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Saab

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Speakers



Afonso Osório

VP and Equity Research Analyst | Barclays



Anna Wijkander

CFO | Saab



Björn Enarson

Head of Equity Research Sweden | Danske Bank



Daniel Djurberg

Head of TMT Equity Research and Senior Equity and Credit Analyst | Handelsbanken



Henric Hintze

Equity Research Analyst | ABG Sundal Collier



Johan Andersson

Head of Investor Relations | Saab



Marie-Ange Riggio

VP and Equity Research Analyst | Morgan Stanley



Micael Johansson

President and CEO | Saab



Operator



Tom Guinchard

Equity Research Analyst | Pareto Securities



Yassin Maktadir

Equity Research Analyst | UBS Investment Bank

Prepared Remarks

**Johan Andersson**

Head of Investor Relations | Saab

Good morning, everyone, and welcome to the presentation for Saab's report for the first quarter of 2026. My name is Johan Andersson, and I am responsible for the investor relations, and I will be the moderator here today. Here in Stockholm, I have our CEO, Micael Johansson, and our CFO, Anna Wijkander. Micael and Anna will present the report, and thereafter, we will have a Q&A session. I remind you that you can both ask your questions over the telephone conference, or you can write your question in the web interface, and I will read it out here in Stockholm. With that, warm welcome, and I'll hand over to you, Micael.

**Micael Johansson**

President and CEO | Saab

Thank you, Johan. Also from my side, most warm welcome to this quarter one report. Let's jump right into some highlights. I think we can conclude that we have started this year in a very strong way. Substantial organic growth, 23.6%, and also creating scale gives us a good profitability. Good cash flow and still very intensive in the market. The momentum is very high in the market, so we have many avenues. The order intake, as you've seen, is on par with the quarter one last year. A strong quarter. A couple of examples of important things that happened, and I will come back to deliveries and stuff like that, but the contract from Sweden on the counter-UAS system called Gute is very important. We have created an agnostic, very flexible counter-UAS system, and that I will get a little bit into that later.

**Micael Johansson**

President and CEO | Saab

A very big event that happened this quarter is, of course, the delivery of the first Gripen E from the Brazilian facilities, the factories in Gavião Peixoto, which got lots of interest from the Brazilian side. They are really proud of having this sovereign capability now in country. It's good for us as well, having a hub so we can ramp up the capacity, of course, in terms of Gripen deliveries. We also see that looking at the growth, that our investments in production capacity comes into play. We have still lots to do on that side, but we have now a couple of production lines that have opened in Sweden to support the Dynamics business specifically. That's very important to us since we have a substantial backlog, as you know.

**Micael Johansson**

President and CEO | Saab

Of course, the restructuring that we've done, April 1st, of creating a new business area called Naval, including now Naval Combat Systems together with the former Saab Kockums business, is a very important step to establish a whole offer in the market when it comes to combat system integration, design capability of surface ships, but also creating the systems of systems capabilities, unmanned, manned, teaming on the naval side. More specifically on the numbers, as I said, the order intake and the momentum is good. We increased the medium-sized orders with 28%, almost a book-to-bill of 1.95. Of course, in a certain quarter, you can't look at specific order intake volume. Since we have several large contracts being negotiated, you never know when they actually will happen, in which quarter. This is good from a foundation perspective, small and medium-sized orders.

**Micael Johansson**

President and CEO | Saab

The growth was excellent organically, SEK 19.2 billion. Growth in all business areas, double-digit numbers. Specifically, Surveillance had a very good quarter in terms of growth. Also, the EBIT growth is 32%, SEK 1.9 billion in numbers. That is, of course, an effect of the increased top line, creating scale effects and giving us 10% margin, which is excellent. Also a good quarter when it comes to the first quarter, looking at the cash flow, operational cash flow over SEK 1 billion, which is about, of course, deliveries and payment from the customers. That is, of course, something that we always look into diligently, that we've guided to positive cash flow also going forward, of course. That's where we are after the first quarter. I give you a few comments on each business area.

**Micael Johansson**

President and CEO | Saab

The growth in aeronautics is, of course, much from the Gripen program, where we have lots of intensity and also deliveries ramping up. We had this fantastic event in Brazil now. We have two factories that can actually deliver Gripen aircraft. That will also, of course, be a good relationship increase between Brazil and Sweden when it comes to the further development of the Gripen E, which is the aircraft is incrementally possible to develop through software and so forth. It's not only about production. We have a couple of contracts on the T-7, the Lot 3 and Lot 4 of the T-7, which increase the backlog, of course, but we still have a burden of not having the production ramping up quickly enough.

**Micael Johansson**
President and CEO | Saab

As I've said before, this will take a couple of years before we actually get to the right numbers, but many hundreds of aircraft are in play for this. In the end, there will be probably a couple of thousand aircraft. This will be a good program, but it's a bit of a fight to get this fantastic facility delivering more aircraft out of the facility. They are delivering now, at least. Then, of course, we've launched a Gripen Colombian program, which is very important to us, which we did win then in December last year. Dynamics. Excellent demand in the market, 1.2 book-to-bill. There's a good order intake and good growth as well. The mix of ground combat orders and missile systems orders.

