	4,942,691	23,738,596
Other senior executives	48,360,801	236,250 ³⁾	16,928,661	2,315,275	17,021,627	84,862,614
Total	70,197,278	236,250	22,312,059	2,631,305	21,964,318	117,341,210

¹⁾ Including compensation for the additional costs incurred due to the benefits.

²⁾ Share related plans relate to Share Matching Plans, Performance Share Plans and Special Projects Incentive.

³⁾ Including remuneration to one senior executives, which, as agreed, was paid in the form of pension premiums.

Guidelines for remuneration and other benefits for senior executives are described in the administration report.

Note 8, cont.

Summary of compensation and other benefits during 2020

SEK	Base salary/ Board and committee fee	Variable compensation remuneration	Share related plans ²⁾	Other benefits ¹⁾	Pension cost	Total
Chairman of the Board						
Marcus Wallenberg	1,990,000					1,990,000
Deputy Chairman						
Sten Jakobsson	850,000					850,000
Other Board members						
Sara Mazur	620,000					620,000
Cecilia Stegö Chilò	620,000					620,000
Joakim Westh	870,000					870,000
Bert Nordberg	710,000					710,000
Danica Kragic Jensfelt	620,000					620,000
Daniel Nodhäll	785,000					785,000
Erika Söderberg Johnson	785,000					785,000
Johan Menckel	620,000					620,000
President and CEO Micael Johansson	15,176,835		4,482,338	292,093	4,819,063	24,770,329
Other senior executives	49,760,667	283,500 ³⁾	24,592,914	3,055,043	15,771,150	93,463,274
Total	73,407,502	283,500	29,075,252	3,347,136	20,590,213	126,703,603

¹⁾ Including compensation for the additional costs incurred due to the benefits.

²⁾ Share related plans relate to Share Matching Plans, Performance Share Plans and Special Projects Incentive.

³⁾ Including remuneration to one senior executives, which, as agreed, was paid in the form of pension premiums.

Share-based payment

Accounting principles

Share-based payment refers solely to remuneration to employees, including senior executives. Share-based payment settled with the company's shares or other equity instruments is comprised of the difference between the fair value at the time these plans were issued and the consideration received. This remuneration is recognised as staff costs during the vesting period. To the extent the vesting conditions in the plan are tied to market factors (such as the price of the company's shares), they are taken into consideration in determining the fair value of the plan. Other conditions (such as earnings per share) affect staff costs during the vesting period by changing the number of shares or share-related instruments that are expected to be paid.

Saab has a Share Matching Plan where all permanent employees are entitled to participate. The payroll expenses for matching shares in the plan are recognised during the vesting period based on the fair value of the shares. The employees pay a price for the share that corresponds to the share price on the investment date. Three years after the investment date, employees are allotted as many shares as they purchased three years earlier, provided that they are still employees of the Saab Group and that the shares have not been sold. In certain countries, social security expenses are paid on the value of the employee's benefit when matching takes place. During the vesting period, provisions are allocated for these estimated social security expenses. Share repurchases to fulfil the commitments of Saab's Share Matching Plans are recognised in equity. In addition, there is a Performance Share Plan for senior executives and other key employees that entitles them to performance shares, depending on the employee category to which they belong, as well as a Special Projects Incentive, as a complement to the Performance Share Plan. The plans entitle the employee to performance shares depending on group affiliation, provided that they are still employed after three years and that the performance targets were met.

Long-term incentive programme

The Annual General Meeting of Saab has resolved for a number of years to offer a long-term incentive programme (LTI) consisting of three parts: a Share Matching Plan, a Performance Share Plan and a Special Projects Incentive. The Board considers it important that Saab's employees share a long-term interest in the appreciation of the company's shares. The table below shows the maximum number of shares in the ongoing programmes and the maximum number of participants of the performance programmes.

Ongoing incentive programmes	Maximum number of shares	Maximum number of participants ¹⁾
Share Matching Plan 2018	900,000	
Share Matching Plan 2019	900,000	
Share Matching Plan 2020	993,000	
Share Matching Plan 2021	993,000	
Share Matching Plan 2022	1,005,000	
Performance Share Plan 2018	360,000	175
Performance Share Plan 2019	310,000	175
Performance Share Plan 2020	310,000	175
Performance Share Plan 2021	258,000	200
Performance Share Plan 2022	200,000	200
Special Projects Incentive 2018	130,000	45
Special Projects Incentive 2019	130,000	45
Special Projects Incentive 2020	162,000	45
Special Projects Incentive 2021	214,000	100
Special Projects Incentive 2022	165,000	100

¹⁾ Permanent employees working in a country where the Share Matching Plan is introduced are offered to participate in the Share Matching Plan, thus there is no maximum numbers of participants.

Share Matching Plan 2022, Performance Share Plan 2022 and Special Projects Incentive 2022 adopted by the Annual General Meeting 2021 have corresponding terms and conditions as the Long-Term Incentive program adopted by the Annual General Meeting 2021. Until LTI 2021, the maximum number of shares consisted both of shares that can be transferred to the participants free of consideration and shares that are intended to be transferred on Nasdaq Stockholm in order to cover social security costs. The number of shares that can be transferred to the participants free of consideration has increased from 1,135,000 in LTI 2021 to 1,370,000 in LTI 2022.

Share Matching Plan

Since 2007, Saab offers permanent employees the opportunity to participate in the Share Matching Plan. Employees can withhold up to 5 per cent of their gross base salary to purchase Series B shares on Nasdaq Stockholm during a

Note 8, cont.

twelve-month period. Provided that a participant retains the purchased shares for three years after the investment date and is still employed by the Saab Group, the participant will be allotted a corresponding number of Series B shares free of charge. Currently, Share Matching Plans 2018–2022 are ongoing.

In the Share Matching Plan 2018, shares have been matched three times in 2021 and once in February 2022. In Share Matching Plan 2019, shares will be matched three times in 2022 and once in February 2023.

Performance Share Plan

Since 2008, Saab also has a Performance Share Plan for senior executives and key employees. The Performance Share Plan is directed at a limited number of key employees, see the table above, including the President. Participants can save up to 7.5 per cent of their base salary to purchase Series B shares during a twelve-month period, while participating in the Share Matching Plan as well, but only up to a maximum of 5 per cent of base salary. Depending on which category they belong to, participants are entitled to 2–7 performance shares for each purchased share. Participants are entitled to matching of performance shares, free of consideration, provided that the performance targets are achieved and the participants have retained the purchased shares for three years after the investment date and remain employed by the Saab Group.

The number of performance shares is linked to the performance targets established by the Board of Directors. The terms for the performance matching are based on three independent targets for a one-year performance period: organic sales growth 1), EBIT margin 2) and free cash flow 3). The Board of Directors decides on the performance matching after the end of the one-year performance period. If the performance outcome falls short of the maximum level but exceeds the minimum level, a linear proportionate performance matching will occur. No performance matching will occur if the performance outcome is equal to or below the minimum level. Before the performance matching is ultimately determined, the Board of Directors will assess whether it is reasonable in relation to the company's financial results and position, conditions in the stock market and other circumstances. If it determines that this is not the case, the Board of Directors will reduce the number of performance shares that will be matched to the lower number of shares it considers appropriate.

Performance shares are allotted three years after the investment. Currently, Performance Share Plans 2018–2022 are ongoing. In Performance Share Plan 2018, performance matching has occurred three times in 2021 and once in February 2022. In Performance Share Plan 2019, performance matching will take place three times in 2022 and once in February 2023.

After the end of the one-year performance period for the Performance Share Plan 2021, on 31 December 2021, it was determined that the targets had been achieved and the Board of Directors approved performance matching as follows. Performance matching will take place three times in 2024 and once in February 2025.

¹⁾ Adjusted for acquisitions and divestments as well as exchange rate differences.

²⁾ Adjusted for acquisitions and divestments as well as non-recurring items.

³⁾ Adjusted for acquisitions and divestments as well as non-recurring items.

Performance Share Plan 2021	Reported outcome	Outcome performance targets, %	Weighted, %	Allotment, %
Organic sales growth	11%	100	30	30
EBIT margin	7.4%	100	30	30
Free cash flow	MSEK 2,737	99	40	40
Total allotment				100

Performance Share Plan 2020	Reported outcome	Outcome performance targets, %	Weighted, %	Allotment, %
Organic sales growth	1%	26	30	8
EBIT margin	7.4%	-	40	-
Free cash flow	MSEK 2,495	100	30	30
Total allotment				38

Special Projects Incentive

In 2017 the Annual General Meeting decided to introduce a new programme, the Special Projects Incentive (SPI), as a complement to the Performance Share Plan. The Special Projects Incentive is directed at a limited number of key employees, see the table above, including the President. Participation in SPI presupposes participation in the Performance Share Plan or the Share Matching Plan. The programme entitles the employee to allotment of performance shares corresponding to 15–52.5 per cent of the cash base salary for the current financial year depending on group affiliation, provided that the employment remains for three years and that performance targets are reached. For the President and other members of the Group Management, the total allotment of shares in SPI and the Performance Share Plan together amounts to a maximum of 75 per cent of the cash base salary for the President and 60 per cent of the cash base salary for the other members of the

Group Management. Performance shares are allotted after three years based on the achievement during the current financial year of eight equally weighted performance targets in SPI 2018–SPI 2020. As of SPI 2021 the programme is based on 10 equally weighted performance targets.

After the end of the one-year performance period for the SPI 2021, on 31 December 2021, it was determined that five of the ten performance targets had been met. The ten performance targets in SPI 2021 were operating targets and milestones in special projects within Saab's product areas Gripen, airborne radar systems (AEW&C), submarines, missiles, combat management systems and advanced pilot training systems. The performance targets may be related to e.g. product design review, customer design review, partial deliveries or system implementation. Each performance target represents 10 per cent of the total performance targets. The performance targets in previous SPI programmes have been of a similar nature as in SPI 2021. Due to the nature of the defence industry, further information on the individual performance targets cannot be provided. Performances have been reviewed by Saab's internal audit and the external auditor, PwC.

The performance shares in SPI 2021 will be allotted in February 2024. In 2021, a total of 70 800 shares have been allotted in SPI 2018.

Number of Series B shares purchased and number of participants, Share Matching Plans, 2018–2021

Share Matching Plan	Number of shares	Number of participants
2018	434,874	6,996
2019	584,225	7,519
2020	771,063	7,891
2021	625,358	8,062

Number of Series B shares purchased and number of participants, Performance Share Plans, 2018–2021

Performance Share Plan	Number of shares	Number of participants
2018	41,726	162
2019	52,722	158
2020	64,349	162
2021	57,027	162

Share Matching Plan (number of shares in thousands)	2018	2019	2020	2021	Total
Number of matching shares eligible at beginning of the year	401	540	619	-	1,560
Allotted during the year (purchased shares)	-	-	138	625	763
Early share matching	-7	-12	-12	-3	-34
Ordinary share matching	-301	-	-	-	-301
Forfeited	-7	-24	-34	-11	-76
Number of matching shares eligible at year-end	86	504	711	611	1,912
Average remaining maturity, years	-	0.8	1.8	2.8	

Performance Share Plan (number of shares in thousands)	2018	2019	2020	2021	Total
Number of matching shares eligible at beginning of the year	35	48	52	-	136
Allotted during the year (purchased shares)	-	-	11	57	68
Early share matching	-	-1	-1	-	-2
Ordinary share matching	-9	-	-	-	-9
Number of matching shares eligible at year-end	27	47	63	57	193
Average remaining maturity, years	-	0.8	1.8	2.8	

Total number of shares eligible at year-end (number of shares in thousands)	2018	2019	2020	2021	Total
Share Matching Plan	86	504	711	611	1,912
Performance Share Plan	27	47	63	57	193
Less: Shares included in both plans	-27	-47	-63	-57	-193
Total	86	504	711	611	1,912

Note 8, cont.

Recognised expense for above-mentioned plans, including social security expenses, MSEK	2021	2020
Share Matching Plan 2016	-	25
Share Matching Plan 2018	31	57
Share Matching Plan 2019	64	64
Share Matching Plan 2020	70	26
Share Matching Plan 2021	26	-
Performance Share Plan 2016	-	2
Performance Share Plan 2018	4	10
Performance Share Plan 2019	11	15
Performance Share Plan 2020	6	3
Performance Share Plan 2021	6	-
Special Projects Incentive 2017	-	1
Special Projects Incentive 2018	-	6
Special Projects Incentive 2019	6	8
Special Projects Incentive 2020	8	8
Special Projects Incentive 2021	8	-
Total	240	225

The expense for the share matching plans is included in operating income and is recognised in the balance sheet as equity and accrued expenses (social security expenses). Administrative expenses for the share matching plans amounted to MSEK 6 (7) in 2021.

The expense is based on the share price of the matching shares that are expected to be allotted. The share price is determined at the time of the participants' investment adjusted by the dividend that does not accrue to the employee during the vesting period.

Note 9

Auditors' fees and compensation

MSEK	Group		Parent Company	
	2021	2020	2021	2020
PwC				
Audit assignments	20	20	12	12
<i>where of PwC Sweden</i>	15	15	-	-
Audit work in excess of the audit assignment	1	1	1	1
<i>where of PwC Sweden</i>	1	1	-	-
Tax advice	0	0	0	0
Other services	1	1	1	0
<i>where of PwC Sweden</i>	1	0	-	-
Other audit firms				
Audit assignments	4	4	-	-
Total	26	26	13	13
<i>where of PwC Sweden</i>	16	16	-	-

Audit assignments refer to expenses for the statutory audit, i.e. the work that was necessary to issue the audit report as well as advice in connection with the audit assignment.

Audit work in excess of the audit assignment relates to expenses for opinions and other assignments associated to a fairly high degree with audits and which are normally performed by the external auditor, including consultations on advisory and reporting requirements, internal control and the review of interim reports. For 2021, the external auditors' assignment as mandated by law amounted to a negligible sum.

Other services relate to expenses that are not classified as audit assignments, audit work in excess of the audit assignment and tax advice.

Note 10

Depreciation/amortisation and write-downs

MSEK	Group		MSEK	Parent Company	
	2021	2020		2021	2020
Depreciation/amortisation			Depreciation/amortisation		
Capitalised development costs	-550	-233	Goodwill	-40	-40
Other intangible fixed assets	-151	-116	Other intangible fixed assets	-115	-84
Operating properties	-100	-96	Buildings	-57	-55
Plant and machinery	-293	-277	Plant and machinery	-181	-166
Equipment, tools and installations	-357	-331	Equipment, tools and installations	-261	-233
Right-of-use assets	-487	-465	Total	-654	-578
Total	-1,938	-1,518			

No write-downs were recognised in the Group or in the Parent Company during 2021 or 2020.

Note 11

Financial income and expenses

MSEK	Group	
	2021	2020
Interest income on loans receivable	32	71
Financial income from revaluation and disposal of financial assets and liabilities measured at fair value through profit or loss	48	110
Other financial income	44	49
Financial income	124	230
Interest expenses on bonds and other financial liabilities	-194	-191
Interest expenses on lease liabilities	-98	-93
Financial expenses from revaluation and disposal of financial assets and liabilities measured at fair value through profit or loss	-29	-46
Financial expenses related to pensions	-52	-73
Other financial expenses	-62	-30
Financial expenses	-435	-433
Net financial income and expenses	-311	-203

Parent Company MSEK	Result from shares in Group companies		Result from shares in associated companies/ joint ventures	
	2021	2020	2021	2020
Dividends	51	23	-	41
Group contributions received	1,075	463	-	-
Capital gain on sale of shares	28	105	-6	1,005
Write-downs	-20	-75	-	-157
Other	0	-1	-	-
Total	1134	515	-6	889

Parent Company MSEK	Result from other securities and receivables held as fixed assets		Other interest income and similar profit/loss items	
	2021	2020	2021	2020
Interest income, Group companies	-	-	101	102
Other interest income	-	-	49	47
Capital gain on sale of shares	-	0	-	-
Dividend		0	-	-
Translation differences	8	-4	-	-
Net change in value from revaluation of financial assets/liabilities	78	133	-	-
Write-downs of financial assets	-6	-54	-	-
Other	-40	-34	-	-
Total	40	41	150	149

Parent Company MSEK	Interest expenses and similar profit/loss items	
	2021	2020
Interest expenses, Group companies	-1	-5
Other interest expenses	-69	-255
Total	-70	-260

Note 12

Appropriations

MSEK	Parent Company	
	2021	2020
Plant and machinery as well as equipment, tools and installations	-92	-123
Total difference between tax depreciation and depreciation according to plan	-92	-123
Net change in tax allocation reserves	-395	432
Total	-487	309

Note 13

Taxes

Accounting principles

Income taxes are recognised in the income statement and consist of current tax and deferred tax. When the underlying transaction is recognised in other comprehensive income, for example the revaluation of the net pension obligations, the related tax effect is also recognised in other comprehensive income.

Current tax is the tax to be paid or received for the current year, applying the tax rates that have been set as of the closing day. Adjustment is made for current tax attributable to previous periods.

Deferred tax is calculated according to the balance sheet method based on temporary differences. Temporary differences constitute the difference between the carrying amount of assets and liabilities and their value for tax purposes.

Deductible temporary differences are not taken into account in the initial reporting of assets and liabilities other than a business combination and which, at the time of the transaction, do not affect either the recognised or taxable result. Moreover, temporary differences are not taken into account if they are attributable to shares in subsidiaries, associated companies, and joint ventures that are not expected to be reversed within the foreseeable future. The valuation of deferred tax is based on when assets or liabilities are expected to be realised or settled. Deferred tax is calculated by applying the tax rates and tax rules that have been set as of the closing day.

Deferred tax assets from deductible temporary differences and tax loss carry forwards are only recognised to the extent it is likely that they will be utilised. The value of deferred tax assets is reduced when it is no longer considered likely that they can be utilised. Deferred tax assets are set off against deferred tax liabilities when the receivable and liability relate to the same tax authority. Deferred tax assets and deferred tax liabilities arising from a single transaction are set off both in the statement of financial position and in the disclosures. No temporary difference arise on initial recognition on such items that emerge from a single transaction.

Tax recognised in the income statement

Taxes comprise current tax and deferred tax. Current tax is calculated based on applicable tax laws in the countries in which the parent company and subsidiaries operate and generate taxable income.

MSEK	Group	
	2021	2020
Current tax expense (-)/tax income (+)		
Taxes for the year	-491	-121
Adjustment for taxes related to previous years	-10	7
Total	-501	-114
Deferred tax expense (-)/tax income (+)		
Deferred tax related to temporary differences	-46	34
Deferred tax related to value of tax loss carry forwards capitalised during the year	67	59
Deferred tax expense due to utilisation of previously capitalised tax value in tax loss carry forwards	-71	-18
Deferred tax related to previous years	-3	6
Deferred tax related to changed tax rates	2	13
Total	-51	94
Total recognised tax in the Group	-552	-20

The Group's total deferred tax amounted to MSEK -51 (94) and current tax expense for the year amounted to MSEK -501 (-114), leading to a total recognised tax of MSEK -552 (-20) in the consolidated income statement.

The table "Change in deferred tax in temporary differences and tax loss carry forwards" for the Group, on the following page, specifies how deferred tax affected income.

MSEK	Parent Company	
	2021	2020
Current tax expense (-)/tax income (+)		
Taxes for the year	-338	7
Adjustment for taxes related to previous years	0	-2
Total	-338	5
Deferred tax expense (-)/tax income (+)		
Deferred tax related to temporary differences	56	239
Deferred tax related to changed tax rates	-	14
Deferred tax related to previous years	-2	0
Total	54	253
Total recognised tax in the Parent Company	-284	258

Reconciliation of effective tax

MSEK	Group			
	2021 (%)	2021	2020 (%)	2020
Income before taxes		2,577		1,112
Tax according to current tax rate for the Parent Company	-20.6	-531	-21.4	-238
Effect of other tax rates for foreign operations	0.1	2	0.4	5
Effect on changed tax rate	0.0	0	1.3	15
Non-deductible expenses	-0.6	-16	-2.1	-24
Tax-exempt income	0.4	11	22.6	252
Tax on additional non-capitalised tax loss carry forwards	-0.6	-15	-2.1	-24
Revaluation of previously non-capitalised deferred tax loss carry forwards	0.2	4	0.8	9
Tax attributable to future reduction rights	0.6	16	-	-
Tax related to previous years	-0.5	-13	1.2	13
Effect on tax from associated companies	-0.2	-6	-3.5	-38
Other	-0.2	-4	1.0	10
Reported effective tax	-21.4	-552	-1.8	-20

Current and deferred taxes amounted to MSEK -552 (-20), equivalent to an effective tax rate of 21.4 per cent (1.8). Capital gains/losses from sale of Group companies, associated companies and other shares have affected tax-exempt income by MSEK 2 (1,107).

MSEK	Parent Company			
	2021 (%)	2021	2020 (%)	2020
Income before taxes		1,400		-353
Tax according to current tax rate for the Parent Company	-20.6	-288	21.4	76
Effect on changed tax rate	-	-	-0.3	-1
Tax allocated to foreign operations	-0.3	-4	2.2	8
Non-deductible expenses	-2.6	-35	-23.9	-84
Tax-exempt income	2.4	33	73.2	256
Revaluation of previously non-capitalised deferred tax assets	-	-	1.3	5
Tax attributable to future reduction rights	0.9	12	-	-
Tax related to previous years	-0.1	-2	-0.6	-2
Reported effective tax	20.3	-284	73.3	258

Tax items recognised directly against other comprehensive income

MSEK	Group	
	2021	2020
Provisions for pensions	-100	54
Cash flow hedges	130	-180
Total	30	-126

Expiration of recognised and unrecognised tax loss carry forwards in the Group

MSEK	Recognised tax loss carry forwards	Unrecognised tax loss carry forwards
Expiration		
Unlimited expiration	630	465
2022	22	-
2023	18	-
2024	14	14
2027	-	0
Total tax loss carry forwards	684	479
Recognised deferred tax asset	166	

At the close of 2021, the Saab Group's unrecognised tax loss carry forwards amounted to MSEK 479 (508).

Note 13, cont.

