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Saab

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Speakers

Johan Andersson
Head of Investor Relations | Saab

Micael Johansson
President and CEO | Saab

Anna Wijkander
CFO | Saab

Operator

Daniel Djurberg
Equity Analyst | Handelsbanken

Ian Douglas-Pennant
Analyst | UBS

Mikael Laséen
Equity Analyst | DNB Carnegie

Jakob Marken
Analyst | SEB

Henric Hintze
Analyst | ABG

Prepared Remarks

Johan Andersson
Head of Investor Relations | Saab

Good morning, everyone, and welcome to the presentation of Saab's report for the second quarter 2026. My name is Johan Andersson, responsible for investor relations, and I will be the moderator here today. With me here in Stockholm, we have our CEO, Micael Johansson, and our CFO, Anna Wijkander. Micael and Anna will present the report, and thereafter, we will start with the Q&A session. Remember that you can both ask your questions over the telephone, or you can post the questions in the web interface, and I will read them out here in Stockholm. With that, warm welcome, and I will hand over to you, Micael.

Micael Johansson
President and CEO | Saab

Thank you, Johan, and also from my side, welcome to the second quarter report. Let's just dive into the highlights immediately. As you've seen, this was another strong quarter with lots of momentum on the business side. What's been defining the quarter was, of course, the major contracts that we have received on the submarines in Poland and also the Gripen E version contract with Ukraine. Huge breakthroughs and successes, of course. Then we are doing extremely well when it comes to improving our way on the operational execution, and that drives gross margin and of course, our profitability on the bottom line. Connected to that, it's all about production ramp-up and increasing our capacity in achieving this.

Micael Johansson
President and CEO | Saab

Since we are investing and have done that for quite a few years now in capacity, this is now coming into play, and we also recruit many skillful employees as we speak, roughly on a number of 3,000 net up a year, which adds to our capacity to deliver to our customers. That pleases me really well that we are doing well in that area. We will continue to do that, of course, on top of that, it's not only about capacity, it's also about future capability. Here we also deliver more energy into R&D and new capabilities, which we are showing to our customers as we speak. I think we have increased in the first half year now compared to the first half year last year, I think we've increased R&D with roughly SEK 700 million, which is a big step.

Micael Johansson
President and CEO | Saab

We have a record order backlog, SEK 318 billion, very strong prospects for the future growth. I will come back to how that backlog looks like in terms of more short-term deliveries and what's ahead of us beyond three years in terms of deliveries. I need, of course, to spend some minutes on the success stories this quarter, and I think it was a big breakthrough when it comes to the contract with the submarines for Poland. They have now contracted us for three submarines that will be delivered in the next few years. Of course, this is not only an industrial success, it's also very good for the Baltic Sea, increasing our underwater capability together with Poland from a security perspective of the Baltic Sea.

Micael Johansson
President and CEO | Saab

It will also entail industrial collaboration with Poland. We will have shipyard capabilities on both sides of the Baltic Sea, which makes lots of sense in terms of security and redundancy going forward. We're really happy about this. It shows, of course, that this conventional submarine capability is the state-of-the-art capability, and it's a big evidence of that we're doing something really right in this area. Same thing, of course, when it comes to the Gripen fighter, the Gripen E fighter. There's been lots of discussions about Gripen for Ukraine. President Zelensky was here not so long ago in Uppsala discussing this and telling us that now we will go ahead with this. He talked about up to 150 aircraft. This is now the first batch actually being contracted by Ukraine, 16 Gripen Es. We haven't booked this yet.

Micael Johansson
President and CEO | Saab

It will be booked in the next quarter due to the fact that there were a couple of administrative things connected to receiving money then from EU that Ukraine has to fulfill. That will be coming into effect, that contract, shortly. Big success, of course. This is only the first batch. We will diligently continue to work with the next batch. On top of that, of course, a couple of really big successes on the GlobalEye. Canada selected the GlobalEye earlier in May. We are in negotiation now with Canada. We'll move ahead as quickly as possible to contract that, of course. We're talking about six aircraft. Not long ago, last week, I think, it was the NATO summit and the industrial day. Was a big release from the NATO side that they have now selected a GlobalEye.

