

## Saab AB CEO Håkan Buskhe's Speech at the AGM 2018

The spoken word applies.

Dear chairpersons, shareholders, guests. Dear friends.

Here we are again, last year in Stockholm, this year in Linköping. We are looking back at another eventful year.

It was a year in which Gripen E made its maiden flight. It was a wonderful feeling standing here in Linköping along with thousands of employees and watching the aircraft take to the skies. It was also a year in which we and our customers saw a worsening political security situation.

We look back on a year in which Saab's sales growth increased and order intake climbed by 41 percent.

But, today, I also want to look forward. In 2018, Saab will be taking further steps to ensure continued growth in several markets.

We are living in troubling times. There is conflict all around us and threats near and far, and this is highly disconcerting. Foreign powers manipulate countries on a global scale, both with regard to people's everyday lives and countries' general elections. Conflict levels are increasing between nations and there is a marked lack of dialogue aimed at resolving these issues.

In a time of uncertainty and a worsening political security situation, including that seen in the Baltic region, Saab's existence is a strength for Sweden.

People sometimes ask: "Are not conflicts and unrest beneficial to Saab?" And I always answer: "Definitely not, conflict is never a good thing. But the defence industry is necessary to ensure the security of nations and societies."

We are watching developments in parts of Eastern Europe, such as in Ukraine, with great concern. This is highly indicative of the fact that greater cross-border cooperation is required in Europe. Discussions in Europe are now more focused on solidarity within defence and security, both politically and industrially. We are, naturally, following and participating constructively in these discussions.

Similarly, I also view developments on the Korean peninsula with concern. Fortunately, there have been a number of positive developments there in recent months. We can only hope that things continue in this vein and that dialogue between the parties will take place and lead to resolutions.

But the long-term trend in the region is negative. The heightened rhetoric and recurring missile tests testify to a very restive situation.

Wars continue unabated in Syria and parts of North Africa. It is calamitous for the countries and results in unmitigated humanitarian catastrophe. Individuals endure

immense suffering and there are global repercussions. It is apparent to us all that there is growing unrest around the world.

As a consequence of this unrest, we are seeing steadily increasing defence budgets and greater spending on civil security than before. In times of complex threats and dangers, the lines between what have traditionally been viewed as military threats and civilian threats are becoming blurred.

Saab has the capacity to provide capabilities owing to highly advanced systems – today and in the future. Saab constitutes security for Sweden.

One of the prerequisites to this being possible is the export of defence equipment. Export enables substantial investment into research and development, and safeguards production during times when Sweden orders fewer products or services.

At present, Saab is investing more per year on research and development than Sweden's entire annual investment during the Cold War. During 2017, we invested 7.348 billion kronor into research and development. Today, an attack on a country does not necessarily entail military action, it can be something else entirely. It can put lives in peril, but it can also threaten democracies, open and free elections and critical infrastructure.

Several classes of threat exist: asymmetric warfare, conventional warfare and cyberwarfare. Certain states or groups engage in proxy wars, where warfare is conducted on the instigation of other parties, occasionally unknown. Complexity is increasing.

This underscores the importance of possessing adaptable technology able to counter diverse threats. As a company, this concept is centralised in everything we do. These days, we have to constantly think from different angles when it comes to protecting our society. How can data concerning critical infrastructure, medical records and electoral processes be protected?

We conduct research and development in myriad fields and areas. Combined, this means we can produce and offer complex and absolutely world-class systems and solutions.

Something else that is very clear these days is that customers insist on shorter lead times. The issue of 'security and supply', in other words a guarantee on future deliveries, is becoming increasingly important.

For Saab, this means we continuously streamline development and production so that we can deliver more quickly to our customers. While remaining a stable and long-term partner.

Allow me to speak in more detail about last year. Order intake climbed by 41 percent, which amounts to an increase of just over 9 billion SEK. We still had a large order backlog in 2017, valued at just over 106 billion SEK. The order backlog is almost four times the sales revenues, and distribution among our six business areas has improved.

We can see that this will be the foundation for continued growth, but I would also like to emphasise our large-scale focus on new deals and future business.

