

Saab Danmark A/S

Porten 6, 6400 Sønderborg

CVR no. 14 48 55 46

Annual report 2020

Approved at the Company's annual general meeting on 22 March 2021

Chair of the meeting:

.....
Björn Haar

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Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Saab Danmark A/S for the financial year 1 January - 31 December 2020.

The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2020 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2020.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and financial position.

We recommend that the annual report be approved at the annual general meeting.

Sønderborg, 22 March 2021
Executive Board:

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Heino Lundgren

Board of Directors:

.....
Nils Peter Hultin
Chair

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Björn Haar

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Heino Lundgren

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Nils Christian Wang

.....
Bruno Kalhøj

Independent auditor's report

To the shareholder of Saab Danmark A/S

Opinion

We have audited the financial statements of Saab Danmark A/S for the financial year 1 January - 31 December 2020, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2020 and of the results of the Company's operations as well as the cash flows for the financial year 1 January - 31 December 2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark 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 the financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Independent auditor's report

- ▶ Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Trekantsområdet, 22 March 2021
PricewaterhouseCoopers
CVR no. 33 77 12 31

Henrik Forthoft Lind
State Authorised Public Accountant
mne34169

Management's review

Company details

Name	Saab Danmark A/S
Address, Postal code, City	Porten 6, 6400 Sønderborg
CVR no.	14 48 55 46
Registered office	Sønderborg
Financial year	1 January - 31 December
Website	www.saabgroup.com
E-mail	info@dk.saabgroup.com
Telephone	+45 36 38 30 00
Board of Directors	Nils Peter Hultin, Chairman Björn Haar Heino Lundgren Nils Christian Wang Bruno Kalhøj
Executive Board	Heino Lundgren
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Herredsvej 32, DK-7100 Vejle

Financial highlights

DKK'000	2020	2019	2018	2017	2016
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Key figures

Revenue	139,945	161,142	157,381	92,487	127,979
Gross profit	79,448	78,981	73,377	39,131	59,189
Operating profit/loss	5,079	13,942	16,065	-11,566	11,212
Net financials	-257	215	15	-379	-166
Profit for the year	5,349	12,951	17,116	-13,845	10,057

Total assets	179,733	184,192	130,518	89,464	101,091
Investment in property, plant and equipment	-1,647	-1,558	-251	-565	-4,641
Equity	69,673	62,019	52,757	36,435	49,100

Financial ratios

Gross margin	56.8%	49.0%	46.6%	42.3%	46.2%
Equity ratio	38.8%	33.7%	40.4%	40.7%	48.6%
Return on equity	8.1%	22.6%	38.4%	-32.4%	22.7%
Nettomargin	3.8%	8.0%	10.9%	-15.0%	7.9%

Average number of employees	114	103	90	82	80
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For terms and definitions, please see the accounting policies.

Management's review

Business review

Saab Danmark A/S ("the Company") is leading in terms of development, production and sale of IT solutions covering information and communication systems for the defense and public safety markets in countries around the world.

Financial review

The Company's order intake in 2020 amounted to 390.9 MDKK versus 310.2 MDKK the previous year. The increase amounted to 26 % which was primarily due to a number of large projects being awarded during the year. At year end 2020 the order backlog was 807.7 M DKK securing a stable starting point for the business in 2021.

The Company's net sales in 2020 amounted to 139.9 MDKK versus 161.2 MDKK the previous year. The decrease amounted to 13.2 % which was due to a negative trend in the market mainly caused by the global Covid-19 pandemic.

Throughout the fiscal year the Company has received new contracts for long term projects from customers in export markets. As a result of signing these contracts, and thereby strengthen the order backlog at the gateway to 2021, the Company is well positioned for continued growth in 2021.

In 2020 the net profit of the year was a surplus of 5.4 MDKK versus the 2019 surplus of 12.9 MDKK. The management of the Company considers the result to be unsatisfactory. However in light of the impact of COVID-19 in 2020 the result was in line with expectations.

