

Saab's CEO, Håkan Bushke's speech at the 2015 shareholder's meeting

THE SPOKEN WORD APPLIES!

Chairpersons, shareholders and guests,

Our Annual General Meeting is always one of the highlights of the year. I am pleased to have the opportunity to share my thoughts about the past year with you – and to also speculate a bit about the future.

"It's almost as if the aircraft is speaking to you and provides you with exactly the right information at the right time."

Those were the words of Captain Ramón Lincoln Santos Fórneas, just after he completed his maiden flight with Gripen. He is one of Brazil's first two pilots that have come to Sweden to train as Gripen instructors. He and his colleague, Captain Gustavo de Oliveira Pacotto, are two of Brazil's top pilots and are currently in Sweden for a six-month period to learn more about Gripen.

The Brazilian contract was signed on 27 October 2014. It contributed in the highest degree to 2014 going down in history as one of Saab's most important years ever. Perhaps even the most important.

Not only is it the largest export order we've ever had,

but it will also be playing a role in the decades to come. And not only for Saab, but also for businesses, government agencies and people, and especially for Brazil.

Sweden and Swedish companies have existed and have been operating in Brazil for many, many decades, but I'll dare to say that the Gripen contract is the start of something new; a new cooperation, a new understanding, a new industrial step.

Companies are tied together in a new way.

We are creating an additional domestic market, and it will be a strong domestic market, yet in another part of the world.

Brazil chose Saab and Gripen for a number of reasons. Gripen is perfectly tailored to their needs. Remarkable performance and the most cost-efficient solution.

They want to be at the forefront of technology in order to drive their own industry.

But for Saab, 2014 was more than just the Brazilian contract. The production of the new 60 Gripen E aircraft is in full swing. When then the Swiss people voted "no" to the proposed financing solution in May, it was quite evidently a disappointment. Gripen had been selected by their air force and by the politicians, but the people voted against the financing. Something we naturally respect.

The Swiss "no" vote engendered neither short nor long-term effects on the Gripen programme.

But the Brazilian contract for 36 planes and the Swedish order for 60, has resulted in Gripen becoming one of the world's largest air combat systems.

The interest in Gripen is larger than ever before.

After the Swiss decision, the Swedish Armed Forces adjusted their timetable, and we will now be delivering the first Gripen E to Sweden in 2019. We pay attention to the needs and wishes of our customers. That is imperative!

During 2014 we acquired Kockums, and we began the development of the next generation of submarines for Sweden - A 26. Furthermore, a number of business areas launched an array of new products.

Let me start by mentioning the enrichment of our radar family with the launch of five new versions. Consequently, we will be introducing an entirely new type of radar technology based on our tried-and-tested Arthur and Giraffe systems.

I am very proud of the fact that we are so far ahead within this field. With some of the world's foremost engineers, we here in Gothenburg are succeeding where no one else can. When countries are faced with challenges and threats that require greater means to defend their borders and territories, Sweden is able to provide technologies that are not available anywhere else in the world.

We are using a new material: Gallium Nitride.

Gallium Nitride produces a considerably greater effect than the other semiconductor materials used in the past. It provides much longer range than before and creates brand new possibilities to detect a greater number of exceedingly elusive targets. Saab's new radar allows for the detection, identification and tracking of all imaginable types of targets. Regardless of the number of targets surrounding you, regardless of the measures they take to remain hidden or how invisible they think they are, this radar sees everything.

We are world leaders in getting this technology in to production.

Our products are compact and mobile. The same basic technology can be used in ground radar, ship radar and airborne systems. This is a good example of Saab's ability to combine hardware and software in order to offer highly advanced technology that is cost-efficient.

Last autumn, we ushered in the new version of our Carl-Gustaf M4.

The shoulder mounted weapon weighs substantially less than before, has new sighting systems, and is easier for soldiers to handle.

Our new technology for remote-controlled air traffic control had its breakthrough in Sweden.

The Remote Tower System is being adopted by three airports. Hopefully our solution will spread to other countries and continents, as it provides increased flight safety and efficacy for both large and small airports.

In partnership with Boeing, we are proceeding with the development of a new, advanced and cost-efficient training aircraft. Our goal is to be awarded the US Air Force's T-X programme contract, which was set up to procure 350 new planes. Thus, we are initiating yet another strategic investment which will put Saab and Swedish expertise within aircraft technology on the map.

