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Handled by
Lars Jagerfelt
+46 13-187165

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Lars V Kylberg, President and Chief Executive Officer,
Saab-Scania AB

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

Mr Chairman, Ladies and Gentlemen,

Today is Saab-Scania's last day as an interconnected group of companies. After the Annual General Meeting, Saab-Scania ceases to exist as a company.

The decision to divide Saab-Scania into two separate companies is an industrially correct decision of outstanding importance for both Saab and Scania.

Having stated this, it should be added that an occasion such as this is undeniably accompanied by feelings of sadness.

Saab-Scania was formed in 1968/69 through the merger of Saab and Scania-Vabis. To cut a long story short, the primary reason for the merger was to meet future competition more effectively by coordinating the companies. Some things turned out as planned, others did not. However, the end result is impressive!

Ladies and Gentlemen, during the 25 years or so that Saab-Scania has been operating, Scania has developed into one of the world's leading manufacturers of trucks in the heavy segment - both in terms of profitability, product quality and international market penetration. I believe it is no exaggeration to say that Scania has never been as strong as it is today: it has both the products and the global production capacity, and is well prepared for the present upswing in the business cycle.

On the aircraft side, we have a product program - the Viggen and Gripen, the Saab 340 and Saab 2000 - that puts Saab among the world's leading aircraft companies and Sweden among the world's most advanced countries in aviation technology. Certainly, we have experienced delays and cost increases for the JAS 39 Gripen in recent years, as well as a very weak commercial sector during the 90s. However, an aircraft industry can only be assessed over a long period of time and if we do so, we can see that our aircraft operation has meant interesting business for Saab-Scania.

In addition, the military aircraft operation has led to the development of a number of other activities during the Saab-Scania era. Here, I am thinking in particular of Saab Dynamics with missiles and electronic countermeasures, sight, surveillance and fire control systems, and of Saab Training Systems with training materiel based on laser simulators. On the commercial side, we have not only regional airliners, but also the Combitech companies with space products, radar-based level-gaging systems and traffic systems. Saab is an international leader in several of these military and commercial activities.

In the car industry, Saab has succeeded in meeting the toughest international competition and surviving as an exclusive brand. This has been possible thanks to our strategic joint venture in the form of a partnership with General Motors. But that detracts in no way from the achievement. Just the opposite!

Ladies and Gentlemen, in assessing the end result, it is possible to apply several criteria. I have chosen to speak about how our operations have developed in general and I have avoided quoting numerous figures. However, there is one statistic I would like to mention: in 1969, the first year Saab-Scania published an Annual Report, the company had sales of SEK 3,000 million. In 1994, sales of Saab-Scania and Saab Automobile totalled SEK 51,000 million.

Mr Chairman, I mentioned at the beginning that the main reason for the merger in 1968/69 was to be prepared for the future. This is also the main reason, especially in regard to Saab, for dissolving Saab-Scania in 1995. In 1968, the company decided to tackle the problems facing it by creating a national alliance. In 1995, it is necessary to create the best possible conditions for international alliances. Furthermore, it is important to note that Scania, with its size and international status, is certain to develop better by itself. In this case, dissolving the company is a form of offensive structuring because it is within one and the same industry that the natural industrial synergies are to be found. In today's global competition, it is necessary to have international partners.

Saab Automobile has been able to develop thanks to its partnership with another international car producer, General Motors. On the military aircraft side, we have laid the foundation in 1994/95 for a long-term strategic partnership between Saab Military Aircraft and British Aerospace. In commercial aircraft, it is desirable in the long term to find an international partnership also for Saab Aircraft.

All the actions we have taken in recent years must be seen in this light. The separation of the military and commercial aircraft operations into two companies, the streamlining of Combitech into a group of companies for commercial operations, the merger of Saab Missiles and Saab Instruments into Saab Dynamics - everything has been part of an effort to structure operations so that we are suitably organized when we come to develop our international partnerships. Saab-Scania has become three companies: Saab AB, Scania AB and Saab Automobile AB, in other words an aircraft and defense company, a truck and bus company, and a car company.

Ladies and Gentlemen, what Saab-Scania is today is naturally the result of what has been achieved over several decades - by the employees, by earlier

Boards and by company managements. I myself have had the privilege of working at Saab-Scania first for a few years as Vice President at the beginning of the 80s and later as President and CEO since 1991.

Never have I experienced such a stimulating company: Saab-Scania stands for the most advanced technology available, regardless of whether we are speaking of aircraft or satellites, cars or trucks. Saab-Scania is possibly Sweden's most exposed company and its products are owned by everyone: aircraft are something spectacular, defense materiel is part of our national defense, trucks part of our traffic system, buses part of our public transport, and cars are owned by almost every family. Other characteristics of Saab-Scania include its farsighted industrial policy and the fact that its products are designed for a global market.

All this had made - and continues to make - Saab-Scania a particularly international, particularly exposed and particularly stimulating company.

Ladies and Gentlemen, finally I would like to take this opportunity of expressing my gratitude to every Saab-Scania employee. It is the employees who are the company, and it is their skills and dedication that have made Saab and Scania what they are today, skills that have been built up over decades, skills that are an inherent part of the company and which have been carried on from product program to product program, from generation to generation. It is this "heritage" that constitutes the strongest assets of Saab and Scania for the future.

Both the departing company management and I myself would therefore like to thank all the company's employees. We are convinced that Saab and Scania will continue to develop in a successful way.

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