Change in deferred tax in temporary differences and tax loss carry forwards

Group, MSEK	Intangible fixed assets	Tangible fixed assets ¹⁾	Inventories	Provisions for pensions	Other provisions	Tax allocation reserves	Tax loss carry forwards	Other	Total	Tax set-off	Deferred tax assets/liabilities, net
Opening balance 1 Jan 2020	-960	-463	306	1,303	269	-414	128	57	226		226
Recognised in the income statement	-222	-5	57	25	126	94	41	-22	94		94
Recognised in other comprehensive income	-	-	-	54	-	-	-	-180	-126		-126
Translation differences	1	2	-20	0	-9	-	-3	10	-19		-19
Closing balance 31 Dec 2020	-1,181	-466	343	1,382	386	-320	166	-135	175		175
Of which, deferred tax assets	1	13	343	1,382	386	-	166	156	2,447	-2,216	231
Of which, deferred tax liabilities	-1,182	-479	-	-	-	-320	-	-291	-2,272	2,216	-56
Opening balance 1 Jan 2021	-1,181	-466	343	1,382	386	-320	166	-135	175		175
Recognised in the income statement	-68	-9	-50	39	29	-79	-4	91	-51		-51
Recognised in other comprehensive income	-	-	-	-100	-	-	-	130	30		30
Translation differences	0	0	8	0	5	-	4	-3	14		14
Closing balance 31 Dec 2021	-1,249	-475	301	1,321	420	-399	166	83	168		168
Of which, deferred tax assets	1	27	301	1,321	420	-	166	195	2,431	-2,126	305
Of which, deferred tax liabilities	-1,250	-502	-	-	-	-399	-	-112	-2,263	2,126	-137

¹⁾ Includes deferred tax on right-of-use assets and lease liabilities.

The Group's total deferred tax income/expense in the 2021 income statement amounted to MSEK -51 (94). The Group's total deferred tax income/expense in the statement of comprehensive income amounted to MSEK 30 (-126). The net closing balance on 31 December 2021, MSEK 168 (175), consisted of deferred tax assets of MSEK 305 (231) and deferred tax liabilities of MSEK -137 (-56).

The net change in the year's tax loss carry forwards, excluding acquisition/divestment of operations and translation differences, amounted to MSEK -4 (41), which is the amount of deferred tax on capitalised tax value in tax loss carry for-

wards, MSEK 67 (59), and deferred tax expense due to utilisation of previously capitalised tax value in tax loss carry forwards, MSEK -71 (-18).

Other amounts in the "Recognised in the income statement" row in the table above amounted to MSEK -47 (53), which is the total of deferred tax related to temporary differences and deferred tax attributable to previous years.

Deferred tax assets and liabilities related to leases are offset in the statement of financial position and the category Tangible fixed assets above.

Note 13, cont.

Parent Company MSEK	Deferred tax assets 31-12-2021	Deferred tax liabilities 31-12-2021	Net
Tangible fixed assets	13	-199	-186
Inventories	192	-	192
Accounts receivable	11	-	11
Provisions for pensions	124	-	124
Other provisions	230	-	230
Long-term liabilities	6	-	6
Accrued expenses and deferred income	39	-	39
Other	23	-	23
Tax assets/liabilities, total	638	-199	439
Set-off	-199	199	-
Tax assets/liabilities, net	439	-	439

Parent Company MSEK	Deferred tax assets 31-12-2020	Deferred tax liabilities 31-12-2020	Net
Tangible fixed assets	-	-204	-204
Inventories	145	-	145
Accounts receivable	12	-	12
Provisions for pensions	119	-	119
Other provisions	241	-	241
Long-term liabilities	2	-	2
Accrued expenses and deferred income	36	-	36
Tax loss carry forwards	6	-	6
Other	27	-	27
Tax assets/liabilities, total	588	-204	384
Set-off	-204	204	-
Tax assets/liabilities, net	384	-	384

The change in deferred tax assets and liabilities in the Parent Company, Saab AB, has been recognised in the income statement.

Estimated utilisation dates of recognised deferred tax assets

MSEK	Group	Parent Company
Deferred tax assets expected to be recovered within one year	271	114
Deferred tax assets expected to be recovered after one year	2,160	524

Estimated utilisation dates of recognised deferred tax liabilities

MSEK	Group	Parent Company
Deferred tax liabilities due for payment within one year	-166	-10
Deferred tax liabilities due for payment after one year	-2,097	-189

Note 14

Earnings per share

	2021	2020
Net income for the year attributable to Parent Company's shareholders (MSEK)	1,926	1,073
Weighted average number of common shares outstanding:		
before dilution (thousands)	132,165	133,010
after dilution (thousands)	133,293	133,877
Earnings per share, before dilution (SEK)	14.57	8.07
Earnings per share, after dilution (SEK)	14.45	8.01

The weighted average number of shares outstanding before dilution refers to the total number of shares in issue less the average number of repurchased treasury shares. The weighted average number of shares outstanding after dilution is based on the effects of all potential shares (long-term incentive programmes) that give rise to a dilution effect.

Note 15

Intangible fixed assets

Accounting principles

Goodwill

Goodwill is distributed among cash-generating units and tested annually for impairment in the fourth quarter. Goodwill arising from the acquisition of associated companies and joint ventures is included in the carrying amount of the shares in the associated company and joint venture.

In acquisitions where the cost is less than, on the one hand, the net of the cost of the Group company's shares, the value of non-controlling interests in the acquired company and the fair value of the previously owned interest and, on the other, the carrying amount of the acquired assets and assumed liabilities in the acquisition analysis, the difference is recognised directly through profit or loss.

Research and development

Expenditures for research undertaken in an effort to gain new scientific or technological knowledge are expensed when incurred.

Expenditures for development, where the research results or other knowledge is applied to new or improved products or processes, are recognised as an asset in the statement of financial position from the time when the product or process in the future is expected to be technically and commercially usable, the company has sufficient resources to complete development and subsequently use or sell the intangible asset, and the product or process is likely to generate future economic benefits. The carrying amount includes expenditures for material, direct expenditures for salaries and, if applicable, other expenditures that are considered directly attributable to the asset. Other expenditures for development are recognised in profit or loss as an expense when they arise. Development expenditures are recognised in the statement of financial position at cost less accumulated amortisation and any impairment losses. Customer-financed research and development is recognised in cost of goods sold rather than capitalised.

Other intangible fixed assets

Other intangible fixed assets, which include licenses for operating systems, design and implementation of new operating systems, as well as acquired assets such as trademarks and customer relations, are recognised at cost less accumulated amortisation and any impairment losses.

Amortisation

Amortisation is recognised in profit or loss over the intangible fixed assets' estimated periods of use, provided such periods can be determined. Intangible fixed assets, excluding goodwill and other intangible fixed assets with indeterminate periods of use, are amortised from the day they are available for use. Estimated periods of use and amortisation methods are as follows:

- Patents, trademarks, customer relations and other technical rights: 5–10 years on a straight line basis.
- Other intangible assets: licenses for operating systems etc. are amortised on a straight line basis, 2–5 years.
- Capitalised development costs: Self-financed capitalised development costs are amortised on a straight line basis over a maximum period of 10 years. Acquired development costs are amortised on a straight line basis over a maximum of 10 years.
- Goodwill: In the Parent Company, goodwill is amortised over a maximum period of 20 years. Goodwill is not amortised in the Group.

Periods of use are tested annually and unfinished development work is tested for impairment at least once a year regardless of any indications of diminished value.

Impairment of goodwill, capitalised development costs and other intangible assets

Intangible fixed assets are tested on each closing day for any indication of impairment. If an indication exists, the asset's recoverable amount is calculated.

For goodwill and other intangible fixed assets with an indeterminate period of use and intangible fixed assets not yet ready for use, recoverable values are calculated annually in the fourth quarter.

The recoverable amount of an asset is the higher of its fair value less selling expenses and value in use. Value in use is measured by discounting future cash flows using a discounting factor that takes into account the risk-free rate of interest adjusted for the risk associated with the specific asset.

If essentially independent cash flows cannot be isolated for individual assets, the assets are grouped at the lowest levels where essentially independent cash flows can be identified (cash-generating units). An impairment loss is recognised when the carrying amount of an asset or cash-generating unit exceeds its recoverable value. Impairment losses are charged against the income statement.

Impairment losses attributable to a cash-generating units (or pool of units) are mainly allocated to goodwill, after which they are divided proportionately among other assets in the unit (the pool of units). Impairment of goodwill is not reversed. Impairment losses from other assets are reversed if a change has occurred in the assumptions that served as the basis for determining recoverable value. Impairment is reversed only to the extent the carrying amount of the assets following the reversal does not exceed the carrying amount that the asset would have had if the impairment had not been recognised, taking into account the amortisation that would have been recognised.

MSEK	Group		Parent Company	
	31-12-2021	31-12-2020	31-12-2021	31-12-2020
Goodwill	5,253	5,141	173	213
Capitalised development costs	6,040	5,699	-	-
Other intangible assets	869	680	747	567
Total	12,162	11,520	920	780

Goodwill

MSEK	Group		Parent Company	
	2021	2020	2021	2020
Acquisition value				
Opening balance, 1 January	5,838	6,052	784	784
Business combinations	-	4	-	-
Divestments	-9	-40	-	-
Translation differences	121	-178	-	-
Closing balance, 31 December	5,950	5,838	784	784
Amortisation and write-downs				
Opening balance, 1 January	-697	-697	-571	-531
Amortisation for the year	-	-	-40	-40
Closing balance, 31 December	-697	-697	-611	-571
Carrying amount, 31 December	5,253	5,141	173	213

Capitalised development costs

MSEK	Group		Parent Company	
	2021	2020	2021	2020
Acquisition value				
Opening balance, 1 January	11,823	10,500	2,000	2,000
Internally developed assets	891	1,353	-	-
Translation differences	22	-30	-	-
Closing balance, 31 December	12,736	11,823	2,000	2,000
Amortisation and write-downs				
Opening balance, 1 January	-6,124	-5,920	-2,000	-2,000
Amortisation for the year	-550	-233	-	-
Translation differences	-22	29	-	-
Closing balance, 31 December	-6,696	-6,124	-2,000	-2,000
Carrying amount, 31 December	6,040	5,699	-	-

Other intangible assets

MSEK	Group		Parent Company	
	2021	2020	2021	2020
Acquisition value				
Opening balance, 1 January	2,733	2,510	2,125	1,879
Investments	406	269	364	251
Disposals and reclassifications	-111	-2	-104	-5
Translation differences	31	-44	-	-
Closing balance, 31 December	3,059	2,733	2,385	2,125
Amortisation and write-downs				
Opening balance, 1 January	-2,053	-1,980	-1,558	-1,474
Amortisation for the year	-151	-116	-115	-84
Disposals and reclassifications	43	4	35	-
Translation differences	-29	39	-	-
Closing balance, 31 December	-2,190	-2,053	-1,638	-1,558
Carrying amount, 31 December	869	680	747	567

Note 15, cont.

Amortisation is included in the following lines in the income statement

MSEK	Group		Parent Company	
	2021	2020	2021	2020
Cost of goods sold	151	116	155	124
Research and development costs	550	233	-	-

Development expenditures

The total capitalisation largely relates to development projects for the GlobalEye Airborne Early Warning & Control system and an export version of Gripen.

Development expenditures are capitalised only in the consolidated accounts. In legal entities, all development expenditures are expensed. Capitalisation of development expenditures in the Parent Company relates to acquired development expenditures.

Impairment tests for goodwill

In connection with business combinations, goodwill is allocated to the cash-generating units, or groups thereof, that are expected to obtain future economic benefits in the form of, for example, synergies from the acquisition. Acquired operations normally have access to knowledge, technology and solutions that will benefit large parts of the Group, and the acquired operations are usually integrated with other operations shortly after acquisition. Consequently, goodwill is allocated to and tested for impairment at the business area level, which also corresponds to the lowest level at which goodwill is monitored in the internal governance.

Goodwill in the Parent Company relates to goodwill arising from the purchase of the net assets of Saab Microwave Systems.

Goodwill is distributed by business area as follows:

MSEK	31-12-2021	31-12-2020
Aeronautics	119	115
Dynamics	720	720
Surveillance	3,752	3,646
Kockums	264	264
Combitech	366	361
Corporate	32	35
Total goodwill	5,253	5,141

Impairment testing of cash-generating units is based on the calculation of value in use. This value is based on discounted cash flow forecasts according to the units' business plans. Saab's assessment is that this does not cause any impairment. In the measurement of the value in use in 2021 and 2020, with regards to COVID-19, the Group has not needed to revise its principles for determining the discount rate for future cash flows. Saab has analysed different scenarios and performed stress tests of the calculations of value in use through negative adjustments of key judg-

ments such as growth rate and profitability level during the forecast period and in the terminal value. These stress test have not led to any identified need of impairment.

Variables used to calculate value in use

Volume/growth

Growth in the cash-generating units' business plans is based on Saab's expectations with regard to development in each market area and previous experience. It is also based on estimates of cash flows that are distributed over the long projects and are dependent on the timing and size of advances and milestone payments. The first five years are based on the five-year business plan formulated by Group Management and approved by the Board. For cash flows after five years, the annual growth rate has been assumed to be 0 (0) per cent.

Operating margin

The operating margin is based on the units' operating income after depreciation and amortisation. Each unit's operating margin is calculated against the backdrop of historical results and Saab's expectations with regard to the future development of markets where the units are active. All business areas have a substantial order backlog of projects that stretch over a number of years. The risks and opportunities affecting the operating margin are managed through continuous cost forecasts for all significant projects. The operating margin is based on current projections of final costs.

Capitalised development costs

In the five-year business plans, consideration is given to additional investments in development considered necessary for certain units to reach the growth targets in their respective markets.

Discount rate

Discount rates are based on the weighted average cost of capital (WACC). The WACC rate that is used is based on a risk-free rate of interest in ten years adjusted for, among other things, market risks. The discount rate is in line with the external requirements placed on Saab and similar companies in the market.

All units have sales of defence materiel, unique systems, products and support solutions in the international market as their primary activity, and their business risk in this respect is considered equivalent.

Recent years' order bookings have increased the share of projects across business areas and changed the composition of the order backlog for certain units, which complicates a differentiation of discount rates between business areas. As a result, Saab has decided to apply a uniform discount rate in the impairment tests. The discount rate (WACC) used in 2021 was 10 per cent (10) pre-tax.

Sensitivity analysis

Group Management considers that reasonable possible changes in the above variables would not have such a large impact that any one variable individually would reduce the recoverable amount to less than the carrying amount.

Note 16

Tangible fixed assets

Accounting principles

Tangible fixed assets are recognised as an asset in the statement of financial position if it is likely that future economic benefits will accrue to the Group and the cost of the asset can be reliably estimated.

Tangible fixed assets are recognised at cost after deducting accumulated depreciation and any write-down. Cost includes the purchase price and costs directly attributable to putting the asset into place and condition to be utilised in accordance with the purpose of the purchase. Examples of directly attributable expenditures included in cost are delivery and handling, installation, title and consulting services.

The cost of fixed assets produced by Saab includes expenditures for material, expenditures for employee benefits and, where applicable, other production costs considered directly attributable to the fixed asset. The cost of tangible fixed assets includes estimated costs for disassembly and removal of the assets as well as restoration of the location or area where these assets are found.

The carrying amount of a tangible fixed asset is derecognised from the statement of financial position when the asset is sold or disposed of or when no future economic benefits are expected from its use. The gain or loss that arises on the sale or disposal is comprised of the difference between the sales price

and the asset's carrying amount less direct selling expenses. Such gains and losses are recognised as other operating income/expenses.

Incremental expenditures

Incremental expenditures are added to cost only if it is likely that the future economic benefits tied to the incremental expenditures will accrue to the Group and the expenditures can be reliably estimated. All other incremental expenditures are recognised as costs in the period they arise.

The determining factor whether an incremental expenditure is added to cost is whether it relates to the replacement of identifiable components, or parts thereof. If so, the cost is capitalised. Also in cases where a new component is created, the expenditure is added to cost. Any undepreciated carrying amount of replaced components, or parts of components, is disposed of and expensed in connection with the replacement. Repairs are expensed as incurred.

Depreciation

Depreciation is recognised on a straight-line basis based on the asset's cost less estimated residual value at the end of the period of use, over the asset's estimated period of use. Land is not depreciated. Component depreciation is

Note 16, cont.

applied, which means that fixed assets consisting of various components, or where significant parts have different periods of use, are depreciated as separate assets based on their periods of use.

Estimated periods of use:

- Operating properties/buildings: 20–90 years.
- Plant and machinery: 5–10 years.
- Equipment, tools, installations and computers: 3–10 years.

Each asset's residual value and period of use are estimated annually.

Impairment of tangible assets

The carrying amount of fixed assets, with the exception of assets measured at fair value, is tested on each closing day for indications of impairment. If an indication exists, the asset's recoverable amount is calculated.

The recoverable amount of an asset is the higher of its fair value less selling expenses and value in use. Value in use is measured by discounting future cash flows using a discounting factor that takes into account the risk-free rate of interest adjusted for the risk associated with the specific asset. If essentially independent cash flows cannot be isolated for individual assets, the assets are grouped at the lowest levels where essentially independent cash flows can be identified (cash-generating units). An impairment loss is recognised when the carrying amount of an asset or cash-generating unit exceeds its recoverable value. Impairment losses are charged against the income statement.

Impairment losses are reversed if a change has occurred in the assumptions that served as the basis for determining recoverable value. Impairment is reversed only to the extent the carrying amount of the assets following the reversal does not exceed the carrying amount that the asset would have had if the impairment had not been recognised, taking into account the depreciation that would have been recognised.

MSEK	Group		Parent Company	
	31-12-2021	31-12-2020	31-12-2021	31-12-2020
Operating properties/buildings and land ¹⁾	2,709	2,740	1,584	1,613
Plant and machinery	1,846	1,706	1,218	1,105
Equipment, tools and installations	1,207	1,095	776	775
Construction in progress	1,385	1,067	849	690
Total	7,147	6,608	4,427	4,183

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

Operating properties/buildings and land¹⁾

MSEK	Group		Parent Company	
	2021	2020	2021	2020
Acquisition value				
Opening balance, 1 January	5,747	5,257	2,464	2,285
Investments	80	537	44	197
Divestments, disposals and reclassifications	-58	-2	-23	-18
Translation differences	24	-45	-	-
Closing balance, 31 December	5,793	5,747	2,485	2,464
Depreciation and write-downs				
Opening balance, 1 January	-3,007	-2,987	-1,748	-1,693
Depreciation for the year	-100	-96	-57	-55
Divestments, disposals and reclassifications	38	57	7	-
Translation differences	-15	19	-	-
Closing balance, 31 December	-3,084	-3,007	-1,798	-1,748
Revaluations				
Opening balance, 1 January	-	-	897	897
Closing balance, 31 December	-	-	897	897
Carrying amount, 31 December	2,709	2,740	1,584	1,613

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

Plant and machinery

MSEK	Group		Parent Company	
	2021	2020	2021	2020
Acquisition value				
Opening balance, 1 January	5,631	5,422	3,449	3,263
Investments	419	373	293	249
Reclassifications	19	112	5	19
Divestments and disposals	-210	-112	-99	-82
Translation differences	93	-164	-	-
Closing balance, 31 December	5,952	5,631	3,648	3,449
Depreciation and write-downs				
Opening balance, 1 January	-3,925	-3,824	-2,344	-2,258
Depreciation for the year	-293	-277	-181	-166
Reclassifications	-	-50	-	-
Divestments and disposals	189	106	95	80
Translation differences	-77	120	-	-
Closing balance, 31 December	-4,106	-3,925	-2,430	-2,344
Carrying amount, 31 December	1,846	1,706	1,218	1,105

Equipment, tools and installations

MSEK	Group		Parent Company	
	2021	2020	2021	2020
Acquisition value				
Opening balance, 1 January	3,334	3,124	2,259	1,975
Investments	451	402	266	302
Reclassifications	13	-63	-	5
Divestments and disposals	-93	-71	-54	-23
Translation differences	29	-58	-	-
Closing balance, 31 December	3,734	3,334	2,471	2,259
Depreciation and write-downs				
Opening balance, 1 January	-2,239	-2,053	-1,484	-1,274
Depreciation for the year	-357	-331	-261	-233
Reclassifications	-	44	-	-
Divestments and disposals	88	63	50	23
Translation differences	-19	38	-	-
Closing balance, 31 December	-2,527	-2,239	-1,695	-1,484
Carrying amount, 31 December	1,207	1,095	776	775

Construction in progress

MSEK	Group		Parent Company	
	2021	2020	2021	2020
Acquisition value				
Opening balance, 1 January	1,067	1,284	690	772
Investments	273	-43	97	-82
Reclassifications	33	-146	62	-
Translation differences	12	-28	-	-
Carrying amount, 31 December	1,385	1,067	849	690

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

Collateral

On 31 December 2021 property with a carrying amount of MSEK 0 (0) was pledged as collateral for bank loans.

Note 17

Leasing

The Group's and the Parent Company's obligations as a lessee mainly involve premises and buildings for production and/or administration. The Group's other leases mainly relate to aircraft and vehicles. Leases are normally signed for fixed periods over several years, but may include an option to extend, as described in more detail below. The Group or the Parent Company has no material obligations as a lessor.

The terms are negotiated separately for each lease and contain a large number of contractual terms. The leases do not contain any special terms or restrictions whereby the contracts could be terminated if the terms are not met, but the leased assets may not be used as collateral for loans.

In addition to the leases reported as of the closing day, the Group has not signed any significant new lease agreements.

Accounting principles

Leases are recognised as right-of-use assets and a corresponding liability on the date the leased asset is available for use by the Group. Each lease payment is divided between amortisation of the liability and financial cost. The financial cost is allocated over the lease term so that each reporting period is charged with an amount corresponding to a fixed interest rate for the liability recognised in that period. The right-of-use asset is depreciated on a straight-line basis over the shorter of the asset's period of use and the term of the lease.

Assets and liabilities arising from leases are initially recognised at present value. Lease liabilities are initially recognised at the present value of future lease payments, which includes fixed fees, variable lease fees that depend on an index or a price, the guaranteed residual value that is expected to be paid to the lessor, the redemption price for a call option, if it is reasonably certain that the option will be exercised, and any penalties to terminate the lease, if the lease term reflects the assumption that this option will be exercised. The lease payments are discounted by the implicit interest rate if that rate can easily be determined, or otherwise by the incremental borrowing rate.