Micael Johansson
President and CEO | Saab

We're talking roughly 10 aircraft to NATO, replacing the E-3A in Geilenkirchen as a common capability within NATO, supported by nine countries now. It will be operational, of course, supported by all the countries when it comes into play in Geilenkirchen. Big breakthrough. I think it shows an evidence of how important it is to be in the alliance as a country. It's also another evidence of what fantastic capabilities we, as an industry, we have to be able to provide to NATO. To have Sweden and Saab to be delivering this sort of strategic capability to NATO is a really big thing. It's been a fantastic quarter from a big contract, big selection point of view. It creates a big op- balance and good balance between our product offering in the market and also the platform offering.

Micael Johansson
President and CEO | Saab

This is one of my favorite slides, I must say, this year and this quarter. A few words, not going into much detail, on why this sort of capability, the GlobalEye, is so attractive. We have more in pipeline. I can't talk about details about that. First of all, it's a capability that can actually cover the air, the sea, and the land simultaneously. Normally, earlier, the airborne early warning capability was about the air surveillance capability. Now, this is all domains. Of course, it is also incredibly sophisticated when it comes to how it digests all the information from all the sensors. The primary sensor on the fuselage, on the roof of the fuselage is, of course, the one that covers the longest distance, over 650 km. You don't have to be close to any hostilities.

Micael Johansson
President and CEO | Saab

There is a passive system as well that surrounds the aircraft. Everything that is looking at you will be detected as well and gives you a passive quality, which is fantastic. All of this sensor information is fused and managed, of course, and digested by AI capabilities. The operators in the aircraft and what's linked to the ground or other platform makes sense quickly, and you get a situation awareness picture which you understand in a very skillful way. You have that quickly. It is in production. We have these aircraft in operations in UAE, and we have it in production, so we can deliver it with short lead times, and it adds to a very critical capability gap, of course.

Micael Johansson
President and CEO | Saab

This is a node in a network, so you will have access to the information that this platform gathers, also from other platforms like ships and fighter aircraft or ground centers, or even army type of equipment. It is a really important capability to have strategic and tactical situation awareness. We are really proud about this. Now, back to the numbers. As you've seen, we had an order intake of slightly more than SEK 68 billion this year, of course, dominated by the big contract on the submarines for Poland, but also the underlying order intake is very good. The good organic growth of almost 30%, and that shows how we actually deliver and how our capacity investments come into play continuously to increase our delivery pace in all areas, I would say.

Micael Johansson
President and CEO | Saab

Of course, we increase our profitability in a very good way, driven of course by sales, but also more efficient operations, and that improves the gross margin, and by that, also the bottom line operating margin. We had a zero type of cash flow quarter, but the half year is roughly SEK 1+ billion compared to the first half year last year, which was SEK -1.1 billion. Normally we do have sort of a second half of the year that is a lot better than the first half year. I just want to underline, we have not taken any payments yet connected to the submarine contracts in Poland. We are confident in delivering a good positive cash flow for this year as well, and on track for our guiding on 60% cash conversion over the period.

Micael Johansson
President and CEO | Saab

A few comments on the different business areas from my side. The growth in Aeronautics is connected to good pace and deliveries of Gripen aircraft, but also the tactical software capability development adds a lot of revenue to the Aeronautics side of things. Of course, I need to mention that was a big event in Linköping, Sweden when we rolled out the first two-seater of the Gripen, called Gripen F, because that's also contracted by Brazil, which was a very important milestone, of course. Now these will also come into deliveries as we speak in the next quarter. We still have issues when it comes to under absorption, when it comes to getting up and running on the pace of delivering T-7s from our facility in West Lafayette. We're getting there.