When I speak to customers, industry partners, policy makers and other players, they often praise our steadfast approach to research and development.

We are respected for our daring long-term investments, and that we are constantly pushing for the most modern and competitive technologies.

During 2014 we invested 25 percent of our sales revenue in research and development. At Saab we have every reason to be proud of our innovative model and the results it produces.

The new business unit Saab Kockums has broadened the company's product range, marketing opportunities and expertise.

We bought this new business unit from its German owners during the summer of 2014. The acquisition coincided with the Swedish state's interest in fostering a nation-wide proficiency with regard to Sweden's strategic national security interests. Through joint efforts, high-tech know-how, and with the business opportunities we see here at home and internationally, this new acquisition will contribute to the bolstering of our entire naval range.

The Swedish government recently announced its intention to invest in two new submarines, the next-generation A26. This is, of course, very welcome news.

Today, Saab is one of the few companies in the world with the capability to develop, produce and deliver turnkey solutions for land, air and sea.

Saab's marketing organisation, with a greatly enhanced local and regional presence, has been up and running for two years. We have acquired heightened knowledge of the markets and our customers' needs. It is clear that we now have an increased capability to offer customisable and, therefore, competitive solutions. And it has already produced results.

The market is in a state of endless evolution – and Saab also needs to be.

We are adapting our organisation based on the opportunities we see ahead.

Among other things we will be focusing a great deal on Latin America. India will be a part of our marketing area in Asia, and Africa is grouped together with Europe and the Middle East.

Every year I try to visit our customers and employees in different parts of the world. It is vital for us to preserve our good interrelationships. In many instances when we sell a product, we enter into a long-standing agreement which will be in place for many years, and the highest authorities of a country are often involved in the decision. Part of my job is to always be available to our customers, and this same responsibility falls on our sales representatives across the globe.

It is a fact that our organisation will never be stronger than the employees who, every day, do a fantastic job for Saab. We currently have almost 15,000 employees.

Many – more than 12,000 – are based in Sweden, but a large proportion are international employees.

We could have a desk in Järfälla, the closest manager in Gothenburg, colleagues in Malmö, and project participants in Brazil, USA and South Africa. This is a plausible scenario.

Or, like these two Saab employees: Andrew, who has been our head campaigner for Gripen the last few years in Brazil, and Jay, who works in our wholly-owned American subsidiary.

(film shown)

Thank you Jay and Andrew for your greetings from your workday in Saab in two very important markets.

I would also like to take the opportunity to extend my deepest gratitude to all Saab employees for their efforts in 2014.

Together we make Saab stronger through our unrivalled expertise, our steadfastness and our enormous drive.

The world became a more dangerous place in 2014, and in many ways it seems that development is heading in the wrong direction. The number of conflicts and various kinds of threats in the world have increased, according to international observers, and that is very disconcerting.

And there is no exception in our part of the world. Conflicts are spreading across all types of borders.

Terrorism does not only affect others. The security situations in Eastern Europe, the Middle East and Africa are affecting the whole world.

We only have one planet and we are all dependent on one another.

It is absolutely imperative for Saab that we continue to develop our solutions and products so that they can better contribute to increased security.

The markets and opportunities therein are changing at an accelerated pace. What is a given today, is by no means a certainty tomorrow. That which we think will be valid in 10 years, may already become obsolete in two. This includes both technological development and the challenges that technology will help to manage.

One thing is certain however, and that is that the demands placed on us as a company will only increase.

We will need to constantly evolve. We will need to always be flexible and quick to embrace trends. And all the while keeping a focus on profitability.

The order uptake in 2014 amounted to nearly SEK 23 billion and we ended the year with a very strong product backlog of approximately SEK 60 billion.

Sales revenue amounted to more than SEK 23.5 billion which was in line with the previous year.

Within the Dynamics business area, sales significantly decreased as a result of several years' worth of challenging market situations. Among other things, we are hoping that the launch of the new Carl-Gustaf M4 in 2015 will be the beginning of something better for Dynamics. At the same time the Security and Defence Solutions business area increased its sales, partially through the acquisition of Saab Kockums.

