

Saab's CEO, Håkan Bushke's speech at the 2016 AGM, 14 April 2016 in Linköping

This speech was originally held in Swedish. Please, check against delivery!

Dear chairpersons, shareholders and guests,

Welcome to Linköping. Welcome to the aviation capital of Sweden.

I am pleased that so many are participating in this year's Annual General Meeting.

The Annual General Meeting is an important occasion to recognise that which we have accomplished thus far and to discuss where we are heading.

In many ways, Saab became a bigger company in 2015.

We strengthened our order backlog, which is now at a record-high level. It is now four times greater than our annual sales.

At the same time, we are investing in research and development in order to secure cutting-edge technology within carefully selected areas.

During the course of 2015, we saw growth within Saab for the first time in many years. We are working even more closely with customers and the interest in our products is growing.

We are now embarking on a new journey. And our journey has started on a good footing, with growing sales, increased efficiency and enhanced profitability.

We are in a strong position for continued growth.

A large part of this growth will be driven by the major projects in our order backlog. One of the greatest challenges we are now facing, is to ensure that projects are completed on schedule and budget.

We live in an uncertain world.

The times we live in are characterised by massive geopolitical changes.

The global economic situation is unstable and difficult to predict.

The record-low oil price is hitting some economies hard, while others benefit.

The problems are many and diverse.

There are wars and conflicts, the likes of which we have experienced for centuries, but then there are those, the likes of which we have never witnessed before.

Terrorism and extremism are taking on ever more brutal forms, and are disregarding national loyalties and motives in favour of fellowship with some and conflict with others.

New generations that are dividing the world for better or worse.

But, if utilised in a good way, this is an enormous global opportunity.

Many problems are created when these unwavering postures take destructive paths, in addition to other challenges:

Migrations, new forms of criminality and until now unknown global diseases.

At the same time, new eras mean new opportunities.

People meet.

Travel habits are changing.

Social media eliminate distances and time differences.

Knowledge of our fellow human beings in other environments, with other dreams and under other conditions is increasing.

Automation and digitalisation are simplifying that which was previously complex.

And there is broadening recognition that – regardless of where we live, which language we speak or the colour of our skin – we all share the challenges and possibilities.

Meanwhile, we all want to feel safe and secure.

In our daily lives, at work and for our children.

This is every person's right.
And, in this, Saab can play an important role.

We want - and are able - to contribute to a safer society. Our products and services are contributing to a safer and more secure world.

In Sweden, a modern and conscientious defence industry contributes to adept national defence capabilities, safeguards society and protects citizens. Owing to Saab's position at the forefront of technology, we are also able to contribute to a safer world and a more secure Sweden. We are completely dependent on export and international cooperation within defence and security.

The realisation of this fact increased in 2015 - and this is something that I welcome. It bodes well for the future.

During the Annual General Meeting last year, I said that 2014 was a record year. That was true. Then.

We are now seeing an even stronger Saab.

Saab has ascended to the next level.

During 2015, we won a number of truly major business deals.

We received Brazil's order for 36 Gripen in October. Whereas the president of Brazil stood in this very hangar and met with the approximately 50 Brazilian engineers who were engaged in their first day on the job at Saab in Linköping. That was a day to remember.

The contract with Brazil is a veritable game changer.

A contract that came into effect after several years of work.

Over 20 years of debates, reviews, tests and evaluations, media discussion and decision-making processes.

When Brazil finally selected Gripen, that choice was made in one of the most thorough and transparent processes ever.

It's safe to say that no procurement of this kind has ever been analysed and deliberated as assiduously.

And, out of this, Gripen emerged as the final choice.

This contract confirms that Gripen is the most capable and modern fighter system on the market.

It also affirms Saab's position as a world-leading manufacturer of fighter aircraft and, of course, strengthens the company's provision for growth.

Not only is it the largest export order in the history of Saab and one of the largest in the history of Sweden, but is also the beginning of a unique partnership between companies and institutes in Sweden and Brazil, which will have an impact on Saab and Sweden for many decades to come.

The important partnership with the Brazilian aircraft manufacturer, Embraer, is one of many strong hands.