Knowledge resources

The Company has ensured continuous learning for all employees as well as retained competences and skills within core business areas. This combined with a relatively low staff turnover gives the Company a good position in terms of knowledge for the coming period.

Financial risks and use of financial instruments

Pricing risk

Fluctuation in prices are normally included in the pricing of own products. Consequently there is no significant pricing risk.

Foreign exchange rates

Activities in export markets in foreign currencies can impact the financial result, cash flow and equity. It is the Company's policy to mitigate the risk of exchange rates in currencies other than Danish Kroner. The risk is covered by hedging contracts on expected revenue and procurement of goods and services. It is not the Company's policy to speculate in currency positions.

Credit risk

The Company has no interest bearing debt and consequently changes in interest rates will not have a significant impact on the Company's profitability. The Company has not taken measures to mitigate interest risk.

Research and development activities

The Company has decided to continue to invest in innovative solutions for customers within core business areas. During the fiscal year significant investments have been made to enable development of products for the benefit of existing customers both domestically and abroad.

Events after the balance sheet date

After the balance sheet date, no subsequent events have significantly impacted the Company's financial position.

Management's review

Outlook

In 2021 the Company will continue to strengthen its market position within the defense and public safety markets, both domestically and abroad. Management's expectations for 2021 is a positive development in order intake, revenue and profitability compared to 2020.

The expected growth should be seen in light of the fact that the Company makes significant investments in new technology, which combined with an efficient cost structure, will create the foundation for growth in the future.

The expected progress will also be secured through the international co-operation with the parent company Saab AB, where the Company participates with solutions which can be integrated into the global Saab AB product portfolio.

Financial statements 1 January - 31 December

Income statement

Note	DKK'000	2020	2019
	Revenue	139,945	161,142
	Other external expenses	-60,497	-82,161
	Gross profit	79,448	78,981
2	Staff costs	-72,829	-63,738
3	Depreciation of property, plant and equipment	-1,540	-1,301
	Profit before net financials	5,079	13,942
4	Financial income	34	217
5	Financial expenses	-291	-2
	Profit before tax	4,822	14,157
6	Tax for the year	527	-1,206
	Profit for the year	5,349	12,951

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2020	2019
	ASSETS		
	Fixed assets		
7	Property, plant and equipment		
	Fixtures and fittings, other plant and equipment	2,985	2,330
	Leasehold improvements	387	932
	Property, plant and equipment under construction	56	59
		<u>3,428</u>	<u>3,321</u>
	Total fixed assets	<u>3,428</u>	<u>3,321</u>
	Non-fixed assets		
	Inventories		
	Raw materials and consumables	6,521	4,233
	Work in progress	1,618	2,500
	Finished goods and goods for resale	3,528	2,915
		<u>11,667</u>	<u>9,648</u>
	Receivables		
	Trade receivables	14,809	17,840
9	Construction contracts	53,043	61,274
	Receivables from group enterprises	3,092	7,217
8	Deferred tax assets	8,100	8,100
	Corporation tax receivable	164	0
	Other receivables	3,795	4,248
10	Prepayments	1,948	1,271
		<u>84,951</u>	<u>99,950</u>
	Cash	<u>79,687</u>	<u>71,273</u>
	Total non-fixed assets	<u>176,305</u>	<u>180,871</u>
	TOTAL ASSETS	<u>179,733</u>	<u>184,192</u>

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2020	2019
	EQUITY AND LIABILITIES		
	Equity		
11	Share capital	3,000	3,000
	Fair value reserve exchange rate adjustment	2,305	0
	Retained earnings	64,368	59,019
	Total equity	69,673	62,019
	Provisions		
12	Other provisions	12,865	12,350
	Total provisions	12,865	12,350
	Liabilities other than provisions		
	Current liabilities other than provisions		
9	Construction contracts	60,205	76,715
	Trade payables	6,562	10,097
	Payables to group enterprises	241	830
	Corporation tax payable	0	363
	Other payables	19,607	9,126
13	Deferred income	10,580	12,692
		97,195	109,823
	Total liabilities other than provisions	97,195	109,823
	TOTAL EQUITY AND LIABILITIES	179,733	184,192