Micael Johansson
President and CEO | Saab

A very important milestone was reached in the U.S. now where the Milestone C, which they call it when they actually start contracting Boeing on batches of aircraft. We have been working our batches for a while with contracts from Boeing to Saab, but now the U.S. Air Force is starting to operate this aircraft. So now the pace needs to increase going forward. But it will take a few quarters more and a couple of years, I would say, before we actually get back to good numbers on this side. Eventually, this will be an excellent franchise program over many years. Of course, I talked about the Gripen E to Ukraine, so I don't have to go back into that, even though I would like to talk a lot about that. This success story. Dynamics. Very good market demand still.

Micael Johansson
President and CEO | Saab

It's a bit lumpy in sort of when the contracts come in. Lots of small contracts, but also a few big ones in the pipeline. A few to mention are during this quarter is, of course, the NLAW support weapon to France and also another Carl-Gustaf M4 to Lithuania and a vehicle training system to the U.S. Army, which is important contracts, and is good underlying pipeline also for Dynamics. Good deliveries, really good growth, 36% quarter-over-quarter. We also have new products coming into play. We have a new missile for the RBS 70 system. We have a new ammunition type for the Carl-Gustaf that we've launched, and we have a camouflage net type of product, a poncho for a soldier that is really taking effect now in the market.

Micael Johansson
President and CEO | Saab

Many good things are happening, and there will be more things that we're investing in this area going forward now. Dynamics is doing well and also Surveillance extremely well. A strong demand, and I need to point out that we have high deliveries of products from Surveillance, especially on the sensor side. As an example, Giraffe 1X is very high demand in the market, so we are manufacturing this on, you could call it speculation, not only on contract. Compared to last year, we have done a lot more deliveries, 100 systems already in the first half-year, and we are moving to a pace of more than 300 systems a year, going forward when we talk about the Giraffe 1X. Of course, the GlobalEye has a great pipeline, and a big interest in the market.

Micael Johansson
President and CEO | Saab

As I've talked about Canada, NATO have selected that. That's negotiations for contracts ongoing. But also here we work a lot with a counter-UAS portfolio, the counter unmanned aerial system portfolio, which is a very important part of our portfolio, where we have the components in terms of sensors and command and control, and then we use different type of effectors to take out aerial threats. That is a portfolio I think has a big potential going forward, being an open type of architecture system that we have now launched. Good growth, as you can see, 47% quarter-over-quarter, excellent. An increasing backlog. Naval side, I must say there's a high demand also in that sort of market.

Micael Johansson
President and CEO | Saab

That we didn't get selected together with Babcock on the frigates for Sweden, but you maybe saw yesterday that we were contracted by TKMS, ThyssenKrupp Marine Systems in Germany to provide everything from composite structures to sensors, to command and control, to fire control systems for that frigate F128 going forward, four of them. That was almost SEK 9 billion in order intake, and they might need another four going forward. That was a big breakthrough, of course. There is a demand for that portfolio, I must underline that.

Micael Johansson
President and CEO | Saab

Now the contract on the submarines for Poland, in combination with the Swedish contract, of course, means that we are ramping up production capacity both in Karlskrona, the shipyard there, and also taking more facilities into play and ramping up capability in Landskrona, the other shipyard, where a number of things will be done on the submarine side as well. We have other contracts also in Australia. We are selected as being the provider of all the surface vessels, and we have received another reasonable contract from them this quarter. The Combat Boat is increasing in interest in many countries. We're building a new facility, increasing our production capacity up north in Docksta, outside Örnsköldsvik, for that capability as well. We have really good progress on the A26 submarine program in Sweden.

Micael Johansson
President and CEO | Saab

The profitability of the Naval side is a little bit weaker than the comparable quarter, but that's due that we took sort of an effect of that we didn't get selected on the Swedish frigate side, together with Babcock. We did a write-down and took the whole effect of that during the quarter. Otherwise, the profitability would have increased also in this area. That was a once-off. Huge backlog now, of course, due to the contract in Poland. Combitech is also doing really well. The sales is a bit flat, but that's mainly through effects of the mix between consultant hours and how we treat other more commitment projects, delivering things timing-wise. That's not a problem at all. They are doing well on their growth side as well. It is more like a timing effect.