**Micael Johansson**
President and CEO | Saab

Remember, Dynamics is support weapons, it's missiles, it's training and simulation, it's also camouflage nets, signature management, which is a good mix of things. All the parts in Dynamics are doing really well. Deliveries are important. Here we have the production facilities, a couple of them in Sweden now up and running, in the Karlskoga area, which is really good to us. I must say that the profitability is of course excellent in the quarter as well, which Anna will go into more detail about later. Surveillance, very strong demand in the market across the whole portfolio. We have a pipeline of discussions on the GlobalEye with the different countries. I think that has potential going forward.

**Micael Johansson**
President and CEO | Saab

Also, of course, the ramp up on the sensor side, and I want to highlight specifically the Giraffe 1X, where we talked about that we actually manufactured these sensor systems on a bit of speculation rather than only on contracts, and that's good for us, because we've been able to deliver a number of systems to the Middle East countries that needs to find and detect all the missiles and the drones coming in over their territory. That's good for us, and we will now aim for ramping up that production to over 300 a year. That's a good volume business on the sensor side. Then, of course, this counter-UAS system that Sweden contracted us with is a big initial contract, an important one.

**Micael Johansson**
President and CEO | Saab

I think that area will develop into also not only being military applications, but also protecting critical infrastructure in the total defense perspective going forward. As you can see, the growth in Surveillance was excellent, over 30%. A couple of comments then. The counter-UAS system is a very modular system in terms of the vehicles, the sensors, the command and control, and also then agnostic when it comes to which actually effector do you use. It is a sensor to shooter system, which we put together in a very short time since we had the different products and components of it and integrated it to be operational extremely quickly. That is the key. We can do this with existing things that we have to provide things that will make a change in the deterrence and the defense very quickly.

**Micael Johansson**
President and CEO | Saab

We continue then to adapt different type of effectors going forward. Either it's the 40 mm from Bofors, from BAE Bofors or whether it's the Trackfire with the 30 mm cannon or whether it will be the Nimbrix going forward. This is important to be flexible on the effector side, and it's proven very effective. When we come to Saab Kockums, which will be the last time I say Saab Kockums, because this now will be a new business area named Naval going forward. This is the last quarter we reported like this. They also had good growth and we are of course, in intensive discussions with Poland on the submarine program, and we hope to finalize that, of course, in the next quarter, but I can't promise exactly when. It's intensive discussions and according to plan.

**Micael Johansson**
President and CEO | Saab

Also on the Polish side, the next Sigyn ship was launched in January, a very important program to us, of course, and also good security politics collaboration thing between Sweden and Poland. Then we have now a more consolidated business area going forward, offering a combination of naval capabilities, and also being able to do the combat system integration between all the components in the same area and offering that in a different way, which I think will be very good for the business, going forward. Combitech is also doing really well. Good order momentum, and of course, it is the total defense perspective and how much we have to do in terms of creating better deterrence and processes in different parts of the Swedish society that drives growth, but also the military side and the contracts we get from the Defence Materiel Administration.



Micael Johansson
President and CEO | Saab

This is excellent performance, growth of 16% with good profitability. Of course, it's all about getting the competence and the skills in the organization growing, which has gone really well to grow this business. I'm really pleased with this. On the sustainability side, a couple of important things happened, of course, during the quarter as well. We have done now a compliance sustainability statement report in our year-end report, the annual report, I mean, for 2025. Completely in compliance with the requirements then, the CSRD requirements. That has all the details about the metrics, the targets, and what have you, if you want to dive into that. Then we've looked into a life cycle assessment when it comes to our Giraffe 1X, because okay, we can have control over the Scope 1 and 2, but Scope 3 is also very important, how you use the system.



Micael Johansson
President and CEO | Saab

We have concluded, and we are in discussions with end users, that if they do go from supporting the system from a diesel sort of fuel perspective or going to electrical power or a biofuel type of setup, you would gain a lot when it comes to the emissions, of course. That is what we are pushing now. This system can be connected to any normal 220 volt outlet. It's really flexible in that side. We've done something that is prepared to do a big effect on sustainability if the end customers choose to use it that way.



Micael Johansson
President and CEO | Saab

Of course, we're looking into when we get volumes in a production, like in Dynamics, of course, how we use the packaging and how we reuse material for that and not wasting that adds lots of savings on the emissions, but also cost, of course, for us. We're changing that. If you look at the quarter sort of emission perspective, we have an increase due to more flight tests compared to the last quarter last year. We have more business travel also because of the intensity in the market, but it's also a period of cold temperatures. Looking at all the sites, of course, and a new site comes into play, you get a slightly higher footprint. We are on the right track towards our targets.



Micael Johansson
President and CEO | Saab

We are 36% down, when it comes to the reference year 2020, when it comes to emissions towards our targets. We're doing well on that side. With that, I will hand over to the details, and Anna will walk you through a little bit more of the financial results.