- 1 Accounting policies
- 14 Contractual obligations and contingencies, etc.
- 15 Currency risks and use of derivative financial instruments
- 16 Related parties
- 17 Appropriation of profit

Financial statements 1 January - 31 December

Statement of changes in equity

Note	DKK'000	Share capital	Fair value reserve exchange rate adjustment	Retained earnings	Total
	Equity at 1 January 2019	3,000	0	49,757	52,757
17	Transfer, see "Appropriation of profit"	0	0	12,951	12,951
	Adjustment of investments through foreign exchange adjustments	0	0	-3,689	-3,689
	Equity at 1 January 2020	3,000	0	59,019	62,019
17	Transfer, see "Appropriation of profit"	0	0	5,349	5,349
	Adjustment of investments through foreign exchange adjustments	0	2,305	0	2,305
	Equity at 31 December 2020	3,000	2,305	64,368	69,673

The tax effect of the equity movement "Adjustment of investments through foreign exchange adjustments" we calculated at DKK 0, as the adjustment can be included in the part of the company's tax loss carryforward where the tax value is not capitalized.

Financial statements 1 January - 31 December

Cash flow statement

Note	DKK'000	2020	2019
	Profit for the year	5,349	12,951
18	Adjustments	1,786	1,886
	Cash generated from operations (operating activities)	7,135	14,837
19	Changes in working capital	332	35,653
	Cash generated from operations (operating activities)	7,467	50,490
	Interest received, etc.	34	217
	Interest paid, etc.	-291	-2
	Other cash flows from operating activities	2,851	-4,914
	Cash flows from operating activities	10,061	45,791
	Additions of property, plant and equipment	-1,647	-1,558
	Cash flows to investing activities	-1,647	-1,558
	Net cash flow	8,414	44,233
	Cash and cash equivalents at 1 January	71,273	27,040
	Cash and cash equivalents at 31 December	79,687	71,273

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Saab Danmark A/S for 2020 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to medium-sized reporting class C entities.

Effective from the financial year 2020, the Company has implemented amending act no. 1716 of 27 December 2018 to the Danish Financial Statements Act. The implementation of the amending act has not affected the Company's accounting policies on recognition and measurement of assets and liabilities but has solely entailed a requirement for further disclosures. The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Basis of recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

Derivative financial instruments

On initial recognition, derivative financial instruments are recognised at cost in the balance sheet and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included in "Other receivables" and "Other payables", respectively.

Fair value adjustments of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value of a recognised asset or liability are recognised in the income statement along with changes in the fair value of the hedged asset or liability.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Fair value adjustments of derivative financial instruments designated as and qualifying for hedging of future assets or liabilities are recognised in other receivables or other payables, respectively, and in equity. If the hedged forecast transaction results in the recognition of assets or liabilities, amounts previously recognised in equity are transferred to the cost of the asset or liability, respectively. If the hedged forecast transaction results in income or expenses, amounts previously deferred in equity are transferred to the income statement in the period in which the hedged item affects the profit/loss for the year.

Income statement

Revenue

The Company has chosen IAS 11/IAS 18 as interpretation for revenue recognition.

Income from the sale of goods for resale and finished goods, is recognised in revenue when the most significant rewards and risks have been transferred to the buyer and provided the income can be measured reliably and payment is expected to be received.

Income from construction contracts involving a high degree of customisation is recognised as revenue by reference to the stage of completion. Accordingly, revenue corresponds to the market value of the contract work performed during the year (percentage-of-completion method). This method is used where the total income and expenses and the degree of completion of the contract can be measured reliably.