Micael Johansson
President and CEO | Saab

Of course, the profitability is increasing in a very good way. We are growing in our commitments, and contracts with, for example, the NATO Communications and Information Agency on the cybersecurity side, but also new contracts with the Swedish Defence Materiel Administration. Combitech is doing really well, I must say, and that's really good for Saab because it's a resource and competence that we can handle between internal projects within Saab, but also having good contracts externally. On the sustainability side, we are doing a lot to, of course, support our commitments to reducing our emissions. This quarter, we actually increased 8% due to lots of business activities, mainly, and many test flights, but we are doing well in comparison to the commitment we have done with SBTi. We are on a good track.

Micael Johansson
President and CEO | Saab

A couple of examples you can see here what we're doing, more and more automated capabilities introduced. We have a robot-assisted welding procedure now, which is reducing lots of material, and by that also CO2 emissions, of course. Same thing on the Aeronautics side. We use 3D printing, and we reduce emissions from that because of material usage and all that. Many small but important parts are being done to improve, going forward, in the way we do things when it comes to sustainability and environmental aspect of things. We are at the second place in the aerospace and defense sector in the ranking done by "Financial Times" and Statista's ranking when it comes to European climate leaders. Our ambition is to be a leader in this area, going forward, and of course, all the time.

Micael Johansson
President and CEO | Saab

Last slide from my side, I think this slide is important to reflect upon. This shows how our backlog is divided in terms of how much is going to be delivered in the next two and a half years from now, and how much that is increasing, quarter-to-quarter. If you look upon second quarter a few years back, as you can see, 60%, roughly, of the backlog is related to things that will be delivered in two and a half years' timeframe. If you look back to the second quarter last year, that has increased 36%.

Micael Johansson
President and CEO | Saab

Now, also because of the successes on the platform side, which is a bit longer contracts, of course, if you look upon what will be delivered from year three and onwards, that has increased dramatically, of course, from last year, second quarter, and now is SEK 120 billion, an increase of 132%. This is just to show you that even though we get large platform contracts, still our short-term deliveries are increasing also a lot in the backlog, and that's still 60%. We have a very good mix in our backlog, I must say. Without sort of complicating myself too much into numbers, which I think is Anna's responsibility more, I will now hand over to Anna for a more detailed review of our numbers. Here you go, Anna.

Anna Wijkander
CFO | Saab

Thank you, Micael, good morning, everyone. It's so clear that we have delivered a strong second quarter. We have continued to strengthen our market position and executed on our strategy to both increase our customer deliveries while we, at the same time, are increasing our investments in capacity expansion and also future capabilities. Altogether, our strategy execution is really reflected in our solid financial performance. Before going into the details into the quarter, I would like to take a step back and look into our performance during the last years and how it is in relation to our financial targets. We can see that our sales growth CAGR is now at 24% over this period. We have done this growth with a profitable growth journey, meaning that we have increased EBIT more.

Anna Wijkander
CFO | Saab

It's at 34% now, supported by expanded gross margin as well as operating leverage. Our cash conversion reached 53% after this quarter. It was a little bit lower than we were after the first quarter, but a huge improvement compared to where we were last year at the same time. Also, as Micael said, we normally have a stronger positive cash flow profile on the second half of the year. Altogether, we remain confident that we are well progressing towards our medium-term targets in cash conversion as well. Let's look at the numbers more in detail and focusing on gross margin and operating income. We delivered a record gross margin for the single quarter.

Anna Wijkander
CFO | Saab

Importantly is that we expanded the gross margin by more than one percentage point compared to last year, and that is very much driven by Surveillance and Dynamics, which increased their share of the total sales revenues in the quarter. In addition, we significantly increased the R&D, which is according to our strategy, and we are at the same time leveraging and scaling on administration and marketing and sales costs. All in all, we are improving our EBIT margin to 11%, an increase of 41% in the quarter. Turning to our business areas, let's start with Dynamics, where the ramping up is done successfully, and we have had several deliveries in the quarter, which has contributed to the EBIT, which is an EBIT that is at record numbers this quarter. The sales and EBIT growth in Dynamics is broad across the business units.

