

**SAAB**

PRESS INFORMATION

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Summary of President and CEO Åke Svensson's address to Saab's Annual General Meeting, April 5, 2006

2005 was a strong year for Saab, noted Åke Svensson in his address to the Annual General Meeting in Stockholm on April 5. Sales rose, income was stable despite major restructurings and the company was awarded several breakthrough orders in Sweden and abroad.

"For Saab, 2005 can be summed up in two words: growth and internationalization," Åke Svensson said.

In terms of internationalization, 2005 was a remarkable year: For the first time, more than half of Saab's sales was from customers outside Sweden – 56 percent, in fact. Of the new orders received during the year, no less than 63 percent was from markets other than Sweden. And the order book at year-end comprised 75 percent international orders.

Saab's internationalization is taking place not only through higher sales in foreign markets, but also through strategic acquisitions. A significant step was taken during the year when Saab became the majority shareholder in the South African company Grintek with operations in telecommunications and industrial and defence electronics. Through the acquisition, Saab added SEK 1 billion in sales and 1,500 new Saab employees.

Develop new home markets

Saab is a specialist in designing solutions where various command, control, communication or surveillance systems work together in an effective way. Since such projects often involve national security, professionalism only is not enough, however. Security solutions at a national level are also a question of trust. Saab's strategy, therefore, is to develop close customer relationships in more countries, so that it can become an important partner for security solutions at a national level.

"In South Africa, we are on our way to achieving this. Other countries include Australia and Finland. Further opportunities are opening thanks to the interest Denmark and Norway are now showing in Gripen," Åke Svensson said.

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**Niche products for global market**

In a number of technological areas, Saab has developed world-leading systems and products that are sold to a large number of customers in international markets. Among the examples are missile systems including anti-armor weapons, combat training, electronic warfare, underwater systems and satellite equipment.

Saab's largest orders booked in 2005 were in this segment: radar warning equipment for the German Airforce's Tornado aircraft and the IRIS-T, an air-to-air missile developed collaboratively by a number of European countries. Both were billion-krona orders. Other major orders last year included the heavyweight antiship missile RBS15 for Germany, an ultra lightweight camouflage net system for the U.S. Army and a new anti-armor system for the Swedish defence.

Saab expects these world-leading niche products to offer the greatest sales growth in the years ahead. The strategy for the future is to maintain cutting-edge competence and competitive strength in selected technological areas through its own research and development or through international alliances.

Åke Svensson also pointed to opportunities to grow through acquisitions: "One successful example is our U.S. acquisition in 2002, which was decisive to Saab Barracuda's strong current position in the American market."

Aeronautics operations

For the foreseeable future aeronautics operations will be dominated by Gripen, which will remain a modern fighter for at least another 30–40 years. To date Gripen has been selected by Sweden, South Africa, the Czech Republic and Hungary, and Saab is now working aggressively to achieve further success in the export market.

At the same time that Gripen is being put into service in more countries, Saab's civilian operations are growing as well. For Airbus, Saab has developed and is now manufacturing the leading edge of the wing of the A380 superjumbo. And in 2005 an agreement was reached with Boeing on development work and deliveries for the new passenger aircraft B787 Dreamliner.

"Development projects in the commercial aviation sector are important," Åke Svensson stated. "For one thing, they are good business. Secondly, they help to ensure that we retain our aeronautics expertise. And what's more, they are important to the further development of Gripen."

Sweden's decision to participate in the Neuron project means that Saab will be part of an international cooperation to develop future unmanned aerial vehicles. It also means that it will be able to add additional autonomous functions to Gripen.

**Civil security**

"The most important international order, without question, was from Pakistan for an airborne surveillance system," added Åke Svensson. "When a few remaining conditions are met, we expect to be able to book the contract and begin the extensive development work in 2006."

"This is a major order in monetary terms, totaling over SEK 8 billion, two thirds of which goes to Saab and the rest to its partner, Ericsson. But it is also important in that it is indicative of the future opportunities available to Saab. This surveillance system namely has a wide range of applications in civil security." In the emerging market for civil security, Saab received an order in 2005 from the Japanese Coast Guard for two Saab 340 aircraft adapted and equipped for search and rescue missions along coasts and at sea.

"While military threats have not been eliminated, society is also facing new types of threats. In our changing world, the focus is now shifting from protecting borders to protecting flows," Åke Svensson said.

Society has become more vulnerable through its dependence on uninterrupted infrastructure and unimpeded flows of people, goods, information and money. Disruptions in these flows can have major consequences for those people affected, but also because major economic values are at stake.

"Eighty percent of world's goods are shipped by sea, which makes it a very vulnerable flow," Åke Svensson said, showing how Saab has developed systems that at any given time can provide real-time images of a section of the ocean, stretch of coast or a harbor.

"Saab has the technology to meet the growing needs in society to protect important civilian and military functions. In a changing world, there are many business opportunities for Saab," he concluded.