

## CEO's Speech at Saab's AGM 2017

### *THE SPOKEN WORD APPLIES!*

Dear chairpersons, shareholders and guests,

2016 was characterised by increased sales owing to progress in major projects – and order intake for business units – which previously had a meagre order book.

Interest in Saab is growing all around the world. We have more offers out right now than we have ever had before.

Our products and portfolio are generating interest at unprecedented levels, and this is corroborated by myriad requests.

Two years ago, we managed to transform an eight-year sales slump into growth. 2016 was the second consecutive year of sales growth, and this will continue for many years to come. 2016 also saw many areas of our business making huge leaps forward. The GlobalEye airborne surveillance system was launched in February. In May, Gripen E was displayed in Linköping.

The trainer aircraft, which Saab developed in partnership with Boeing, was unveiled in September. We signed the first contracts for the next generation of Carl-Gustaf, M4, and we received an order from Sweden for the development and production of the New Torpedo. These are just a few noteworthy examples from 2016.

By year-end, Saab's order backlog amounted to SEK 108 billion. With an order backlog close to four times our sales, we are well-positioned for continued growth in 2017 – and beyond.

Sales revenues increased to SEK 28.6 billion.

Operating income amounted to SEK 1.8 billion, with an operating margin of 6.3 percent. I would have liked to have seen a better margin last year already, but it is clear that we are moving towards our long-term target of 10 percent.

Operating cash flow amounted to SEK 2.6 billion, which is primarily due to our major projects.

In order to stay one step ahead – and to meet our customers' needs in the best possible manner – we have formulated a strategy based on three areas: Market, Efficiency and Innovation.

We are close to our customers. We adapt, adjust and modify everything we do to be as efficient as possible. And innovation serves as our lodestar. At the same time, our ethics and sustainability permeate our actions, and our dedicated employees are steering our journey of growth onwards. All in all, we have a solid platform for profitable growth.

Our business areas are all advancing in the right direction.

After only being part of the Saab family for a short time, Kockums' business has taken off with orders, primarily from Sweden.

We have invested in production facilities and are building a modern shipyard.

We also engage in active marketing worldwide to promote our submarines and watercraft.

Dynamics has undertaken a pivotal journey, and has succeeded in converting a low order intake into a high order backlog – sales are increasing and margins are stronger.

The situation has reversed and our businesses have now regained their formidable strength.

Within Surveillance, several years of investments into radar have resulted in three sales of GlobalEye, our new airborne surveillance system, and we have experienced positive development in our ground-based radar family.

Support and Services is at full production capacity as part of the work involved with the airborne surveillance systems, we are steadily expanding Gripen support, and very prosperous work has been carried out within our civil sector business – both in terms of internal structuring and with customers.

Aeronautics is thriving owing to the monumental programme involving Sweden and Brazil.

For this, we developed a brand-new trainer aircraft with Boeing, which took to the skies in record time.

Investing in the trainer aircraft affected our earnings negatively, but is hugely important and serves to strengthen Aeronautics going forward.

Within Industrial Products and Services, I would like to underscore how impressively the consultancy Combitech has evolved and grown.

Combitech is one of Sweden's absolute strongest technology consulting firms.

Over the last few years, Saab has won a number of major projects, such as Gripen E and F, submarine A-26 and GlobalEye. Which means project management and good execution are at the top of my agenda. With Sweden as a base, we are growing in many regions of the world. We are just as much a Swedish company which is developing globally, as a global company with roots deeply planted in Sweden. This is a strength.

We are seeing substantial growth in Asia. And not least of all in India, which is currently the fastest growing economy on the planet. This region is also home to other potential markets, Indonesia being one example.

In South America, the Brazilian Gripen order has extraordinary significance for growth and cooperation on broad industrial fronts. The Brazilian programme went according to plan and 100 Brazilian engineers have returned to Brazil after training in Sweden. They are now working alongside Swedish colleagues in a development centre which we opened in Brazil in November of last year.

The new security situation in Europe is leading to burgeoning investments into defence and security. For example, we have now installed our SAFE command system for use by British law enforcement – as well as in the London Underground.

Critical to all market opportunities are openness and cooperation. Openness to our customers' needs, and cooperation with local industries. This is how good relationships are built.

