



Saab's Annual General Meeting 2010
Address by President and CEO Åke Svensson

Mr. Chairman, My Fellow Shareholders,

Looking back at 2009, we can see that it was a year of major changes within the company, but also, as you all know, a global financial crisis. Saab is in transformation, and the goal is an efficient, profitable company that not only adapts to a changing market, but also benefits from it – as we have always done.

Allow me to summarise 2009. The economic downturn naturally affected Saab's markets. We were primarily hurt in our commercial aeronautics operations. Our military operations were less affected, and deliveries were completed according to schedule. On the other hand, our customers' decision-making processes have tended to drag on, and we are seeing some cautiousness with respect to new orders for major projects. This has had an impact on order bookings and the order backlog, although we expect these delays to ease as the economy stabilises. Small and medium-sized orders have remained at an acceptable level.

In total, Saab's order bookings in 2009 amounted to slightly over SEK18 billion, compared with 23 billion in the previous year. The order backlog therefore decreased to just under SEK 40 billion. At the same time, our sales rose as a result of higher project activity. Sales increased by 4 per cent to nearly SEK 25 billion. Operating income amounted to approximately SEK 1.4 billion and the operating margin was 5.6 per cent. In a comparison with earnings levels in previous years, you have to factor in that the operating margin is now about 3 percentage points lower due to our more conservative view on the application of accounting for development costs as of 2009. We have basically recognised a larger share of these expenses directly through profit and loss rather than putting them off until the future.

Compared to a loss in 2008, net income in 2009 amounted to MSEK 699. This is an improvement of nearly SEK 1 billion. Operating cash flow, which was one of the priorities I stressed at last year's AGM, improved from MSEK 659 to nearly SEK 1.5 billion.

I am pleased to say that overall we performed in line with our expectations, despite the turbulence in the market.

At an annual meeting like this, the main task is naturally to discuss the past year, but also to put the company's development into context. The big strategic challenge facing Saab in recent years has been to internationalise and broaden operations.

As we summarise this period of major change, we would note that Saab has succeeded well:

- In 2002, 6 of every 10 kronor of sales came from Sweden
- In 2009, 7 of every 10 kronor instead came from outside Sweden.

This means that Saab's export value has more than doubled from just under SEK 8 billion to SEK 17 billion, and our goal is to continue this trend.

During the year the government decided to create a new agency responsible for supporting defence exports. This will further strengthen us in international competition.

2009 also underscored Saab's success as an exporter. I would like to mention a number of important contracts during the year. Our single largest agreement was signed with the United Arab Emirates for an airborne surveillance system valued at approximately 1.5 billion kronor. During the year we signed important agreements for our training systems with both the US Marine Corps and the UK Ministry of Defence, the latter to deliver training systems in support of British Army training exercises in Kenya. At the end of the year we also received major orders for weapon systems, including two deliveries of the Carl-Gustaf man-portable weapon system and one for the ARTHUR weapon locating system from the Italian Army.

We also received a number of very important upgrade orders from the Swedish Armed Forces in 2009 and now most recently in the first quarter of 2010 to enhance the Gripen system's operational capabilities. These orders clearly demonstrate the great importance that Sweden places on maintaining Gripen's status as a cornerstone of the country's defence for years to come.

As long as we are talking about Gripen, I would like to take the opportunity to mention the discussions currently being held with a number of potential customers around the world. Here in Sweden, we can read in the papers about Brazil's fighter jet procurement practically on a daily basis. After its evaluation, the Brazilian Air Force placed Gripen at the top of its list. A final decision, which will be made by the president after a political assessment, is expected any day now. Saab is also in the running in the final stages of Switzerland's new fighter jet purchase. A possible decision on the country's future direction could come in the third quarter this year. In addition, we recently flew two Gripen aircraft to India, so that its air force could evaluate the aircraft on site, which it did with good results. India is expected to make a decision in the years ahead. At the same time, discussions are being held at various levels in a number of other countries.