Anna Wijkander
CFO | Saab

Thank you, Micael, and good morning from my side as well. It is clear that we have started the year with a strong first quarter, and I will soon go into the details of the financials. Before doing that, I think it's good to look at some trend and what we have achieved so far. Over the recent years, we have achieved strong sales growth, and that is supported by our leading offering and the trust from our customers. Consistent with a profitable growth strategy, we have scaled our operations, we have expanded our capacity, and we have continued to deliver on our customer commitments. On top of this, we also have a healthy backlog, and we are continuously working on efficiency, which will support our performance going forward.



Anna Wijkander
CFO | Saab

Looking at how the trend has developed after this first quarter, 2026, we have now delivered an organic sales CAGR of 24% so far in our medium-term target period. Importantly to note here is that we have had double-digit sales growth in all our business areas. We have also continued to deliver profitable growth, and that has shown that we are driving our operating cost leverage, and our EBIT growth is more than our sales growth. It's now 33% for these periods. To note here, it's also important to say that we have increased our spendings in R&D to be able to be relevant to have future capabilities in our portfolio. With that, we are progressing well towards our medium-term targets. With that then, now let's take a closer look at the quarter.



Anna Wijkander
CFO | Saab

The EBIT increased by 32%, largely driven by the sales growth and leverage on operating expenses. We can see that marketing expenses are flat compared to last year, and the administrative expenses are slightly lower. We continue to ramp up the R&D efforts as planned. All in all, we have an operating margin of 10% compared to 9.2% last year. Aeronautics. Here we had good sales growth of around 15%. However, we can see that the margins decline, and that is due to somewhat increased R&D amortization, and we also have a negative currency effect impacting. Also, as Micael said, the T-7 program has still challenges with profitability and ramp up, but we have good order intake here in the quarter. That is impacting the EBIT margin negative in Aeronautics. In Dynamics, we continue to expand capacity and to deliver on our backlog.

**Anna Wijkander**

CFO | Saab

We have a favorable mix this quarter together with the sales growth. That drives the EBIT growth to 38% growth this quarter and an EBIT margin of 17.5%. As always, when we talk about Dynamics, it's important to remember that the EBIT margin varies between the quarter, depending on mix and what deliveries we have. Surveillance also had a very strong quarter with good progress across all business. One good example of that, and where we had particularly good performance, was in the surface sensor area with several deliveries. Overall sales grow by 32% and the EBIT grow 52%, and that is driven by the mix and also the leverage in operating costs. Kockums also growing, but here we can see an impact of the high activities that we have in the marketing area with the campaigns ongoing, for instance, in Poland.

**Anna Wijkander**

CFO | Saab

Here the marketing cost has increased compared year-over-year. That is why we have a small decline in the EBIT this quarter. Not visible here in the slide, but worth mentioning, is also Combitech, that has also a good development and high activity through their increased number of consultants. They have an operating margin of 11.3% this quarter. Also within corporate, we have improvements compared to last year in our small Skeldar business and also in our minority portfolio, which improves the margin in corporate. As you already know, we have established a new business area from April 1st, the business area Naval. The purpose is to consolidate and to strengthen our total naval offerings to deliver greater value to our customers.

**Anna Wijkander**

CFO | Saab

From the second quarter, Q2, we will report financially in this new structure and you find more details on our website, and you can also find the restated financials to facilitate your comparison. The key change is that we have moved or transferred the business unit, Naval Combat Systems, from Surveillance into this business area Naval. It's largely a system integration business driven by projects, and historically they have had around SEK 6 billion per year in sales. Since 2024, they have, on average, had an operating margin of 6%. When you look into the details, you will notice that there are two quarters in 2025 with significantly lower margins in this business unit.

**Anna Wijkander**

CFO | Saab

This is due to the nature of this business, where we have this project mix depending on how the margins is every quarter, and also that we had some margin adjustments in a few projects within Naval Combat Systems. Looking ahead, this is a business with future growth, and we see potential for profitability over time. More details are shown in our homepage. Next slide is the income statement for the quarter. The organic growth was 23.6%, reported was 21.4%. Same here this quarter as last quarter, the currency impacting us negatively with 2 percentage points on the sales growth. Gross income is increasing, but margin is flat, and that is due to mix. If you look at the business areas, we can see that they are improving year-over-year in gross margin.

**Anna Wijkander**

CFO | Saab

I talked about the EBIT that has improved, but let's then turn to the financial net. Here we have a difference since last year because we are now increasing the application of hedge accounting to also include derivatives that hedge currency in the tender portfolio. From now on, you will see currency gains and losses from the tender portfolio in the other comprehensive income and not in the financial net. With that, we will have less fluctuation in the financial net going forward. Important to note here is that we have not changed our hedging principles. It's just that we have changed the application of how we use hedge accounting. Finally, we have growth in our EPS driven by the EBIT growth, and also the net income is growing this quarter. Turning to cash flow. We had a strong cash flow from operation of SEK 2.8 billion this quarter.

