

CEO Speech at Annual General Meeting 2020

The spoken word applies.

Mrs. Chairwoman, dear shareholders, board of directors, staff and guests,

I would like to begin by thanking you for taking the time to attend the Group's Annual General Meeting, both physically and virtually.

Saab, like the rest of society, is affected by Covid-19, something which is particularly evident in this room today.

We are grateful that you, our shareholders, are so understanding of the situation and I hope that we will be able to welcome you in person next year.

I intend to take this opportunity to reflect on the past year, but also to touch on the time ahead for Saab as a company.

During the autumn, Saab's Board entrusted me to take over as CEO of Saab when Håkan Buskhe, after nearly 10 prosperous years, chose to leave the Group.

For 35 years I have had the privilege of being a part of this company, most recently as Vice President and, before that, as Head of the Surveillance business area.

Leading a company like Saab comes with great responsibility. The company was founded in 1937 with a mandate to produce fighter aircraft for Sweden. This has been the core of the business for decades.

However, the company has evolved to assume responsibility for a number of other key Swedish defence interests, not least of all in the fields of sensors and underwater systems.

With Sweden as our base, we are now also an important supplier of defence capabilities to several countries. Saab is becoming an increasingly global company.

Two thirds of Saab's sales occur internationally, while an increasing share of the company's development and production takes place outside Sweden which leads to an increased defence capability within Sweden.

For me, taking responsibility means continuously working to develop Saab's capabilities.

It's about understanding the world around us, both in terms of technology and the political -security landscape. It involves the timely development and production of the solutions nations require to protect their citizens.

Ethical business is a given for Saab, and it is equally natural for us to be an employer that protects our most important asset, our staff.

The work they do every day contributes to the safety and security of people and communities all over the world, it is an important and meaningful duty.

Before I look back on 2019 in more detail and look to the future, I would like to speak briefly about Covid-19 and how we are handling the situation at Saab.

It is clear that the virus is placing considerable strain on society. People are worried, countless are falling ill and, tragically, many are dying.

Companies are dealing with major challenges.

Here at Saab we are working in a structured manner to handle the crisis.

The central crisis management team is leading and coordinating our efforts, medical expertise closely follows the recommendations from the authorities, ensuring that the basis for management's decision-making is continuously up-to-date.

Firstly, it's about ensuring the health of staff. Recommendations from both Swedish and foreign agencies form the basis for the measures we implement, but further safety precautions are also being taken.

Secondly, it's about ensuring continued operations and production.

Supply chains are being carefully analysed and closely monitored. The digital workplace is being safeguarded by increasing capacity so that staff can work from home to a greater extent. To ensure preparedness, access to capital is being secured early on.

Thirdly, we are engaging in close dialogue with customers in order to assess the extent to which purchasing processes can be postponed and how business transactions can be completed according to established schedules.

Under these circumstances, it's important to remember that Saab has a solid footing, with long-term customer commitments, extensive projects and a large order backlog. This also means that inventory is important.

Production of Gripen, A26, Global Eye, RBS 15, and Carl-Gustaf is continuing at a high rate.

Saab is therefore handling the situation well, but we are well-aware that this is a worldwide crisis which may have a long-term impact on companies and people, and the same is true for us.

It is against this backdrop that the Board of Directors decided to withdraw the proposal on dividends in order to ensure we are prepared and have the power to act in the future.

Once the crisis is over, we can reassess the dividends.

In summarising the 2019 business year, I can proudly say that it was a strong year for Saab in which we experienced growth and enjoyed higher profitability.

Our stable order intake, where, among other things, small and medium-sized orders increased by 10 percent, contributed to continued growth in sales by 7 percent, amounting to SEK 35 billion.

In addition, operating profit increased by 15 percent year-on-year, and our operating margin was 8.3 percent.

Earnings per share amounted to SEK 14.81.

At the end of the year, Saab also secured important milestone payments which generated strong cash flow during the fourth quarter.

Operating cash flow for the full year amounted to minus SEK 1.3 billion, a clear improvement on the previous year.

The ambition for 2020 is to have positive operating cash flow.

Altogether, it's clear to me that the strong year we had is the result of continued execution according to our clear strategy.

We are maintaining the long-term financial targets pertaining to an annual organic growth of 5 percent and an operating margin of 10 percent per year, over a business cycle.

Demand for Saab's products and solutions has been high and the market is expected to continue to grow over the next few years, at the same time as we enter a production and delivery phase.

Owing to our increasingly strong market position, interest in long-term collaborations with Saab is on the rise.

In 2019, we saw a number of important contracts signed, collaborations started and milestones reached in our long-term journey of growth.

In Finland, we won the prestigious Squadron 2020 order, which means that Finland has chosen Saab as a supplier of combat management systems for its new corvettes.

In Germany, contracts were signed concerning the operation of the German Army's GÜZ training facility, and the UAE announced that it intends to acquire two additional Global Eye aircraft.

Framework agreements were signed both with the US and Sweden regarding the crew-served weapon Carl-Gustaf, and, in partnership with the American company Raytheon, we launched a new ammunition type for Carl-Gustaf that will further strengthen the system's position on the market.

The Gripen programme reached a number of important milestones during the year.

Saab and the Swedish state have progressed in the test programme with joint flight testing, and the first Brazilian Gripen-E aircraft conducted its maiden flight.