Having covered Gripen, I'd like to return to my look back at 2009 and the orders we received. In civil operations, Saab was awarded an important order for a security solution for what will be one of the largest prisons in Australia. This marks a breakthrough in civil security in the Australian market.

In South Africa, we advanced our positions in civil security. Saab will deliver technology and installation services for a command and control system for the South African Police Service in the Eastern Cape. One reason is the fast-approaching World Cup, where the system will improve security for visitors and the people who live in the province. Gripen is also expected to play an important role during the World Cup to safeguard the airspace.

These were examples of some of the orders we secured during the year.

I would now like to show you a short film about the work we have done in another important area, which we call field facilities – infrastructure solutions that Saab can supply to disaster areas and locations with limited infrastructure. I would now like give the mic to Axel.

Thank you, Axel.

I have to say that it is gratifying when Saab can participate in this way in missions around the world. It also represents a major business opportunity.

In my address last year I mentioned the trend toward a global flow-based society. A recent military example was when around 25 nations joined together to stop piracy off the coast of Somalia. Saab is participating by supporting the Swedish Coast Guard's surveillance aircraft. We have personnel on site who make sure that the plane works the way it should and who have prepared everything needed in the form of hangers, licenses, tools, fuel, and power and water supplies. This is an excellent example of how we meet our customers' needs when and where it suits them.

A growing number of flow-based issues are being handled at the supranational level. The UN currently has 17 peacekeeping missions around the world. The NATO's ISAF Forces in Afghanistan currently comprise 70,000 soldiers from over 40 countries. Here, the task is primarily to avert the threats to peace, to democratic values and to human rights, as well as to stop threatening flows of narcotics.

At the same time that we are seeing this supranational shift, the importance and influence of large cities have increased. Large metropolises have become central nodes for various flows, as a result of which security needs have grown. This makes large cities one of Saab's most important future markets.

I said initially that 2009 was a year of major internal changes. Allow me to explain what I meant.

As I am sure you know, in parallel with an intense effort to increase income we have continued to reduce our costs as part of the expanded Billion+ Programme. We are now in the last year of the original programme and have achieved good results, even though some of the impact last year was offset by structural costs and a change in our business mix. We managed to cut costs during the year by an additional MSEK 600 and are therefore in line with the plan.

Our efficiency improvements, combined with delays in contract decisions by customers, forced us to lay off 670 employees in 2009. It is always unfortunate to have to make such announcements, but they are necessary in order to pave the way for future success.

Our savings programme will continue this year, and as of 2011 our annual costs will be reduced by SEK 1.5 billion compared with year-end 2007.

Another important change that we implemented during the year – and which will have a critical impact on Saab's future – involves the direction, control and structure of the Group's operations.

As you probably remember, we were previously organised in 15 business units, divided into three business segments. To better adapt to conditions in the industry, Saab is divided as of January 1 of this year into five business areas.

Aeronautics includes Gripen, unmanned aerial vehicles and the manufacture of components for Saab's own aircraft as well as passenger aircraft manufactured by others.

In Dynamics, we have consolidated various types of weapon systems such as support weapons, missiles, torpedoes and remotely operated vehicles. This area also includes signature management systems, which make it harder for various types of sensors to detect and identify people or objects.

Electronic Defence Systems is responsible for Saab's radar and electronic warfare solutions. This comprises air and land-based sensor and radar systems, defence electronics and aeronautics.

In Security and Defence Solutions, we offer systems and solutions for civil and military customers. This includes command and control and communications systems, airborne early warning systems and training systems.

Support and Services handles all services and support for the markets where Saab is active, consisting of technical maintenance and logistics and what we saw in the film earlier today – infrastructure solutions for areas with limited infrastructure.

By harmonising functional controls throughout the company, we are creating a more focused, better co-ordinated and more market-oriented Saab. This will help us to continue to grow in the global market, develop better customer offerings and establish a strong position in civil security.

