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Summary of CEO Åke Svensson's address to Saab's Annual General Meeting, April 12, 2007

Saab's President and CEO, Åke Svensson, provided a brief historical summary of Saab's first 70 years in his address to the Annual General Meeting on April 12.

"Saab has developed in close cooperation with the Swedish defence through Sweden's decision to remain neutral," he said.

Åke Svensson also mentioned that the defence industry has been decisive to Sweden's growth and development: "Analyses show that the investments have repaid society by a wide margin. When engineers from Sweden's most research-intensive company have continued on in their careers, they have shared their expertise and thereby helped to develop other areas of Swedish business. In this way, Saab has served – and still serves – as an incubator and technology generator for Sweden. This is a role we would gladly continue to play."

He expressed his concern over the fact that fewer young people in Sweden are choosing to study natural sciences and engineering: "Swedish companies have a great need for engineering professionals. Yet we face a future where we risk an acute shortage. Saab has made efforts for years to counteract this, and we feel it is important to continue to do so."

World-leading technology, the ability to adapt to continuous change and financial strength have distinguished the company through the years, Åke Svensson stated, noting that they are also Saab's most important success factors in the future.

2006 was a fantastic year for Saab. Sales increased to SEK 21 billion and operating income rose to slightly over SEK 1.7 billion, generating a margin before structural costs of over 10 percent.

"This means that we are meeting our long-term profit targets, and our underlying earning capacity is good," Åke Svensson said.

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2006 was also a successful year from an acquisitions standpoint. "We acquired Ericsson Microwave Systems, which I would consider another historical milestone for Saab. The acquisition added 1,200 new colleagues, SEK 2.5 billion in sales and world-leading technological content and offerings in sensors, an excellent complement to our portfolio."

The acquisition from Ericsson included the remaining 40-percent interest in Saab's space operations. Two other important structural moves in 2006 were the acquisition of Denmark's Maersk Data Defence and the establishment of a new aerostructures business in South Africa.

"Taken together, these moves give us a stronger position in our key home markets, the Nordic region and South Africa," he continued. "2006 was also a fantastic year from the perspective of new orders."

He noted that an increasingly important aspect of Saab's business is support solutions, which are conducted in close with our customers' operations. Saab remains in place in Afghanistan, for example, to support Sweden's peacekeeping forces.

"This is no one-time occurrence. Saab is prepared to support and stand alongside the Swedish defence in its international missions in the future."

2006 was also a good year for Saab's best-known product, the Gripen fighter. Perhaps the biggest event regarding Gripen was the Swedish Air Force's participation in Red Flag, an international exercise in Alaska.

"Competitors and observers were deeply impressed by Gripen's performance. Our opinion – that Gripen is world's most modern fighter in operational service – was reaffirmed," Åke Svensson said.

He devoted a portion of his address to the bribery accusations against Saab and the ongoing investigation of the lease of Gripen aircraft to the Czech Republic: "It is our firm conviction that our business uses only legal methods. Bribes have never been allowed at Saab. We are fully cooperating with the public prosecutor and providing all the information needed in the investigation. This makes it unsuitable for us to further comment before the prosecutor's work is done."

Defence orders are complicated, and Åke Svensson explained in detail what is required, for example, to seal a deal involving Gripen and why advisers are essential to such orders:

"The first piece of the puzzle, and what gets us considered in the first place, is having a product whose price and performance meet the customer's requirements.

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“Our second puzzle piece is financing. Saab can offer competitive export credits through the Export Credits Guarantee Board in Sweden, for example, which also helps us to manage various types of business risks. Naturally, this also requires that Saab is a well-managed and trustworthy company.

“In major defence orders, the customer always requires so-called industrial cooperations. This means that we, as the seller, also have to help to create long-term economic growth and development in the buyer’s country. This can be done through the direct participation of the country’s industry in the production and development of the Gripen system, or by having Saab help to establish companies and transfer technology.

“Our fourth puzzle piece is political considerations. An order for fighters, for example, entails so much more. It is also a question of a long-term relationship between nations. Aircraft orders are an international affair based on extensive security and cooperation agreements – and therefore require close cooperation between governments and industry.

“The larger and more complex the systems we sell, the greater the importance of industrial cooperations and politics. The needs and terms set by each buyer-country differ, which is why we, and our competitors, need advisors and representatives to understand the situation at hand and act appropriately.”

Saab’s and BAE Systems’ rules on hiring and paying advisors are crystal clear and are published on Saab’s website.

“We do careful research and obtain references. And we are always spell out our ethical requirements,” Åke Svensson explained. “For me, not only as the president of Saab but also from a personal standpoint, business ethics are a matter of principle. And I know that this opinion is shared by all my colleagues. It is very clear to me that we are, and will remain, a company that does business based on our values and good business ethics.”

In his address, Åke Svensson also described the most important aspects of Saab’s three strategic business segments, noting that the company will be concentrating in 2007 on a number of programs to make it even more efficient. “The aim is naturally to increase profitability, with the goal of leaving us more money to invest in research and development as well as marketing. Only in this way can Saab remain a world leader.”

In conclusion, Åke Svensson offered two concrete examples of how Saab can contribute to a safer society. The breakthrough order to supply Securitas with a security platform for Stockholm’s Arlanda and Bromma airports and deliveries of the Giraffe radar system to France demonstrate two things.

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“The first is that Saab, with its expertise, can develop new system solutions for civil security, though also that we can utilize our existing products and systems to make society safer against today’s most prevalent threats. The second fact that these examples show is that such deals require world-leading technology, the ability to continuously change, and financial strength,” he said. “Saab has all this and more. We stand strong – and proud – as we look to the future.”

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