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Bengt Halse, President of Saab AB

Address to the Annual General Meeting of Investor, 16 May 1995

Mr Chairman, Ladies and Gentlemen,

When I was asked back in February whether I would consider becoming President of what was to be the "new" Saab AB, I needed little time before deciding "Yes". One of the reasons why this was an easy decision was that Saab has exactly the characteristics that Lars Kylberg mentioned in his address: Saab is a stimulating company!

With my background as an engineer and my experience from the defense industry, you will understand that it is a stimulating mission to lead a company like Saab, which works with advanced technology, long-term projects and products for a worldwide market. The military and commercial product programs that Saab has today undeniably give the company a good platform. But nothing more.

The platform is good because the JAS 39 Gripen, the Saab 340 and the Saab 2000 are excellent products in pace with the times. However, in the aircraft and defense industry, good products alone are not enough, since the industry is largely governed by considerations to do with welfare economics and defense policy. Competition is of a very special nature and is unfortunately not always as straightforwardly commercial as would be desirable.

But it is not just a matter of the competitive conditions being so unusual in many cases. We know that both the world's aircraft and defense industries are characterized by considerable overcapacity. This is due to fluctuations in the business cycle and to lower demand for defense materiel. There are also structural causes. What we see ahead of us during the rest of the 90s is in other words a period of far-reaching structural rationalization, especially in the European aircraft and defense industries.

Ladies and Gentlemen, I am taking up these aspects because when I agreed to become President of Saab, I realized that the problems facing us may have less to do with the products themselves and are more a matter of marketing and structuring.

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As many of you will know, this is my first day as President of Saab - even if I have been "practising" since 3 April. In view of this, I had intended not to comment on the figures for 1994 and those from the first quarter of this year. They are of course documented in Investor's Annual Report and the Interim Report.

In regard to the first quarter, I will only mention that sales increased heavily to SEK 1,927 million, mainly attributable to commercial and military aircraft, as well as large deliveries of military training materiel. Income after financial income and expenses decreased to SEK 2 million. The poorer result is primarily attributable to Saab Aircraft, whose income was affected by write-offs of product development for the Saab 2000. In the defense area, income has improved, mainly in Saab Training Systems.

In the defense area, Saab Military Aircraft is the largest unit and here the JAS 39 Gripen naturally has a special position because of its size and importance. As Lars Kylberg mentioned, the agreement with British Aerospace lays the foundation for something that can develop into a strategic and far-reaching partnership. However, a condition for this coming about and for the Gripen having a chance in the export market is that our home market is in order.

If we are to cooperate in exports with British Aerospace, it is important that we at Saab strengthen the skills and resources of our sales organization. It is also important for the JAS program to have a continuation in terms of further development and production. Only with such a domestic market will the Gripen be interesting in foreign markets. I will be putting a great deal of time into developing confidence and cooperation with our authorities so that the Gripen really is the success we are counting on for the Swedish aircraft industry and for "Sweden Incorporated".

Selling an air defense system like the Gripen in other countries is not a matter of performance and economics alone. It is just as much a matter of politics and national prestige and demands a determined national effort.

Turning to Saab Aircraft, the Saab 340 is a tried and tested aircraft and the Saab 2000 a promising newcomer. What is disquieting, however, is not the fact that the bottom has fallen out of the commercial aircraft market in recent years - a market always comes back sooner or later, as is now beginning to happen - but that we are losing market shares.

Naturally, there are explanations for this. In many cases, our state subsidized competitors offer prices and financing terms that we are unable to match. But however valid these explanations are, they are uninteresting. The only thing that matters in the cautiously growing demand now being seen, is that we start selling again, that we start winning orders again. Therefore, extensive resources will be mobilized to achieve this goal.

In the long term and when we have recaptured our market positions, it will be interesting to look for international cooperation concepts also on the commercial side.
Saab Combitech is an interesting company group working in narrow but global niches, where it is among the world leaders. Operations in space

systems and level-gaging systems for marine and land-based installations are examples of applications in defense technology in niches where growth is expected, and the company concept is prepared for developing several growth-oriented business areas.

The greatest asset in the new Saab Group is, however, not its fixed assets and products, but its employees. They represent skills that are of world class and are in my view an inestimable national resource which the country of Sweden should safeguard carefully.

When I take over the leadership of one of Sweden's most stimulating companies, it is in the knowledge that the situation involves major challenges as well as considerable hopes and potentials.

Thank you for your attention.

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