No other defence company in the world is as diverse as Saab.

We have more than 400 products.

Saab is unique in developing and manufacturing everything from fighter aircraft systems to state-of-the-art submarines.

At the end of June 2015, Sweden placed an order for two new A26 submarines, which was about a year after we took over operations and established Saab Kockums. It has been a long journey.

The discussions began as early as 2011.

Sometimes in a constructive and positive direction, but occasionally backwards. Our acquisition of Saab Kockums is a shining example of Saab's ability and willingness to cooperate closely with customers.

An ability to develop and produce world-class, high-tech products and conduct smart business.

Willingness to take responsibility for safety and security in the markets where we operate. In this case, for Sweden.

This is a clear proof that Saab is a dependable partner and supplier. It testifies to the outstanding expertise and competence existing among Saab's employees.

It says to countries which need to modernise and further develop their defence:

"If you require a defence and security provider that has both the will and desire to take responsibility, then Saab should be your first choice."

The production of A26 is now in full swing and international interest is growing. We are also upgrading a Gotland-class submarine at the shipyard in Karlskrona.

Underwater capabilities are of considerable national interest to Sweden and we are proud of the part we are playing in enabling Sweden to maintain and further develop these capabilities.

A few years back, we had to make a strategic decision in the field of radar.

We had lost some focus and needed revitalisation.

We therefore invested heavily in the future in the recent years.

We launched a new surface based radar family in 2014, which is based on new technology and the immense knowledge of our employees.

And, in 2015, a new airborne radar and sensor system was unveiled to the market.

A contract with the United Arab Emirates with Bombardier's Global 6000 aircraft as a platform was made public in November.

Not only did we develop the world's best airborne radar system, which we named Global Eye, we managed to get a contract for 11 billion kronor.

We continue to be strong partners.

We cooperate because it makes Saab and our products better.

Our partnership also contributes to increased competitiveness.

Our customers see that we are serious in our commitments.

We don't just fly in, sell things and then return to Sweden.

We build domestic markets across the globe.

One of our major partnerships is the one we have with Boeing concerning the strategically important T-X program in the US. We are jointly developing an advanced trainer system of the future.

Saab and Boeing both have a strong focus on innovation, are globally competitive and consistently at the forefront of technology. Our partnership is characterised by our mutual respect for each other's strengths.

In due time, we will be presenting a strong product.

For Saab, the partnership with Boeing means that, at present, we are the only defence company in our part of the world that is developing two new military aircraft.

We're doing this right here in Linköping
We should be proud of this.

By the end of the year, Saab's order backlog had reached 114 billion kronor, which is more than four times greater than our annual sales.

In conjunction with the major orders, a strong increase in small and medium-sized contracts in 2015 also contributed to the largest order backlog in the history of Saab.

In total, 80 percent of our orders in 2015 originated in markets outside of Sweden. We are a truly international company.

Sales revenue increased by 16 percent to approximately 27 billion kronor, with all business areas increasing their turnover.

Operating income amounted to around SEK 1.9 billion, with an operating margin of 7.0 percent.

On the whole, Saab had a negative operating cash flow in 2015. This was predominantly due to us increasing our working capital as we booked several major projects.

It was apparent from our 2015 year-end report that liquidity would be strengthened by the start of the current year, owing to significant advance and milestone payments. We envision this leading to a stronger balance sheet and our net debt approaching zero in the first quarter of 2016, depending on the work-up rate.

The defence market, defence budgets and the civil security market is now on an upward slope.
Meanwhile there are variations around the world.

All countries are dependent on one another - today more than ever - but countries also take their own paths.
Companies like us, who are globally active, need to understand and draw conclusions from what is occurring, and work flexibly and from a long-term perspective.

All of our 100 customer countries are important in different ways. This provides a necessary breadth, while we simultaneously work strategically in a number of particularly important markets.

In Asia, growth within the defence sector is strong, 30 percent over the last few years and we see potential in several countries. The geopolitical situation, not least surrounding the South China Sea, plays into this.