In that same spirit, we changed the content of our vision and mission during the year, so that they serve in a fairer and more inspiring way as a guiding force in our day-to-day work.

We feel that everyone has the right to feel safe, and we have formulated this in our vision.

Our mission describes how we contribute, which we do by providing solutions for both military and civil security in society. Throughout our history we have remained at the forefront of change, and Saab will continue to push the boundaries of what we believe is possible, and in that way develop solutions that make our changing world safer.

Clarifying our vision and mission is an element in our work to strengthen our brand, which we share with Saab Automobile. Together, we want to create a brand board, where we can work together to strengthen the Saab brand.

As an employee and CEO of Saab, I have often felt mightily proud over the years of what this company can do. World-class engineering is and has always been Saab's defining quality, and demand for cutting-edge technology will remain a driving force in our business. Research and development is of critical importance to our competitiveness. By concentrating R&D on key technologies, we will free up resources to finance extensive product innovation and make sure that we obtain as much commercial leverage as possible.

A growing number of countries are choosing to buy defence materiel off the shelf, by which we mean products that have already been developed. This is true of Sweden as well. At Saab, we are adapting to this by making sure that our systems work together with others' and that our solutions easily can be incorporated into larger systems.

While many of our most successful products come from off our shelf, they were once developed in close co-operation with the customer. It is vital, therefore, that our alliances with customers, universities and industrial partners continue.

Likewise it is important that Sweden continues to invest in innovative high technology – not only for Saab's sake, but for the economic development of the entire country.

A study by Professor Emeritus Gunnar Eliasson of the Royal Institute of Technology shows that Gripen's development has been repaid to Swedish taxpayers at more than twice the original investment. And that's only the value-added created through technology transfers.

Professor Eliasson has not included other forms of value created through Gripen's development, such as jobs as well as exports and imports. He has also stated that his calculations are on the conservative end and that Gripen has actually contributed even greater value.

We hope that this study will change the common view of Gripen as a costly industrial project to that of the technology generator this fantastic aircraft has been and will continue to be for years to come.

We have Professor Eliasson's book with us today, and anyone who is interested can take a copy before they leave.

With regard to the development projects we worked on in 2009, I would like to stress the Gripen NG Demo, the first step in the next-generation Gripen. In the last year we made great strides in our development work and testing. Saab's test pilots have completed more than 100 flights with Gripen NG Demo, and the work continues with high intensity.

Another important future project Saab is participating in is the EU's Clean Sky, where we are trying to make civil aeronautics more efficient and environmentally friendly. Another project that is also under way right now is the Single European Sky ATM Research Programme (SESAR), where we are working on air traffic control systems that will improve efficiency and safety in the airspace over Europe.

In advanced countermeasure systems, we are working right now on a prototype of a totally new product. On this slide you can see how our system detects and renders an incoming anti-tank grenade harmless by shooting it down. As you probably understand, this is a pioneering development that has demanded much of our engineers and is based on new expertise from Saab.

All these are examples of interesting high-tech development projects that have the potential to lead to major contracts going forward.

Let's look at another one of our exciting development projects – the unmanned helicopter Skeldar. With the help of technology, I would like to bring in Stefan in Linköping. Hi Stefan, are you there?

Thank you, Stefan, I hope and believe that too.

Many of the projects I have spoken about also offer environmental benefits. Environmental aspects are becoming a natural part of our product development. What's more, several of our current and potential customers and customer-countries must tackle major environmental challenges and are facing demands to quickly adapt.

As Saab helps to protect and improve efficiencies in various flows in society, such as energy, traffic or goods, we are therefore leaving a greener footprint as well.

As of 2010 Saab is one of 50 listed Nordic companies included in the OMX Nordic sustainability index.