**Anna Wijkander**

CFO | Saab

Main contribution came from Surveillance and Dynamics, and the largest reason for that is the several customer payments, but a bit offset by inventory build-up, and that is also what's impacting the change in working capital. The investments increased compared to last year, which is totally according to our plan, and they were up from SEK 1.6 billion-SEK 2 billion this year. We now have an operational cash flow of SEK 1 billion after this quarter. The free cash flow is impacted by higher tax. We have higher supplementary tax related to income taxes paid for 2025. That's the main reason why that is negative SEK 1.3 billion and the free cash flow slightly negative or minus SEK 300 million. All in all, we have an improvement also in return on capital employed, driven by our improved profitability, but also on our improved capital turnover, so it's now above 16%.

**Anna Wijkander**

CFO | Saab

The cash conversion is 53% after this quarter. Progressing well towards our medium-term target to have a cash conversion above 60%. The net liquidity position and balance sheet is still strong. We have a net liquidity of SEK 4 billion, almost unchanged since last quarter. Cash and liquid investments amounted to SEK 18.1 billion, and in addition, we have an unutilized revolving credit facility of SEK 6 billion. Let's turn to the future and our order backlog. Over time, we have built a solid order backlog, which is currently SEK 274 billion.

**Anna Wijkander**

CFO | Saab

This, of course, position us for a good position for long-term growth. Compared to last year, we are in a better position and have strengthened the backlog for all years ahead. In particular, for the remaining nine months here, the backlog has increased 28% compared to where we were last year. For next year, it has increased by 56% compared to last year. Also, to note in the backlog is that we have a good balance between our business areas. Aeronautics has now increased their shares, so they are around 30%, and then it's Dynamics and Surveillance, which adds up to most of the backlog. The international orders is around 72% of this backlog. All in all, this underpins a good position to support for future growth going forward. Then finally, before ending my presentation, let's just remind us about our medium-term target.

**Anna Wijkander**

CFO | Saab

We are going to deliver around 22% sales CAGR for the period 2023 to 2027. We will have an EBIT growth that is higher than organic sales growth and a cash conversion of more than 60% during this period. Thank you very much. With that, I hand over to you, Johan, to open up the Q&A.

**Johan Andersson**

Head of Investor Relations | Saab

Thank you very much, Anna and Micael. Let's open up and start the Q&A session. Please, operator, do we have any questions over the telephone conference?

Q&A



Operator

Anyone who wishes to ask a question from the phone may press star and one at this time. The first question comes from the line of Yassin Moktadir, UBS. Please go ahead.



Yassin Moktadir

Equity Research Analyst | UBS Investment Bank

Hi. Thank you for taking my question. Firstly, could I start with Aeronautics? You cited several ongoing Gripen campaigns. Could you talk us through those and your confidence around winning potential orders there? Then within Surveillance on GlobalEye, you also mentioned some discussions that you're having, and we've been seeing increasing press releases or articles around the E-3 replacement. Is there any further developments there, too? Thank you very much.



Micael Johansson

President and CEO | Saab

Okay. Thank you for that question. On the Gripen side, of course, I mentioned we're still in discussions with Canada, which is, of course, about decision on sovereignty and the Canadian industry and how we would do a tech transfer and setting up a hub and all that. It would also mean a potential contract with Canada. Hard to say exactly when that sort of decision will be taken. It's an evaluation ongoing, as you know, and it's probably on prime minister level to go either way. It's hard to predict, but it's intensive. We have discussions all the time with them. Of course, since we had President Zelensky in Sweden, last year, agreeing with Ulf Kristersson that they will go for the Gripen. We are in discussions with Ukraine to move that forward. Those are two potential big ones, of course.



Micael Johansson

President and CEO | Saab

To say exactly confidence level and exactly when that can happen is difficult, of course. It's always political, but we're moving ahead on those two. There is an interest from Portugal, and some other sort of earlier campaigns. There is an interest. We have a ramp-up of capacity ongoing. We're going to deliver more aircraft, many more, to both Sweden and Brazil and then Colombia and Thailand. Lots of intensity in that area. On the GlobalEye side, you know that France contracted us last year. There is an option for another two in that contract that we're discussing. Of course, we have given information to NATO, connected to the AFSC program. Let's see what happens there. That's an opportunity, of course. There is an interest from Germany, from Poland. There's a pipeline of opportunities in different stages, of course.



Micael Johansson

President and CEO | Saab

I would say it's a big interest for both platforms, right now.



Johan Andersson

Head of Investor Relations | Saab

Thank you, Yassin. Please, operator, do we have the next question?



Operator

The next question comes from the line of Björn Enarson, Danske Bank. Please go ahead.



Björn Enarson

Head of Equity Research Sweden | Danske Bank

Thank you. Can you hear me?



Johan Andersson

Head of Investor Relations | Saab

Yeah, absolutely.



Micael Johansson

President and CEO | Saab

Loud and clear.



Björn Enarson
Head of Equity Research Sweden | Danske Bank

Yeah, good. Sorry for this. First of all, you touched upon the corporate and other items there. You have a solid result overall, but I'd like to argue that a quite big deviation was within the corporate. Can you talk a little bit about that and how we should think about that going forward? Also, Dynamics had a good quarter in terms of deliveries, obviously good for profitability. Can you talk a little bit about how the profile for Dynamics looks, for the year? Thank you.



