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Speech by CEO Åke Svensson at Saab's Annual General Meeting in Stockholm, April 6, 2005

Mr. Chairman, ladies and gentlemen, my fellow shareholders.
2004 was a good year financially.

Sales rose to SEK 17.8 billion from SEK 17.2 billion in 2003 – our highest ever. When you also consider that we are no longer consolidating Nexplo, the explosives and propellants manufacturer, underlying growth was 5.4 percent.

Operating income was also our best ever, amounting to SEK 1.6 billion and the operating margin rose by nearly two whole percentage points, to 9.3 percent. If you take away one-time restructuring costs and the cancelled torpedo contract from Brazil, we were actually a bit over 10 percent – over the margin objective set by the Board of Directors.

I am very pleased that we were able to meet these tough goals in terms of both growth and profitability. The improvement is primarily the result of a consistent effort to raise efficiency. An effort that we are now continuing with the same aggressiveness.

Earnings per share rose from SEK 7 to just over SEK 10, an increase of over 40 percent.

Trend toward higher exports

Nearly half our sales are now outside Sweden. Last year 62 percent of new orders were from abroad, a further increase from 60 percent the year before.

This high share of exports is even more evident in our order backlog, where no less than 70 percent is international.

The order backlog at year-end was SEK 43 billion, and therefore remains at a high, stable level.

Overall objectives

As I noted in the 2004 report, however, I do not expect that we can maintain the same high profitability this year. We are expecting significant costs for

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personnel cutbacks this year and next in the range of SEK 250 million per year.

Our long-term objective of a 10-percent operating margin remains firm, however.

With regard to our sales expectations, things look brighter. In my estimation, sales will grow by about 5 percent, in line with 2004. This is good. Only the industry's most competitive companies are growing. In our case, we can thank our success in the export market and in the commercial market.

The Swedish market

On the other hand, 2004 was not a good year in the Swedish market.

In recent years the Swedish defense has been placing orders more sporadically, and major development orders have stooped completely. This is due to political decisions.

The parliament decided last autumn to reduce defense allocations in the years 2005 – 2007. This means that orders to the Swedish defense industry will be greatly limited for some time to come.

But despite this, there will be orders for important development projects. We know that. But we also know that these projects will be fewer in number and less extensive than before, and that the customer will demand shorter series. Conventional invasion forces are gone. Long series are no longer needed.

The current lack of decisiveness in the defense's orders is creating major problems for us and our ability to maintain competencies and key employees. I also believe it will create problems for Sweden. The defense industry is an important technology engine in Swedish society. And if the engine sputters, so will society.

Last year we were forced to lay off nearly 250 employees in Sweden, which means that we have lost around 1,000 employees in the last two years. We expect to have to reduce perhaps another 1,000 to 1,500 employees this year and next. Many of them are highly educated and skilled engineers. In the process, we will lose important research and development resources that have taken years and in some cases decades to build up.

We are therefore turning increasingly to the international market where the number of Saab employees is gradually growing.



It is coincidental rather than intentional that while we risk losing around 1,500 employees in Sweden we will add 1,500 new ones in South Africa when the acquisition of Grintek is finalized.

We are naturally happy to be able to increase our personnel abroad but would also like to be able to retain more of our resources here at home.

Exports

The most important export order in 2004 was the Czech Republic's lease of 14 Gripen fighters. Saab is responsible for modification work and technical support during the 10-year lease period with an order value of slightly over SEK 1.3 billion. We conducted the first flight last autumn and will soon be supplying the first aircraft to the Czech Republic.

This means that Gripen will also be operational in a NATO country. And next year the same thing will happen in Hungary.

The system is designed for aerial refueling, which was successfully tested recently over the Baltic Sea with the help of a South African tanker aircraft.

In 2004 we also received orders for the PETRA tactical support and training system for Gripen, which will be used in the Czech Republic, Hungary and Sweden.