Sales revenues, in turn, grew by 10 percent and amounted to 31.4 billion SEK. Operating income amounted to 2.156 billion, with an operating margin of 7.1 percent. This is still somewhat below our long-term target of 10 percent. But we are headed in the right direction and I am confident that we will reach that target in a few years. Operating cash flow was at 1.388 billion SEK, and in line with our expectations.

During 2017, we received several major orders. We have sold another airborne surveillance system to the United Arab Emirates. The year also saw Sweden electing the next generation of Missile 15 as its next anti-ship missile. The anti-ship missile boasts an extended range and pin-point precision, and will increase Sweden's defence capabilities markedly.

Saab received an order from the Swedish Defence Materiel Administration regarding development and operational support resources for Gripen. Furthermore, a contract was signed concerning the continued support and maintenance of Gripen C/D.

Saab also received a major order from Switzerland's Federal Office for Defence Procurement for the delivery of the next generation Light Anti-tank Weapon (NLAW) to the Swiss Army. Several agreements were entered into during the year with respect to airborne surveillance. A contract was also signed regarding the modification and upgrade of the Swedish Navy's Gävle-class corvettes.

The Australian government selected Saab to supply combat command systems for all of the country's future navy vessels.

Saab has numerous large projects underway which are being run in parallel. Project activity in Saab is at an all-time high. We are developing a next-gen submarine, A26, the Gripen E fighter system, as well as an airborne surveillance system, GlobalEye. In addition, we are also jointly developing a next-gen trainer aircraft with Boeing for the US Air Force.

The development of Gripen E and F is progressing according to plan. The second test aircraft in the programme was powered up a few weeks ago. At the end of February, we unveiled GlobalEye, followed by a successful maiden flight in March, here in Linköping. A26 will be the world's most sophisticated conventional submarine. We estimate the first submarine will be ready for delivery in 2022.

I can once again proudly state that we have never before had this many – and such major – projects running concurrently in the history of Saab. This is a demonstration of our strength, but necessitates complete focus in carrying out the projects. The knowledge, product breadth and expertise existing in these programmes are unparalleled anywhere in the world.

As regards the T-X trainer aircraft, we are waiting for an important decision from the US Air Force in the second half of the year.

Saab's strategic priorities involve focusing on three areas: the market, efficiency and innovation. A key part of our strategy dictates that we have a presence in customer markets.

In order to achieve this, we have worked tirelessly to create a global marketing organisation, with local operations in a host of countries across the globe. And more importantly, several collaborations with partners have been initiated in various countries. The work has not stopped, it constantly pushes forward in the same direction.

By having a local presence and being on site, we bolster our ability to understand customer needs and we amass knowledge of increasingly complex situations in many places, all around the world. This enables us to understand which solutions the customer will need tomorrow.

Since we are a small nation with little political clout, absolutely world-class products are needed if we are to prosper in the international market. This is what makes Saab unique. Our country is not the biggest nor does it invest the most money. Saab competes through innovation.

We compete by being the company that finds new solutions. We compete by amalgamating several systems so that customers get a single product with numerous areas of application, instead of having an individual product for each capability.

Openness and cooperation are quintessential elements. Being receptive to and working closely with customers in order to fulfil their needs, and cooperating with local industries and universities are fundamental to achieving good results.

During the year, we worked on a number of important initiatives. We entered into a partnership with NTU in Singapore, in which we will jointly examine an array of challenges, traffic management among them. A collaboration with Aalto University along with a new technology centre in Finland have been established. In December we inaugurated another technology centre, just outside of Abu Dhabi. There we also intend to set up development and production in the field of sensors and other areas.

I would also like to reiterate the outstanding collaboration with Brazil. As part of the far-reaching technology transfer programme, we have so far welcomed around 140 Brazilian engineers, pilots and technicians to sites in Sweden where they have attended courses and undertaken on-the-job training. They have now returned to Brazil and are working to develop Brazil's Gripen aircraft. The majority of these individuals work in the development centre that we jointly founded with Brazilian aircraft manufacturer Embraer in 2016.

Parallel to this, the factory that will be producing structural components for Gripen is beginning to take shape.