Anna Wijkander
CFO | Saab

Very good performance from Dynamics. The same goes for Surveillance, where we have the EBIT growth of 55% in the quarter. Here, it's very much the sensor systems business that is supporting both the growth and the EBIT margin expansion. Like Dynamics, Surveillance is ramping up, and that is something that we see in the G1X production, which is ramping up and contributing to several deliveries and the EBIT margin increase in the quarter. In Aeronautics, it's the Gripen business that is expanding the production capacity with delivery levels that are increasing. As we have mentioned before, we still have negative contribution from the T-7 program, which is something that we will have for some more time until we have ramped up and have scale in that production facility. Finally, our business area, Naval.

Anna Wijkander
CFO | Saab

The highlight for Naval this quarter is, of course, this huge contract for these three submarines to Poland. A large order of SEK 47 billion that will contribute to sales and revenues for a long time and several years ahead. On the other hand, we were not selected for the Swedish frigate program. As Micael said, we have recognized costs that was related to that program that we have taken now in this quarter, and that is what's impacting the EBIT and the EBIT margin negatively in business area Naval this year. All in all, we have delivered strong EBIT across the group. Importantly to mention is that we have achieved that while we, at the same time, are making significant investments for R&D in future growth, innovation, and technology leadership. On a rolling 12-month basis, we have spent SEK 4.4 billion in internally funded R&D.

Anna Wijkander
CFO | Saab

It is more than doubled since three years ago. Our R&D is focused on key technology areas, including autonomy, next-generation sensor capabilities, advanced weapon systems, and AI-enabled command and control systems, all of which are supporting the future growth. These efforts are generating fast results, and some examples during the quarter are, for instance, that we did a first test flight for an Unmanned Airborne Early Warning system together with General Atomics. We also performed a successful remote torpedo firing from an unmanned and remotely controlled Combat Boat 90. These are just some examples of new capabilities that will reinforce our ability for future opportunities, while it is also going to strengthen our existing platform. Let's take a look at cash flow. Looking at the first half year, we have a positive cash flow of SEK 1 billion, which is a significant improvement from last year.

Anna Wijkander
CFO | Saab

That is coming while we, at the same time, are increasing our investment in capacity. That is increased by around SEK 1 billion compared to last year. The higher cash outflow from financial items and taxes is mainly related to the higher taxes that were paid in Q1. With support from the recent major wins, we see good prospects for good cash flow for the rest of the year. As Micael also mentioned, we have not yet received the advanced payment for the Poland contract, so we remain confident to deliver continued positive cash flow during the year. Notably as well is that we are improving our return on capital employed, and that is driven both by higher profitability and also higher capital turnover. Our balance sheet is strong, with a net liquidity of SEK 2.5 billion.

Anna Wijkander
CFO | Saab

It is a decrease since year-end, and that is primarily from tax and the dividend payments done. We have a cash and liquid investments of approximately SEK 17 billion, and in addition to that, an unutilized revolving credit. Also worth mentioning is that S&P has made their annual review in June, and they reconfirm our investment grade rating of BBB+. Overall, this provides a strong financial position and a flexibility going forward. All in all, we remain confident in our medium-term targets. They are supported by strong market demand and increasing defense spending, and our portfolio is well-aligned with customer requirements, and we continue to invest heavily in production capability, technology, and talents, both to support future growth and to make sure that we can deliver on our commitments. These investments are increasingly translating into higher delivery volumes and improved scalability across the company.

Anna Wijkander
CFO | Saab

Against this backdrop, we are well positioned to reach our medium-term targets of organic sales growth in this period, 2023-2027, of around 22% CAGR. We have an EBIT growth higher than the sales growth and a cash conversion above 60%. We see that the combination of the record backlog, the strong demand, the capacity expansion, the discipline execution, is a solid foundation for achieving these targets. With that, I hand over to Johan and the Q&A. Thank you.

