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Extract from speech by CEO Bengt Halse, at Saab's annual general meeting

Mr. Chairman, distinguished shareholders, ladies and gentlemen!
I will mainly concentrate on the future.

But before I do, there are two things I would like to mention: that we completed Celsius' integration into Saab and that we achieved a number of breakthroughs. In new product areas and important export markets.

It is very gratifying that at the same time we were busy with the integration, we were also able to develop our operations.

Now our job is to capitalize on all the opportunities available to the new Saab. We must fully utilize our common strength. This applies in particular to revenues, where there are considerable opportunities for further synergies. The new business management group - established under the leadership of Ingemar Andersson - will be an important instrument in this regard.

The many breakthrough orders we received are the other key aspect when looking back at 2000. Each of our operating areas was awarded orders of various sizes that are important to the future.

Our order backlog has never been larger, and last year's order bookings were the highest ever in a single year. Exports accounted for 48 percent of invoiced sales last year. At the same time that 70 percent of our order bookings were exports, which means that the export share of our business will continue to grow.

2000 was also good year for Saab when we look at the numbers. Invoiced sales doubled to SEK 18 billion, and order bookings were a record-high SEK 28 billion. The order backlog thereby amounted SEK 41 billion, representing 2,5 years sales.

Celsius also contributed positively to income from the very first year. Earnings per share rose to SEK 9.75.

The after-tax return on shareholders' equity was 20 percent, surpassing our long-term objective. And in line with the projection presented at the end year report earnings per share this year will at least match last year's level.

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Investments in defense materiel in the markets Saab has access to will grow in the years ahead. Due to budget cutbacks in recent years, many countries have accumulated investment needs they now have to meet. But what customers demand is just as important as how much they demand. And here the development is to our benefit. A shift is clearly taking place. High technology is playing an increasingly dominant role, at the expense of high-volume organizations. This will necessitate investments in new technology and systems, as well as upgrades and enhancements.

For Saab, it means that the markets for practically all our products will grow.

An important factor in this development is the shift in military doctrine we now seeing. The key is battlespace awareness – to be able to constantly monitoring a potential enemy to interpret his intentions. This facilitates fast decision-making, where the right resources are available at the right time. You have to see, hear and understand - while making sure your enemy doesn't see, hear or understand – and simultaneously act with high precision.

To meet this need, Saab has developed what we call Net Defence. Net Defence is a vision of a future net-centric defense, in which different defense systems are tied together and communicate with each other. This is a further advancement of the thinking already used in many of the defense systems we offer – for instance Gripen - although the net-centric defense has also been inspired by the explosive development in commercial IT systems.

In essence we are talking about a decade-long process, with two different types of changes. New technology is being phased in. But there is also a more immediate adjustment under way - whereby defense systems are becoming interoperable for international missions. As a whole, we can expect to see major investments in new systems, and upgrades of existing ones.

Internationalization is taking place at various levels. An increasing number of projects are cooperations across national borders. At the same time the institutional framework is changing.

For Sweden, 2000 was the year we joined the Western European Armaments Group, WEAG. And together with Germany, France, the UK, Italy and Spain, Sweden signed the so-called Letter of Intent (LoI) agreement. These changes facilitate new alliances across borders, and in the long run provide access to export markets.

Saab's international opportunities are growing, although our competition is as well. This development is contributing to the continued consolidated of the defense industry.



Since the Cold War ended, the map of the industry has been completely redrawn, and even though 2000 did not offer any major mergers we can now see that the processes in the U.S. and Europe are beginning to affect each other.

This is the environment we operate in.

We are meeting the future primarily by focusing on systems integration, electronics and services. This is where we see the best opportunities for organic growth, and for further acquisitions.

Our strategy provides a platform for long-term growth in all our business areas. Although in some areas growth will come quickly, while in others it will take longer.

Saab Systems and Electronics has strong positions in all its operating areas. For example, advanced command and control and information systems, where in the naval market we are a world leader in the segment we supply. The same applies to electronic warfare - half of which is exports - and where, for example, we are the world-leading supplier of decoys for fighter aircraft. In simulation systems such as BT46 have set the standard in the global market, and captured a market share of over 30 percent. And after the breakthrough for Gamer we again have a product with the capacity to dominate its market - this time at a higher systems level.

Barracuda Technologies' signature management systems are currently exported to around 50 countries. We are among the leaders in the world in the development and manufacture of systems that protect people and equipment against reconnaissance and homing equipment.

For Saab Aerospace, the export success of Gripen is obviously an important component for future growth. We are engaged in active sales efforts in a number of markets, and I expect at least one new export contract in the next two years.

Our commercial aircraft operations also offer attractive growth opportunities. Saab is currently a supplier of subsystems to both Boeing and Airbus, the two remaining manufacturers of large passenger aircraft. The Airbus consortium's decision to begin production of the A380 Superjumbo was major news during the year. Saab has been participating since 1997 in development work on the A380, and we are now in negotiations to become a partner in the project.

For Saab Bofors Dynamics, growth will come farther down the road - in a market that has been consolidating.



The fact that we have already achieved an operating profit, and that programs such as IRIS-T, Bamse and Meteor have been approved, give us a stable foundation to build on.

In our own programs, such as RBS 15, RBS 70 and Bamse, we see expect as a growth generator.

The advanced, high-technology services offered by the Saab Technical Support and Services business area - which in itself is a successful merger within the larger Saab-Celsius merger - also have considerable growth opportunities. Partly in maintenance services. But also in the development of the net-centric defense, where we command considerable expertise in the development, maintenance, and operation of large, complex systems. As well as in commercial markets, where this type of competence is in great demand. We anticipate interesting growth in this area, also in the short term.

The consolidation of the European space market has produced two major constellations: Astrium and Alcatel.

So far we have been able to handle the competition with the large constellations' own development and production units, and received important orders from both Astrium and Alcatel. And also from leading American suppliers as Boeing.

The acquisition of Dutch Fokker Space will make us the leading independent space supplier in Europe. The most important routes to continued growth will be through increased market shares, strengthened positions in new markets and possibly acquisitions.

The fact that we are now represented in Los Angeles - the heart of the U.S. commercial space industry - is an important step to help us grow in a market where we have a small share, but where our current growth rate and our potential are great.

Thanks to the breadth and depth of their expertise, Saab's employees are constantly coming up with ideas for utilizing our competencies and technologies outside the defense market. The commercialization and realization of such spin-offs is an integral part of our efforts to create value for shareholders. An example from this year was the divestment - at a good profit - of Marine Electronics. The strategy for commercial spin-offs has also found another concrete expression in the new Venture Capital Council, which will report to Group Management and systematically focus on the opportunities for commercial projects.



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PRESS INFORMATION

Sida Page

5

We can now close the books on a strong year. We received several of the orders we need to generate a good return on our ventures. We have basically completed Saab's restructuring and divested a long line of businesses that didn't fit our strategy.

We have some restructuring left to do.

For example, it has taken longer than expected to divest the parts of Celsius Aviation Services, due in part to the economic slowdown. The insurance wrap for regional aircraft frees us from a significant and difficult-to-analyze market risk, and allows us to streamline and concentrate our regional aircraft operations.

We have delivered what we said we would after our reintroduction on the stock exchange in the spring of 1998. We will generate long-term profit growth - adjusted for divestments - in all our core areas. We will be perceived as - and will consistently be - our customers' best choice and partner. We will continue to be an attractive employer, and a very valuable part of Sweden's research and education community.

And we will continue to create value for our shareholders.

Thank you for your time.