The technology transfer programme will run until 2024. By then, more than 360 Brazilians will have been trained in Sweden and more than 60 projects will have been carried out with our Brazilian partner company.

This is how we build relationships and evolve our product and service offerings. This is what makes us cost-effective and innovative, and positions us well amid global competition.

We shall always be at the forefront of technology. Today, digitalisation permeates everything we do. It places new requirements on our products, on our production and on our relationships with customers. It also places new requirements on Saab.

We therefore work very purposefully towards achieving a more agile organisation, able to swiftly adopt and implement new solutions. Skills and competence are central to this, both in terms of developing personnel and in identifying the right skills during recruitment.

We work very consciously in furtherance of diversity. This involves gender perspectives as well as cultural diversity. As one of Sweden's largest employers, the success of our company is directly linked to our ability to attract the right skills. This means that our recruitment base should encompass our whole society. Men and women should both know that Saab is a company in which they can contribute, develop and be given responsibility.

As an international company with ambitions to continue expanding around the world, cultural diversity is paramount to the company's success. Saab shall be a house with many rooms, where different experiences and perspectives are not only accommodated but also brought to the foreground.

The work we do in numerous technology areas is unique. To mention a few: The work being done in extremely secure cloud technology and quality assurance of third-party software is world-leading.

But the technology evolves rapidly, and we must invariably be able to keep up. It is therefore imperative that we focus on the right things.

Model-based development, where we have completely eliminated drawings and integrated the flow from designer to production, increases efficiency and quality.

Additive manufacturing, commonly referred to as 3D printing, is already influencing the manner in which we produce critical components in our systems. The incorporation of this technology will increase exponentially in the coming years. It is not only influencing production for the better, but our aftermarket as well. Saab is taking part in number of collaborations to further develop in this field.

When it comes to data volumes, we see great challenges as well as fantastic opportunities. We see huge potential for refinement and added value to customers. Optimising code and sorting data have always been important challenges within software development. We must possess intelligent systems able to differentiate between good and bad content and assess relevance. These are the types of solution which Saab provides.

Today, societal infrastructure is controlled by software and the vulnerabilities are glaringly obvious.

The press reports on data intrusions, hacking and denial-of-service attacks on a daily basis.

Here at Saab, we believe that we can play a role in protecting society going forward. With our legacy as a supplier to the most demanding of customers – our Swedish defence – we have learnt how to protect critical systems such as aircraft, ships and sensors. Knowledge that is of considerable benefit to the rest of society.

An example of the research and development we are carrying out in the area is a 'washing machine' for third-party software. It assures the quality of the code we introduce into our systems and prevents harmful code from functioning. Another example is a cloud platform for systems with stringent security requirements. A third example involves research on robustness in large complex software systems. The latter is being conducted in the framework of WASP, which is the Wallenberg Foundation's extensive initiative focusing on autonomy and software.

We must be efficient when it comes to deliveries to our customers. Moreover, we must have an efficient process for how we establish ourselves in a market and how we market and sell our products.

Saab's anti-corruption work aims to be world-leading. It is imperative for our business that we have adequate transparency with respect to government agencies, partners and others. During the year, we continued to update our anti-corruption initiatives and we are continuously developing and improving these processes.

Ever since Saab was founded, innovation has been our polestar. Saab has played a part in creating a safer world, and we have a close relationship with our customers in order to assist them in increasing the safety and security of their home countries. We invested 23 percent of our sales revenue into research and development in 2017. What is it then that enables us to look back on an eventful year while, at the same time, also look forward to new exciting challenges?

It is the unique skills and competence that exist among our nearly 17,000 employees. Without them, Saab would not be where we are today.

I would like to extend my gratitude to all of Saab's personnel. They have worked tirelessly and have put great effort into ensuring the success of our many projects.

The road forward for Saab will involve having a presence where our customer are, cultivating long-term relationships, and providing the absolute best and most state-of-the-art solutions.

This entails truly understanding our customers' needs and challenges, having the ability to understand tomorrow's requirements and producing flexible, adaptable products. Therein lies the key to Saab's continued success.

My friends, thank you all for coming here today and thank you for taking the time to listen to me.