

## **CEO Håkan Buskhe's Speech at AGM 2019**

(The spoken word applies)

Dear chairpersons, shareholders, guests, Dear friends,

In 2018, Saab continued to lay the foundation for the company's development. Several key milestones in the major programmes were reached.

The most significant milestone was the US Air Force's decision on the T-X trainer aircraft, developed by Saab and Boeing. This strengthens Saab's position as a leading global manufacturer of fighter aircraft, as well as our position in the American market.

Another one of our milestones was the premier of the GlobalEye surveillance system, for which an extensive array of tests was carried out during the year with very positive results.

In October, Gripen E fired an air-to-air missile during a test flight. And last year also saw the maiden flight of the second Gripen E aircraft, and further testing is moving ahead according to plan.

The Swedish submarine HMS Gotland was launched after mid-life modifications. Submarine A26 is in a busy stage of development, following the completion of established objectives in 2018.

The next generation of the Carl-Gustaf recoilless rifle has already been sold to ten countries.

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2018 was also characterised by strong order intake and increased sales revenue. One of the best years in Saab's history.

In the autumn, an oversubscribed rights issue was offered valued at six billion kronor.

Here I would like to particularly thank all shareholders supporting us on our continued journey of growth. Having your support when we are about to take our next steps feels reassuring. We will make full use of the new opportunities afforded to us through the rights issue.

I will address the purpose of the issue in a moment.

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Geopolitical unrest is changing and becoming multidimensional. Norms and institutions are both being challenged in new and alarming ways. It is creating new risks and concerns. Increased military tension. Economic and commercial structures are being challenged. Mistrust between different countries and individuals is growing. There is a risk that this will lead to a weakened climate of cooperation among countries – both regionally and globally.

Geopolitical and geoeconomic tensions are increasing between superpowers. These tensions represent one of the greatest risks at present.

After a long period of globalisation and increased trade, the world seems to be once again moving in different directions. Re-cultivating relationships and promoting trade and investment are major challenges.

Given the current situation, shared progress is more difficult to achieve for important issues such as the environment and lasting peace and stability. Tension between continued globalisation and heightened nationalism poses a considerable risk.

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The environment accounts for one of the biggest global challenges. It is something that must be taken very seriously.

Finding a common approach to environmental challenges is a dilemma. What will it mean in the long run when international agreements are challenged or completely abandoned by different parties?

That this is harmful to the environment is evident, but how does it affect the balance of power in the world? A new form of accountability at an international level is necessary to tackle these challenges, as well as to establish a consensus and a better climate for discussion.

My view is that new technology will play a large and pivotal role in the solution.

I am convinced that we will see major developments in the coming years.

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Technological development is central to global development. It cultivates new landscapes with regard to risks, threats and even warfare. Cyberattacks, misleading or fake news and scams are creating a whole new playing field. This results in diminished trust in what was once considered a dependable purveyor of information.

Mainstream media is steadily being challenged by other sources of information. And the quality of these other sources varies. Everything from accurate and factual news reporting to sloppy contrivances, misunderstandings, lies and troll farms. Or deliberate disinformation campaigns orchestrated by foreign powers in order to disrupt important functions in society.

Cyberattacks are increasing in scope. They cause major harm to companies, institutions and critical infrastructure. All are potential targets as a new dimension of warfare emerges. Industrial capabilities and the work of government agencies are under threat.

One could even say that Sweden is under attack. That Sweden is occupied. To some extent this is actually true. The new normal is to assume that everything can be manipulated, that

critical systems are constantly exposed. When foreign powers or other actors try to influence open, free and democratic elections, how open and free are those elections?

This also spurs debate about the who and the what of things. What is civil defence and what is military defence? If a teenager hacks into a voting system, or a troll army systematically toils to undermine democracy, how do we adapt to this threat?

Such situations must be avoided at all costs.

Technological systems must therefore be in place to confront these challenges. In addition to technology and systems, the human factor must also be taken into account. An individual's actions can lead to information coming into the wrong hands. What is discussed at hotel bars on business trips? How do individuals protect themselves from being overheard or otherwise manipulated?

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Saab's mission is that feeling safe is a human right. Saab contributes to a safer world through ground-breaking systems and innovative solutions.

By pushing both mental and technological boundaries, future solutions can be created for people to feel safe, regardless of what is transpiring around the world.

I am convinced that Saab can contribute to a world with greater resilience to cyberattacks, a more sustainable world, and a world increasingly characterised by trust and cohesion.

This is not something that can be done alone. It would be presumptuous of me to say so. But I am convinced that Saab plays a role. Yet it requires a lot of hard work from us and many other parts of society – all working together.

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To ensure that Saab has favourable conditions to carry on this work, our growth must continue, a greater share of the market must be won, and the number of markets must increase.

How can we accomplish this? An important part is, of course, extensive research and development. To be at the forefront, Saab must consistently challenge, question, and further develop new innovations. Continue to lead the development of cost-effective systems and products.

In 2018, 7.6 billion kronor – representing 23 percent of sales revenue – was allocated to research and development. This corresponds to almost the total annual expenses of Chalmers and KTH combined.

A large proportion of these investments is made together with customers around the world. The combination of customer needs and future technological possibilities is an important part of Saab's offer. In order to achieve the best possible results, collaborations among

industry, authorities and universities are sought – in a so-called triple helix model. This is and has been a Swedish success.

Being global is vital. In 2018, 71 percent of order intake originated outside Sweden. Of the 102 billion kronor in the order backlog, 67 percent of orders were from outside Sweden.

For many years, Saab has consistently worked to broaden and strengthen its operations around the world. This is done partly through direct cooperation with other countries' armed forces and government agencies, but also through cooperation with other defence and security companies.