Saab sets the incremental borrowing rate for different maturities by constructing a rate curve based on the interbank interest rate swap curve adjusted with Saab's credit risk. The credit risk of a liability with the underlying asset type as collateral is added. The rate is recalculated if the lessee within the Saab Group has a functional currency other than SEK. The rate is also adjusted for differences in credit risk between the Group company in question and the Saab Group. Saab uses market data in the form of swap rates, for example, to calculate the incremental borrowing rate. If a quote is not available for a variable for a specific maturity, interpolation or extrapolation is applied. The key judgments made in determining the incremental borrowing rate mainly comprise assumptions about the mark-up for lessee-specific credit risk and collateral-specific credit risk. The mark-up for the credit risk is based on listed bonds with similar underlying credit risk.

Right-of-use assets are initially measured at the lease liability's value plus lease fees paid on or before the start date. Right-of-use assets are subsequently measured after deducting accumulated depreciation and any impairment losses. An impairment test is conducted if circumstances indicate that the carrying amount of the right-of-use asset exceeds its recoverable amount.

Right-of-use assets and lease liabilities are presented as separate items in the balance sheet as Right-of-use assets and Long- and short-term lease liabilities.

Lease payments for short-term leases and leases of low-value assets are expensed on a straight-line basis in the income statement. Short-term leases are leases of 12 months or less.

Options to extend and terminate are included in a number of the Group's leases on premises and buildings. The terms are used to maximise the flexibility in managing the contracts. When determining the term of the lease, available information is taken into account if it provides an economic incentive to exercise an extension option, or to not exercise an option to terminate a lease. Possibilities to extend a lease are included in the term of the lease only if it is reasonably certain that the lease will be extended (or not terminated). The key judgments made when determining the lease term have been based on Saab's judgments when dividing leases into groups based on whether they are of a strategic nature or not. Strategic nature refers to premises that contain production equipment which is difficult to move or for which Saab for some other reason has an economic incentive to exercise an option. The lease term for these contracts is regularly assessed, whereupon extension options are more likely to be included the shorter the remaining term is. For leases that are not of a strategic nature, Saab has determined that there are no economic incentives to exercise options that affect the lease term. It happens, however, that options to extend which have not been taken into account in the calculation of the lease liability are exercised even though the initial judgment was that there was no significant economic incentive to exercise the extension option.

Interest costs on lease liabilities are presented as financial costs in the income statement.

Cash flows from leases are classified and presented as follows:

- The lease liability's amortisation is included in financing activities.
- Interest payments are included in cash flows from operating activities.
- Payments for short-term leases and payments for leases for which the underlying asset has a low value and is not included in the valuation of the lease liability are presented in operating activities.

The following tables provide information on leases.

Right-of-use assets

MSEK	Properties	Other	Group
Opening balance, 1 January 2020	2,040	509	2,549
New leases	220	95	315
Depreciation	-344	-121	-465
Revaluation ¹⁾	164	-10	154
Translation differences	-33	-4	-37
Closing balance, 31 December 2020	2,047	469	2,516
Opening balance, 1 January 2021	2,047	469	2,516
New leases	189	86	275
Depreciation	-367	-120	-487
Revaluation ¹⁾	142	1	143
Translation differences	23	2	25
Closing balance, 31 December 2021	2,034	438	2,472

¹⁾ Revaluation primarily refers to extensions of existing contracts but also indexation and early termination of contracts.

Lease liabilities

MSEK	Group	
	2021	2020
Opening balance lease liabilities, 1 January	2,539	2,572
<i>of which long-term leases</i>	2,095	2,138
<i>of which short-term leases</i>	444	434
New leases	264	324
Expensed interest	98	93
Lease fees paid	-567	-530
Revaluation ¹⁾	154	160
Translation differences	55	-80
Closing balance, 31 December	2,543	2,539
<i>of which long-term leases</i>	2,061	2,095
<i>of which short-term leases</i>	482	444

¹⁾ Revaluation primarily refers to extensions of existing contracts but also indexation and early termination of contracts.

Of the lease liabilities, undiscounted lease fees due within one year from the closing day amount to MSEK 565 (552), MSEK 1,286 (1,316) in the range from one to three years and MSEK 1,061 (1,196) are due later than three years from the closing day. Lease fees during periods in scope of an extension option which have not been included in the calculation of the lease liability amount to MSEK 1,310 (1,244). The amount has been calculated on the basis of one extension period per contract.

Result from leases that are not recognised as right-of-use assets and lease liabilities

MSEK	Group	
	2021	2020
Costs for short-term leases	39	53
Costs for leases for assets of low-value	7	7
Summa	46	60

Lease fees paid for leases that are not recognised as right-of-use assets and lease liabilities amounted to MSEK 46 (60) whereby the Group paid total lease fees of MSEK 613 (590). Contractual obligations for short-term leases amounted to MSEK 11 (25) as of 31 December 2021.

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

MSEK	2021		2020	
	Buildings and land	Plant and machinery	Buildings and land	Plant and machinery
Expensed lease fees	306	169	286	136
<i>of which variable lease fees</i>	-	-	-	-
Contracted lease fees				
Within 1 year	316	94	287	110
1 to 3 years	712	273	703	335
Later than three years	948	0	1,046	-
Total contracted	1,976	367	2,036	445

Note 18

Biological assets

Accounting principles

Biological assets in the form of forests are carried at fair value less deduction for estimated selling expenses. Fair value is based on the valuation of an independent appraiser.

MSEK	Group	
	2021	2020
Living forest		
Carrying amount, 1 January	376	368
Investments	-	-
Change in fair value	18	19
Less fair value logging	-9	-11
Carrying amount, 31 December	385	376
Of which fixed assets	385	376

On 31 December 2021, biological assets consisted of approximately 389,000 m³sk of spruce, 819,000 m³sk of pine and 96,000 m³sk of hardwood. Forest growth is estimated at 41,000 m³sk per year. During the year, approximately 26,000 m³sk of timber was felled, which had a fair value in the Group, after deduction of selling expenses, of MSEK 9 on the felling date.

The valuation of forests has been done by independent appraisers. The forestry property has been valued according to the market comparison method. In the valuation according to the market comparison method, the environmental impact from a firing range within the property has not been taken into account. An adjustment for the environmental impact has therefore been made by reducing fair value by an amount corresponding to the market value of the size of the firing range (4,457 hectares) less the value of the timber.

Note 19

Shares in associated companies and joint ventures

Accounting Principles

Associated companies are companies over which the Group has a significant, but not decisive, influence over operating and financial controls, usually through a shareholding of between 20 and 50 per cent of the votes. Joint ventures are companies in which the Group, through a cooperative agreement with one or more parties, shares a decisive influence over operating and financial controls. As of the date that significant influence in an associated company and shared decisive influence in a joint venture arises, the shares in the associated company or joint venture are recognised according to the equity method in the consolidated accounts. The equity method is applied until the date when significant or shared decisive influence ceases.

The equity method means that the carrying amount of the shares in associated companies and joint ventures corresponds to the Group's share of the associated companies and joint ventures equity based on an application of the Group's accounting principles as well as Group goodwill and any remaining Group surplus or deficit values. "Share in income of associated companies and joint ventures" in the income statement comprises the Group's share of the net

income after tax and the non-controlling interests in associated companies and joint ventures adjusted for any amortisation/depreciation, write-downs or dissolution of acquired surplus and deficit values determined in the same way as for business combinations. Dividends received from associated companies and joint ventures reduce the carrying amount of the investment.

If the Group's share of the accumulated deficit in an associated company or joint venture exceeds the carrying amount of the shares in the Group, the value of the shares is reduced to zero. Losses are also offset against long-term uncollateralised financial balances that in their economic significance represent part of the owner-company's net investment in the associated company or joint venture. Subsequent losses are not recognised as a liability in the consolidated accounts as long as the Group has not issued any guarantees to cover losses arising in the associated company or joint venture.

When significant influence over the associated company or shared decisive influence over the joint venture ceases but the Group retains an interest in the company, the remaining shares are initially recognised at fair value. The gain or loss that arises is recognised in profit or loss.

Associated companies and joint ventures

MSEK	Group	
	2021	2020
Carrying amount, 1 January	496	672
Acquisition of associated companies and joint ventures	0	2
Sales of associated companies and joint ventures	-4	-78
Share in income of associated companies and joint ventures ¹⁾	-28	-180
New share issues/infusion of capital	6	204
Translation differences	6	-61
Dividends	-72	-63
Carrying amount, 31 December	404	496

¹⁾ Share in associated companies' and joint ventures' net income and non-controlling interests.

The Group's associated companies and joint ventures are held for operating purposes, i.e. they are related to operations of the business areas or in the venture portfolio and are therefore recognised in operating income.

Aggregate net income for Saab's associated companies amounted to MSEK -11 (-49) and other comprehensive income/loss to MSEK 13 (-87), producing net comprehensive income/loss of MSEK 2 (-136).

For Saab's joint ventures, net income amounted to MSEK -13 (-27) and other comprehensive income to MSEK 0 (0), producing net comprehensive income of MSEK -13 (-27).

Saab's share in income of associated companies and joint ventures amounts to MSEK -28 (-180).

Shares in associated companies and joint ventures as of 31 December 2021 include goodwill of MSEK 48 (48).

The Group's share of sales, income, assets, liabilities, equity, and the carrying amount of shares in associated companies and joint ventures is as follows.

Note 19, cont.

2021, MSEK	Country	Sales	Income	Assets	Liabilities	Equity	Ownership interest, % ¹⁾	Share in income of associated companies and joint ventures	Carrying amount, shares in associated companies and joint ventures
Associated companies									
Akaer Participações S.A.	Brazil	204	13	272	171	101	42.2%	6	42
FFV Services Private Limited	India	46	28	175	12	163	49.0%	14	80
S.N. Technologies SA	Switzerland	0	0	18	0	18	50.0%	0	9
Taurus Systems GmbH	Germany	247	17	405	332	73	33.0%	6	24
UMS Skeldar AG	Switzerland	99	-163	297	141	156	47.0%	-76	73
Wah Nobel (Pvt) Ltd	Pakistan	308	67	410	69	341	27.0%	18	92
Other associated companies, mainly in the ventures portfolio		941	27	695	453	242		9	84
Total associated companies		1,845	-11	2,272	1,178	1,094		-23	404
Joint ventures									
Järfälla-Veddesta Holdings AB	Sweden	0	-13	706	706	0	35.0%	-5	0
Total joint ventures		1,845	-24	2,978	1,884	1,094		-28	404
Total									

¹⁾ The ownership interest of each holding represents both ownership and voting rights.

2020, MSEK	Country	Sales	Income	Assets	Liabilities	Equity	Ownership interest, % ¹⁾	Share in income of associated companies and joint ventures	Carrying amount, shares in associated companies and joint ventures
Associated companies									
Akaer Participações S.A.	Brazil	103	-34	260	174	86	42.2%	-47 ²⁾	36
FFV Services Private Limited	India	45	4	163	19	144	49.0%	2	71
S.N. Technologies SA	Switzerland	165	16	99	6	93	50.0%	8	47
Taurus Systems GmbH	Germany	1,788	73	628	498	130	33.0%	24	43
UMS Skeldar AG	Switzerland	152	-110	607	300	307	47.0%	-52	144
Wah Nobel (Pvt) Ltd	Pakistan	227	-4	341	49	292	27.0%	-1	79
Other associated companies, mainly in the ventures portfolio		783	6	892	663	229		-105 ³⁾	76
Total associated companies		3,263	-49	2,990	1,709	1,281		-171	496
Joint ventures									
Järfälla-Veddesta Holdings AB	Sweden	-	-27	690	690	0	35%	-9	0
Total joint ventures		-	-27	690	690	0		-9	0
Total		3,263	-76	3,680	2,399	1,281		-180	496

¹⁾ The ownership interest of each holding represents both ownership and voting rights.

²⁾ Includes write-down of Saab's share with MSEK 32. See note 42 Items affecting comparability.

³⁾ Includes write-downs of Saab's share in AVIA SATCOM Co., Ltd and Kedtech Holding AB, totaling MSEK 113. See note 42 Items affecting comparability.

Note 20

Parent company's shares in associated companies and joint ventures

MSEK	Parent Company	
	2021	2020
Accumulated acquisition value		
Opening balance, 1 January	354	383
Acquisitions	4	211
Divestments	-9	-83
Write-downs	-	-157
Closing balance, 31 December	349	354
Carrying amount, 31 December	349	354

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

2021 MSEK	% of votes and capital	Carrying amount
Associated companies		
Akaer Participações S.A., Brazil	42.2	36
Kedtech Holding AB, 556945-3748, Stockholm	23.0	0
Skill Scandinavia AB, 556060-5478, Linköping	33.0	2
AVIA SATCOM Co Ltd, Thailand	25.1	0
UMS Skeldar AG, CHE-113.226.140, Switzerland	47.0	258
Combient AB, 556985-1560, Järfälla	24.9	35
Joint ventures		
Järfälla-Veddesta Holdings AB, 559025-4024, Linköping	35.0	18
Industrigruppen JAS AB, 556147-5921, Stockholm	80.0	0
Total		349

2020 MSEK	% of votes and capital	Carrying amount
Associated companies		
Akaer Participações S.A., Brazil	42.2	36
Kedtech Holding AB, 556945-3748, Stockholm	23.0	0
Skill Scandinavia AB, 556060-5478, Linköping	33.0	2
AVIA SATCOM Co Ltd, Thailand	25.1	0
Aerostructures Assemblies India Pvt Ltd	50.0/26.0	9
UMS Skeldar AG, CHE-113.226.140, Switzerland	47.0	258
Combient AB, 556985-1560, Järfälla	24.9	35
Joint ventures		
Järfälla-Veddesta Holdings AB, 559025-4024, Linköping	35.0	14
Industrigruppen JAS AB, 556147-5921, Stockholm	80.0	0
Total		354

Note 21

Receivables from group companies

Parent Company MSEK	Long-term receivables			
	Long-term receivables from Group companies		Long-term receivables from associated companies and joint ventures	
	2021	2020	2021	2020
Accumulated acquisition value				
Opening balance, 1 January	91	78	290	463
Change in reserve for excepted credit losses	-	-	-4	-54
Settled receivables	-	13	110	95
Additional receivables	-	-	-10	-209
Translation differences	-	-	11	-5
Closing balance, 31 December	91	91	397	290

Note 22

Other long-term securities holdings

MSEK	Parent Company	
	2021	2020
Accumulated acquisition value		
Opening balance, 1 January	44	41
Acquisitions	8	3
Closing balance, 31 December	52	44
Accumulated write-downs		
Opening balance, 1 January	-17	-17
Closing balance, 31 December	-17	-17
Carrying amount, 31 December	35	27

Acquisition in 2021 refers to AMEXCI AB and Lindholmen Science Park AB.

Note 23

Long-term receivables and other receivables

MSEK	Group	
	31-12-2021	31-12-2020
Long-term receivables held as fixed assets		
Receivables from associated companies, interest-bearing	264	147
Receivables from joint ventures, interest-bearing	193	204
Receivables attributable to pensions, interest-bearing	39	-
Other non interest-bearing receivables	99	266
Total	595	617

MSEK	Group	
	31-12-2021	31-12-2020
Other receivables held as current assets		
Receivables from associated companies, non interest-bearing	18	19
Receivables from joint ventures, non interest-bearing	-	15
Advance payments to suppliers	441	299
Other interest-bearing receivables	66	64
Other non interest-bearing receivables	654	502
Total	1,179	899

MSEK	Parent Company	
	31-12-2021	31-12-2020
Other long-term receivables		
Non interest-bearing receivables	18	19
Total	18	19

MSEK	Parent Company	
	31-12-2021	31-12-2020
Other receivables held as current assets		
Non interest-bearing receivables	451	697
Total	451	697

MSEK	Parent Company	
	2021	2020
Long-term receivables		
Accumulated acquisition value		
Opening balance, 1 January	19	18
Additional receivables	-	1
Settled receivables	-1	-
Closing balance, 31 December	18	19

Note 24

Inventories

Accounting principles

Inventories are valued at the lower of cost and net realisable value. The net realisable value is the estimated selling price in continuing operations after deducting estimated expenses for completion and expenses incurred in selling.

Cost is calculated by applying the first-in first-out method (FIFO) or the weighted average method and includes expenses to acquire inventory assets and bring them to their present location and condition. For finished and semifinished goods, cost consists of direct manufacturing expenses and a reasonable share of indirect manufacturing expenses as well as expenses to customise products for individual customers. Calculations take into account normal capacity utilisation.

MSEK	Group	
	31-12-2021	31-12-2020
Raw materials and consumables	5,973	5,001
Work in progress	4,405	4,331
Finished goods and goods for resale	1,231	920
Total	11,609	10,252

The Group's cost of goods sold includes inventory write-downs of MSEK 303 (396). Write-downs for 2020 included two items, in total MSEK 255, classified as items affecting comparability, see note 42. The reversal of previous write-downs amounted to MSEK 69 (51).

Note 24, cont.

MSEK	Parent Company	
	31-12-2021	31-12-2020
Raw materials and consumables	3,105	2,622
Work in progress	3,221	3,245
Finished goods and goods for resale	1,119	781
Advance payments to suppliers	251	185
Total	7,696	6,833

Cost of goods sold for the Parent company includes inventory write-down of MSEK 273 (286) after the reversal of previous write-downs of MSEK 66 (50).

Note 25

Accounts receivable

Accounting principles

Accounts receivable are initially recognised at fair value and subsequently at amortised cost at the amount expected to be received based on an individual evaluation. Accounts receivable have a short expected maturity, accordingly, they are normally recognised at their nominal amount without discounting.

Impairment losses on accounts receivable and contract assets from defence-related operations are evaluated based on expected credit losses due to defaults within the coming twelve months. These tests are done individually by counterparty. The evaluation is primarily based on counterparty credit risk after consideration of collateral received. Data primarily include official credit rating grades for counterparties.

Impairment losses on accounts receivable from commercial operations are tested based on a probability-weighted outcome for expected credit losses. The calculation is based on an individual assessment of the solvency of the customer and on incurred customer losses in the last ten financial years, from which a worse-case scenario, default scenario and better-case scenario is calculated. The default scenario has been calculated using the average of actual customer losses during these ten years. The other two scenarios have been calculated based on historical information as well as forward-looking information such as future outlooks and economic forecasts. Each scenario has been assigned a probability, where the default scenario is weighted 70 (70) per cent in the calculation and the other two scenarios 15 (15) per cent each. Finally, an evaluation is performed, both for defence-related and civil operations, in order to identify whether adjustments to the calculated provision is needed to capture credit risk that is not captured by the calculation models. This evaluation has resulted in an adjustment to the loss provision related to the civil operations of MSEK 10 (30).

Contract assets recognised in the balance sheet for work to be billed essentially have the same risk characteristics as work already billed for the same type of contract. The Group therefore applies the same assessment for expected credit losses in contract assets as for account receivables.

Impairment of accounts receivable is recognised as operating expenses.

Accounts receivable are written off when the counterparty is no longer expected to be able to pay its debt which can be indicated by final settlement from liquidation of the counterparty or other information that cause Saab to deem that no reimbursement is likely.

Saab has a trade receivable sales programme with an independent party. When a receivable is sold, the entire credit risk is transferred to the counterparty, accordingly, accounts receivable are reduced by the proceeds received and derecognised.

As of 31 December 2021 the Group's outstanding accounts receivable amounted to MSEK 5,884 (4,062) of which MSEK 5,331 (3,522) were attributable to defence-related operations. Contract assets amounted to MSEK 9,252 (9,900) of which 8,420 (8,971) were attributable to defence-related operations. Saab's trade receivable sales programme that was established to strengthen its financial position and increase financial flexibility has not been utilised as of 31 December 2021.

Defence-related sales accounted for 90 per cent (88) of total sales, accordingly counterparties in the major part of accounts receivables are nations with high creditworthiness. The Group's receivables are mainly within the EU, which accounted for 59 per cent (52) of the total. Where counterparties' creditworthiness is deemed unsatisfactory, bank or insurance guarantees or guarantees from EKN are secured.

Write-downs of accounts receivable and contract assets amounted to MSEK 77 (103) as of 31 December 2021, corresponding to 1.3 per cent (2.5) of total accounts receivable. Write-downs are entirely attributable to accounts receivable. MSEK 49 (48) of the write-down is attributable to defence-related operations and MSEK 28 (55) to civil operations.

Accounts receivable in the Parent Company amounted to MSEK 2,526 (2,047). During the year, receivables were written down by MSEK 0 (40). Reversals of previous write-downs amounted to MSEK 1 (4).

Write-downs of accounts receivable, Group

MSEK	2021		
	Defence-related operations	Civil operations	Total
Write-downs, 1 January	-48	-55	-103
Write-downs for calculated losses	0	0	0
Reversal of previous write-downs	0	26	26
Actual credit losses	0	1	1
Translation differences	-1	0	-1
Write-downs, 31 December	-49	-28	-77

MSEK	2020		
	Defence-related operations	Civil operations	Total
Write-downs, 1 January	-18	-21	-39
Write-downs for calculated losses	-37	-39	-76
Reversal of previous write-downs	6	2	8
Actual credit losses	0	3	3
Translation differences	1	0	1
Write-downs, 31 December	-48	-55	-103

Age analysis of the Group's overdue receivables

MSEK	2021		
	Defence-related operations	Civil operations	Total
<30 days	773	45	818
30 to 90 days	103	7	110
91 to 180 days	72	4	76
>181 days	238	11	249
Accounts receivable overdue	1,186	67	1,253
Accounts receivable not overdue	4,145	486	4,631
Total accounts receivable	5,331	553	5,884

MSEK	2020		
	Defence-related operations	Civil operations	Total
<30 days	423	38	461
30 to 90 days	241	24	265
91 to 180 days	43	7	50
>181 days	231	31	262
Accounts receivable overdue	938	100	1,038
Accounts receivable not overdue	2,584	440	3,024
Total accounts receivable	3,522	540	4,062

Note 26

Prepaid expenses and accrued income

MSEK	Group		Parent Company	
	31-12-2021	31-12-2020	31-12-2021	31-12-2020
Prepaid expenses	581	546	553	529
Capitalised changes in value related to forward contract rollovers	-	-	1,451	945
Accrued service income	123	176	36	127
Other accrued income	249	257	395	248
Total	953	979	2,435	1,849

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

Note 27

Liquid assets

Accounting principles

Liquid assets consist of cash and cash equivalents, immediately accessible balances with banks and similar institutions, and short-term liquid investments with a maturity from acquisition date of less than three months, which are exposed to no more than an insignificant risk of fluctuation in value.