We received new orders from Airbus for the A400M, Europe's new military transport aircraft, valued at SEK 400 million.

We sold the RBS70 air defense missile system to the Czech Republic and Latvia for SEK 400 million.

The U.S. defense ordered our Ultra Lightweight Camouflage Net System for SEK 1.2 billion.

The German Navy purchased our anti-ship missile system and we received an order for the IRIS-T air-to-air missile from Germany for a combined value of SEK 235 million.

And in January of this year we were awarded an order for a fire control system worth slightly over SEK 620 million by the Dutch Army.

Acquisitions

Saab is also working systematically to identify potential acquisitions that fit our strategic areas.



The acquisition of the outstanding shares in Grintek, which I expect to be finalized any day, further strengthens our position in the South African market. When the deal is completed, we will own 71 percent of Grintek. This will give us an additional SEK 1.5 billion in sales and, as I mentioned, 1,500 new Saab employees.

In 2004 we also acquired the Finnish defense company Elesco, which specializes in systems integration for the Finnish defense.

Saab's strategic areas

My fellow shareholders, beginning this year we describe our operations and report our financial results in three new strategic areas: Defense and security solutions, Systems and products, and Aeronautics.

Since I took over as CEO nearly two years ago and as a result of the comprehensive strategic work we have been involved in since then the business areas have been no more than a means to categorize the Group's financial results. Our operating controls are based on our markets and our customers.

This development is evident in the way we have reported our strategy in the last two years. We have discussed defense systems and products. Long-term customer relationships in some markets and more short-term transactions with a larger number of customers in a broader international market.

Now we are building on this description and using these three areas as the basis of our strategic control. We will also be reporting according to these three areas.

I'd like to describe them in a little more detail.

Defense and security solutions

The common denominator in the area of Defense and security solutions is systems integration comprising system-of-systems solutions, command and control systems as well as technical support and services.

In order to develop and supply this type of system, you have to have a close, confidential relationship with each customer. And the Swedish defense is naturally the most important customer in this regard. But we also see opportunities to develop similar relationships in several other markets.



One of the key orders we have received in this area is to develop the basic structure of a Swedish net-centric defense. For which Saab has chief responsibility.

An important, new operating area is civil security coordinating critical public services such as the police, emergency services and health care to better protect society against various types of new threats.

An important Swedish order last year was for RAKEL. A consortium of Saab, Nokia and Eltel Networks won the order for a new, shared radio communication system for Sweden's safety and security authorities. Saab's share amounts to SEK 500 million.

The order for RAKEL is strategically important to us, since it is a clear indication of Saab's ability to utilize its technical expertise in the area of civil security.

This is exactly what we were talking about earlier today, when Saab hosted a seminar on the civil security for officials from Sweden's government authorities. Among other things, we demonstrated the RAKEL system. SVT24 filmed the seminar, and will broadcast it this Friday, April 8.

Defense and security solutions currently account for almost 25 percent of Saab's total sales. Approximately half those sales are exports. This is a strategically important area, since systems of this type lead to very close relationships with the customer by their nature long-term relationships and give us the opportunity to develop our systems integration expertise. We anticipate that growth here will mainly be in the area of civil security.

Systems and products

In the strategic area Systems and products, we are now harvesting the fruits of development investments that in some cases were made decades ago, and which have resulted in products that, because of their ability to be upgraded and further enhanced, are still world-class. These products are also constantly evolving.

For example, in missile and anti-armor systems, we have an old mainstay, Carl Gustaf as well as the next-generation anti-armor system, NLAW, which has been developed for the British and Swedish defenses.

In air-to-air and anti-ship systems, we have the old, reliable RBS15, whose upgrades keep it competitive even today. But there is also Meteor, the future missile for Gripen, among other aircraft.



Among our torpedo and underwater systems, you will find the underwater vehicle Double Eagle.

In training and simulation systems a deployable training system that facilitates training outside ordinary facilities.