Anna Wijkander
CFO | Saab

Do you want me to start with the corporate question?



Björn Enarson
Head of Equity Research Sweden | Danske Bank

Please.



Anna Wijkander
CFO | Saab

Yep. In corporate, we have different costs that can vary between quarters. We have some periodization impacts. Cost that comes here could also be shareholding program, which of course nothing that we can predict where the share price is going. Cost for IT and security, this has more coming up later during the year that we had last year. I think when you look into the corporate, a good rule of thumb could be to look at the level where we were last year.



Micael Johansson
President and CEO | Saab

For the full year?



Anna Wijkander
CFO | Saab

For the full year. Yes.



Micael Johansson
President and CEO | Saab

Okay. On the Dynamics side, they have a huge backlog, of course. It's a good sign that they have now good deliveries and investment, as I said, in capacity is coming into play, which is really important to us. There's a good foundation for deliveries going forward. I've said before that they will grow, but we'll not guide on that level, so to say, on the business area level, and we've said that mid-double digit numbers is still depending on the mix of things within Dynamics, which contracts, the mix of missiles, support weapons, training, and signal to management. That defines a couple of percentage up and down in each quarter, so to say. We had a good mix this quarter, but they should be really profitable, which they are. That's as much as I can say. Better and better foundation for deliveries though, on volume side.



Björn Enarson
Head of Equity Research Sweden | Danske Bank

Thank you. One last question. On the order that you touched upon received in early April, C-UAS. Super interesting. Can you talk a little bit about the market potential, number of units or countries or anything? You touched upon that it has a good export potential.



Micael Johansson
President and CEO | Saab

Yeah. I think counter-UAS, if you're having efficient and cost-efficient systems, especially on the effective side, and that you can actually be a bit agile when it comes to which one you use, you will have a good market opportunity. Everyone is asking for this kind of system. I think there will be good potential. I don't want to go into numbers, but it's of course an export potential, but also in the total defense perspective, you have to have systems protecting critical infrastructure. That is more of a governance problem, I would say, because it's not that the defense forces can't protect every critical infrastructure in a country, it's more about how the country is structured.

**Micael Johansson**
President and CEO | Saab

There will be quickish, I would say, more expedited contracts in certain countries doing that, and it will be a bit slower because of regulations in other countries, but extremely good potential on their system. We have a very cost-efficient sensor, an excellent command and control, a low footprint, and now we have in different versions of effectors and I look forward to when Nimbrix come into play because that will be an important, reasonably long range capability, with good cost levels. There's more to do here and good potential, absolutely.

**Johan Andersson**
Head of Investor Relations | Saab

Thank you very much, Björn.

**Björn Enarson**
Head of Equity Research Sweden | Danske Bank

Anything public on web?

**Björn Enarson**
Head of Equity Research Sweden | Danske Bank

Yeah. Thank you.

**Johan Andersson**
Head of Investor Relations | Saab

Sorry. Go ahead, if you had a.

**Björn Enarson**
Head of Equity Research Sweden | Danske Bank

No, it was just a quick one on when, if on the public statements on when this is going to be operational in Sweden.

**Micael Johansson**
President and CEO | Saab

Uh-

**Björn Enarson**
Head of Equity Research Sweden | Danske Bank

Quick ramp up or is it?

**Micael Johansson**
President and CEO | Saab

Yeah, a version of it is already operational from the Air Force perspective. The deliveries on this one will be in the next year timeframe, roughly.

**Björn Enarson**
Head of Equity Research Sweden | Danske Bank

Thank you.

**Johan Andersson**
Head of Investor Relations | Saab

Thank you very much, Björn. Let's take two questions from the web interface here. One was, from an order intake and growth side, do you see any challenges in the market? Anything that hampers you when you look at market demand?

**Micael Johansson**
President and CEO | Saab

I would say no, not really. I see the demand is still high there, and it's a bit of different investment paces or speed in different countries depending on where you are. I think the region where we are in, Germany, Poland, Baltic states, Nordics, U.K., is moving a bit quicker maybe than other countries, but still good demand in the broader perspective. What is really important, of course, is again, as I've said many times, you have to work diligently with your supply chain. At depth, not only the tier ones. You have to look into, okay, how resilient are you in the depth of the supply chain? When you come down to component level, material level, how do you make sure you have this in stock or they have it in stock to be able to deliver?



Micael Johansson
President and CEO | Saab

This is something we work really diligently upon to make sure that we have protection. It's not here and now really because we have quite a lot in inventory, in stock. Over time, we have to create more resilience. That's the same thing for all the defense industries and broader than that actually, when it comes to dependency on China, when it comes to raw material and looking at the data sensors and the memory components that now are in huge demand to build up these things, of course, that makes it important to be on your toes and secure deliveries early.



Johan Andersson
Head of Investor Relations | Saab

Yeah. Absolutely. Another question we have is that Anna described that you have grown with 24% now, CAGR during the period. Are you investing enough to really support that growth or getting capacity out there in a decent way? What's your opinion there?