MSEK	Group	
	31-12-2021	31-12-2020
Cash and bank balances	1,401	1,123
Bank deposits	300	1,150
Total according to statement of financial position	1,701	2,273
Total according to statement of cash flows	1,701	2,273

Bank deposits relate to short-term investments, with a maturity of less than three months. The Group's unutilised account overdraft facility amounted to MSEK 59 (56) at year-end. With regard to the Group's other loan facilities, refer to notes 30 and 35.

Note 28

Shareholders' equity

The shares in the Parent Company are divided into two series, A and B. Both classes of shares carry equal rights, with the exception that each Series A share is entitled to ten votes and each Series B share one vote. The shares have a quota value of SEK 16.

Outstanding shares at 31 December 2021	Number of shares	Number of shares, %	Number of votes, %
Series A shares	2,383,903	1.8%	15.6%
Series B shares	129,426,275	98.2%	84.4%
Total	131,810,178	100.0%	100.0%

Outstanding shares at 31 December 2020	Number of shares	Number of shares, %	Number of votes, %
Series A shares	2,383,903	1.8%	15.5%
Series B shares	129,863,170	98.2%	84.5%
Total	132,247,073	100.0%	100.0%

Change in number of outstanding shares 2021	Series A	Series B	Total
Number of outstanding shares at 1 January	2,383,903	129,863,170	132,247,073
Repurchase of shares		-1,000,000	-1,000,000
Matching and allotment in long-term incentive programmes		563,105	563,105
Number of outstanding shares at 31 December	2,383,903	129,426,275	131,810,178

In 2021, 1,000,000 Series B shares were repurchased on the market to secure Saab's Share Matching Plans and Performance Share Plans. During the year, 563,105 shares were matched or allotted in Saab's long-term incentive programmes. Transferred shares correspond to 0.4 per cent of the share capital. A total of 4,035,669 shares are held in treasury after this year's matching.

The dividend to shareholders during the year amounted to MSEK 622 (0), or SEK 4.70 (0) per share.

Proposed disposition of earnings 2021

The Board of Directors and the President propose that the unappropriated earnings in the Parent Company at disposal of the Annual General Meeting, amounting to:

SEK	
Retained earnings	4,561,227,342
Share premium reserve	5,557,130,127
Net income for the year	1,116,466,275
Total	11,234,823,744

be disposed as follows:

To the shareholders, a dividend of SEK 4.90 per share	645,869,872
To share premium reserve	5,557,130,127
Funds to be carried forward	5,031,823,745
Total	11,234,823,744

Management of the Group's capital

The Group's capital under management consists of equity. The Group's capital management goal is to facilitate continued operating growth and to remain prepared to capitalise on business opportunities. Saab's equity/asset target is to at least exceed 30 per cent.

Net result of cash flow hedges

The net result of cash flow hedges comprises the effective share of the cumulative net change in fair value of a cash flow hedging instrument attributable to hedge transactions that have not yet taken place.

Translation reserve

The translation reserve comprises exchange rate differences that arise from the translation of financial reports from operations that have prepared their reports in a currency other than the currency of the Group's financial reports. The Parent Company and the Group present their financial reports in SEK. The translation reserve at year-end amounts to 404 (16). Of the translation reserve MSEK 0 (-25) has been reclassified to the income statement.

Note 28, cont.

Revaluation reserve

The revaluation reserve comprises the difference between the fair value and carrying amount of operating properties reclassified as investment properties. No transfer from the revaluation reserve to retained earnings has been made in 2021(11).

Parent company

Restricted reserves

Restricted reserves may not be reduced through profit distributions.

Revaluation reserve

When a tangible or financial fixed asset is revaluated, the revaluation amount is allocated to a revaluation reserve.

Statutory reserve

Provisions to the statutory reserve have previously amounted to at least 10 per cent of net income for the year, until the statutory reserve corresponded to at least 20 per cent of the Parent Company's capital stock. As of 2006 provisions are voluntary and the Parent Company makes no provisions to the statutory reserve.

Unrestricted equity

Share premium reserve

Amounts exceeding the quota value per share received in connection with rights issue. The amount is available for distribution to the shareholders.

Retained earnings

Retained earnings consist of previous year's unrestricted equity after any profit distribution. Retained earnings together with net income for the year comprise unrestricted equity, available for distribution to the shareholders.

Note 29

Interest-bearing liabilities

MSEK	Group	
	31-12-2021	31-12-2020
Long-term liabilities		
Bonds and other debt instruments	5,707	5,291
Other interest-bearing liabilities	45	-
Total	5,752	5,291
Current liabilities		
Bonds and other debt instruments	1,378	2,121
Liabilities to associated companies and joint ventures	43	39
Other interest-bearing liabilities	-	8
Total	1,421	2,168
Total interest-bearing liabilities	7,173	7,459

Terms and repayment schedules

Collateral for loans amounts to MSEK 0 (0). Of the long-term liabilities, MSEK 2,876 (3,266) falls due between one and five years of the closing day and MSEK 2,876 (2,025) later than five years of the closing day. The undiscounted cashflows in the interval between one and five years from the closing day are MSEK 3,051 (3,406) and MSEK 3,562 (2,289) later than five years from the closing day. The interest rate curve as of the closing day has been used to calculate future cashflows from floating rate liabilities.

Bonds and other debt instruments consist of Medium Term Notes (MTN) and Schuldschein loans. For more information on financial risk management, see note 35.

The fair value of MTNs and Schuldschein loans exceeds book value by MSEK 18 (19). There is no significant difference between book and fair value for the rest of the interest-bearing liabilities.

Note 30

Bonds and other debt instruments

MSEK	Parent company	
	31-12-2021	31-12-2020
Current liabilities		
Overdraft facilities: Available credit/limit	31	56
Short-term portion of bank loans: Unutilised portion	-31	-56
Utilised credit amount	-	-
Credit facility: Medium Term Notes (MTN)	1,378	1,318
Credit facility: Schuldschein (SSD)	-	803
Total	1,378	2,121
Long-term liabilities		
Credit facilities: Available credit/limit (revolving credit facility)	6,000	10,000
Unutilised portion of revolving credit facility	-6,000	-10,000
Utilised credit amount	-	-
Credit facility: Medium Term Notes (MTN)	5,553	5,090
Credit facility: Schuldschein (SSD)	154	201
Total	5,707	5,291
Total bonds and other debt instruments	7,085	7,412

Since 2009, Saab has a Medium Term Note programme (MTN) to enable the issuance of long-term loans on the capital market. During 2018, the MTN programme was increased to MSEK 10,000. Under the terms of this programme, Saab has issued fixed rate bonds as well as Floating Rate Notes (FRN). During the year, bonds matured amounted to MSEK 1,318. Repurchases amounted to MSEK 361. New bonds with tenors 2025 to 2033 were issued at total of amount of MSEK 2,200. As a result, outstanding loans under the MTN programme totaled MSEK 6,933 with a corresponding carrying value of MSEK 6,931 at the end of the reporting period. In addition to the MTN programme, Saab also has a commercial paper programme with a limit of MSEK 5,000 (5,000). Issues of commercial paper amounted to MSEK 0(0).

In December 2015, Saab signed a Schuldschein loan amounting to EUR 100 million. Loans with a value of EUR 80 million has been repaid during the year and another EUR 5 million has been repurchased. Remaining Schuldschein loans amounts to EUR 15 million.

In September 2021, Saab signed two revolving credit facilities of a total amount of SEK 6 billion with the purpose of extending the existing credit facilities with maturity in January 2023. The total amount includes a five year facility of SEK 4 billion and a two year facility of SEK 2 billion with an option to extend one plus one year. In connection with the extension, the SEK 4 billion revolving credit facility signed in March 2020 was cancelled. No facility has been utilised during the year.

Note 31

Post-employment benefits

The Saab Group's post-employment benefits refer to pensions. These pensions comprise both defined-contribution and defined-benefit plans. A defined-contribution plan is a pension plan according to which the Group pays fixed fees to a separate legal entity that assumes the obligations to employees. Other pension plans are defined-benefit and refer to pension obligations that are retained by the Group, secured through its own pension funds or through insurance.

Accounting principles group

Defined-contribution plans

Obligations for fees to defined-contribution plans are expensed through the income statement.

Defined-benefit plans

Saab has around ten different types of defined-benefit plans. Defined-benefit plans mainly relate to the Swedish operations, where the ITP2 plan accounts for 94 per cent (93) of the total obligation.

The Group's net obligation for defined-benefit plans is calculated separately for each plan by estimating the future compensation that employees have earned through employment in present and previous periods. This compensation is discounted to present value. Most of the liability is met through provisions to a pension fund. The net obligation on the closing day is estimated as the net of the fair value of the fund assets and the present value of the pension liability.

The discount rate to estimate the obligation at present value is based on the interest rate on the closing day for first-class corporate bonds, if available, with a maturity corresponding to the pension obligation. The discount rate for Sweden is based on Swedish covered mortgage bonds (AAA) taking into account the duration of all cash flows. The calculation is made by qualified actuaries using the Projected Unit Credit Method.

When the compensation terms in a plan are improved, the portion of the increased compensation attributable to the employees' service in previous periods is expensed through the income statement.

If the obligation calculated on the closing day deviates from the estimated obligation, actuarial gains or losses arise and are recognised directly in other comprehensive income. The same interest rate is used to calculate financial income on assets under management as to discount pension liabilities.

If pension obligations are lower than assets under management, this amount is recognised as an asset.

When there is a difference between how the pension cost is determined for a legal entity and for the Group, a liability or receivable is recognised for the special employer's contribution based on this difference.

The following tables provide information on defined-benefit pension plans.

Sweden

The predominant plan in Sweden is the ITP plan under collective agreements between the Confederation of Swedish Enterprise and the Negotiation Cartel for Salaried Employees in the Private Business Sector (PTK). The ITP2 plan, which is based on an employee's final salary, covers individuals born 1978 and before and is a defined-benefit plan, while the ITP1 plan is a defined-contribution plan and covers individuals born 1979 and after.

Saab's defined-benefit pension plans in Sweden are secured either through transfers to the Group's own pension fund, as liabilities in the balance sheet or are funded through insurance mainly with Alecta. The Saab Pension Fund, which secures part of the ITP2 plan, had assets of MSEK 8,307 (7,096) as of 31 December 2021, compared to an obligation of MSEK 12,864 (11,929), calculated according to IAS 19, which means that the solvency margin amounted to 65 per cent (59).

The following applies to the portion of the defined-benefit pension obligation for retirement and family pensions secured through insurance with Alecta. According to a pronouncement by the Swedish Financial Reporting Board, this is a defined-benefit plan for multiple employers. Alecta is unable to provide the information that would allow Saab to report these obligations as a defined-benefit plan, owing to which they are reported as a defined-contribution plan. All newly earned pensions are secured through the pension fund solution. As a result, no additional premiums are paid to Alecta. The collective funding ratio is calculated as the market value of Alecta's assets as a percentage of the insurance obligations calculated according to Alecta's actuarial methods and assumptions, which differ from IAS 19.

The collective funding ratio is normally permitted to range between 125 and 155 per cent. At year-end 2021, Alecta's surplus in the form of the collective funding ratio was 201 per cent (167).

USA

The US has a defined-benefit plan for certain employees and a supplementary plan for individuals in executive positions.

The plans are company-specific according to an agreement in 1986 between the employees and the company and include retirement and survivor's pensions. The pension is not vested during the first five years of employment, and the retirement age is 65. Payments corresponding to accrued pensions are made yearly to an external trustee to cover the obligation. Payments during 2021 amounted to MSEK 0 (0).

Switzerland

Switzerland has a defined-benefit plan that includes all employees and where minimum benefits are prescribed by law. The company is affiliated with a collective foundation for the purpose of insuring its employees' retirement and survivor's pension, and payments are made annually. Provisions for pensions are made by both employer and employees. The employee may elect to receive the full pension as a lump sum at retirement.

Other countries

The pension plans in other countries are of insignificant amounts and are therefore reported together with Sweden below.

Disclosures regarding defined-benefit plans

31-12-2021 MSEK	Group			
	Sweden	USA	Switzerland	Total
Wholly or partially funded obligations				
Present value of defined-benefit obligations	13,116	307	306	13,729
Fair value of assets under management	-8,351	-259	-345	-8,955
Present value of net obligation	4,765	48	-39	4,774
Share funded	64%	84%	113%	65%
Average duration of pension obligation	20	15	16	
The net amount and the special employer's contribution is reported in the following items in the statement of financial position				
Provisions for pensions (excluding special employer's contribution)	4,765	48	-	4,813
Provisions for pensions (related to special employer's contribution)	1,105	-	-	1,105
Long-term receivables	-	-	39	39

31-12-2020 MSEK	Group			
	Sweden	USA	Switzerland	Total
Wholly or partially funded obligations				
Present value of defined-benefit obligations	12,192	304	278	12,774
Fair value of assets under management	-7,141	-290	-276	-7,707
Present value of net obligation	5,051	14	2	5,067
Share funded	59%	95%	99%	60%
Average duration of pension obligation	20	14	17	
The net amount and the special employer's contribution is reported in the following items in the statement of financial position				
Provisions for pensions (excluding special employer's contribution)	5,051	14	2	5,067
Provisions for pensions (related to special employer's contribution)	1,378	-	-	1,378
Long-term receivables	-	-	-	-

Cost reported in the income statement

2021 MSEK	Group			
	Sweden	USA	Switzerland	Total
Current service costs	336	11	9	356
Net interest expense	51	1	-	52
Cost of defined-benefit plans in the income statement	387	12	9	408
Cost of defined-contribution plans				951
Special employer's contribution				314
Total cost of post-employment benefits				1,673

Note 31, cont.

2020 MSEK	Group			Total
	Sweden	USA	Switzerland	
Current service costs	334	12	9	355
Net interest expense	73	-	-	73
Cost of defined-benefit plans in the income statement	407	12	9	428
Cost of defined-contribution plans				920
Special employer's contribution				309
Total cost of post-employment benefits				1,657

Items included in the statement of cash flow

2021 MSEK	Group			Total
	Sweden	USA	Switzerland	
Deposits to pension fund and other funding	-1	-	-7	-8
Payments	-286	-72	-4	-362
Withdrawals	-	58	4	62
Total impact on cash flow	-287	-14	-7	-308

2020 MSEK	Group			Total
	Sweden	USA	Switzerland	
Deposits to pension fund and other funding	-1	-	-6	-7
Payments	-286	-49	-12	-347
Withdrawals	0	49	12	61
Total impact on cash flow	-287	-	-6	-293

Estimated payments during 2022 amount to approximately MSEK 337.

Actuarial gains and losses are reported in other comprehensive income.

Actuarial gain related to pensions amounted to MSEK 485 net in 2021 primarily due to the following:

The net of revised assumptions related to discount rate and inflation amounted to a loss of MSEK 604. The loss mainly relate to the Swedish pension plans for which the assumed discount rate has been increased by 50 basis points, from 1.00% to 1.50% and the inflation assumption has been increased by 75 basis points, from 1.50% to 2.25% compared to the beginning of the year.

Negative experience adjustment, mainly related to higher inflation and salary increase than expected, has resulted in an actuarial loss of MSEK 183.

Actuarial gain related to special employer's contribution amounted to MSEK 92.

The return on assets under management was higher than expected, which produced an actuarial gain of MSEK 1,180.

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

MSEK	Group	
	2021	2020
Net obligation for defined-benefit plans, 1 January	5,067	4,722
Compensation paid	-362	-347
Deposits to pension fund and other funding	-8	-7
Cost reported in the income statement	408	428
Income (-)/cost (+) reported in other comprehensive income	-393	211
Settlement/translation differences	0	-1
Withdrawals from pension funds	62	61
Net obligation for defined-benefit plans, 31 December	4,774	5,067

Change in pension obligation

MSEK	Group	
	2021	2020
Fair value, 1 January	12,774	12,132
Benefits vested during the year	356	355
Interest expense	129	184
Pension disbursements	-362	-347
Settlement	-4	-3
Actuarial gain (-)/loss (+)	787	502
Translation differences	49	-49
Fair value, 31 December	13,729	12,774

Change in assets under management

MSEK	Group	
	2021	2020
Fair value, 1 January	7,707	7,410
Financial income	77	111
Withdrawals	-62	-61
Settlement	-4	-6
Contributions	8	7
Actuarial gain (+)/loss (-)	1,180	296
Translation differences	49	-50
Fair value, 31 December	8,955	7,707

Interest expense on the pension obligation less financial income on assets under management is classified as financial expense. Other pension costs are divided by function in the income statement in relation to how payroll expenses are charged to the various functions.

Sensitivity analysis (excluding special employer's contribution)

MSEK	Group	
	Change	Change in obligation
Discount rate	0.25%	-634
	-0.25%	679
Inflation	0.25%	651
	-0.25%	-612
Salaries	0.25%	121
	-0.25%	-112
Life span	+ 1 year	616

Return on assets under management

MSEK	Group	
	2021	2020
Actual return on assets under management	1,257	407
Financial income on assets under management	-77	-111
Actuarial result from assets under management during the year	1,180	296

Governance

The pension fund is governed by the Pension Board, which resumes 4–5 times per year and has the following responsibilities:

- Appoint the members of the Investment Committee
- Appoint the Fund Manger
- Annually establish the Investment Policy
- Decide on strategic (long-term) and tactical (short-term) asset allocation and allow deviations in accordance with the terms of the strategic and tactical mandate
- Annually approve the benchmark indices to track the fund's performance
- Annually approve the stop loss limit

Investment strategy and risk management

The pension fund manages the allocation and investment of assets with an aim to increase the consolidation level over time. Certain risks are accepted in order to achieve the desired return. The investment horizon is long-term and the allocation ensures that the investment portfolio is well diversified.

The Fund's investments are subject to a number of restrictions and limitations, the purpose of which is to limit investment losses. Treasury Operations continuously monitors the Fund's management and reports its findings to the Chairman of the Board and the Investment Committee.

Note 31, cont.

Assets under management divided by asset class

Per cent	Group			
	2021	of which listed on an active market	2020	of which listed on an active market
Interest-bearing assets	25	100	26	100
Share-related assets	35	100	34	100
Hedge funds	15	-	14	-
Property	23	-	22	-
Liquid assets	2	-	4	-
Total assets	100	60	100	60

Assumptions for defined-benefit obligations

Per cent	Group				
	2021	2020	2019	2018	2017
Significant actuarial assumptions as of closing day (expressed as weighted averages)¹⁾					
Discount rate, 31 December	1.50	1.00	1.50	2.25	2.50
Future salary increase	3.25	2.50	2.75	3.00	2.75
Future increase in pensions	2.25	1.50	1.75	2.00	1.75
Employee turnover	3.00	3.00	3.00	3.00	3.00

¹⁾ Refers to Sweden since essentially all defined-benefit plans are in Sweden.

The following assumptions serve as the basis of the valuation of Saab's pension liability:

Discount rate: The valuation has been based on Swedish covered mortgage bonds (AAA), taking into account the duration of all cash flows. A nominal government bond whose duration corresponds to the average duration of the pension obligation is used as a basis. A premium is then added equal to the difference between the interest rate on a mortgage bond and a nominal government bond with similar maturities. The same discount rate has been used for all future disbursements.

Long-term salary increase assumption: The long-term salary increase assumption corresponds to a real salary increase of 1 per cent plus an inflation assumption

of 2.25 per cent, rendering a future salary increase of 3.25 per cent.

Long-term inflation assumption: The long-term inflation assumption is based on market pricing of inflation on maturities corresponding to the pension liability's duration. For 2021, the assumption is 2.25 per cent.

Mortality: Mortality is the same assumption recommended by the Financial Supervisory Authority (FFFS 2007:31).

Employee turnover: The employee turnover is assumed to be 3 per cent per year.

Accounting principles parent company

The parent company's accounting principles differ from IAS 19 in the following ways:

- The calculation does not take into account future salary increases
- The discount rate is determined by PRI
- Changes in the discount rate and other actuarial assumptions are recognised directly in the income statement and balance sheet
- Surplus in the pension plan cannot be recognised as an asset while the deficit should either be expensed or recovered through contributions to the pension fund

Parent Company's pension obligations

Funds allocated for pensions according to the balance sheet correspond to the net present value of existing pension obligations less funds that are secured by Saab's pension fund.

MSEK	31-12-2021	31-12-2020
Pension obligations ITP 2	4,906	4,792
Less funds secured in pension fund	-4,906	-4,792
Total ITP 2 and the book reserve method	-	-
Other pensions	112	104
Other provisions for pensions	113	131
Total	225	235
Of which credit guarantees in PRI Pensionsgaranti	32	36

MSEK	2021	2020
Amount related to pension obligations ITP 2 expected to be settled within 12 months	216	207

Note 32 Provisions

Accounting principles

A provision is recognised in the statement of financial position when the Group has a legal or informal obligation owing to an event that has occurred and it is likely that an outflow of economic resources will be required to settle the obligation and a reliable estimate of the amount can be made. Where it is important when in time payment will be made, provisions are estimated by discounting projected cash flow at a pre-tax interest rate that reflects current market estimates of the time value of money and, where appropriate, the risks associated with the liability.

Provisions for incremental costs for industrial cooperations

Some of Saab's contracts with customers contain requirements on technology and knowledge transfers as well as various forms of industrial cooperation. The related costs are included in the project's expenditures and expensed in relation to the stage of completion. The expenditures are then set against the provision, which can also occur after the delivery of goods and services under the contract.

Onerous contracts

A provision for an onerous contract is recognised when anticipated benefits are less than the unavoidable costs to fulfill the obligations as set out in the contract.

Guarantees

A provision for guarantees is normally recognised when the underlying products or services are sold if a reliable calculation of the provision can be made. The provision is based on historical data on guarantees for the products or similar products and an overall appraisal of possible outcomes in relation to the likelihood associated with these outcomes.

Restructuring

A provision for restructuring is recognised when a detailed, formal restructuring plan has been established and the restructuring has either begun or been publicly announced. No provision is made for future operating losses.

A provision is recognised in connection with termination of personnel only if the company is obligated to terminate an employment before the customary time, e.g., when compensation is paid in connection with a voluntary termination offer. In cases where the company terminates personnel, a detailed plan is drafted containing at the minimum the workplaces, positions and approximate number of individuals affected as well as compensation for each personnel category or position and a schedule for the plan's implementation.

Soil remediation

In accordance with the Group's publicly announced environmental policy and applicable legal requirements, periodic estimates are made of Saab's obligations to restore contaminated soil. Anticipated future payments are discounted to present value and recognised as an operating expense and a provision. Provision for environmental commitments is included in other provisions below.

Note 32, cont.