Johan Andersson
Head of Investor Relations | Saab

Thank you, Micael and Anna. Let's move over then to the Q&A session. I think we have a couple of questions over the telephone that we can start with, and also remind you that you can post your questions over the web interface as well, if you would like that. Please, operator, do we have any questions over the telephone conference?

Q&A

Operator

Yes. We will now begin the question and answer session. Anyone who wishes to ask a question may press star and one on the telephone. You will hear a tone to confirm that you have entered the queue. If you wish to remove yourself from the question queue, you may press star and two. Questioners on the phone are requested to disable the loudspeaker mode while asking a question. Anyone who has a question may press star and one at this time. The first question comes from the line of Daniel Djurberg from Handelsbanken. Please go ahead.

Daniel Djurberg
Equity Analyst | Handelsbanken

Thank you, operator, and good morning, Johan, Micael, Anna, and congratulations on the solid operations due to all the new back orders. I have a couple of questions, if I may. Can you hear me?

Micael Johansson
President and CEO | Saab

Yeah, absolutely. Go ahead.

Daniel Djurberg
Equity Analyst | Handelsbanken

Yeah. Super. Thanks. First I would like to ask you a little bit on the group gross margin. It was strong given the mix. I was thinking if we would have more of an unchanged mix, and also how the underlying gross margin would have been in that scenario. If you can comment on impact on component inflation so far and what to come. Thank you.

Micael Johansson
President and CEO | Saab

Do you want to talk about the gross margin on group level?

Anna Wijkander
CFO | Saab

Yes, I can do that. As we can see, the gross margin has improved. In this quarter, it was really driven by Dynamics and Surveillance. The gross margin is increasing while we're scaling the company. Of course, it's impacted by the mix from the different business areas. As we know, the contracts that we are receiving now for the platform contracts are going to be delivered over long-term periods. We still see that the gross margin is expanding.

Micael Johansson
President and CEO | Saab

I must say, it's a bit difficult to predict exactly how the mix will look like, because even though the big platform contracts are a bit more stretched when it comes to deliveries over time, those operational business areas are a bit different when it comes to the gross margins, but still delivering the bottom line margin needed. Exactly how the mix of products, which has higher gross margins than maybe the platform margins, will look like going forward, is hard to say, actually. It depends on the slide I showed with how much of the backlog is actually related to short-term deliveries and the longer-term deliveries. All in all, bottom line margin will be good in the mix. The other question was related to components, I guess.

Micael Johansson
President and CEO | Saab

We're not a huge buyer of components, but of course, we pay attention to the fact that we don't have limitations on access to components yet, but the prices are increasing due to data centers and GPUs and what have you, of course. We're not a huge volume buyer, so it has not a big effect, but some, of course. We try to mitigate that through other means. We're not suffering like maybe the automotive industry and maybe the telecom industry in the way that they are doing. Yet, at least.

Daniel Djurberg
Equity Analyst | Handelsbanken

Thank you. May I have one follow-up? That would be if I missed something on, you talked about advance payments for the Poland contracts. Have you been more vocal on which portions of these will come and when and how much or anything like that?

Micael Johansson
President and CEO | Saab

We're not specifically talking about the percentage of the contract or anything like that, but it's a good advance payment and a payment schedule that supports our quick ramp-up of shipyard capacity and all that. We're not going to act like a bank related to that contract, that much I can say.

Daniel Djurberg
Equity Analyst | Handelsbanken

That's really good. Thank you so much and have a great summer, and good luck at Q3.

Micael Johansson
President and CEO | Saab

Thanks very much.

Johan Andersson
Head of Investor Relations | Saab

Thank you very much, Daniel. Operator, do we have a next question?

Operator

The next question comes from the line of Ian Douglas-Pennant from UBS. Please go ahead.

Ian Douglas-Pennant
Analyst | UBS

Thanks very much for taking my question. Yeah, it's Ian Douglas-Pennant at UBS. The first is on the Naval writedown. Could you give some kind of indication on the size of the writedown that you took and what exactly was written down? Is it capitalized R&D or inventory, or how should we think about that? Thank you. The second, on Surveillance, you mentioned that mix effect was a supporter of the margin expansion there. I wonder if you can help us size the relative drivers of margin expansion. Really what I'm trying to get at is, how important is the underlying efforts that you're making to improve margins there?