Micael Johansson
President and CEO | Saab

I think we are. I think we will continue to invest, that much I can say. We invest on the level of \$8 billion-\$10 billion a year in increasing capacity, and that continues now. We will adapt that of course, to when we have everything in place, which we don't have yet. We have facilities in U.S. coming into play this year and in India next year. We will continue to invest, as we've shown already in the first quarter, to make sure that we can handle our backlog, but also the demand in the market. We are forward leaning here.



Johan Andersson
Head of Investor Relations | Saab

Yeah. Absolutely. Thank you very much. Please, operator, do we have the next question from the telephone conference?



Operator

The next question from the phone comes from the line of Henric Hintze, ABG. Please go ahead.



Henric Hintze
Equity Research Analyst | ABG Sundal Collier

Hi. This is Henric at ABG. First of all, I just wanted to ask on the Aeronautics margin here. It was down year on year, and I think even if you exclude the increased R&D amortization, it was still down a bit. At the same time, you're saying that Gripen is ramping while T-7A startup costs are still impacting negatively. I'm just wondering how we should think about that margin development there, given those things.



Micael Johansson
President and CEO | Saab

From a generic perspective, I would say that I've always said that sort of without the under absorption and the startup things we have on the T-7 and the mix of other things, this business has the potential to have sort of high single-digit numbers on the EBIT side. That's what we're aiming for in the end. Now we had the higher amortizations, we had the effects of the T-7, and then we had the currency effects at the same time. Nothing sort of major happened elsewhere in the organization. They are ramping up and they are growing. That's sort of the trend view one should have going forward. That's what we are aiming for, and we will get there.



Anna Wijkander
CFO | Saab

Just to add on the currency we had in the quarter, comparing quarter Q1 2025, we have a positive currency impact, and this quarter we had a negative, so the effect is double, so to say.



Micael Johansson
President and CEO | Saab

Exactly.



Anna Wijkander
CFO | Saab

Bigger.

**Micael Johansson**
President and CEO | Saab

Mm-hmm.

**Henric Hintze**
Equity Research Analyst | ABG Sundal Collier

Okay. It's mainly the currency impact.

**Micael Johansson**
President and CEO | Saab

Yeah.

**Henric Hintze**
Equity Research Analyst | ABG Sundal Collier

Yeah. Now that you mentioned, you usually say high single-digit EBIT margin for Aeronautics. Does the move of the Naval Combat Systems business unit in any way alter what you have previously said about the margin potentials in Surveillance and Kockums?

**Micael Johansson**
President and CEO | Saab

Well, we don't really guide on margins like that, but if you look at the mix of the business, of course, that changes a bit. Now, the Naval Combat Systems, which you can actually dig into a bit, has the potential to be higher than the average 6% that we've shown in the slides here all the time. It depends a lot on sort of the project set up and whether you have a couple of problematic projects, which we've had, and we've taken actions now to secure for the future that we don't get into more problems. It has potential. If you look at what can be done from a business perspective, having both sort of manned platform and unmanned capability in the naval domain connected to a combat management system, that is an offer that has potential to increase the margins, going further.

**Micael Johansson**
President and CEO | Saab

Since literally just pure facts is, of course, that if you remove sort of the Naval Combat Systems business from Surveillance, you automatically get a little bit of higher margin, since we've said that it had 6% average since 2024. That's sort of the effects that we've seen so far. The business will tell what the Naval business area will go when it comes to margins going forward. It has potential. That's why we've done it as well, to do more comprehensive business with combat system integration involved.

**Henric Hintze**
Equity Research Analyst | ABG Sundal Collier

Okay. Very good. Maybe one final one from me just on Peru, because there's been some news in the past couple of days here about the U.S. saying that Peru has decided to go with the F-16. Have you heard anything concrete from Peru?

**Micael Johansson**
President and CEO | Saab

I've looked at media the last sort of 24 hours, and if it's true that they have selected F-16, of course, we have to respect that. We still think we had a better cost-efficient, better offer. It's up to Peru to decide which one they want. We're looking into details, of course, to find out more, but I don't know more than that right now.

**Henric Hintze**
Equity Research Analyst | ABG Sundal Collier

Okay. Thank you very much.

**Micael Johansson**
President and CEO | Saab

Thank you.

**Johan Andersson**
Head of Investor Relations | Saab

Thank you very much, Henric. We got another detailed question here from the web chat, and it's about Skeldar. You wrote about that you had good growth in Skeldar, and that also you had an improved result from that part. What is Skeldar actually?



Micael Johansson
President and CEO | Saab

Skeldar is a rotary mid-size. Not a mid-size helicopter, but it's a rotary mid-size drone you would say, that can do surveillance or, yeah, it can actually carry effectors as well. It has had sort of an uplift in terms of contract because it's needed in Ukraine. That's what it is, it's a rotary drone, but a little bit bigger size. It's often used in the naval domain from ships to do surveillance and even actually checking what kind of fuel in the commercial market ships are using because it can sort of, what do you call it, smell the fuel type of that. It has potential application wise, yeah.



Johan Andersson
Head of Investor Relations | Saab

Okay. Good. Thank you. Thanks for the clarification. Operator, do we have any more questions on the telephone?