With respect to the human dimension of sustainability, we are working conscientiously to develop and motivate our employees. We feel that a workplace with a balance between men and women translates into better business. As such, we launched – as you probably know – the 30/70 project in 2008. The goal, through concrete action plans, is that Saab will have at least 30 per cent female managers in Sweden by 2015.

This is a tough challenge considering that the total share of women at Saab today is just over 22 per cent and that we currently have about 17 per cent female managers in Sweden. At the same time we are convinced that change can be achieved only through clear objectives and by closely following up our goals. We are headed in the right direction.

This is evidenced by the fact that Saab has two employees in the magazine *Veckans Affärer*'s annual list of ten most powerful women in Swedish business, one of whom, Lena Olving, is at the very top. I am naturally proud of this. We have four highly competent women in Saab's Group Management, all of whom are excellent role models. This is a good indication that we will achieve our goal.

Our work with business ethics is constantly evolving. We want to ensure that we abide by our values when we do business. In 2009 we therefore created a new decision-making forum for executive management to look at all arrangements that are entered into with marketing consultants on major projects. We are also participating together with the European and US defence industry to formulate industry-wide principles for ethical behaviour. These principles establish a policy of zero tolerance on corruption and provide the entire industry with clear guidelines, for example, on the use of marketing consultants and handling conflicts of interest and secret information.

Furthermore, the Swedish Chief Prosecutor announced its decision during the year to close the preliminary investigation into Saab concerning alleged illegal methods in connection with the sale of Gripen to the Czech Republic, Hungary and South Africa. We have claimed the entire time that no illegal methods were used.

Our business ethics are central, and now that we are discussing it I would like to say a few words about Håkan Lans and his pioneering transponder technology used on ships. At last year's AGM the question was raised how Saab will replace Håkan Lans' company GP&C to utilise this technology. Saab has been trying for some time to reach an agreement with GP&C

and at the end of last year presented a settlement proposal in accordance with which we are now replacing GP&C. It goes without saying that we will try to do the right thing no matter what the situation.

My Fellow Shareholders,

Our strategic goal is to grow the company and remain profitable. At the same time that we meet the needs of our customers, we want to create value for all our shareholders. In 2009 our share price rose by 65 per cent after a significant decline in the previous year. The Board of Directors has recommended a dividend of SEK 2.25, which you will soon vote on.

After the conclusion of the year we also saw a major change in our ownership structure when BAE Systems decided to sell a large part of its shares.

BAE Systems has decided that conditions have changed so much for our two companies that it no longer considers Saab a strategic holding and that synergies are limited. Collaborative opportunities are still possible in the same way as with other defence contractors. Investor has purchased half of BAE's interest in Saab, after which it owns 30 per cent of the capital and 39.5 per cent of the votes. This means that we still have an active principal owner.

When we look back, Saab's market seems quite attractive, despite continued uncertainty about macroeconomic conditions. For our part, we remain cautious in estimating order bookings in the short term, but our long-term financial objectives have not changed.

I am convinced we are now well-equipped to meet future challenges and that we will be able to capitalise on the new business opportunities opening up for both our military and civil operations, nationally and internationally.

Lastly, I'd like to offer a few personal reflections.

As you probably already know, I am stepping down on September 1 as President and CEO, and moving on to the Association of the Swedish Engineering Industries. It is an important challenge that feels somewhat of a continuation of what I am doing today. Naturally, I have mixed emotions, having been with the company so long. I started at Saab back in 1976 and in many ways it has been a fantastic journey. I have been fortunate to work at perhaps Sweden's most exciting workplace and to contribute to Saab's development over the years into an internationally successful company. This is a unique company with highly competent employees, and I am proud of everything we have achieved.

I am convinced that Saab's journey will continue to be fantastic. Soon I will be handing over the baton, but I hope to continue to contribute as a member of the board. This is a wonderful company to work for, and I would like to thank all of you for the confidence you have shown in me over the years.

Thank you.