Ian Douglas-Pennant
Analyst | UBS

Thirdly, can you give us just a reminder on where you are in terms of production capacity in Dynamics, the plans to expand those, and the kind of timing of when the new capacity comes on. Thank you so much.

Micael Johansson
President and CEO | Saab

On the Naval side, obviously that was a pre-start to concepting and making sure that we can manage the time schedule. As we heard, a lot about the selection was about the schedule, and we were confident in managing the schedule for delivery, but that led to us having to do a pre-start on the project. It was roughly SEK 200 million that we took on the Naval side. It's as easy as that. There are other good things happening, mitigating things going forward. I'm not worried about that, but that was of course a bit of a disappointment. The underlying margin on.

Johan Andersson
Head of Investor Relations | Saab

Surveillance

Anna Wijkander
CFO | Saab

Surveillance

Johan Andersson
Head of Investor Relations | Saab

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Micael Johansson
President and CEO | Saab

I think Surveillance, as you're alluding to, the underlying margin on Surveillance is a combination of the big platforms and also the scale of delivering sensor capability. I wouldn't say that margin should be good all in all in combination, because I won't go so far to say that the margin on the big platforms like GlobalEye would be limited. On the contrary, really good margins. On the product side, if you really get to delivering 300 radars a year, you will get the huge scale effect. When that demand continues, that would add a little bit more margin to it than the GlobalEyes. Surveillance should be showing numbers that we are looking at right now, and also going forward. That's what I can say on that. The third one was.

Johan Andersson
Head of Investor Relations | Saab

The third question was a little bit about in Dynamics, where are we in terms of the ramp up here?

Micael Johansson
President and CEO | Saab

No, I think we have now a completely automated weapons factory. The weapon itself, the tube, if I will call it that, up and running in Linköping. We are automating the ammunition manufacturing in Karlskoga. That starts coming into play as well. We have put in robotics in the existing line, but we are doing a parallel investment to do it fully automatic, if I put it that way. We will inaugurate the manufacturing facility in Grayling, Michigan, in the October timeframe, and early next year we will do the same in India for that manufacturing facility also. A number of capacity increases are happening as we speak, and more and more every quarter comes into play. It is going really well, I must say.

Johan Andersson
Head of Investor Relations | Saab

Excellent. Let's take a question from the web interface in between. It is around the capacity as well. For GlobalEye, now when you have started to get so many contracts, how do you view the capacity? What are we ramping up to, and how do you see that? It comes from OxCap, Rory Smith.

Micael Johansson
President and CEO | Saab

If you have asked me one or two quarters ago, I would have probably said that we need to ramp up to four a year. Now I think we have to actually take it a bit further to six per year. All the things we are doing right now in terms of increasing our capacity in Linköping to do the conversion of a business jet to a missionized GlobalEye is going really well. We will also create a hub in Canada, since we are selected in Canada, and maybe at another location in Europe going forward to support the NATO and the Canada thing. There is maybe also more in pipeline. I would rather say that we go from two a year now and should aim for six a year in the 2030 timeframe.

Johan Andersson
Head of Investor Relations | Saab

Okay, good. Another question over the web interface. When you're starting to get more international orders now for the larger platforms and you are adding more orders and you're ramping up the delivery, are those international orders typically coming with a high margin, or how should we view that?

Micael Johansson
President and CEO | Saab

Depends on the country and the contract, I would say. Of course, we always try to have good margins in our contracts, and that goes for every contract. We have a few legacy contracts that are not fantastic because of events that happened over time, and also maybe how we contracted them legacy-wise. We're doing a lot better when it comes to each and every contract, I would say now, which also adds to our development when it comes to profitability and our ability to invest in R&D.