Operator

The next question comes from the line of Tom Guinchard, Pareto Securities. Please go ahead.



Tom Guinchard
Equity Research Analyst | Pareto Securities

Thank you. A question on the, let's say, new Surveillance division without Naval Combat Systems. In terms of mix and margin here on the Giraffe program, you said the 1X is ramping to 300 a year.



Tom Guinchard
Equity Research Analyst | Pareto Securities

How much could that contribute to margins? Because my guess is that the smaller systems tend to have higher margins than the 4As. Is that a correct assumption, or how should we look at the sort of mix moving forward?



Micael Johansson
President and CEO | Saab

It's very good to have volume on that side. You're absolutely right. It does have good margins, and it is really cost efficient also from the customer side in terms of how capable that sensor is, and that's why the demand is so high. However, it's not as if I'm trying to tout the most expensive sensor. If you look at the portfolio of Surveillance, of course, the GlobalEye business and the more long-range type of sensor capability is of course creating higher volumes in terms of revenue. The more Giraffe 1Xs that we get out of the house and sell, of course, that helps the margin. No question about it. How that will balance the other parts of the portfolio is a little bit hard to say right now.



Micael Johansson
President and CEO | Saab

When you get big contracts on the GlobalEye, that will be dominating, also good margins, but maybe not as good as a G1Xs. It helps, that much I can say.



Tom Guinchard
Equity Research Analyst | Pareto Securities

Thanks. In terms of R&D, are you looking at radar systems that are even more long range, or are you sticking with the sort of existing platforms and building on them?



Micael Johansson
President and CEO | Saab

Well, we're not in the line of those super big long-range systems, but we do systems up until 500 km on the land-based side, same on the naval side. Then we have the whole portfolio to the G1X then, which is 150km-200 km in terms of range. That's where we are, and we are investing, of course, in fighter sensor capability, which is important to us. Then other versions of unmanned capability when it comes to airborne early warning. There is lots happening on the sensor side for sure, but that's sort of where the R&D is going. The other big portion of the R&D is, of course, autonomous systems, in all domains, when it comes to the air domain, land domain, but especially now the air domain and the naval domain.



Micael Johansson
President and CEO | Saab

Using AI is another big thing in terms of R&D right now, to give you a flavor of where R&D is going.

**Tom Guinchard**

Equity Research Analyst | Pareto Securities

Perfect. Thank you.

**Johan Andersson**

Head of Investor Relations | Saab

Thank you very much, Tom. Operator, do we have any final question in the telephone conference?

**Operator**

The last question comes from the line of Afonso Osório from Barclays. Please go ahead.

**Afonso Osório**

VP and Equity Research Analyst | Barclays

Hello, everyone. Good morning. Thank you for taking my questions. Micael, I think you mentioned before that you expect positive cash flow going forward. Is that on the annual figures, or would you expect positive cash flow from a quarterly basis this year as well? Just double-checking on that. On the T-7 program, I appreciate it's still quite difficult to see the phasing of this in the coming quarters, but what is the current run rate on the P&L from this contract? Just one final quick one on the Middle East situation. When do you probably see this incremental demand flowing through your numbers? Is it going to be mostly from 2027, or do you expect something extra in 2026 as well? Thank you.

**Micael Johansson**

President and CEO | Saab

Well, on the T7, you can look at last year, roughly SEK 100 million sort of on average and under absorption. That will improve when we get more platforms out of the facility, of course. That's roughly the run rate, if I remember correctly. The Middle East is we have some sort of business in Middle East. It's sort of airborne early warning. It's some command and control, and then sensors. There is substantial demand on the sensing side right now, and how much that, where that will go. Some deliveries is happening as we speak, and then there will be more deliveries coming. We've already delivered from demand and delivered within two weeks, so that's why it's important to manufacture G1Xs on speculation rather than done on contract. The first one was-

**Johan Andersson**

Head of Investor Relations | Saab

Was that we promise a positive cash flow every quarter, or is it more on a yearly-

**Micael Johansson**

President and CEO | Saab

The guidance we have is just sort of cash conversion higher than 60% over the period of 2023 to 2027. There are always fluctuations between quarters when it comes to cash flow, depending on where the payment milestones lies and how our investments comes into play. I can't give you any specifics on each quarter. I can conclude that despite substantial investments this quarter, we had a good operational cash flow, which is excellent, which means that we get payments from our customers as well continuously. It's important to develop that way, either sort of advanced payments to finance initial things in programs or dense milestones in the contracts. That doesn't mean that we have to be sort of acting as a bank towards the customer, and we're moving in that direction. Cash flow positive is important and more than 60% over the period.

**Anna Wijkander**

CFO | Saab

Yep.

**Johan Andersson**

Head of Investor Relations | Saab

Perfect. Operator, I think we have a final question. Is it from Morgan Stanley, or do we have anyone left in the queue?

**Operator**

Yes. Marie-Ange Riggio from Morgan Stanley. Please go ahead.