Where income from a construction contract cannot be estimated reliably, contract revenue corresponding to the expenses incurred is recognised only in so far as it is probable that such expenses will be recoverable from the counterparty.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

By reference to section 98b(3), (ii) of the Danish Financial Statements Act, remuneration to Management is not disclosed.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Depreciation

The item comprises depreciation of property, plant and equipment.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Fixtures and fittings, other plant and equipment	3-5 years
Leasehold improvements	5 years

The residual value is determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised. In case of changes in the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Property, plant and equipment are written down to their recoverable amount if they are lower than the carrying amount.

In the case of changes in the depreciation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that relate to the financial reporting period. The items comprise interest income and expenses, e.g. from group entities and associates, declared dividends from other securities and investments, financial expenses relating to finance leases, realised and unrealised capital gains and losses relating to other securities and investments, exchange gains and losses and amortisation of financial assets and liabilities.

Tax

The parent company is covered by the Danish rules on mandatory joint taxation of the Group's Danish subsidiaries. Subsidiaries are included in the joint taxation arrangement from the date at which they are included in the consolidated financial statements and up to the date when they are no longer consolidated.

The parent company acts as management company for the joint taxation arrangement and consequently settles all corporate income tax payments with the tax authorities.

On payment of joint taxation contributions, the Danish corporate income tax charge is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have been able to use the tax losses to reduce their own taxable income.

Tax for the year, which comprises the current income tax charge, joint taxation contributions and deferred tax adjustments, including adjustments arising from changes in tax rates, is recognised in the income statement as regards the portion that relates to the profit/loss for the year and directly in equity as regards the portion that relates to entries directly in equity.

Balance sheet

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Gains or losses are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses.

Leases

The Company has chosen IAS 17 as interpretation for classification and recognition of leases.

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Contingent liabilities".

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value of inventories is calculated as the sales amount less costs of completion and expenses required to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

The cost of finished goods and work in progress includes the cost of raw materials, consumables, direct labour and indirect production overheads.

Indirect production overheads include the indirect cost of material and labour as well as maintenance and depreciation of production machinery, buildings and equipment and expenses relating to plant administration and management. Borrowing costs are not recognised in the sales price.

Receivables

Receivables are measured at amortised cost.

The Company has chosen IAS 39 as interpretation for impairment of financial receivables.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Construction contracts

Service supplies and contract work in progress for third parties are measured at the market value of the work performed less progress billings. The market value is calculated based on the stage of completion at the balance sheet date and the total expected income from the relevant contract. The stage of completion is calculated based on the expenses incurred relative to the expected total expenses relating to the relevant contract.

Where the outcome of contract work in progress cannot be estimated reliably, the market value is measured at the expenses incurred in so far as they are expected to be paid by the purchaser.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Where the total expenses relating to the work in progress are expected to exceed the total market value, the expected loss is recognised as a loss-making agreement under "Provisions" and is expensed in the income statement.

The value of work in progress less progress billings is classified as assets when the selling price exceeds progress billings and as liabilities when progress billings exceed the market value.

Costs associated with sales work and contract award and financing costs are recognized in the income statement when incurred.

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Cash

Cash comprise cash and short term securities which are readily convertible into cash and subject only to minor risks of changes in value.

Equity

Proposed dividends

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

Provisions

Provisions comprise anticipated expenses relating to warranty commitments, onerous contracts, restructurings, etc. Provisions are recognised when the Company has a legal or constructive obligation at the balance sheet date as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Provisions are measured at net realisable value or at fair value if the obligation is expected to be settled far into the future.

Warranty commitments include expenses for remedial action in respect of the contract work within the warranty period. Provisions for warranty commitments are measured at net realisable value and recognised based on past experience. Provisions that are expected to mature more than one year after the balance sheet date are discounted at average bond yields.

Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Other payables

Other payables are measured at net realisable value.

Deferred income

Deferred income recognised as a liability comprises payments received concerning income in subsequent financial reporting years.

Cash flow statement

The cash flow statement shows the Company's net cash flows broken down according to operating, investing and financing activities, the year's changes in cash and cash equivalents as well as the cash and cash equivalents at the beginning and the end of the year.

Cash flows from operating activities are calculated as the profit/loss for the year adjusted for non cash operating items, changes in working capital and paid corporate income tax.