MSEK	Group	
	31-12-2021	31-12-2020
Provisions that are long-term liabilities		
Incremental costs for industrial cooperations	1,183	1,014
Onerous contracts	349	475
Guarantees	50	58
Expenditures for restructuring measures	2	4
Other	945	646
Total	2,529	2,197

Provisions that are current liabilities		
Incremental costs for industrial cooperations	28	15
Onerous contracts	473	175
Guarantees	297	207
Expenditures for restructuring measures	91	43
Other	183	253
Total	1,072	693

MSEK	Parent Company	
	31-12-2021	31-12-2020
Incremental costs for industrial cooperations	1,264	1,080
Onerous contracts	545	471
Guarantees	245	175
Expenditures for restructuring measures	91	44
Other	395	534
Total	2,540	2,304

Incremental costs for industrial cooperations

MSEK	Group	Parent Company
Opening balance, 1 January 2021	1,029	1,080
Provisions allocated during the year	283	284
Amount utilised during the year	-101	-100
Closing balance, 31 December 2021	1,211	1,264

Onerous contracts

MSEK	Group	Parent Company
Opening balance, 1 January 2021	650	471
Provisions allocated during the year	468	302
Amount utilised during the year	-291	-228
Reversal of unutilised amount	-3	-
Reclassification	-6	-
Translation differences and other	4	-
Closing balance, 31 December 2021	822	545

Guarantees

MSEK	Group	Parent Company
Opening balance, 1 January 2021	265	175
Provisions allocated during the year	258	215
Amount utilised during the year	-173	-143
Reversal of unutilised amount	-4	-1
Reclassification	-1	-1
Translation differences and other	2	-
Closing balance, 31 December 2021	347	245

Expenditures for restructuring measures

MSEK	Group	Parent Company
Opening balance, 1 January 2021	47	44
Provisions allocated during the year	93	90
Amount utilised during the year	-47	-43
Closing balance, 31 December 2021	93	91

Other provisions

MSEK	Group	Parent Company
Opening balance, 1 January 2021	899	534
Provisions allocated during the year	460	73
Amount utilised during the year	-215	-190
Reversal of unutilised amount	-24	-22
Reclassification	1	-
Translation differences and other	7	-
Closing balance, 31 December 2021	1,128	395

Total provisions

MSEK	Group	Parent Company
Opening balance, 1 January 2021	2,890	2,304
Provisions allocated during the year	1,562	964
Amount utilised during the year	-827	-704
Reversal of unutilised amount	-31	-23
Reclassification	-6	-1
Translation differences and other	13	-
Closing balance, 31 December 2021	3,601	2,540

Incremental costs for industrial cooperations

Provision for incremental costs for industrial cooperations relates to costs to meet future obligations for industrial cooperations in accordance with these contracts. The expenditure is expected to occur during the term of the projects but also after the delivery of goods and services under the contracts in accordance with the contract and the regulation for industrial cooperation.

Restructuring

Structural costs primarily relate to costs to adapt resources and transformation costs. The vast majority of the expenditures are expected to occur 2022.

Onerous contracts

Provisions for onerous contracts on the closing day relate to certain military projects as well as projects within commercial aeronautics. The provisions are utilised in pace with the projects' completion.

Other provisions

Other provisions primarily relate to provisions for remaining costs in projects, environmental commitments, disputes and legal proceedings, provisions related to leasing as well as for royalty.

During 2020, a new assessment of risks regarding the Group's ongoing disputes and legal proceedings was made and a provision of SEK 300 million was reported. SEK 75 million of the provision was utilised in 2021. The disputes are mainly attributable to deliveries in both ongoing and completed projects. Due to the state of negotiations in the legal proceedings, all information in accordance with the disclosure requirements in IAS37 Provisions, Contingent Liabilities and Contingent Assets cannot be provided.

No provision has been made for liability risks associated with the production of civil aircraft or the production of sub-components for civil aircraft.

Note 33

Other liabilities

MSEK	Group	
	31-12-2021	31-12-2020
Other long-term liabilities		
Liabilities related to employees	41	44
Other	40	56
Total	81	100
Of which liabilities due for payment more than five years after closing day	33	38
Other current liabilities		
Value-added tax	473	353
Employee withholding taxes	275	270
Liabilities to minority owners	25	-
Liabilities to associated companies and joint ventures	3	3
Other	169	152
Total	945	778

MSEK	Parent Company	
	31-12-2021	31-12-2020
Value-added tax	196	91
Employee withholding taxes	160	156
Other	419	725
Total	775	972
Of which liabilities due for payment more than five years after closing day	13	18

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

Note 34

Accrued expenses and deferred income

MSEK	Group		Parent Company	
	31-12-2021	31-12-2020	31-12-2021	31-12-2020
Accrued expenses				
Accrued project costs	2,602	2,177	2,403	2,071
Vacation pay liability	1,329	1,288	882	863
Social security expenses	863	809	690	659
Expected invoices	621	594	405	340
Personnel liabilities	350	395	213	247
Royalties and commissions	79	57	78	56
Claims reserve	7	5	6	4
Other	181	180	66	106
Total accrued expenses	6,032	5,505	4,743	4,346
Deferred income				
Capitalised changes in value related to forward contract rollovers	-	-	1,024	490
Government grants	90	113	70	97
Other	255	321	67	87
Total deferred income	345	434	1,161	674
Total	6,377	5,939	5,904	5,020

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

Note 35

Financial risk management and financial instruments

Saab's financial assets and liabilities and contractual obligations give rise to financial risks. These risks are to a large extent managed with various financial instruments.

Group Treasury is responsible for managing the financial risks. The Board of Directors of Saab has established a Group Treasury Policy, which provides an overall description of the management of the financial risks and Treasury operations. The goal is to identify and actively manage the financial risks in order to reduce any negative impact on the Group's results, competitive strength and financial flexibility.

The financial risks are defined as follows:

- Foreign currency risk
- Liquidity risk
- Refinancing risk
- Interest rate risk
- Commodity price risk
- Credit and counterparty risk
- Pension obligations

To handle financial risks, Group Treasury has been assigned various risk mandates including VaR (Value at Risk) to manage risks for example related to fixed price tenders. Other financial risks are managed through various portfolios and are reported daily according to defined risk measures.

Management of the Group's funding and investment of liquid assets, customer financing, guarantees and insurance is centralised in Group Treasury.

Accounting principles

Recognition and valuation of financial assets and liabilities

A financial asset or liability is recognised in the statement of financial position when the Group becomes party to the instrument's contractual terms.

Accounts receivable are recognised in the statement of financial position when an invoice has been sent.

A financial asset is derecognised from the statement of financial position when the rights in the contract are realised, expire or the company loses control over the asset. The same applies to part of a financial asset. A financial liability is derecognised from the statement of financial position when the obligation in the agreement has been discharged or otherwise extinguished. The same applies to part of a financial liability.

On each reporting date, Saab evaluates the need of impairment for expected credit losses for financial assets or pools of financial assets, which are not recognised at fair value through profit or loss. Financial assets and liabilities are offset and recognised as a net amount in the statement of financial position when there is a legal right to a set-off and when the intent is to settle the items with a net amount or to realise the asset and settle the liability at the same time.

Financial instruments are initially recognised at cost, corresponding to the instrument's fair value plus transaction expenses. This applies to all financial instruments with the exception of those in the category financial assets and liabilities at fair value through profit or loss, where fair value excluding transaction costs equals the acquisition cost. The instruments are subsequently recognised at fair value or amortised cost, depending on how they have been classified as described below. The fair value of listed financial assets and liabilities is determined using market prices. Saab also applies various valuation methods to determine the fair value of financial assets and liabilities traded on an inactive market or that are unlisted holdings. These valuation methods are based on the valuation of similar instruments, discounted cash flows or well-recognised valuation models such as Garman-Kohlhagens. Amortised cost is determined based on the effective interest rate calculated on the acquisition date.

Classification of financial assets and liabilities

The Group's financial assets and liabilities are classified according to the following categories, which determine how each item is valued.

Financial assets and liabilities at amortised cost:

Financial assets in this category are assets that are held to collect contractual cash flows that consist of principal and interest, such as liquid assets, accounts receivable, loans receivable, other receivables and contract assets.

Interest income is recognised as financial interest income by applying the effective interest rate method. Gains and losses that arise upon derecognition from the balance sheet are recognised directly in profit or loss together with FX effects.

Financial liabilities in this category refer to interest-bearing liabilities, accounts payable and other liabilities that are initially recognised at fair value, which corresponds to the amount received less deducting transaction costs. After acquisition, the liabilities are measured at amortised cost according to the effective interest rate method.

Financial assets at fair value through other comprehensive income:

Financial assets in this category are assets that result in payments related only to principal and interest on the outstanding principal and where the financial

asset is held under a business model whose purpose is achieved both by holding financial assets to collect contractual cash flows and selling financial assets. These assets are subsequently measured at fair value with changes in fair value recognised in other comprehensive income (OCI), except effective interest, impairments and their reversal as well as exchange rate gains and losses, which are presented in profit or loss. When the asset is derecognised from the balance sheet, accumulated gains and losses in OCI are reclassified to profit or loss. Currently, the Group has no assets mandatorily classified in this category, however, derivatives that are designated as hedging instruments in a cash flow hedge relationship are recognised at fair value through other comprehensive income.

Financial assets and liabilities at fair value through profit or loss:

Assets that do not satisfy the requirements to be recognised at amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. Gains or losses on assets and liabilities at fair value through profit or loss that are not included in a hedging relationship are offset in profit or loss in the period the gain or loss arises. Derivatives included in a hedging relationship are recognised in other comprehensive income for the portion determined to be an effective hedge. Equity instruments such as shares and participations are continuously measured at fair value with changes in value recognised in profit or loss.

Impairment of financial assets:

Financial assets that are not recognised at fair value through profit or loss are tested for impairment on each closing date using a model based on expected credit losses. Impairment losses are recognised in profit or loss. Derecognition from the balance sheet occurs when there is no longer a reasonable expectation of collecting payment. See also note 25 and 23.

Hedge accounting

To meet the requirements for hedge accounting there must be an economic relationship between the hedging instrument and the hedged item and the hedging relationship must be effective until the hedge matures.

To cover the Group's risks associated with changes in exchange rates and exposure to interest rates, derivatives, consisting of forward exchange contracts, options and swaps, are utilised. They are recognised initially and in subsequent revaluations at fair value, that is, at each reporting date.

Changes in the fair value of derivatives that do not meet the requirements for hedge accounting are recognised directly in profit or loss. If the underlying hedged items relate to operations-related receivables or liabilities, the effect on earnings is recognised in operating income, while the corresponding effect on earnings related to financial receivables and liabilities is recognised in financial net.

The Group applies hedge accounting to cash flow hedges as follows.

Cash flow hedges

Forward exchange contracts (hedge instruments) entered into mainly to hedge future receipts and disbursements against currency risks and classified as cash flow hedges (primarily related to contracted sales volumes) are recognised in the statement of financial position at fair value. Changes in value are recognised in other comprehensive income and separately recognised in the hedge reserve in equity until the hedged cash flow affects the operating income, at which point the cumulative changes in value of the hedging instrument are transferred to profit or loss to offset the effects on earnings of the hedged transaction.

When the hedged future cash flow refers to a transaction that will be capitalised in the statement of financial position, the hedge reserve is dissolved when the hedged item is recognised in the statement of financial position. If the hedged item is a non-financial asset or liability, the gain or loss from the hedging instrument is included in the acquisition cost of the asset or liability. If the hedged item is a financial asset or liability, the hedge reserve is dissolved gradually through profit or loss at the same rate that the hedged item affects earnings.

When a hedging instrument expires, is sold, terminated or exercised, or the company otherwise revokes the designation as a hedging relationship before the hedged transaction occurs and the projected transaction is still expected to occur, the recognised cumulative gain or loss remains in the hedge reserve in equity and is recognised in the same way as above when the transaction occurs.

If the hedged transaction is no longer expected to occur, the hedging instrument's cumulative gains and losses are immediately recognised in profit or loss in accordance with principles described above for derivatives.

The Group is potentially exposed to the Interest Rate Benchmark reform through issued bonds, derivatives and interest-bearing securities with STIBOR as benchmark interest rate. The Group has no material exposure towards other benchmark interest rates. The nominal amount of interest rate swaps, that are designated as hedging instruments in a cash flow hedge, total MSEK 4,750 and MTN bonds with STIBOR as base rate, MSEK 6,756. STIBOR linked inter-

Note 35, cont.

est-bearing securities in the investment portfolio amounted to MSEK 5,070 at year-end. Fallback provisions are not yet in place for these financial instruments. Saab closely monitors the development of creating fallback language from working groups and industry participants and will take due procedures when possible.

Financial instruments

Financial assets within the Group mainly consist of liquid assets, accounts receivable, shares, loans receivable, bonds receivable, derivatives with positive market values, certain accrued income and other receivables. The liability side includes accounts payable, loans payable, derivatives with negative market values, certain accrued expenses and other liabilities.

The following table shows classification and categorisation of financial assets and liabilities.

Classification and categorisation of financial assets and liabilities²⁾

MSEK	Carrying amount	
	31-12-2021	31-12-2020
Financial assets		
Valued at amortised cost ⁴⁾ :		
Accounts receivable, contract assets and other receivables	16,255	15,000
Liquid assets	1,701	2,273
Long-term receivables	556	617
Valued at fair value through profit and loss ³⁾ :		
Short-term investments	10,140	8,104
Derivatives for trading	29	147
Financial investments	37	30
Valued at fair value through other comprehensive income ³⁾ :		
Derivatives identified as hedges	750	1,530
Total financial assets	29,468	27,701
Financial liabilities		
Valued at amortised cost:		
Interest-bearing liabilities ¹⁾	9,716	9,996
Other liabilities ⁴⁾	8,750	8,105
Valued at fair value through profit and loss ³⁾ :		
Derivatives for trading	9	46
Valued at fair value through other comprehensive income ³⁾ :		
Derivatives identified as hedges	606	919
Total financial liabilities	19,081	19,066

¹⁾ Fair value **9,734** **10,015**

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 412 (863).

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

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

Valuation of financial instruments at fair value are divided into the following three valuation levels:

Level 1

According to listed (unadjusted) prices on an active market on the closing date:

- Bonds and interest-bearing securities
- Electricity derivatives
- Interest rate forwards

Level 2

According to accepted valuation models based on observable market data from Reuters Datascope:

- *Forward exchange contracts*: Future payment flows in each currency are discounted by current market rates to the valuation day and valued in SEK at period-end exchange rates.
- *Options*: The Garman-Kohlhagens option-pricing model is used in the market valuation of all options.

- *Interest rate swaps and cross currency basis swaps*: Future variable interest rates are calculated with the help of current forward rates. These implicit interest payments are discounted to the valuation date using current market rates. The market value of interest rate swaps is obtained by contrasting the discounted variable interest payments with the discounted present value of fixed interest payments.

Level 3

According to accepted principles, e.g. for venture capital firms:

- *Unlisted shares and participations*

As of 31 December 2021, the Group had the following financial assets and liabilities at fair value:

Assets at fair value

MSEK	2021	Level 1	Level 2	Level 3
Bonds and interest-bearing securities	10,140	10,140	-	-
Forward exchange contracts	655	-	655	-
Interest rate swaps	38	-	38	-
Cross currency basis swaps	12	-	12	-
Electricity derivatives	74	74	-	-
Shares and participations	37	-	-	37
Total	10,956	10,214	705	37

Liabilities at fair value

MSEK	2021	Level 1	Level 2	Level 3
Forward exchange contracts	563	-	563	-
Currency options	3	-	3	-
Interest rate swaps	49	-	49	-
Total	615	-	615	-

Financial risk management

Foreign currency risk

Foreign currency risk refers to the risk that fluctuations in exchange rates will negatively affect income or net assets.

Economic exposure

Income is affected when sales and the cost of goods and services sold are in currencies other than the functional currency. Foreign currency risk also arises when fixed-price tenders are issued in foreign currency.

Outstanding fixed-price tenders in foreign currency are usually managed in a special portfolio, the tender portfolio. The following table shows outstanding nominal net hedges for the most predominant currencies as of year-end.

Net hedges (million)	Forward contracts ¹⁾		Options ²⁾		Total hedge	
	2021	2020	2021	2020	2021	2020
USD	-56	-21	-10	-125	-66	-146
EUR	-42	-44	-20	-30	-62	-74
GBP	-	1	-	-	-	1
CZK	-	100	-	-	-	100

¹⁾ Also including sold call- and put options.

²⁾ Net of bought call- and put options.

The tender portfolio's external hedges are measured in relation to the benchmark in order to allocate VaR. The benchmark corresponds to the external hedge that would optimally be done to entirely eliminate the exchange rate risk that a tender gives rise to in relation to the likelihood that a business contract is received. If the two correspond, the tender portfolio will by definition be risk-neutral – i.e. its VaR measure will be zero.

In 2021, about MSEK 35, expressed as VaR, was allocated to the tender portfolio, and at year-end VaR amounted to MSEK 2.2 (4.4). Hedge accounting is not applied to the portfolio's hedges, due to which the Group's result is affected by the extent of tenders and the exchange rate for the underlying currency pair. The portfolio's effect on the Group's result in 2021 was MSEK -29 (110).

Note 35, cont.

Translation exposure

Comprehensive income is affected when the results and net assets of foreign subsidiaries are translated to SEK. The value of net assets exposed to transaction exposure amounted to MSEK 6,732 (5,866) at year-end; see the following table.

Net assets translated to SEK		
MSEK	31-12-2021	31-12-2020
USD	2,595	2,098
EUR	926	912
AUD	1,132	962
ZAR	600	654
GBP	341	301
DKK	226	188
BRL	182	123
Other currencies	730	628
Total	6,732	5,866

The effect on net assets as of 31 December 2021 of a change in exchange rates of +/- 10 per cent would be a change in value of MSEK 673 (587).

Foreign currency risk due to translation effects on the net assets of foreign subsidiaries is not hedged.

Transaction exposure

Contracted flows in the order backlog are exposed to transaction exposure. Saab hedges the currency exposure in the order backlog with currency derivatives (mainly forward exchange contracts), which means that changes in exchange rates do not affect the Group's future results with respect to the current order backlog. To reduce the transaction exposure, amounts in foreign currency are netted as well. Hedges are normally arranged for each specific contract. The average forward rate is then used as the contract's rate for revenue recognition.

In 2021, countries outside Sweden accounted for 62 per cent (64) of Saab's sales. Since a large share of production takes place in Sweden with expenses denominated in SEK, Saab has a large net exposure in foreign currencies.

The predominant contract currencies in the order backlog of SEK 105.2 billion (99.8) are SEK, USD, EUR and GBP. Of the total order backlog, 67 per cent (64) is in fixed prices with or without indexing, while the remaining 33 per cent (36) contains variable prices with index and/or currency clauses.

In the event the cash flow is far in the future, an extension strategy can be applied, the currency hedge can be shifted to an earlier date than when the cash flow is expected and hedge accounting for that time period is then applied to changes in the spot price.

Impairment testing of unprofitable contracts in foreign currency that are not hedged against foreign currency risk is based on the valuation of future cash flows at the spot rate. These contracts mainly refer to anticipated future orders as part of long-term commercial aircraft programmes in USD. Framework agreements contain both transaction and economic exposure and mainly apply to the various commercial aircraft programmes.

Hedge accounting is applied to derivatives that hedge the transaction exposure. The hedge is effective when the hedging relationship is entered and periodically evaluated to ensure that the criteria for effectiveness are still met. The factors that are examined to ensure the effectiveness are currency, timing of payment flows and amount. If the flow generated by the hedging instrument matches the flow from the hedged item in currency, timing and amount, the hedging relationship is considered effective. Until maturity, value changes from effective hedges are recognised in other comprehensive income and recognised separately in the hedge reserve in equity. Value changes in ineffective hedges are recognised in profit or loss. Ineffectiveness can arise if the timing and/or amount of cash flow changes. Since portions of the portfolio extend over long periods, effects from forward points could also be a source of ineffectiveness. Hedging relationships are arranged such that adjustments are made continuously to avoid this effect.

The net market value of existing hedges of the order backlog, forecasted very probable transactions and framework agreements amounted to MSEK 82 (710). Currency sensitivity, i.e. the effect of a change in exchange rates of +/- 10 per cent, would affect the market value of derivatives as of 31 December 2021 by +/- MSEK 454 (849). The ineffectiveness in cash flow hedges that affected net income for the year amounted to MSEK -7 (0).

Note 35, cont.

The following table shows the cash flows for derivatives recognised as cash flow hedges, expressed in millions in local currency.

Million	EUR			GBP			USD		
	Outflow	Inflow	Net	Outflow	Inflow	Net	Outflow	Inflow	Net
2022	-166	175	9	-87	52	-35	-475	683	208
2023	-60	62	2	-41	16	-25	-158	215	57
2024	-45	56	11	-67	5	-62	-196	509	313
2025	-33	78	45	-11	4	-7	-91	158	67
2026	-15	19	4	-	3	3	-20	10	-10
2027 and forward	-	4	4	-	0	0	-	-	-
Total flows 2021	-319	394	75	-206	80	-126	-940	1,575	635
Total flows 2020	-318	449	131	-241	108	-133	-1,140	2,253	1,113

Currency exposure

The Group's total outstanding currency derivatives related to all currency risks are shown in the following table.

The Group's outstanding derivatives

Currency derivatives Million	Currency	Local currency	Fair value 2021			2020	
			Asset SEK	Liability SEK	Net	Local currency	Net
Maturity up to 1 year	EUR	-3	34	43	-9	-61	41
	GBP	49	24	27	-3	38	-9
	USD	-237	271	244	27	-813	337
	Other		36	14	22	-	1
Subtotal			365	328	37		370
Maturity 1 to 3 years	EUR	-25	13	13	-	-28	1
	GBP	85	60	23	37	49	-63
	USD	-325	152	156	-4	-156	287
	Other		42	15	27		-4
Subtotal			267	207	60		221
Maturity 3 to 5 years	EUR	-51	8	4	4	-38	5
	GBP	6	5	1	4	59	-13
	USD	-57	9	26	-17	-240	156
	Other		1	-	1		-2
Subtotal			23	31	-8		146
Maturity over 5 years	EUR	-3	-	-	-	-13	3
	GBP	-	-	-	-	-2	1
	USD	-	-	-	-	14	-7
Subtotal			-	-	-		-3
Currency derivatives, total¹⁾			655	566	89		734

¹⁾ Of which derivatives used as cash flow hedge MSEK 105 (821).