All three Global Eye aircraft ordered by the UAE are now undergoing flight testing, which is progressing superbly.

Work on A26 submarine is proceeding from development to production and is a top priority.

Initial construction began on the facility in Indiana, USA, where Saab's section of the T7 Red Hawk trainer aircraft will be manufactured.

We have very high aspirations and will develop a facility with extensive automation in line with what is referred to as industry 4.0.

It will be one of Saab's most modern facilities.

Saab has a clear strategy that rests on four integral aspects: portfolio, innovation, marketing and project execution.

They are all important individually, but are highly dependent on each other for the continued success of the company. Sustainability is clearly integrated with all aspects.

Let's start with Saab's strong product portfolio. We are a system provider with expertise in building major platforms by integrating a wide array of sophisticated systems.

By having an extensive portfolio, Saab can continue to create synergies for stronger business deals. At the same time, I want to clearly communicate that products approaching the end of their life cycles, as well as less profitable products, will be phased out.

The aim is to create opportunities for further investment in the core of the portfolio.

In 2019, extensive work was carried out to optimise the portfolio, and we have reduced the number of products from just over 600 to just under 500.

In terms of the second aspect of our strategy, innovation, Saab carries out purposeful and structured work in the product areas so as to always remain one step ahead so that we are able to meet our customers' needs in time.

Gripen, Global Eye, and A26, to use three examples, will carry the same names over time but with vastly improved capabilities.

At the moment, Saab is investing heavily into future technologies within sensors, artificial intelligence, autonomy, cyber, digitisation, and additive manufacturing, commonly called 3D printing, for broad application among our products.

An important milestone is that Gripen E's avionics system is now being test flown with much success.

By having separate flight-critical and tactical control, we have created a unique ability to successively and continuously improve the Gripen E platform.

This means that Gripen can be constantly upgraded with the latest capabilities and makes tactical functional upgrading faster and easier.

Let's look at the third aspect, marketing.

Saab's growth significantly depends on our products' capabilities in combination with purposeful internationalisation.

Ten years ago, we expanded our marketing organisation and moved closer to our customers in roughly 35 countries around the world. Based on the experience we have gained, we have carried out extensive work to focus the marketing organisation, which is now being implemented this year.

Clearer management of marketing efforts has been established. We are increasing our focus on three strategic countries: the US, Australia, and the UK, where we intend to expand operations, actively invest in developing local intellectual property rights, and foster more local partnerships with other defence companies.

Strategic international partnerships constitute an important element in Saab's continued internationalisation. However, Sweden will remain Saab's most important market.

A new Defence Act is expected this autumn to address an increasingly uncertain landscape.

The extent to which it will impact Saab is too early to say, but a strong Saab with major exports will always remain of great importance for Swedish defence capabilities. This means that our total base must be bigger than what we have in Sweden.

At the same time, in order for Saab to be able to grow by investing in products, innovation and marketing, the fourth aspect of the strategy, **projects** must be executed well.

Over the last year, operations have moved from a substantial development phase to more production in the respective programmes.

The projects are ongoing here and now, and will be executed with high efficiency and precision. Partly because this creates financial opportunities and because it forms the basis of the respect shown to Saab by the market.

Projects being executed in parallel are Gripen E for Sweden and Brazil, Global Eye for the UAE, Squadron 2020 for Finland, as well as A26, RBS15 and New Light Torpedo for Sweden.

In addition, there is plenty of demand for crew-served weapons and ground-based sensors.

The execution of our major projects is something that I personally and constantly follow – not least of all on location at our facilities – and which I feel a great personal commitment to. There has never been such a high degree of activity in Saab – it is a development we can all be proud of.

By working according to the four aspects of our strategy, I am confident that Saab will fulfil its goal of progressing from being a Swedish defence company with a large international business to being a multi-local company with a very sophisticated product portfolio over the course of a few years.

The lasting relationships being cultivated with partners and customers internationally will be a contributing factor when it comes to achieving our growth target and continuing to win business across the globe.

Saab's sustainability work contributes to the safety and security of people. It permeates Saab's entire strategy.

Specifically, it involves developing technologies able to protect people.

It also involves developing sustainable technologies that actively reduce society's environmental impact, such as the fibre optic sensors we have developed to detect and prevent overheating in aircraft wings.

The sensors allow the number of components used in a wing to be reduced by 90 percent, which leads to an 80 percent reduction in weight. This reduces fuel consumption and, as a consequence, the carbon footprint.

We have zero tolerance for corruption and it is my firm belief that Saab can only be profitable in the long term if the business is conducted in a socially and environmentally sustainable way.

Saab's compliance programme must be industry-leading.

With customer relationships that endure over decades, a high-tech portfolio and a global presence, Saab creates steadfast business in times of uncertainty.

Saab is a loyal partner to states around the world in their efforts to protect their societies. I am therefore convinced that Saab will continue to create long-term and sustainable value for society and shareholders alike.

I would like to close by thanking Saab's fantastic staff for the superb work done in 2019 and at the start of this year – including during the global crisis that has recently emerged.

Your drive is phenomenal and your commitment to fulfilling our obligations is beyond question, and I know that when we meet at the AGM next year, we will be looking back at yet another important year for Saab.

Thank you!