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities and activities and of intangible assets, property, plant and equipment and investments.

Cash flows from financing activities comprise changes in the size or composition of the Company's share capital and related expenses as well as raising of loans, repayment of interest bearing debt and payment of dividends to shareholders.

Cash and cash equivalents comprise cash, short term bank loans and short term securities which are readily convertible into cash and which are subject only to insignificant risks of changes in value.

Financial ratios

The financial ratios stated under "Financial highlights" have been calculated as follows:

Operating profit/loss	Profit/loss before financial items adjusted for other operating income and other operating expenses
Gross margin	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$
Equity ratio	$\frac{\text{Equity, year-end} \times 100}{\text{Total equity and liabilities, year-end}}$
Return on equity	$\frac{\text{Profit/loss after tax} \times 100}{\text{Average equity}}$
Nettomargin	$\frac{\text{Profit/loss of the year} \times 100}{\text{Revenue}}$

Financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	2020	2019
2 Staff costs		
Wages/salaries	67,119	59,227
Pensions	4,930	4,001
Other social security costs	780	510
	<u>72,829</u>	<u>63,738</u>
Average number of full-time employees	<u>114</u>	<u>103</u>
Number of employees at the balance sheet date	<u>116</u>	<u>112</u>
Total remuneration to Management and board of directors: DKK 1,365k (2019: DKK 1,359k).		
3 Depreciation of property, plant and equipment		
Depreciation of property, plant and equipment	1,540	1,301
	<u>1,540</u>	<u>1,301</u>
4 Financial income		
Other interest income	34	183
Exchange adjustments	0	34
	<u>34</u>	<u>217</u>
5 Financial expenses		
Other interest expenses	4	2
Exchange adjustments	287	0
	<u>291</u>	<u>2</u>
6 Tax for the year		
Estimated tax charge for the year	0	527
Tax adjustments, prior years	-527	679
	<u>-527</u>	<u>1,206</u>

Financial statements 1 January - 31 December

Notes to the financial statements

7 Property, plant and equipment

DKK'000	Fixtures and fittings, other plant and equipment	Leasehold improvements	Property, plant and equipment under construction	Total
Cost at 1 January 2020	6,459	3,095	59	9,613
Additions	1,622	28	56	1,706
Disposals	0	0	-59	-59
Cost at 31 December 2020	8,081	3,123	56	11,260
Impairment losses and depreciation at 1 January 2020	4,129	2,163	0	6,292
Depreciation	967	573	0	1,540
Impairment losses and depreciation at 31 December 2020	5,096	2,736	0	7,832
Carrying amount at 31 December 2020	2,985	387	56	3,428
Depreciated over	3-5 years	5 years		

8 Deferred tax assets

Recognition of deferred tax assets includes differences in property, plant and equipment, inventories, work in progress for foreign accounts and taxable carry-over deficit. The total tax asset on the balance sheet date is DKK 9,519 k, calculated with one tax rate of 22%. The 8,100 k is recognized in the annual report as the financial expectations for the future is positive and the drafted strategic business plan reflects that it postponed tax asset could be utilized in the coming years

DKK'000	2020	2019
9 Construction contracts		
Selling price of work performed	386,448	391,896
Progress billings	-393,610	-407,337
	-7,162	-15,441
recognised as follows:		
Construction contracts(assets)	53,043	61,274
Construction contracts(liabilities)	-60,205	-76,715
	-7,162	-15,441

10 Prepayments

Prepayments include accrual of expenses relating to subsequent financial years.

11 Share capital

The Company's share capital has remained DKK 3,000 thousand over the past 5 years.

Financial statements 1 January - 31 December

Notes to the financial statements

12 Other provisions

Other provisions include expected costs for guarantee obligations, losses on ongoing work for third parties, etc.

Other provisions are recognized and measured as the best estimate of the costs incurred necessary to settle the liabilities at the balance sheet date. Provisions with expected maturity beyond one year from the balance sheet date is measured at discounted value.