The Parent Company's outstanding derivatives

Currency derivatives Million	Currency	Local currency	Fair value 2021			2020	
			Asset SEK	Liability SEK	Net	Local currency	Net
	EUR	-66	136	81	55	-76	148
	GBP	146	102	58	44	146	-85
	USD	-430	501	471	30	-901	452
	Other		79	29	50		-7
Currency derivatives, Parent Company total			818	639	179		508

Note 35, cont.

Liquidity risk

Liquidity risk refers to the risk of not being able to meet payment obligations due to insufficient liquidity. Liquidity risk is minimised by diversifying financing sources and maturities. For a maturity analysis of the Group's financial liabilities, see tables for each class of derivatives in this note as well as information on interest-bearing liabilities in note 29. The Group's other financial liabilities include accounts payable with credit terms normally within 30-90 days as well as other operating liabilities which are classified as current.

The company consistently maintains unutilised credit facilities or liquid assets corresponding in value to MSEK 4,000, adjusted for loans with maturity dates within 12 months but never less than 10 per cent of sales (total sales) or a risk-weighted amount of bank guarantees that are covered by Saab.

Saab has access to the following credit facilities:

Loan facilities MSEK	Facility	Utilised	Available
Revolving credit facility (Maturity 2023)	2,000	-	2,000
Revolving credit facility (Maturity 2026)	4,000	-	4,000
Overdraft facility (Maturity 2022)	59	-	59
Total confirmed credit facilities	6,059	-	6,059
Commercial paper	5,000	-	5,000
Medium Term Notes (MTN)	10,000	6,933	3,067
Total loan programmes	15,000	6,933	8,067
Total loan facilities	21,059	6,933	14,126

Saab has two revolving credit facilities with an equivalent value of MSEK 6,000 (10,000) divided between nine banks. The facilities have been renegotiated during the year (see Note 30). Saab also has a commercial paper programme with a limit of MSEK 5,000 (5,000) and a Medium Term Note (MTN) programme with a limit of MSEK 10,000 (10,000). As of 31 December 2021, MSEK 0 (0) in commercial paper and MSEK 6,933 (6,412) in MTN had been issued.

In addition to these credit facilities, Saab has borrowed MEUR 15 (100) under a Schuldschein documentation.

No financial covenants are attached to any of Saab's credit facilities.

Refinancing risk

Refinancing risk refers to the risk that Saab cannot replace maturing loans with either new loans or its own funds. To minimise this risk, Saab maintains a diversified loan maturity structure; see the table under funding. Capital is tied up in Saab's loan portfolio for an average in the range of 24-60 months. As of 31 December 2021 this amounted to 57 months (38).

Interest rate risk

Interest rate risk refers to the risk that Saab will be negatively affected by changes in interest rate levels. Interest rate futures and swaps are used to manage interest rate risks and achieve the desired interest rate duration. Lending to subsidiaries in foreign currency is normally financed in SEK and converted to the subsidiary's currency through swaps. Interest rate risk and foreign currency risk in external funding in foreign currency is managed with cross currency basis swaps.

Saab is exposed to interest rate risk when the market value of certain items in the statement of financial position is affected by changes in underlying interest rates. The item with the largest exposure is pension obligations due to the liability's long duration.

Changes in market rates affect Saab's net financial items.

Loan portfolio

The loan portfolio consists of loans and interest rate derivatives. The portfolio's average duration falls in the range of 12-48 months (12-48). As of year-end, the loan portfolio's duration was 33 months (25).

The interest rates on long-term floating-rate funding are primarily hedged at fixed rates through interest rate swaps. Outstanding interest rate swaps cover approximately 70 (70) per cent of outstanding floating-rate loans as of 31 December 2021. Cash flow hedging is applied in the financial statements. The effectiveness of a hedge is evaluated when the hedging relationship is included and periodically evaluated to ensure that the relationship meets the requirement. The factors that are evaluated to ensure effectiveness are the timing of payment flows and amount of interest payments as well as the nominal amount of the hedging instrument and the hedged item. If the nominal amount of the hedging instrument does not exceed the nominal amount of the hedged item and the flows generated by the hedging instrument do not exceed the flows from the hedged item in timing and amount, the hedging relationship is considered effective. Until maturity, value changes in effective hedges are recognised in other comprehensive income and recognised separately, in the hedge reserve in equity. The value change is recognised in the financial net when it is transferred to profit or loss. Value changes in ineffective hedges are recognised in profit or loss. Ineffectiveness affecting net income for the year amounted to MSEK -1 (0). The interest rate benchmark reform could potentially affect hedge effectiveness in the future. An increase or decrease

in market interest rates of +/- 0.10 per cent would affect financial income by +/- 0.15 MSEK (0.5) and other comprehensive income by +/- 19 MSEK (16) based on the loan portfolio as of 31 December 2021.

Financing (refers to utilised credit facilities)

MSEK (Nom) Maturities	Fixed interest	Of which effect from derivative agreements entered	Tied-up capital
1 year	3,533	-3,400	1,378
2 years	254	100	384
3 years	200	200	400
4 years	500	500	800
5 years and forward	2,600	2,600	4,125
Total	7,087	-	7,087

Investment portfolio

The investment portfolio consists of investments in interest-bearing securities and interest rate derivatives. The portfolio's average duration falls in the range of 3-24 months (3-24). As of year-end, the duration was 12 months (10).

An increase in market interest rates of 0.10 per cent units would affect financial income negatively by 11 MSEK (8). A corresponding decrease in market interest rates of 0.10 per cent units would positively affect financial income by 11 MSEK (8) based on the investment portfolio as of 31 December 2021.

Investments in interest-bearing securities and bank deposits

MSEK (Nom) Maturities	Fixed interest ¹⁾	Tied-up capital
1 year	5,891	2,457
2 years	2,178	3,584
3 years	1,200	2,408
4 years	845	1,265
5 years and forward	-	400
Total	10,114	10,114

¹⁾ Effects of derivative agreements entered are included in the fixed interest.

Forward exchange contracts

Forward exchange contracts used to hedge commercial currency flows contain an interest component. In certain cases, Saab may decide to shift the hedge to an earlier date than when the cash flow is expected. This primarily refers to very long-term customer contracts, which then generate an interest rate risk. The underlying cash flows that are exposed to extensions through forward exchange contracts amounted to MPLN 183 (0), MEUR 36 (3) and MGBP 0 (3) at year-end.

Interest rate derivatives

The next table shows the Group's outstanding interest rate derivatives.

Interest rate derivatives Million	Fair value 2021					2020	
	Currency	Local currency	Asset SEK	Liability SEK	Net	Local currency	Net
Maturity up to 1 year	SEK	1,350	-	7	-7	400	-3
	EUR ²⁾	-	-	-	-	80	64
Subtotal			-	7	-7		61
Maturity 1 to 3 years	SEK	300	4	4	-	1,750	-20
	EUR ²⁾	15	12	-	12	20	12
Subtotal			16	4	12		-8
Maturity 3 to 5 years	SEK	1,500	-	38	-38	700	-17
	EUR ²⁾	-	-	-	-	-	-
Subtotal			-	38	-38		-17
Maturity over 5 years	SEK	1,600	34	-	34	1,600	-57
Subtotal			34	-	34	-	-57
Interest derivatives, total¹⁾³⁾			50	49	1	-	-21

¹⁾ Market value includes accrued interest of MSEK -21 (-18).

²⁾ Refers to cross currency basis swaps (CCY).

³⁾ Of which derivatives used for cash flow hedges MSEK 10 (-80).

Commodity price risk

Commodity price risk refers to the risk that Saab will be negatively affected by changes in commodity prices. Purchasing costs for raw materials are managed primarily through contract clauses with customers and suppliers. Electricity costs are

Note 35, cont.

managed through hedging instruments. Electricity derivatives are managed through a discretionary management mandate. The market value of electricity derivatives at year-end was MSEK 74 (-1). Hedge accounting is applied to electricity derivatives. Projected electricity consumption is hedged using a model where 90 per cent of the coming year's consumption is hedged; the hedge ratio then drops on a straight-line basis to 0 per cent in quarter 13. The effectiveness of the hedge is periodically evaluated to ensure that the relationship meets the requirement. To ensure that the hedge is effective, an evaluation is made to determine that the hedged volume per quarter does not exceed the projected volume. Value changes in derivatives that exceed the projected volume in a quarter are recognised in profit or loss. Inefficiency affecting net income for the year amounted to MSEK 0 (0).

The Group's outstanding electricity derivatives

Electricity derivatives	Fair value 2021				2020	
	Mega-watt	Asset MSEK	Liability MSEK	Net	Mega-watt	Net
Maturity up to 1 year	14	66	-	66	14	0
Subtotal		66	-	66		0
Maturity 1 to 3 years	11	8	-	8	11	-1
Subtotal		8	-	8		-1
Electricity derivatives, total¹⁾		74	-	74		-1

¹⁾ Of which derivatives used for cash flow hedges MSEK 74 (-1).

Credit and counterparty risks

Credit risk is the risk that the counterparty in a transaction will not be able to fulfil the financial obligations of a contract. In the course of its day-to-day operations, Saab is exposed to credit risks as a result of transactions with counterparties in the form of customers, suppliers and financial players. The Group's aggregate credit risks consist of commercial credit risks and financial credit risks.

Commercial credit risks

Commercial credit risks consist of accounts receivable outstanding, contract assets and advances paid to suppliers. This type of credit risk is identified and managed on a case-by-case basis. Credit risks that arise in customer contracts are managed by utilising available banking or insurance products. In some cases, export credit institutions may be used as well. Commercial credit risks that arise through advances paid to suppliers are managed by maintaining bank-guaranteed collateral. At 31 December 2021, the Group had paid advances to suppliers of MSEK 441 (299).

Accounts receivable and contract assets represent a commercial credit risk. Where counterparties' creditworthiness is deemed unsatisfactory, bank or insurance guarantees or guarantees from EKN are secured to ensure that payment will be received. Since accounts receivable are generally secured through bank or insurance guarantees or are attributable to states, the commercial credit risk is low. For more information on the Group's accounts receivable including expected credit losses, see note 25.

Financial credit risks

Financial credit risk consists of exposures to financial institutions through deposits, securities investments and/or the market value of outstanding derivatives.

The Group's policy for managing financial credit risks is to ensure that all financial counterparties have a long-term credit rating of no lower than A- from Standard and Poor's or A3 from Moody's. Consequently, the risk of credit losses is considered low and there was no need for credit reserves at year-end.

Each financial counterparty is assigned a credit limit based on its long-term credit rating.

Saab has entered into ISDA master agreements with financial counterparties to net the positive and negative market values of outstanding derivatives, see the tables below.

Market value of financial assets and liabilities subject to netting arrangements

2021 MSEK	Gross amount	Set-off	Net amount in balance sheet	Master netting arrangements	Collateral received/ assets pledged	Net amount
Currency derivatives	655	-	655	-383	-	272
Interest rate derivatives	38	-	38	-29	-	9
CCY ¹⁾	12	-	12	-	-	12
Electricity derivatives	74	-	74	-	-	74
Assets	779	-	779	-412	-	367
Currency derivatives	566	-	566	-383	-	183
Interest rate derivatives	49	-	49	-29	-	20
CCY ¹⁾	-	-	-	-	-	-
Electricity derivatives	-	-	-	-	-	-
Liabilities	615	-	615	-412	-	203

¹⁾ Cross currency basis swaps.

2020 MSEK	Gross amount	Set-off	Net amount in balance sheet	Master netting arrangements	Collateral received/ assets pledged	Net amount
Currency derivatives	1,598	-	1,598	-861	-	737
Interest rate derivatives	2	-	2	-2	-	-
CCY ¹⁾	77	-	77	-	-	77
Electricity derivatives	-	-	-	-	-	-
Assets	1,677	-	1,677	-863	-	814
Currency derivatives	864	-	864	-861	-	3
Interest rate derivatives	100	-	100	-2	-	98
CCY ¹⁾	-	-	-	-	-	0
Electricity derivatives	1	-	1	-	-	1
Liabilities	965	-	965	-863	-	102

¹⁾ Cross currency basis swaps.

The exposure towards banks, mortgage institutions, corporates and the Swedish state as of 31 December 2021 amounted to MSEK 11,841 (10,377). The exposure is calculated using the market value of assets with each counterparty.

Hedge reserve

The hedge reserve before tax amounted to MSEK -44 (578), of which the unrealised value of derivatives was MSEK 189 (740) and the realised effects arising from rollovers of derivatives was MSEK -233 (-162). For information on the amount recognised in other comprehensive income, see consolidated other comprehensive income. The ineffectiveness in cash flow hedges that affected net income for the year amounted to MSEK -8 (0).

Change in the hedge reserve per derivative

2021 (2020) MSEK	Currency derivatives	Interest rate derivatives	Electricity derivatives	Total
Reversed through profit or loss	-414 (-437)	2 (1)	0 (0)	-412 (-436)
Change in value of existing derivatives	-322 (303)	73 (-18)	44 (1)	-205 (286)
Change in value of new derivatives	-79 (552)	15 (1)	31 (-1)	-33 (552)
Change due to rollover	28 (465)	- (-)	- (-)	28 (465)
Total	-787 (884)	90 (-16)	75 (0)	-622 (868)

Note 35, cont.

Effects in the hedge reserve per derivative

2021 MSEK	Currency derivatives	Interest rate derivatives	Electricity derivatives
Recognised amount in hedge reserve	105	10	74
Nominal amount	-5,065	4,750	25 ¹⁾
Maturity date	2022-2027	2022-2031	2022-2024
Hedge ratio	1:1	1:1	1:1
Change in value of derivatives outstanding since 1 January	-716	89	75
Change in value of hedged item to determine effectiveness	709	-90	-75

¹⁾ Megawatt

Pension obligation

The Saab Pension Fund was established in 2006 to secure the main part of the Group's pension obligation. The fund has a long-term real yield requirement that corresponds annual financial cost of pension liability to PRI Pensionsgaranti. Investment guidelines indicate the following asset allocation, 0-40 per cent equities, 0-20 per cent alternative assets, 10-100 per cent interest-bearing products and 0-30 per cent real assets. Investments are made in interest-bearing securities

from issuers with a credit rating of no lower than BBB according to Standard & Poor's and Baa according to Moody's.

Of the fund's capital at year-end 20 per cent (26) was invested in interest-bearing assets, 27 (23) per cent property related investments, 33 per cent (35) in equity and 20 per cent (16) in alternative investments. The market value of the fund's assets as of 31 December 2021 was MSEK 8,307 (7,096) and the annual return was 17 per cent (5). In 2021, the fund was capitalised by MSEK 0 (0) and MSEK 0 (0) in refunds was paid. The table below shows the solvency margin for the pension fund

MSEK	31-12-2021	31-12-2020	31-12-2019	31-12-2018
Fair value of assets under management	8,307	7,096	6,741	6,051
Present value of defined- benefit obligations ¹⁾	12,832	11,900	11,235	9,916
Solvency margin	65%	60%	60%	61%
Pension obligation according to PRI	6,404	6,239	6,043	5,776
Solvency margin	130%	114%	112%	105%

¹⁾ Refers to the pension obligation that the assets under management are designed to cover.

Note 36

Assets Pledged and Contingent Liabilities

Accounting principles

A contingent liability exists if there is a possible commitment arising from events whose occurrence is dependent on one or more uncertain future events and the possible commitment is not recognised as a liability or provision. This, because it is unlikely that an outflow of resources will be required to settle the possible commitment or the size of the obligation cannot be estimated with sufficient reliability. Information of such contingent liabilities is disclosed as long as the likelihood of an outflow of resources is not extremely small.

MSEK	Group		Parent Company	
	31-12-2021	31-12-2020	31-12-2021	31-12-2020
Contingent liabilities				
Guarantees to insurance company, PRI Pensionsgaranti	128	125	128	125
Guarantees for Group companies' commit- ments to customers	-	-	4,320	3,980
Sureties for joint ventures	8	8	-	-
Sureties for associated companies	11	11	93	121
Total	147	144	4,541	4,226

In the ordinary course of business, Saab is occasionally involved in disputes and legal proceedings arising as a result of the Group's operations worldwide. For some of these legal proceedings and disputes Saab has recognised a provision, see notes 32 and 42. Other disputes and legal proceedings are not expected, either individually or collectively, to have any significant negative impact on Saab's financial position or results.

The table below shows the total sum of guarantees that do not represent contingent liabilities and a distribution by category.

MSEK	31-12-2021	Per cent of total	31-12-2020	Per cent of total
Bank Guarantees:				
On demand	17,380	98	15,400	100
Award	369	2	65	0
Bank Guarantees total	17,749	100	15,465	100
Type of Bank Guarantee:				
Advance Payment	8,234	46	8,319	54
Performance	8,863	50	6,768	44
Others	652	4	378	2
Bank Guarantees total	17,749	100	15,465	100

In the ordinary course of business, Saab AB issue Parent Company guarantees to subsidiaries and joint ventures on a case by case basis. These guarantees may cover all or part of the relevant subsidiary's or joint venture's general obligations, or be a defined amount for a specific purpose.

With regard to the Group's so-called fulfilment guarantees for commitments to customers, the likelihood of an outflow of resources is extremely small and, as a result, no value is recognised in the table of contingent liabilities.

Note 37

Transactions with Related Parties

The Group's financial agreements conform to market principles. Saab has not had any significant transactions with Investor, Board members or members of Group Management. For information on remuneration, see note 8.

Of the Parent Company's sales, 7 (7) per cent referred to sales to Group companies, while 23 (19) per cent of the Parent Company's purchases were from Group companies.

Sales to and purchases from the Group's associated companies and joint ventures amounted to approximately MSEK 92 (67) and MSEK 285 (409), respectively. For information on receivables from and liabilities to associated companies and joint ventures, see notes 23 and 33.

In 2020, Saab AB sold all shares, valued at market price, in the associated company Kallebäck Property Invest AB to Saab's pension fund for an amount of MSEK 173.

Note 38

Group Companies

Significant Group company holdings

Group company	Group company's registered office, country	Ownership share, per cent	
		2021	2020
Combitech AB	Växjö, Sweden	100	100
Saab Australia Pty Ltd	Australia	100	100
Saab Barracuda AB	Västervik, Sweden	100	100
Saab Canada, Inc.	Canada	100	100
Saab Danmark A/S	Denmark	100	100
Saab Digital Air Traffic Solutions AB	Timrå, Sweden	100	59
Saab Dynamics AB	Karlskoga, Sweden	100	100
Saab Grintek Defence (Pty) Ltd	South Africa	100	100
Saab, Inc.	USA	100	100
Saab Kockums AB	Malmö, Sweden	100	100
Saab Seaeye Ltd	UK	100	100
Saab Sensor Systems Germany GmbH.	Germany	100	100
Saab Technologies B.V.	The Netherlands	100	100

Total ownership of non-controlling interests amounted to MSEK 273 (178).

No non-controlling interests are considered material.

MSEK	Parent Company	
	2021	2020
Accumulated acquisition value		
Opening balance, 1 January	19,070	18,831
New issues/shareholders' contributions	208	326
Acquisitions	110	-
Sales and liquidations	-	-87
Closing balance, 31 December	19,388	19,070
Accumulated write-downs		
Opening balance, 1 January	-12,728	-12,653
Write-downs for the year	-20	-75
Closing balance, 31 December	-12,748	-12,728
Carrying amount, 31 December	6,640	6,342

Note 38, cont.

Specification of Parent Company's holdings of shares in Group companies

31-12-2021 Group company/Corp. ID no./Registered office	No. of shares	Share, per cent	Carrying amount, MSEK
Celsius AB, 556194-4652, Linköping, Sweden	5,000	100%	144
Celsius Invest AB, 556164-6588, Stockholm, Sweden	1,720,000	100%	158
Combitech AB, 556218-6790, Växjö, Sweden	100,000	100%	1,064
EMC Services Elmiljöteknik AB, 556315-6636, Mölndal, Sweden	2,000	100%	3
Fastighets AB Brunnshög, 559332-8684, Linköping, Sweden	1,000	100%	-
Fastighets AB Linköping Malmen 27, 556354-6349, Linköping, Sweden	20,000	100%	4
Fastighets AB Stensholm-Huskvarna, 556030-2746, Jönköping, Sweden	150,000	100%	42
FFV Ordnance AB, 556414-8194, Karlskoga, Sweden	100,000	100%	10
Muskövarvet AB, 556675-3496, Haninge, Sweden	1,002	100%	61
N. Sundin Dockstavarvet AB, 556193-6138, Kramfors, Sweden	5,100	100%	85
Saab Airport AB, 556366-8333, Linköping, Sweden	5,000	100%	3
Saab Asia Pacific Co. Ltd, Thailand	-	100%	12
Saab Barracuda AB, 556045-7391, Västervik, Sweden	200,000	100%	107
Saab Canada, Inc., Canada	-	100%	1
Saab Czech s.r.o, Czech Republic	-	100%	25
Saab Danmark A/S, Denmark	-	100%	103
Saab Digital Air Traffic Solutions AB, 559060-0747, Timrå, Sweden	500	100%	124
Saab Dynamics AB, 556264-6074, Karlskoga, Sweden	500,000	100%	357
Saab Emerging Technologies Norrmalm AB, 559334-2180, Stockholm, Sweden	1,000	100%	-
Saab France S.A.S, France	-	100%	-
Saab India Technologies Private Limited, India	-	100%	-
Saab International AB, 556267-8994, Stockholm, Sweden	50,000	100%	14
Saab Kockums AB, 556205-5623, Malmö, Sweden	500,000	100%	340
SAAB LTD, United Arab Emirates	-	100%	-
Saab Microwave Systems AB, 556028-1627, Mölndal, Sweden	300,000	100%	49
Saab Nederland B.V., The Netherlands	-	100%	57
Saab Nordic Defence Industries A/S, Denmark	-	100%	22
Saab North America, Inc., USA	-	100%	2,419
Saab Seaeye Holdings Ltd, UK	-	100%	194
Saab Sensor Systems Germany GmbH, Germany	-	100%	308
Saab South Africa (Pty) Ltd, South Africa	-	100%	443
Saab Surveillance Systems AB, 556577-4600, Järfälla, Sweden	1,000	100%	-
Saab Tactical Electronics AB, 559238-1627, Linköping, Sweden	1,000	100%	51
Saab Technologies B.V., The Netherlands	-	100%	295
Saab Technologies BV, Belgium	-	100%	29
Saab Technologies Ltd., Canada	-	100%	18
Saab Technologies Norway AS, Norway	-	100%	3
Saab Technologies s.r.o., Czech Republic	-	100%	-
Saab Technologies UK Limited, UK	-	100%	-
Saab Training Systems GmbH, Germany	-	100%	3
Saab Transpondertech AB, 556535-9790, Linköping, Sweden	1,000	100%	-
Saab Ventures AB, 556757-5211, Linköping, Sweden	1,000	100%	-
Dormant companies etc.	-	-	92
Carrying amount at year-end			6,640

Note 39

Untaxed Reserves

MSEK	Parent Company	
	2021	2020
Tax allocation reserve:		
Opening balance, 1 January	1,431	1,863
Allocation for the year	537	-
Dissolution for the year	-142	-432
Closing balance, 31 December	1,826	1,431
Accumulated accelerated/under depreciation		
Buildings and land:		
Opening balance, 1 January	-2	-2
Accelerated/under depreciation for the year	-	-
Closing balance, 31 December	-2	-2
Machinery and equipment:		
Opening balance, 1 January	770	647
Accelerated depreciation for the year	92	123
Closing balance, 31 December	862	770
Total untaxed reserves, 31 December	2,686	2,199

Note 40

Statement of Cash Flows, Supplemental Information

The Group's free cash flow, and a reconciliation between free cash flow and cash flow for the year from the statement of cash flows, are stated below.