This is how we develop our offerings. This is how we'll stay the most cost-effective choice amid fierce international competition. And this also produces increased defence capabilities for Sweden.

In light of this, the export of Swedish defence equipment is incredibly important. It contributes to growth and profitability, and is a prerequisite to ensuring high quality and cost-efficiency for Swedish defence by sharing development costs with other countries.

Saab's base for research, development and production is Sweden, which is paramount to Sweden's defence capabilities. Saab also has significant operations in other countries, but it would be a step in the wrong direction if Saab, in the future, is forced to move development from Sweden. Therefore,

standardised export regulations within the EU, for instance, are imperative for Sweden and Saab.

The global security situation is disconcerting, many places in the world are unsafe. War. Conflict.

Extensive migration and unpredictable acts of terrorism – we live in frightening times. It is more important than ever to help one another, to stand steadfast in our defence of equal rights, and for safety and security.

Many global efforts – such as combating poverty, climate change, and educational initiatives – are contingent on international trade and openness between people and nations. Right now, we're seeing a development in the opposite direction. Increased protectionism and an "everyone for themselves" mentality. This only serves to escalate worldwide tension – which is not conducive to peace and freedom. Nor to growth and progress.

I wish that people would engage more in discussion so as to find common solutions to present and future challenges.

Saab aims to be a part of all the communities and societies in which we operate. That's why we support education, both at primary and tertiary levels, in several of our customer countries. We also undertake initiatives to get more youngsters interested in technical programmes – particularly girls – which will also prove invaluable for Saab in the future when we want to employ the best and brightest.

As CEO, I am constantly pushing for diversity to characterise everything we do. Society has everything to gain from us taking advantage of each other's backgrounds and experiences. An equal opportunities Saab is essential in order to attract young girls and guys who want to work for a modern company. Our work was recognised last autumn when we received the Industry Equality Award and, in the same spirit, we will continue our efforts towards diversity more comprehensively throughout 2017. But most gratifying of all is that the number of women who are interested in working at Saab has increased dramatically.

Sustainable business in a broad sense drives innovation and profitability. And we'll have a lot to gain when the youngsters of today and tomorrow see us as a progressive employer. We must make sustainable choices if we hope to have lasting business.

We are focusing earnestly on becoming better at developing, producing and delivering more efficiently and effectively. Whenever I meet with customers, shorter lead times are always on the agenda. Customers – military and civilian – want enhanced capabilities fairly quickly. We are well-equipped to meet these needs.

This relates to our products:

to design efficient solutions in our systems so that costs to develop, produce and use them are reduced. Gripen E is the clearest and most renowned example. Gripen E is more capable and cost-effective than earlier fighter aircraft.

It is down to support in our business deals that our administrative processes have the lowest possible costs without compromising on quality. IT systems, financial instruments and our marketing shall, in each instance, contribute to the lowest possible cost with the greatest effect. We are not grouped together with companies who periodically introduce rigorous programmes to produce savings. Instead, we work every day and every week to become more efficient. This has to do with our work methods and being at the forefront – and always utilising the latest technologies. Having modern workplaces which facilitate efficient work. Affording employees responsibility.

With regard to the rapid pace of digitalisation, we must always explore whether we can do it differently, better and faster. Digitalisation and vigorous development within the area create new possibilities, which will require research and development linked to our products and processes.

Let's look at how we work with this at the shipyard in Karlskrona. The shipyard we took over almost three years ago. Where today we upgrade Gotland class submarines and where we further develop submarine A26.

(Video)

We are investing substantially in the development and rationalisation of Swedish submarine construction in Karlskrona.

Our focus will invariably remain on creating modern solutions, workplaces and products. We are constantly on the lookout for ways to improve.

Over the span of 80 years, Saab and thousands of fantastic employees have built the company into what it is today. The development of technology is – and has always been – the core business of the company. This has been propelled by remarkable expertise and an unwavering commitment to carve out new roads in the quest to solve present and future challenges. That was our mission in 1937 and the same is true in 2017!

We have progressed from spending SEK 4 billion on research and development five years ago to almost SEK 7 billion in 2016. Saab has moved forward unrelentingly – and will continue to do so. We've been working like this for 80 years. Saab's journey of growth advances steadily onwards.

We have more than 15,000 highly-qualified and highly-driven employees, all of whom I emphatically thank for a job well done!

Thank you all for listening.