Our success in this area is a reflection of our ability to create strong partnerships and relationships. But this area doesn't have the same political dimension that characterizes the previous one which is why it isn't distinguished by quite the same close relationships that we see in the Swedish market, for instance. On the other hand, this means that we can sell these systems to many more customers. And this is exactly what is driving growth in Systems and products.

With the comprehensive approach to sales taken by Saab International, I feel we have every opportunity to continue to expand in export markets.

The Systems and products area accounts for around 40 percent of the Group's sales. No less than two thirds of which is exports.

Aeronautics

The third and last strategic area, Aeronautics, can't be described in narrow terms such as defense systems, relationship marketing or export products.

That's because it comprises the ultimate in systems integration expertise, as illustrated by Gripen, and related systems for training and maintenance as well as products and subsystems for other aircraft manufacturers.

From 2005 Saab has taken over principal responsibility for the sale of Gripen in new markets. The current cooperation with BAE Systems which has established Gripen in three export markets will remain unchanged in these markets but we will be assuming greater responsibility ourselves in new markets.

The Gripen program is extremely important. In addition to the system's business potential and ability to generate sales from modifications, training and maintenance, Gripen is representative of our base of expertise and is therefore our ticket to advanced, international development programs. A clear-cut example is our participation in the international development of the next generation of aeronautic systems – unmanned aerial vehicles, UAV's.

Last year we conducted the first fully autonomous flight with our own unmanned aerial vehicle, SHARC. It took off, flew and landed completely on its own, which is quite a feat. The fact is, only a few companies in the world



have the technical expertise needed to manage this. I'm proud to say that Saab is one of them.

We are also gradually strengthening our position in commercial aircraft production by joining partnerships with, and supplying subsystems and components to, the major manufacturers of passenger and transport aircraft, Airbus and Boeing.

Maintenance and support of the fleet of Saab 340 and Saab 2000 and certain other types of aircraft are also important components in this strategic area.

Aircraft systems account for approximately 40 percent of the Group's sales. Nearly half are exports.

I don't think we can expect this area to grow in the years immediately ahead, not even when we receive new Gripen orders. This is because deliveries to the Swedish Air Force wind up in 2007. Our goal is to maintain the current level, so that we can keep our strategic Aeronautics expertise intact.

One positive note in this regard comes from the aircraft and space industry commission created by the Ministry of Industry, Employment and Communications, which published its results earlier this year. The commission underscored the technological strength of our industry and that it must be maintained and developed. It is important that this work is now followed up with concrete initiatives from the government.

A look ahead

In conclusion, I would like to take a broader view by looking at the world undergoing rapid change.

While it appears that military threats against our immediate area will remain low in the years ahead other, more diffuse threats are growing in strength. We will remember 2004 as the year when war-plagued Iraq experienced a new type of deadly violence when 201 people lost their lives in the Madrid train attacks, when over 1000 children and teachers were held hostage in a school in Beslan, in southern Russia and when a catastrophic tsunami devastated coastlines around the Indian Ocean. Just after the start of the year a hurricane laid waste to a large area of forests in southern Sweden. Tens of thousands of homes were left without power and telephones for over a month.

We are forced, time and again, to question our society's ability to handle natural disasters, organized crime and terrorism. We are reminded of our vulnerability when electrical, telecommunication and transportation



infrastructures can't handle the stresses they are put under. Many of us are now asking, what will happen next? Will we be able to handle a major environmental catastrophe or a terrorist attack?

The challenge in meeting society's changing needs for protection and security, at the same time that available resources are being slashed, is among the most important of our time.

As I see it, there's only one way to go, and that's through greater cooperation across borders and between military and civil resources. In this regard, Saab can provide important competence in the form of technical systems solutions.

By always looking ahead and by changing our range of systems and products in pace with the changes we see in society, we will be able to continue to grow and benefit our customers, our employees, and you, our shareholders, as well as Sweden as a nation.

Thank you.