Free cash flow

MSEK	Group	
	2021	2020
Cash flow from operating activities before changes in working capital, excluding taxes and other financial items¹⁾		
	5,846	2,905
Cash flow from changes in working capital:		
Contract assets and liabilities	2,929	1,704
Inventories	-1,320	95
Other current receivables	-1,636	805
Other current liabilities	401	468
Provisions	-450	-336
Change in working capital	-76	2,736
Cash flow from operating activities, excluding taxes and other financial items	5,770	5,641
Investing activities:		
Investments in intangible fixed assets	-1,297	-1,622
Investments in tangible fixed assets	-1,223	-1,269
Sales and disposals of tangible fixed assets	26	23
Cash flow from investing activities²⁾	-2,494	-2,868
Operational cash flow		
	3,276	2,773
Taxes and other financial items	-526	-278
Sale of and investments in financial assets	-11	1,093
Investments in operations ³⁾	-21	-4
Sale of subsidiaries	19	169
Free cash flow	2,737	3,753

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.

³⁾ Investments in operations during 2021 refers to additional consideration regarding previous acquisitions.

Free cash flow versus cash flow for the year in statement of cash flows

MSEK	2021	2020
Free cash flow	2,737	3,753
Investing activities – interest-bearing:		
Short-term investments	-2,085	-2,312
Other financial investments and receivables	-111	-80
Financing activities:		
Repayment of loans	-2,538	-3,077
Raising of loans	2,248	2,728
Repurchase of shares	-246	-242
Dividend paid to the Parent Company's shareholders	-622	-
Dividend paid to non-controlling interest	-27	-12
Transactions with non-controlling interest	15	-85
Cash flow for the year	-629	673

Supplemental information on statement of cash flows

MSEK	Group	
	31-12-2021	31-12-2020
Liquid assets		
The following components are included in liquid assets:		
Cash and bank balances	1,401	1,123
Bank deposits	300	1,150
Total according to the statement of financial position	1,701	2,273
Total according to statement of cash flows	1,701	2,273

MSEK	Parent Company	
	31-12-2021	31-12-2020
The following components are included in liquid assets:		
Cash and bank balances	505	448
Bank deposits	300	1,150
Total according to balance sheet	805	1,598
Total according to statement of cash flows	805	1,598

Note 40, cont.

Interest and dividend

MSEK	Group		Parent Company	
	2021	2020	2021	2020
Dividends received	72	63	27	103
Interest received	94	89	205	205
Interest paid	-243	-258	-150	-188
Total	-77	-106	82	120

Adjustments for items not affecting cash flow

MSEK	Group		Parent Company	
	2021	2020	2021	2020
Depreciation and amortisation	1,938	1,518	654	578
Capital gains/losses from sales of Group companies, associated companies and joint ventures	-	-1,103	-28	-1,110
Provisions	1,272	1,286	561	1,206
Write-downs	-	59	20	232
Share of profits in associated companies and joint ventures	28	180	-	-
Dividends and Group contributions from/to Group companies	-	-	-1,125	-527
Other	275	93	240	201
Total	3,513	2,033	322	580

Reconciliation of cash flows arising from liabilities in financing activities

Interest-bearing liabilities, MSEK	31-12-2020	Cash flows ¹⁾	Non-cash changes		31-12-2021
			Foreign exchange movement	New contracts / Revaluation	
Liabilities to credit institutions	7,412	-330	3	-	7,085
Liabilities to associated companies and joint ventures	39	4	-	-	43
Lease liabilities	2,539	-469	55	418	2,543
Other interest-bearing liabilities	8	36	2	-	46
Total interest-bearing liabilities	9,998	-759	60	418	9,717

¹⁾ These amounts refer to cash flows arising from liabilities in Financing activities in the Consolidated statement of cash flows.

Sale of subsidiaries

MSEK	Group	
	2021	2020
Divested assets and liabilities		
Intangible fixed assets	-	42
Tangible fixed assets	-	43
Current receivables	-	14
Liquid assets	-	43
Total assets	-	142
Current liabilities	-	20
Total liabilities	-	20
Sales price	-	233
Purchase price received	19	212
Less: Liquid assets in divested operations	-	-43
Effect on the Group's liquid assets	19	169

No divestments were made in 2021. The purchase price received of MSEK 19 refers to additional consideration regarding previous divestments. During 2020 QPS (Quality Positioning Services) and Fastighets AB Tannerfors 1:114 were divested.

Note 41

Information on Parent Company

Saab AB (publ) is a limited company registered in Sweden, with its registered office in Linköping. The Parent Company's B shares are registered on the Nasdaq Stockholm. The address of the head office is Saab AB, Olof Palmes gata 17, 5th floor, SE-111 22 Stockholm, Sweden.

The consolidated accounts for 2021 comprise the Parent Company and its Group companies, together referred to as the Group. The Group also includes the holdings in associated companies and joint ventures.

Saab AB also operates a small business in a South Korean branch.

Note 42

Items affecting comparability

Accounting principles

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

Item affecting comparability	Business Area	MSEK	Full Year 2021	Full Year 2020
Adjustment of project estimates, COVID-19	Aeronautics	Sales	-	-1,121
Adjustment of project estimates, COVID-19	Surveillance	Sales	-	-166
Adjustment of project estimates, COVID-19	Dynamics	Cost of goods sold	-	-15
Adjustment of project estimates, COVID-19	Corporate	Sales	-	-44
Provision for onerous contract, COVID-19	Aeronautics	Cost of goods sold	-	-315
Write-down of inventory, COVID-19	Aeronautics	Cost of goods sold	-	-118
Write-down of inventory, changes to product portfolio	Corporate	Cost of goods sold	-	-137
Write-down of shares in associated companies	Corporate	Share in income of associated companies	-	-113
Impairment of long-term receivable from associated companies	Corporate	Other operating expenses	-	-59
Write-down of shares in associated companies	Aeronautics	Share in income of associated companies	-	-32
Provision related to new assessment of ongoing disputes and legal proceedings for the Group	Corporate	Other operating expenses	-	-300
Capital gain from the divestment of shares in Vricon Inc	Corporate	Other operating income	-	997
Sum			-	-1,423

Note 43

Exchange Rates used in Financial Statements

Land			Year-end rate		Average rate	
			2021	2020	2021	2020
Australia	AUD	1	6.55	6.26	6.44	6.34
Brazil	BRL	1	1.58	1.57	1.59	1.81
Denmark	DKK	100	137.9	134.9	136.4	140.7
Euro	EUR	1	10.25	10.04	10.14	10.49
India	INR	100	12.11	11.16	11.60	12.43
Canada	CAD	1	7.06	6.39	6.84	6.86
Norway	NOK	100	102.9	95.32	99.83	97.88
Switzerland	CHF	1	9.88	9.25	9.38	9.80
UK	GBP	1	12.18	11.11	11.80	11.80
South Africa	ZAR	100	56.68	55.93	58.05	56.20
Czech Republic	CZK	100	41.10	38.33	39.56	39.67
USA	USD	1	9.03	8.18	8.58	9.21

Note 44

Definitions of Key Ratios in Financial Statements

Below are definitions of financial key ratios that are used in the report.

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

Capital employed Total assets less non-interest-bearing liabilities.

Capital turnover Sales divided by average capital employed.

Earnings per share Net income for the year attributable to the Parent Company's shareholders, divided by the average number of shares before and after full dilution. There is no dilution impact if the result is negative.

EBITDA Operating income before depreciation/amortisation and write-downs

EBITDA adjusted for items affecting comparability Operating income before depreciation/amortisation and write-downs adjusted for items classified as affecting comparability.

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

EBITDA margin adjusted for items affecting comparability Operating income before depreciation/amortisation and write-downs adjusted for items classified as affecting comparability as a percentage of adjusted sales.

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

Equity/assets ratio Equity in relation to total assets.

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

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

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

Gross income adjusted for items affecting comparability Gross income adjusted for items classified as affecting comparability.

Gross margin Gross income as a percentage of sales.

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

Interest coverage ratio Operating income plus financial income divided by financial expenses.

Net investments Acquisitions and divestments of intangible and tangible fixed assets.

Net liquidity/net debt Liquid assets, short-term investments and interest-bearing receivables less interest-bearing liabilities and provisions for pensions excluding

provisions for pensions attributable to special employers' contribution.

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

Operating income Income before financial items and tax.

Operating margin Operating income (EBIT) as a percentage of sales.

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

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

Operational cash flow Cash flow from operating activities, excluding taxes and other financial items, amortisation of lease liabilities and acquisitions and divestments of intangible fixed assets and tangible fixed assets.

Order backlog Total value of orders at the end of the year.

Order bookings Total value of orders received during the year.

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

Profit margin Operating income plus financial income as a percentage of sales.

Return on capital employed Operating income plus financial income as a percentage of average capital employed.

Return on equity Net income for the year as a percentage of average equity.

R&D expenditures Research and development costs are recognised separately in the income statement and comprise the cost of self-financed new and continued product development as well as amortisation and any write-down of capitalised development costs. Research and development expenses comprise both expenses incurred as costs excluding amortization and write-downs, and expenses capitalised as development costs in the statement of financial position. Total research and development expenses also include the part of Saab's research and development that is conducted in cooperation with customers, which is reported as cost of goods sold.

Sales adjusted for items affecting comparability Sales adjusted for items classified as affecting comparability.

Note 45

Significant events after the conclusion of the period in Financial Statements

- On 12 January 2022, Saab announced that the Hungarian Government Commissioner Office responsible for defence development and the Swedish Defence Materiel Administration (FMV) have successfully completed the negotiations for the MS20 Block 2 capability upgrade to the Hungarian fleet of Gripen fighter aircraft. Saab will deliver the upgrade. The order was booked in Q4 2021.



Dividend motivation

The Board of Directors' statement according to chapter 18, § 4 of the Companies Act with regard to the proposed dividend – Saab AB.

Saab is one of the world's leading high-technology companies, with operations that are characterised by complex development assignments on the cutting edge of technology. Over the years, Saab has conducted significant development projects and managed the associated risks with great success. See also risks and uncertainties in the annual report.

The Board of Directors is proposing a total dividend of MSEK 646 (622), an increase of 4 per cent, corresponding to SEK 4.90 (4.70) per share.

Saab AB's unrestricted equity amounts to MSEK 11,235 and profit carried forward in the Group before the dividend is paid amounts to MSEK 14,333.

Net income for the year attributable to the Parent Company's shareholders amounted to MSEK 1,926 for the Group and MSEK 1,116 for the Parent Company.

After paying the dividend to the shareholders, the Group's equity/assets ratio amounts to 35.1 per cent, compared to the target of 30 per cent. Since the IPO in 1998, the equity/assets ratio has risen from 22 per cent to 35.7 per cent in 2021.

Saab's gross capital expenditure in 2021 amounted to MSEK 1,223.

Investments are also made in research and development, which in 2021 amounted to MSEK 2,000, of which MSEK 891 was capitalised in the balance sheet.

At year-end, Saab had net debt, which includes liquid assets, short-term investments and interest-bearing receivables less interest-bearing liabilities, including provisions for lease liabilities and pensions, amounting to MSEK 2,125.

The proposed dividend is not expected to affect Saab's ability to carry out its commitments on a short- or long-term basis.

The proposed dividend is considered justifiable with regard to what is stated in chapter 17, § 3, paragraphs two and three of the Companies Act (2005:551):

1. the demands that the company's nature, scope and risks place on the size of its equity, and
2. the company's consolidation needs, liquidity or financial position in other respects.

The Board of Directors of Saab AB

Proposed disposition of earnings 2021

The Board of Directors and the President propose that the unappropriated earnings in the Parent Company at disposal of the Annual General Meeting, amounting to:

SEK	
Retained earnings	4,561,227,342
Share premium reserve	5,557,130,127
Net comprehensive income for the year	1,116,466,275
Total	11,234,823,744

be disposed as follows:

To the shareholders, a dividend of SEK 4.90 per share	645,869,872
To share premium reserve	5,557,130,127
Funds to be carried forward	5,031,823,745
Total	11,234,823,744

After the proposed disposition, equity in the Parent Company will be as follows:

SEK	
Capital stock	2,173,533,552
Statutory reserve	542,471,135
Revaluation reserve	650,197,654
Share premium reserve	5,557,130,127
Retained earnings	5,031,823,745
Total	13,955,156,213

The company's policy is to issue a dividend of 20–40 per cent of net income over a business cycle. The Board of Directors and the President propose that MSEK 646 (622), or SEK 4.90 (4.70) per share be issued as a dividend. This has been calculated based on the amount of outstanding shares on 31 December 2021, of 131,810,178 (132,247,073). Saab's equity/assets ratio is currently 35.7 per cent (35.7) and after the proposed disposition of earnings will be 35.1 per cent (35.1).

The undersigned certify that the consolidated accounts and the annual report have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted for use in the European Union, and generally accepted accounting principles, and give a true and fair view of the financial positions and results of the Group and the Parent Company, and that the management report gives a fair review of the development of the operations, financial positions and results of the Group and the Parent Company and describes substantial risks and uncertainties that the Group companies faces.

Linköping 25 February 2022

Marcus Wallenberg
Chairman

Bert Nordberg
Deputy Chairman

Henrik Henriksson
Board member

Danica Kragic Jensfelt
Board member

Sara Mazur
Board member

Johan Menckel
Board member

Daniel Nodhäll
Board member

Cecilia Stegö Chilò
Board member

Erika Söderberg Johnson
Board member

Joakim Westh
Board member

Stefan Andersson
Board member

Göran Andersson
Board member

Magnus Gustafsson
Board member

Micael Johansson
President and Chief Executive Officer (CEO) and board member

Our audit report was submitted on 1 March 2022
PricewaterhouseCoopers AB

Peter Nyllinge
*Authorised Public Accountant
Auditor in charge*

Fredrik Göransson
Authorised Public Accountant

Auditor's report

To the general meeting of the shareholders of Saab AB (publ), corporate identity number 556036-0793

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Saab AB for the year 2021 except for the statutory sustainability report and the corporate governance statement on pages 50 to 79 and 82 to 91 respectively. The annual accounts and consolidated accounts of the company are included on pages 36 to 153 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2021 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act.

The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2021 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act.

The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts. Our opinions do not include the statutory sustainability report and the corporate governance statement on pages 50 to 79 and 82 to 91 respectively.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the income statement and statement of financial position for the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our

responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of my (our) knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

OUR AUDIT APPROACH

Audit approach and scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls and the specific circumstances in larger customer projects.

In order to design an appropriate audit, we have updated our understanding of how the operations within Saab are organised, of important systems and processes as well as the internal controls implemented to give the Board of Directors and management confidence that the financial reporting is of high precision. For this purpose we have performed interviews with senior

management at various levels in the group and leaders of group functions, as well as reviewed reports, policies, instructions and planning and steering documents. We have also had a regular dialogue with the internal audit and internal controls functions to share relevant information and to coordinate activities when and if deemed relevant.

A significant part of Saab's revenue and result is derived from long term customer contracts including substantial development and customization for specific customers, which are associated with technical and commercial risks. Revenue and income are in many projects recognised using percentage of completion, which as such are based on management's estimates and measurement of percentage of completion, estimated profit margin as well as total costs and risks. This requires a high level of project control and monitoring to be able to, at any given time confirm the assumptions and estimates for project cost and revenue to give a satisfying base for recognizing revenue and income. In many cases the customer contracts have a significant element of integration with the customer and sub-contractors why the financial outcome is not only dependent on Saab's own activities but other parties as well.

In our audit we have focused on the operations in the parent company Saab AB and the subsidiaries Saab Dynamics AB, Saab Kockums AB and Combitech AB. In addition entities in Australia, South Africa and the USA have been subject to review procedures. We have considered covid-19 and its impact in our audit and designed our audit procedures to meet new and/or changed risks in the audit. Overall, we have been able to carry out our audit, even though the pandemic has led to changes in working methods and increased use of digital tools for communication and collection of audit evidence.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered

material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the consolidated financial statements as a whole. These, together with qualitative considerations, helped us to determine

Key audit matter

Long term customer contracts

Revenue and income are in many projects recognised over time using percentage of completion, which as such are based on management's estimates and measurement of percentage of completion, estimated profit margin as well as total costs and risks. If a project is expected to be in a loss position, the loss is recognised as soon as it can be determined.

Percentage of completion and the income recognised can be based on cost incurred, milestones reached, or units delivered.

The financial reporting risk in the financial reporting is that revenue and income recognised, not correctly reflect Saab's fulfilment of performance obligations in the long term customer contracts and that the risks in the contracts deviate from actual outcome, which can result in revenue being recognised at wrong margin. This in turn might lead to cut off errors in revenue and cost over the project's lifecycle.

Accounting for long term customer contracts also, besides revenue and cost of goods sold, affect balance sheet items such as receivables from customers, inventory and provision for loss contracts.

In the annual report risks related to long term contracts are described on page 47 and in the notes to the financial statements (note 2 and 4) the accounting principles are described in more detail.

the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and

consolidated accounts of the current period. In the audit of Saab we have identified The matters below were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

How our audit addressed the Key audit matter

Saab has implemented processes, methods and controls to account for and monitor the long term customer contracts from tender, through execution and completion. These processes include among other project organisation, documentation, financial reviews and reporting as well as guidance on application of the accounting principles. This is further described in the annual report on page 47.

In our audit we have evaluated the design of these processes, methods and controls and tested on a sample basis that they work as designed. In this testing we have focused on the following:

- Test of monitoring controls on business area, business unit of where applicable on product level.
- Test of transaction controls for accounting for cost incurred related to long term customer contracts for procurement to projects.
- Test that project reviews and documentation has been approved according to methods applied within Saab.

We have further selected a sample of long term customer contracts for substantive testing. Our sample is based on quantitative and qualitative factors where we have selected long term contracts that are material from contract value, revenue recognised or risk in residual cost to complete. Contracts for Gripen E Sweden, Gripen NG Brazil and Airborne surveillance United Arab Emirates, A26 submarines to Sweden and Squadron 2020 to Finland have been of specific interest in our audit.

For the selected contracts we have in detail obtained an understanding for the project

though, among other procedures, review of contract clauses, project plans, analysis of stage of completion and contract forecasts. Each quarter we review the projects together with the project leader, the project controller or similar. In these reviews we perform the following procedures focusing on whether significant risks are reasonably accounted for:

- We inspect management's assessment of the project execution and how this affects the financial reporting. This includes total contract value, level of completion, method for recognising stage of completion, cost incurred and estimated remaining cost.
- We reconcile management's assessment to underlying documentation and compare this with previous quarters.
- We reconcile financial information between reports and systems and recalculate calculations.

In these reviews we use our knowledge about Saab and how similar long term contracts have been treated to discuss and ask questions and challenge management's estimates and judgements. We also assess consistent application of accounting principles between contracts with similar circumstances. In this we also test items reported as work in progress. We test them from both quantitative and qualitative aspects and assess whether they are accounted for under Saab's accounting policies.

OTHER INFORMATION THAN THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1 to 35 and 159 to 167 as well as the statutory sustainability report on page 50 to 79. The other information also consists of the remuneration report, which we have had access to prior to the date of this audit report. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern

basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

AUDITOR'S RESPONSIBILITY

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Saab AB for the year 2021 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of

the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organisation and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organisation is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether

the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

THE AUDITOR'S EXAMINATION OF THE ESEF REPORT

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for ABC AB (publ) for the financial year 2021.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report #checksum has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for Opinions

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the Esef report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Saab AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Director's and the Managing Director

The Board of Directors and the Managing Director are responsible for ensuring that the Esef report has been prepared in accordance with the Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board

of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to form an opinion with reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the ESEF report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The reasonable assurance engagement involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The reasonable assurance engagement also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of

Directors and the Managing Director. The procedures mainly include a technical validation of the Esef report, i.e. if the file containing the Esef report meets the technical specification set out in the Commission's Delegated Regulation (EU) 2019/815 and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the Esef report has been marked with iXBRL which enables a fair and complete machine-readable version of the consolidated statement of financial performance, statement of financial position, statement of changes in equity and the statement of cash flow.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for the corporate governance statement on pages 82 to 91 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevR 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

PricewaterhouseCoopers AB, Stockholm, was appointed auditor of Saab AB (publ)'s by the general meeting of the shareholders on the 13 April 2021 and has been the company's auditor since the 7 April 2011.

Stockholm 1 March 2022
PricewaterhouseCoopers AB

Peter Nyllinge
Authorized public accountant
Partner in charge

Fredrik Göransson
Authorized public accountant

Auditor's Limited Assurance Report on Saab AB's Sustainability Report and Statement on the Statutory Sustainability Report

This is a translation of the original report in Swedish

TO THE ANNUAL GENERAL MEETING OF SAAB AB, ORG.NR 556036-0793

Introduction

We have been engaged by the Group Management of Saab AB to undertake a limited assurance of Saab AB's Sustainability Report for the year 2021. The company has defined the scope of the sustainability report on page 36 in Saab's Annual Report 2021, which also constitutes the statutory sustainability report.