India takes a special position when we look at market development. It is the world's largest importer of defence materiel, but now with the added ambition of gaining more from domestic development and production in partnership with international companies.
Here we see possibilities for Saab and Sweden.

Allow me to invite one of our employees in India to share something we are working on in the world's largest democracy.

(film clip)

Thank you Vineet Khunger for the insight into a very important Saab customer.

Latin America is on the rise, particularly with regard to Brazil's ambitions within defence and security.

The economic situation is challenging, but it is important that we take a long-term view on development.

In this light, Latin America and Brazil are undoubtedly growing markets.

Europe remains our largest market.

With the increased tensions in and around Europe, it will most likely remain so.

The United States is the single largest security market globally, but has shrunk somewhat over the last few years. This both poses challenges and presents opportunities for Saab.

The United States is always an important market.

Against this market background, our proximity to customers is imperative.

Our local and regional presence has been greatly enhanced over the last three years, and is something we are constantly expanding.

We have better knowledge of our customers' needs and we have the potential to be close partners.

This produces results.

We want to work intelligently and flexible, with a constant focus on continuous improvement, better cost-efficiency and better sustainability.

The demand is apparent:

The time from when the customer makes a decision to when the product is expected is becoming ever shorter.

Companies that cope with shorter lead times and manage to retain high quality are the ones who will be successful.

After a number of critical development projects and initiatives aimed at increasing our efficiency, we are now focusing on carrying out the major deliveries that lie ahead of us.

Lead times are not only limited to the production stage, but must also exist in planning, development, delivery and, not least of all, throughout the entire operational lifespan of a product.

Digitalisation has come a long way within Saab. Both with regard to our products and the way we work.

An excellent example of this is the way we work with modelbased design - MBD.

This is revolutionising Saab's work methods.

Take the work with Gripen E for example.

Here, MBD has contributed to a reduction in design costs of up to 50 percent. We identify various problems much earlier which allows us to resolve them more easily.

In the next stage, all system development and maintenance of our products will also be digitalised.

This way, digitalisation reaches the end-customer, and Saab works at the forefront.

In our ongoing efforts to improve, it is a luxury to have employees with such impressive expertise and capabilities.

Regardless of where in the world I am, regardless of the business, I always meet Saab employees who see possibilities, who are devoted to technological development and strive to make customers happy. Often with a passion. Always with a driving-force.

When I meet our employees, I am also faced with something that I am concerned about.

We have a clear challenge over the coming years to become a more attractive employer for women, at a management level, amongst developers and engineers, and in our production processes.

We share this challenge with the majority of other technology companies.

Yet we have improved a great deal over the last few years. We have established new goals to increase the number of women, both amongst managers and employees – in Sweden and globally.

From Group Management we set requirements for gender equality in the recruitment process.

We do this because we know that gender equality is important for the company's profitability.

All kinds of experience must exist in our company. Internationalisation must not only mean that we can be found in different countries.

As CEO, I am constantly pushing for diversity in everything we do.

Society has everything to gain from us taking advantage of each other's backgrounds and experiences. Diversity and tolerance should always characterise our workplaces.

Sustainability, in a broad sense, is a competitive advantage. Sound and sustainable business drives innovation and profitability. The youngsters of today and tomorrow are looking for modern and progressive employers. If we want to remain at the forefront - technologically and commercially - for many decades to come, we must choose sustainable

paths. This is the core of our Corporate Responsibility activities within Saab.

Our rules and internal processes concerning anti-corruption are consistently progressing. These areas are under constant scrutiny from the outside world. During 2015, we intensified our work with sustainable relationships in supplier chains. A special Code of Conduct for suppliers has been established.

As you can hear, there is a great deal to be proud of and to strive towards. New achievements, while also delivering from a record-high order backlog. To always exist at the forefront of technology and to combine this with cost-efficiency is written into Saab's DNA.

We have evolved in tough competition and with high demands on our capabilities and on low life-cycle costs for all our products and services.

The latest technology,
the smartest solutions
and the newest innovations.
We listen to and learn from our customers.

Long-term, financially stable endeavours.
Always at the forefront!
This is how we will enhance profitability.

Thank you all for listening.