Warranty obligations include commitments to remedy faults and deficiencies within the warranty period.

When it is probable that the total cost will exceed the total revenue of one ongoing work for third parties is provided to cover the total loss expected at the work in question.

13 Deferred income

Deferred income consists of payments received from customers that may not be recognised until the subsequent financial year.

14 Contractual obligations and contingencies, etc.

Other contingent liabilities

As management company, the Company is jointly taxed with other Danish group entities and is jointly and severally with other jointly taxed group entities for payment of income taxes for income year 2017 onwards as well as withholding taxes on interest, royalties and dividends falling due for payment on or after 01.10.2016.

Other financial obligations

Other rent and lease liabilities:

DKK'000	2020	2019
Rent and lease liabilities	23,714	25,232

The company has entered into lease contracts with a total commitment of DKK 22,990k.

The company has entered into operating leases with an average annual lease payment of DKK 333k. The leases have an average maturity of 25 months and a total residual lease payment of DKK 724k.

15 Currency risks and use of derivative financial instruments

Other receivables include the positive value of forward exchange rate contracts at DKK 517k. The company hedges expected currency risks relating to sales of goods and cost of sales with forward exchange rate contracts. The company has entered into forward exchange rate contracts at the end of the year 31.12.2020 to secure future sales of DKK 100.889k. and purchases of DDK 77.243k.

Financial statements 1 January - 31 December

Notes to the financial statements

16 Related parties

Saab Danmark A/S' related parties comprise the following:

Parties exercising control

<u>Related party</u>	<u>Domicile</u>	<u>Basis for control</u>
Saab AB	P.O. Box 12062, SE-102 22 Stockholm, Sverige	Participating interest

Information about consolidated financial statements

<u>Parent</u>	<u>Domicile</u>
SAAB AB	P.O. Box 12062, SE-102 22 Stockholm, Sverige

Related party transactions

The Company solely discloses related party transactions that have not been carried out on an arm's length basis, cf. section 98c(7) of the Danish Financial Statements Act.

All transactions have been carried out on an arm's length basis.

DKK'000	<u>2020</u>	<u>2019</u>
17 Appropriation of profit		
Recommended appropriation of profit		
Retained earnings	5,349	12,951
	<u>5,349</u>	<u>12,951</u>
18 Adjustments		
Amortisation/depreciation and impairment losses	1,540	1,301
Provisions	516	-406
Financial income	-34	-217
Financial expenses	291	2
Tax for the year	-527	1,206
	<u>1,786</u>	<u>1,886</u>
19 Changes in working capital		
Change in inventories	-2,019	-3,932
Change in receivables	15,162	-5,417
Change in trade and other payables	-12,811	45,002
	<u>332</u>	<u>35,653</u>

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"By my signature I confirm all dates and content in this document."

Heino Lundgren

Executive Board

On behalf of: Saab Danmark AS

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NEM ID 

Nils Christian Wang

Board of Directors

On behalf of: Saab Danmark AS

Serial number: PID:9208-2002-2-791286407860

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PETER HULTIN

Board of Directors

On behalf of: Saab Danmark AS

Serial number: 19650808xxxx

IP: 136.163.xxx.xxx

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Heino Lundgren

Board of Directors

On behalf of: Saab Danmark AS

Serial number: PID:9208-2002-2-059993389779

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Björn Haar

Board of Directors

On behalf of: Saab Danmark AS

Serial number: CVR:14485546-RID:1201179026734

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The name is withheld (SSN validated)

Board of Directors

On behalf of: Saab Danmark AS

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NEM ID 

Henrik Forthoft Lind

State Authorised Public Accountant

On behalf of: PricewaterhouseCoopers

Serial number: CVR:33771231-RID:23388017

IP: 208.127.xxx.xxx

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NEM ID 

Björn Haar

Chairman

On behalf of: Saab Danmark AS

Serial number: CVR:14485546-RID:1201179026734

IP: 136.163.xxx.xxx

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