Responsibilities of the Board and Group Management for the Sustainability Report

The Board of Directors and Group Management are responsible for preparing the Sustainability Report, including the Statutory Sustainability Report, in accordance with applicable criteria and the Annual Accounts Act. The criteria are described on page 76 of the Sustainability Report, and consist of the parts of the standard for sustainability reports published by GRI (Global Reporting Initiative) that are applicable to the sustainability report, as well as the accounting and calculation principles that Saab AB has developed. This responsibility also includes the internal control which is deemed necessary to establish a sustainability report that does not contain material misstatement, whether due to fraud or error.

Responsibilities of the Auditor

Our responsibility is to express a conclusion on the sustainability report based on the limited assurance procedures we have performed and to provide an opinion on the statutory sustainability report. Our assignment is

limited to the historical information that is presented and thus does not include future-oriented information.

We conducted our limited assurance engagement in accordance with ISAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. We have conducted our review regarding the statutory sustainability report in accordance with FAR's recommendation RevR 12, *the Auditor's Opinion on the Statutory Sustainability Report*. A limited assurance engagement and a statement according to RevR 12 have a different focus and a considerably smaller scope compared to the focus and scope of an audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

The audit firm applies ISQC 1 (*International Standard on Quality Control*) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent in relation to Saab AB according to generally accepted auditing standards in Sweden and have fulfilled our professional ethics responsibility according to these requirements.

The procedures performed in a limited assurance engagement and review according to RevR 12 do not allow us to obtain such assurance that we become

aware of all significant matters that could have been identified if an audit was performed. The stated conclusion based on a limited assurance and review in accordance with RevR 12, therefore, does not have the security that a stated conclusion based on an audit has.

Our procedures are based on the criteria defined by the Board of Directors and the Group Management as described above. We consider these criteria as suitable for the preparation of the Sustainability Report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion below.

Conclusion

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Sustainability Report is not, in all material respects, prepared in accordance with the criteria defined by the Board of Directors and Group Management.

A statutory sustainability report has been prepared.

Stockholm, 1 March 2022

PricewaterhouseCoopers AB

Peter Nyllinge
Authorized Public Accountant

Isabelle Hammarström
Expert Member of FAR

Information to shareholders

Annual General Meeting 2022

The Annual General Meeting will be held on Wednesday, 6 April 2022 at 16:00 CET in Saab's hangar, Åkerbogatan 10, Linköping.

The shareholders may, besides physical attendance, also exercise their voting rights at the Annual General Meeting by postal voting prior to the meeting.

Information on the right to participate, postal voting and on notification of participation, on how shareholders will be able to exercise their voting rights, and on proxies and assistants, can be found in the notice of the Annual General Meeting.

Information can also be found at the company's website www.saab.com/agm.

Dividend

The Board of Directors proposes a dividend of SEK 4.90 per share and 8 April 2022 as the record date for the dividend. With this record date, Euroclear Sweden AB is expected to distribute the dividend on 13 April 2022.

Distribution of the annual report

The annual report will be available on Saab's website, www.saab.com, approximately three weeks prior to the Annual General Meeting on 6 April. A printed version of the annual report will be distributed to shareholders who request it. A printed version of the annual report can also be ordered by e-mail to annual.report@saabgroup.com.

Saab's share

SHARE CAPITAL AND NUMBER OF SHARES

The share capital in Saab amounted to SEK 2,173,533,552 on 31 December 2021, comprised of 2,383,903 unlisted Series A shares and 133,461,944 listed Series B shares. The Series A shares have ten votes each, while Series B shares have one vote each. The quota value per share is SEK 16. The Series B share is listed on Nasdaq Stockholm's Large Cap list. All Series A shares are owned by Investor AB.

Shares and votes, December 31 2021

Share class	Number of shares	% of shares	Number of votes ¹⁾	% of votes
Series A	2,383,903	1.8	23,839,030	15.6
Series B	133,461,944	98.2	129,426,275	84.4
Total	135,845,847	100.0	153,265,305	100.0

1) Number of votes excludes 4,035,669 series B shares repurchased to secure the Group's Share Matching Plan and Performance Share Plan. The repurchased shares are held as treasury shares.

Source: Modular Finance

OWNERSHIP STRUCTURE

Saab had 56,483 shareholders at 31 December 2021, compared to 60,399 at 31 December 2020. Swedish shareholders accounted for 68.6 per cent (76.7) of the capital and 72.2 per cent (79.4) of the votes¹⁾.

Saab's largest shareholders, December 31 2021

Owner	Number of shares	% of capital	% of votes ¹⁾
Investor AB	40,972,622	30.2	40.7
Wallenberg Investments AB	11,835,875	8.7	7.7
AllianceBernstein	6,356,613	4.7	4.1
First Swedish National Pension Fund	4,343,825	3.2	2.8
Vanguard	2,853,166	2.1	1.9
Unionen	1,905,970	1.4	1.2
Norges Bank	1,780,880	1.3	1.2
Zadig Asset Management	1,701,569	1.3	1.1
Nordea Funds	1,679,896	1.2	1.1
BlackRock	1,493,891	1.1	1.0
AFA Insurance	1,380,436	1.0	0.9
Life Insurance Skandia	1,372,966	1.0	0.9
Avanza Pension	1,183,405	0.9	0.8
State of Wisconsin Investment Board	1,086,141	0.8	0.7
Ugglasstet HB	982,500	0.7	0.6
Subtotal, 15 largest shareholders	80,929,755	59.6	66.8
Other Swedish shareholders	22,105,568	16.3	14.4
Other international shareholders	13,444,783	9.9	8.8
Anonymous shareholders	15,330,072	11.3	10.0
Repurchased shares	4,035,669	3.0	
Total	135,845,847	100.0	100.0

1) % of votes is calculated based on the number of shares, excluding treasury shares, at December 31 2021.

Source: Modular Finance

Distribution of shareholders, December 31 2021

Number of shares	Number of shareholders	% of shareholders	Number of shares	% of share capital
1–500	49,115	87.0	4,891,958	3.6
501–1,000	3,621	6.4	2,767,498	2.0
1,001–5,000	3,220	5.7	6,474,046	4.8
5,001–10,000	247	0.4	1,815,703	1.3
10,001–20,000	116	0.2	1,648,796	1.2
20,001–50,000	76	0.1	2,358,050	1.7
50,001–	88	0.2	100,559,724	74.0
Anonymous shareholders			15,330,072	11.3
Total	56,483	100.0	135,845,847	100.0

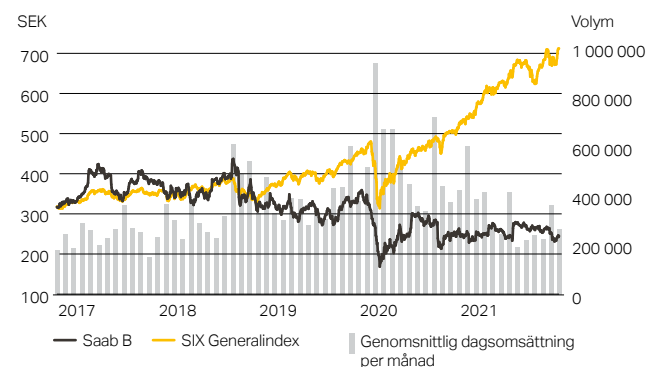
Source: Modular Finance

TRADING VOLUME AND STATISTICS

A total of 88,897,253 (137,181,146) of Saab's Series B shares were traded on Nasdaq in 2021, or about 36.6 per cent of the total turnover in the Series B share. On other platforms, about 51.1 per cent Saab's Series B shares were traded on Cboe, 7.7 per cent on the London Stock Exchange and about 3.3 per cent on Aquis. Remaining shares were traded in a smaller quantity on several other platforms.

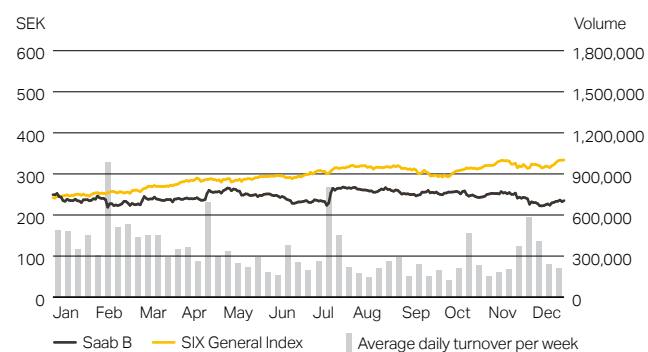
The Series B share traded at a 52-week high on Nasdaq Stockholm of SEK 267.0 on July 29 and a low of SEK 211.2 on December 6th.

Saab B, Share price performance in the last five years



Source: Modular Finance

Saab B, Share price in 2021



Source: Modular Finance

SAAB'S LONG-TERM INCENTIVE PROGRAMME

Since 2007, Saab offers permanent employees the opportunity to participate in a voluntary Share Matching Plan. Purchases are made through deductions of 1–5 per cent of the employee's monthly salary, after which Series B shares in Saab are purchased on Nasdaq Stockholm during a twelve-month period. If the employee retains the purchased shares for three years after the investment date and is still employed by the Saab Group, they will be allotted a corresponding number of Series B shares free of charge. The Performance Share Plan has been offered since 2008 to senior executives and other key persons. In 2017, the Annual General Meeting resolved to introduce a new plan, the Special Projects Incentive, as a complement to the Performance Share Plan. The Special Projects Incentive is directed at a limited number of key employees. The Annual General Meeting in 2021 resolved to adopt Long-Term Incentive plan 2022 (LTI 2022), consisting of Share Matching Plan 2022, Performance Share Plan 2022 and Special Projects Incentive 2022. For more information on the incentive plan, see the Administration Report on pages 92-95 and note 8.

AUTHORISATION

The Annual General Meeting in 2021 authorised the Board of Directors to repurchase a maximum of 1,370,000

series B shares to secure delivery of shares to participants in Saab's long-term incentive programmes 2022. The Annual General Meeting 2021 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 per cent of all the shares in the company.

In June, the Board of Directors decided to utilise its authorisation to repurchase own shares of series B in order to secure delivery of shares to participants in Saab's long-term incentive programmes. In the third quarter of 2021, series B shares were repurchased for SEK 246 million.

DIVIDEND AND DIVIDEND POLICY

Saab's long-term policy is to pay a dividend corresponding to 20-40 per cent of net income over a business cycle. For the financial year 2021, the Board of Directors is proposing a dividend of SEK 4.90 per share (4.70). The proposed dividend corresponds to 34 per cent (58) of net income.

FIVE-YEAR SUMMARY

For information on data per share, see www.saab.com/investors/financial-data.

ANALYSTS WHO COVER SAAB

For information on analysts who cover Saab, see www.saab.com/investors/our-share/analysts.

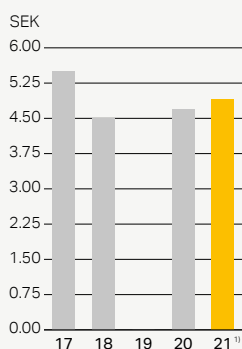
6,913

of Saab's employees have enrolled in Saab's Share Matching Plan 2022. Some participants are enrolled in several plans. The corresponding number last year was 7,361, which means a decrease of 6%.

INVESTOR RELATIONS

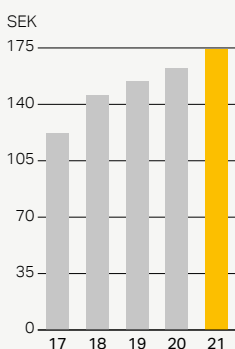
Merton Kaplan
 Head of Investor Relations
merton.kaplan@saabgroup.com
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Dividend per share

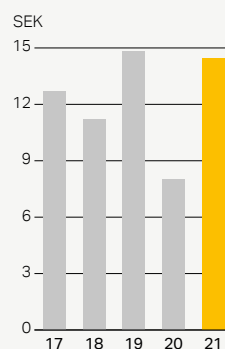


1) See dividend and dividend policy.

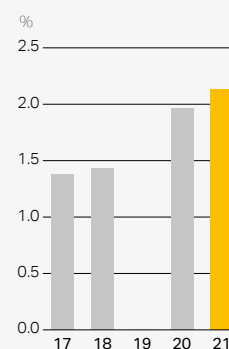
Equity per share



Earnings per share after dilution



Yield at year-end



Multi-year overview

MSEK, unless otherwise indicated	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Order bookings	43,569	42,328	27,216	27,975	30,841	21,828	81,175	22,602	49,809	20,683
Order backlog 31 December	105,177	99,816	93,293	102,184	107,233	107,606	113,834	60,128	59,870	34,151
Sales	39,154	35,431	35,433	33,156	31,666	28,631	27,186	23,527	23,750	24,010
Foreign market sales, %	62	64	63	59	58	57	58	55	59	64
Defence sales, %	92	91	85	85	84	83	82	79	81	82
Operating income before depreciation/ amortisation and write-downs (EBITDA)	4,826	2,833	4,305	3,182	3,089	2,743	2,859	2,523	2,367	3,168
EBITDA margin, %	12.3	8.0	12.1	9.6	9.8	9.6	10.5	10.7	10.0	13.3
Operating income (EBIT)	2,888	1,315	2,937	2,266	2,250	1,797	1,900	1,659	1,345	2,050
Operating margin, %	7.4	3.7	8.3	6.8	7.1	6.3	7.0	7.1	5.7	8.5
Financial income	124	230	190	193	121	90	169	103	62	153
Financial expenses	-435	-433	-520	-663	-272	-276	-338	-239	-428	-202
Income after financial items	2,577	1,112	2,607	1,796	2,099	1,611	1,731	1,523	979	2,003
Net income for the year	2,025	1,092	2,025	1,366	1,508	1,175	1,402	1,168	742	1,560
Net income attributable to Parent Company's shareholders	1,926	1,073	1,983	1,313	1,477	1,133	1,362	1,153	741	1,585
Total assets	65,039	60,568	59,858	56,128	44,998	41,211	35,088	29,556	27,789	28,938
– of which total equity	23,249	21,644	20,809	19,633	14,285	13,301	12,912	11,373	12,227	11,280
– of which equity attributable to Parent Company's shareholders	22,976	21,466	20,535	19,412	14,097	13,156	12,851	11,291	12,136	11,168
Equity per share, SEK ¹⁾	174.31	162.32	154.48	145.43	121.86	114.17	111.99	98.83	105.31	97.35
Net liquidity/debt excluding lease liabilities, interest-bearing receivables and net provisions for pensions	4,669	2,918	-354	2,190	344	28	-1,880	185	1,953	3,837
Net liquidity/debt ⁶⁾	-2,125	-4,273	-7,069	-1,460	-1,834	-1,836	-3,217	-2,113	813	1,996
Cash flow from operating activities	5,713	5,800	1,194	-490	3,164	4,154	358	-713	-662	350
Free cash flow⁶⁾	2,737	3,753	-2,036	-3,195	852	2,359	-726	-1,094	-1,460	-396
Free cash flow per share after dilution, SEK ³⁾	20.53	28.03	-15.20	-27.27	7.33	20.38	-6.30	-9.45	-12.35	-3.35
Average capital employed	37,243	36,338	34,485	28,151	22,495	21,135	18,454	15,897	15,454	15,131
Average equity	22,447	21,227	20,221	16,959	13,793	13,107	12,143	11,800	11,754	12,175
Return on capital employed, %	8.1	4.3	9.1	8.7	10.5	8.9	11.2	11.1	9.1	14.6
Return on equity, %	9.0	5.1	10.0	8.1	10.9	9.0	11.5	9.9	6.3	12.8
Profit margin, %	7.69	4.36	8.83	7.42	7.49	6.59	7.61	7.49	5.92	9.18
Capital turnover rate, multiple	1.05	0.98	1.03	1.18	1.41	1.35	1.47	1.48	1.54	1.59
Equity/assets ratio, %	35.7	35.7	34.8	35.0	31.7	32.3	36.8	38.5	44.0	39.0
Interest coverage ratio, multiple	6.92	3.57	6.01	3.71	8.72	6.84	6.12	7.37	3.29	10.91
Earnings per share before dilution, SEK ²⁾⁵⁾	14.57	8.07	14.88	11.27	12.79	9.85	11.90	10.03	6.45	13.86
Earnings per share after dilution, SEK ²⁾⁵⁾	14.45	8.01	14.81	11.21	12.70	9.79	11.81	9.96	6.27	13.41
Dividend, SEK	4.90⁴⁾	4.70	0.00	4.50	5.50	5.25	5.00	4.75	4.50	4.50
Gross capital expenditures for tangible fixed assets	1,223	1,269	1,213	1,481	1,093	807	799	732	543	328
Research and development costs	6,897	7,440	7,643	7,562	7,348	7,421	6,841	5,970	6,543	5,946
Number of employees at year-end	18,153	18,073	17,420	17,096	16,427	15,465	14,685	14,716	14,140	13,968

¹⁾ Number of shares, excluding treasury shares, as of 31 December 2021: 131,810,178; 2020: 132,247,073; 2019: 132,926,363; 2018: 133,482,880; 2017: 115,685,451; 2016: 115,232,495; 2015: 114,746,834; 2014: 114,251,832; 2013: 115,241,831; 2012: 114,718,422

²⁾ Average number of shares before dilution 2021: 132,164,599; 2020: 133,009,986; 2019: 133,245,360; 2018: 116,467,822; 2017: 115,444,915; 2016: 114,971,098; 2015: 114,484,478; 2014: 114,929,422; 2013: 114,928,817; 2012: 114,395,790

³⁾ Average number of shares after dilution 2021: 133,293,340; 2020: 133,877,414; 2019: 133,929,292; 2018: 117,144,915; 2017: 116,310,466; 2016: 115,775,275; 2015: 115,280,946; 2014: 115,785,595; 2013: 118,205,015; 2012: 118,205,015

⁴⁾ Board of Directors' proposal.

⁵⁾ Net income less non-controlling interest divided by average number of shares.

⁶⁾ For more information and explanations regarding the usage of these key ratios, please see saabgroup.com, investor, financial data, key ratios.

Financials for 2017 are restated according to the changed accounting principles for revenue from contracts with customers (IFRS 15).

Financials for 2013 are restated according to the changed accounting principles for joint arrangements (IFRS 11).

Financials for 2012 are restated according to the changed accounting principles for pensions (IAS 19).

Financials for 2012 are not restated to operational and free cash flow.

The average number of outstanding shares for the years 2017-2012 have been adjusted in accordance with IAS 33 "Earnings per share", in accordance with the terms of the rights issue 2018.

Glossary

9LV

Combat Management System

A26

Submarine programme for the Swedish Navy

AEW&C

Airborne Early Warning & Control

AI

Artificial Intelligence

AN/SPN-50

One of the U.S. versions of Saab's Sea Giraffe Agile Multi Beam radar

AR/VR

Augmented Reality/Virtual Reality

AT4

Anti-Tank weapon

ATM

Air Traffic Management

C4I

Command, Control, Communications, Computers, and Intelligence

CAGR

Compound Annual Growth Rate

Carl-Gustaf

Man-portable multi-role weapons system

CDP

Carbon Disclosure Project

CEROS

Radar and optronic tracking fire control director

COP26

UN Climate Change Conference 2021

EMD

Engineering and Manufacturing Development

Erieye

Airborne surveillance system (AEW&C)

EW

Electronic Warfare

FCAS

Future Combat Air System

FMV

Försvarets Materielverk (Swedish Defence and Materiel Administration)

FTE

Full Time Equivalent

GDP

Gross Domestic Product

Giraffe

Surveillance radar system

GHG

Greenhouse gas

GlobalEye

Airborne surveillance system (AEW&C)

GRI

Global Reporting Initiative

Gripen

Fighter system

ISDA

International Swaps and Derivatives Association

ISP

Swedish Inspectorate of Strategic Products

LTI

Long-Term Incentive Programme

M&A

Mergers & Acquisitions

NLAW

Next generation Light Anti-tank Weapon

PhD

Doctor of Philosophy

RBS15

Robotsystem 15, anti-ship missile system

R&D

Research and Development

T-7 Program

The United States procurement programme for fighter trainers

Saab in the world

NUMBER OF EMPLOYEES IN THE WORLD

18,153

NUMBER OF EMPLOYEES

	31 Dec 2021		31 Dec 2021
Linköping, Sweden	6,657	Sao Bernardo, Brazil	66
Göteborg, Sweden	1,794	Rockingham, Australia	60
Järfälla, Sweden	1,457	West Lafayette, USA	58
Karlskoga, Sweden	1,044	Frösön, Sweden	53
Karlskrona, Sweden	769	Melbourne, Australia	51
Huskvarna, Sweden	636	Muskö, Sweden	44
Malmö, Sweden	504	Norrköping, Sweden	36
Arboga, Sweden	501	Ljungbyhed, Sweden	35
Adelaide, Australia	475	Motala, Sweden	35
Syracuse, USA	415	Cape Town, South Africa	34
Växjö, Sweden	354	Helsingborg, Sweden	33
Stockholm, Sweden	327	Jyväskylä, Finland	33
Centurion, South Africa	324	Skövde, Sweden	32
Fareham, United Kingdom	154	Mölnådal, Sweden	29
Östersund, Sweden	150	Halmstad, Sweden	27
Apeldoorn, Netherlands	133	Västerås, Sweden	27
Sonderborg, Denmark	131	Employees working remote, Sweden	27
Trollhättan, Sweden	129	Gaviao Peixoto, Brazil	25
Abu Dhabi, United Arab Emirates	126	Home Office United Kingdom	25
Tampere, Finland	101	Karlstad, Sweden	25
Nürnberg, Germany	85	London, United Kingdom	24
Slavkov, Czechia	83	Sundsvall, Sweden	24
Gamleby, Sweden	79	Sätenäs, Sweden	24
New York Remote Office, USA	76	Kristianstad, Sweden	23
Nyköping, Sweden	75	Singapore, Singapore	21
Thun, Switzerland	71	Other	476
Jönköping, Sweden	70		
Luleå, Sweden	66	Total	18,153

NUMBER OF EMPLOYEES BY COUNTRY

	31 Dec 2021
Sweden	15,004
USA	663
Australia	568
South Africa	347
Germany	275
United Kingdom	236
Finland	164
Denmark	150
Netherlands	123
United Arab Emirates	105
Czech Republic	88
Brazil	87
Switzerland	70
Norway	59
Canada	46
Singapore	33
South Korea	24
Hongkong	21
Other	90
Total	18,153

NUMBER OF EMPLOYEES IN SWEDEN
15,004







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SAAB