In 2018, Saab – with BAE Systems as its partner – and Lockheed Martin were chosen to supply Australia with new frigates. Saab will be integrating new command systems, weapons and sensors. This is a major and important project for Saab and its future.

The T-X is another obvious example, where Saab, together with Boeing, has been chosen by the US Air Force to supply trainer aircraft. It is a staggering thought that all future pilots in the US Air Force will be trained in aircraft manufactured by Saab and Boeing.

Going forward, it is outside of Sweden that major growth will be achieved. That's why the long-term rules of play in the industry are so crucial. In order to prosper, it is imperative that the rules we are governed by are commensurate with those of our competitors.

We need to have an open, regulated and transparent regulatory framework that allows for continued exports and export subsidies. This is how Sweden's fundamental national security interests with regard to both fighter aircraft and underwater capabilities will be safeguarded.

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Future growth will also be accomplished in other areas than solely the traditional ones. Fields such as cyberwarfare, cybersecurity, and artificial intelligence have been a natural part of Saab's work for a long time.

Systems such as Gripen and A26 and others, for obvious reasons, must be completely impenetrable to cyberattacks. But many lessons can be learned therein. Saab's technology and knowledge can be applied in more areas.

Therefore, in 2018, a new business unit was established – Cyber Security. The work being done there involves, among other things, secure digitalisation. New products are being developed and the unit will play an important role in, for example, our work on artificial intelligence.

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It is evident that Saab's technology contributes to the solutions needed to meet environmental challenges. Allow me to provide a few concrete examples:

Saab's Aerobahn system has – at John F. Kennedy Airport in New York alone – saved approximately 43,000 tonnes of carbon dioxide and 13,000 tonnes of aircraft fuel per year. This is approximately equal to air traffic between Gothenburg and Stockholm over a whole year. Our goal is for these operations to reduce global emissions corresponding to that produced by Swedish domestic flights every year.

Another example is 'Blade', a wingtip develop within the framework of an EU project. It contributes to a reduction in fuel consumption of about 6 percent. And in combination with other peripheral effects, a reduction of 20 percent can be achieved.

The oceans are important. Our remote-controlled underwater vehicles clean hulls and dramatically reduce fuel consumption at sea. Our marine traffic management systems optimise marine transport for the greatest possible fuel-efficiency. This is also a major step in reducing emissions.

Saab's sensors have broad areas of application. They can be used to map melting sea ice as well as deforestation, to name a few examples.

These are examples of civil applications of our military research and development.

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2018 was a strong year. Order intake totalled 28 billion kronor, with a very large proportion of medium-sized and small orders. At year-end, order backlog amounted to 102 billion kronor, of which 67 percent was outside Sweden.

Sales revenues grew by 5 percent and amounted to around 33 billion kronor. The operating margin was 7.7 percent. Operating cash flow had a deficit of 2.4 billion. It was negatively affected by time differences between the processing of projects and payments.

Cash flow will continue to be affected by such differences in 2019. As we announced when we published the 2018 annual report, operating cash flow in 2019 will be negative, but better than 2018.

We will continue throughout the year to invest in preparations for production. We have begun series production of Gripen E, and deliveries of the aircraft to Sweden and Brazil will commence in the second half of the year. The pace of deliveries will increase in 2020, which will strengthen cash flow.

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A lot happened in the business areas in 2018.

Aeronautics received an order for the development and operational support of Gripen, valued at 1.4 billion. In September, the US Air Force selected T-X as its future trainer aircraft.

The Surveillance business area received several medium-sized orders during the year. A very important one was the order from the Swedish Defence Materiel Administration of our new Giraffe 4A radar. Finland ordered our new command system 9LV in connection with the Finnish Navy's Squadron 2000 programme.

Dynamics had great success with sales of New Light Torpedo and others. Carl-Gustaf M4 has now been sold to ten countries.

Kockums signed an agreement with the Australian submarine company ASC to supply command and surveillance systems for four submarines in their fleet.

In Support and Services, Saab's maintenance contract for Helikopter 15 was extended in Sweden.

Another agreement was signed with FMV concerning the maintenance of and technical system support for flight safety equipment.

The IPS business area received, among other things, an order from the Swedish Defence Materiel Administration for an integrated air traffic management system at Swedish Armed Forces facilities across the country.

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Work continued in 2018 to streamline the business. The focus has been on increased standardisation and the establishment of uniform business processes so that they contribute to faster deliveries to customers.

In addition to continuous streamlining, two major initiatives were undertaken in order to improve the company's productivity. Measures geared towards increased rationalisation were implemented within the framework for this during the second half of the year.

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As I mentioned earlier, a rights issue was offered in the autumn and I am very pleased to announce that it was massively oversubscribed.

It is incredibly gratifying to see that there is such great interest in being a Saab shareholder. Through this, Saab received approximately 6 billion kronor.

As we look ahead to the continued journey of growth, this money will be put to work and will contribute to additional profitability. We will grow more than the target of 5 percent per year.

The current order backlog supports continued growth, but there are further opportunities.

Not least of all, following the T-X deal, interest in working with Saab has increased across the globe.

It is now important to utilise the opportunities that are presented. But this requires investment in potential new partnerships and in new technology.

Saab has plenty of opportunities. It is a very exciting time. And thus also an exciting time for all 17,000 Saab employees.

Looking back on 2018, I can assert that all the successes, all the new technological solutions, and all the confidence that you, as shareholders, and I feel, are thanks to the commitment and hard work of Saab's employees.

I want to thank you all. Without you, none of this would be possible.

I would also like to thank all shareholders for joining me here today and especially because so many of you chose to participate in our rights issue. It provides us with support and encouragement for an exciting future.

Thank you all for listening.