Our operating income amounted to around SEK 1.7 billion in 2014, with an operating margin of 7.1 percent. We have taken crucial steps to increase profitability in 2014 and we intend to do even more in the future.

Our business cycles are long, and this requires both patience and a consistently high degree of efficiency. One of our challenges is cash flow. We secured a higher position in the last half of 2014 than we did during the first, which was nevertheless negative due to timing differences in deliveries and milestone payments.

We will continue to work on having a full focus on ensuring a positive cash flow throughout project implementation.

If we examine our long-term financial targets it is evident that there has been a slightly negative organic sales growth in recent years. This is not in line with our long-term goal of generating an annual average increase of 5 percent.

It is therefore critical that we continue to increase our product backlog, and to deliver on our existing backlog. Which is strong right now, and 2015 will be the first year since I took up my position in 2010 that our sales growth will be higher than our long-term financial targets.

In 2013 we implemented measures to streamline the business by half a billion kronor, and by the end of 2014 we had accomplished our goal. This, however, does not mean our efforts to be constantly effective should cease, and we should continue to avoid expending beyond our means. Our goal is to achieve an operating margin of 10 percent and we are continuously working toward improvements in efficiency. We perceive that our operating margin in 2015 will be in line with 2014, excluding significant items affecting comparability. The operating margin will be adversely affected during the year due to an increase in self-financing for research and development with Aeronautics.

Our equity ratio will continue to be strong by year end at 38.5 percent. It is important for us to have a strong balance sheet. We often enter into extensive commitments whereby we help a customer with products and services spanning 20-30 years. It is therefore imperative that we have a strong, solid foundation to stand on for many years to come.

We want to continue to strengthen Saab and contribute to safety and security and Sweden's defence capability. We want to continue contributing to the ingenuity and innovativeness that places Sweden above the rest of the world in many innovation indices. We also want to be the first choice for young engineers, economists, lawyers and social scientists when they consider their future employer.

Saab has evolved from being a company in Sweden, predominantly for Sweden, to one of Sweden's most important exporting companies.

Export is essential for several reasons. It contributes to the growth and profitability of the company, and is a prerequisite to ensuring high quality and cost-efficiency for the Swedish Armed Forces, who in turn can share development costs with other countries' armed forces. It also contributes to the Swedish defence and security policy in a manner that promotes security in Sweden and the world around us.

This latter viewpoint is often overlooked in a generally one-sided debate focusing on Swedish defence materiel exports.

Sweden has very strict legislation, and each and every one of Saab's business opportunities are scrutinised by Swedish authorities with insight and transparency for our elected politicians in parliament. It is a judicious and coherent system which is largely unparalleled in the world.

A parliamentary committee is currently working on a proposal which will modernise the regulatory system for defence materiel exports.

And as Saab's CEO, I am naturally following the debate with monumental interest.

We in no way forego the committee's proposal.

It is important that any changes to the regulatory system are preceded by a nuanced discussion about the consequences and effects. Trade in defence materiel goes hand in hand with other exports from Sweden. Even the way that other countries view Sweden as a business partner is affected. We have a long tradition of supporting openness and international trade. Not least as a means to create peaceful relations between countries and to increase prosperity in the countries we cooperate with. International partnerships are of great importance to Saab and to Sweden. In these we are only interesting if we are a long-standing, trustworthy partner.

Saab has provided added value to societies for close to eighty years. Not least of all for Sweden.

With work and operations in over 50 localities, we are a part of the backbone in many Swedish municipalities.

The fact that we invest more than SEK 6 billion annually in research and development, the majority of which takes place in Sweden, is something that I am extremely proud of and want to make others aware of. And those of you who are shareholders are also crucial and good ambassadors for this.

Many of the development projects we are working on today, will promote growth and create jobs in Sweden and in other countries for many decades to come.

Saab provides added value.

In Sweden, for security, in uncertain times.

In the USA, where Jay and his colleagues develop Saab's offerings.

In Brazil and for the pilots Ramón Lincoln Santos Fórneas and Gustavo de Oliveira Pacotto.

Sure, I could go on.

Every day means new opportunities for Saab. 2014 was an important year for Saab.

I see no reason why 2015 should be any less important.

Thank you!