**Marie-Ange Riggio**

VP and Equity Research Analyst | Morgan Stanley

Thank you. Thank you very much for taking my question. I have two, actually. The first one is on Aeronautics. Can you just describe your production ramp-up of the Gripen? Because I think you have quite a target internally to go to 20-30 aircraft in the future. Maybe just can you remind us what is your current production rate and where are you in this journey to increase the rate?

**Marie-Ange Riggio**

VP and Equity Research Analyst | Morgan Stanley

The second question is on Ukraine, because we have seen increasing conversation about the EUR 90 billion loan for Ukraine from Europe recently. What we imply for Saab as a whole, for the whole portfolio, and probably have you seen any progress in your discussion with them about the fighter jet contract and can this EUR 90 billion loan be a source of funding for at least a first batch? Thank you very much.

**Micael Johansson**

President and CEO | Saab

Well, when it comes to Ukraine, you're right. Positive news on that sort of the funds will be released, of course, the EUR 90 billion, and from that, the EUR 60 billion is supposed to be used for military investments. I assume it's not up to industry to create the funding structure of a deal on the fighter aircraft, but some of that money must be used, of course, for the fighter acquisition, and then has to be supported from other countries like Sweden and others that want to support Ukraine with fighter capability going forward. That's moving in the right direction now, but we don't sort of wait for that in terms of the discussions with the end user on the fighter discussion.

**Micael Johansson**

President and CEO | Saab

We are, of course, working on the proposal and the negotiations as we speak on how to, over a period of time, get fighter capability to Ukraine as quickly as possible, which means that we are also looking into investments for that sort of ramp up that would mean if they go for, in the end, over many years, of course, 150 aircraft, that would mean that we have to sort of ramp up for deliveries on that from 2028, 2029 going forward. That we're doing as well. The first one once again.

**Johan Andersson**

Head of Investor Relations | Saab

First one was our, say, the target capacity for Gripen, as we have said, is 20-30 or progressing-

**Micael Johansson**

President and CEO | Saab

Let's say we are at roughly 15 a year now, and then we have now started to deliver from Brazil hub, and then we are looking at, depending on the contracts that we get, to be sort of somewhere between 20-30 and more likely to the higher end of that span. That's how I see it, and that is as quickly as possible. I would say to be around 20 in a year's time is quite possible, or a couple of years time, a little bit higher than that. That's sort of the timeframe a bit, generically speaking.

**Johan Andersson**

Head of Investor Relations | Saab

Good. Thank you very much. Are you all right with that, Marie-Ange?

**Marie-Ange Riggio**

VP and Equity Research Analyst | Morgan Stanley

Yeah. Thank you so much.

**Johan Andersson**

Head of Investor Relations | Saab

Thank you very much. Thank you. Did we have a final question also, operator?

**Micael Johansson**

President and CEO | Saab

How many final?

**Johan Andersson**

Head of Investor Relations | Saab

How many final questions here today? They're popping in.

**Micael Johansson**
President and CEO | Saab

That's fine.



Operator

The final question is from Daniel Djurberg, Handelsbanken. Please go ahead.

**Daniel Djurberg**
Head of TMT Equity Research and Senior Equity and Credit Analyst | Handelsbanken

Thank you, operator, and good day, gentlemen. Sorry if this question has been asked already. I had to jump into another call for a minute and ask some questions there as well. The improvement seen in corporate and other, primarily related to the UMS Skeldar operations and the operating income from minority portfolio, is that sustainable or was it one-time items more or less, or how to think?

**Anna Wijkander**
CFO | Saab

I can answer. We had that question earlier, but I can answer it again, of course.

**Daniel Djurberg**
Head of TMT Equity Research and Senior Equity and Credit Analyst | Handelsbanken

Yeah. Okay. Sorry.

**Anna Wijkander**
CFO | Saab

No worries at all. No, what we think is when you look at corporate, one good level to look at is the level that we had last year for the full year as a rule of thumb. In corporate, we have several costs that are depending on periodization and costs that come later in different quarters. It's costs related to IT, security. We're also building up our digitalization units and also costs related to the share matching plan, the shareholder program that we have. Different types of costs in corporate and changes over the quarter. It varies over the quarter, I would say.

**Daniel Djurberg**
Head of TMT Equity Research and Senior Equity and Credit Analyst | Handelsbanken

Thank you so much for repeating. I will get or I will not be cut back in queue, I will say. I wish you a good Q2 instead.

**Micael Johansson**
President and CEO | Saab

Okay.

**Micael Johansson**
President and CEO | Saab

Thank you very much.

**Johan Andersson**
Head of Investor Relations | Saab

Thank you very much.

**Anna Wijkander**
CFO | Saab

Thank you.

**Johan Andersson**
Head of Investor Relations | Saab

Okay, operator, do we have any further questions or?



Operator

We have no more questions at this time.



Johan Andersson

Head of Investor Relations | Saab

Okay. I think with that, we thank you everyone very much for listening in to our presentation of the first quarter of 2026. We will be on the road now, first in Stockholm, then we are going to Copenhagen. You can meet us also at the Eurosatory Show in Paris later, and then we will also be in Frankfurt. We will have the Q2 report in July. Thank you very much for listening in, and have a nice day. Thank you.