Anna Wijkander
CFO | Saab

Maybe one can add to that as well. Some of the international contracts come with an open-book contract policy, which is normally a bit lower margin.

Micael Johansson
President and CEO | Saab

Yeah.

Anna Wijkander
CFO | Saab

As you say, it's a mix, and depending on which kind of contract.

Micael Johansson
President and CEO | Saab

If you are selected-

Anna Wijkander
CFO | Saab

Yeah

Micael Johansson
President and CEO | Saab

as a supplier for a certain capability in a country, that's a framework contract that has an open book, as Anna is saying. That puts a bit more pressure when it's not in competition anymore. It's a complete open book. The mix between those contracts and also how many we win in competition will also create the margin development.

Johan Andersson
Head of Investor Relations | Saab

Good. Okay. Please, operator, do we have any other questions on the telephone conference?

Operator

We now have a question from the line of Mikael Laséen from DNB Carnegie. Please go ahead.

Mikael Laséen
Equity Analyst | DNB Carnegie

Thank you. I have a question on the guidance midterm targets. This quarter, you grew 30% organically, and the order intake reached SEK 68 billion, and you also got several new orders after the quarter end. You left the medium-term sales guidance unchanged. I'm just wondering if this is a reflection of execution capacity or delivery timing, or just conservatism?

Micael Johansson
President and CEO | Saab

I would say that you're right. We have delivered 26+% organically during the first half year this year also, we're moving in the right direction. There are still six quarters to go in our 2023-2027 timeframe guidance period. We've said that six quarters is a lot of deliveries and things that must happen and really get in place. I still stick with my comments that, yes, we're on the right track, and we will come back towards the year-end on how we will look at the future guidance thing. I don't want to jump into a new guidance sort of discussion now. I think it's fair to give it another two quarters before we look upon where we're going. Of course, it's going to be continuous growth. We're confident in the guidance we have today, that's where we are.

Mikael Laséen
Equity Analyst | DNB Carnegie

Okay, fair enough. When it comes to bottlenecks or potential bottlenecks, this quarter doesn't suggest any issues. If you look across Saab today, what is the single biggest bottleneck to grow even faster? Production facilities, skilled engineers, suppliers, customer acceptance, or something else?

Micael Johansson
President and CEO | Saab

The biggest effort, we put a lot of effort into increasing our own capacity, spending like SEK 10 billion a year on it, roughly. That is important, but that is not enough. We have to work with our supply chain to make sure that that becomes more resilient. It's everything from putting a little bit more in stock, like titanium and aluminum alloys and special steel and some components. Also looking at maybe trying to certify an alternative supplier, of course, to have redundancy, but also to insource a few things to do it ourselves. All of these things are in play, and that's sort of the bottleneck to manage your supply chain, I would say. This is something we have to continue to work with. It will be a never-ending story, I think, but that's where I see we put most efforts today.

Micael Johansson
President and CEO | Saab

We've been doing these things really well, we have to continue being on our toes working that. If I need to point at a bottleneck, it's probably more in the supply chain than anywhere else. Not in the recruitment. We are attracting lots of skillful people, fantastic employees, on a rate of 3,000 a year, net up, roughly. That's not the real limitation, really. Rather the bottleneck is connected to supply chain.

Mikael Laséen
Equity Analyst | DNB Carnegie

Okay, yeah, another thing regarding capacity and the new large orders. Can you say something about how you plan to deliver the big Polish contract? If that means higher investments that we should maybe build into our expectations or something else? How that project is expected to develop at start?

Micael Johansson
President and CEO | Saab

Of course, it will take some sort of investments and industrial collaboration setups and investing a few things in a shipyard in Poland, which we will build up. We have covered that in our contracts. It's not a thing that we put aside of the contracts. No. It's not a thing like that. I'm confident that by the contracts we have on the Naval side now can cover that sort of investment we need to do.

Mikael Laséen
Equity Analyst | DNB Carnegie

Good. Thank you very much.

Johan Andersson
Head of Investor Relations | Saab

Okay. Operator, do you have another question on the telephone conference?

Operator

The next question comes from the line of Jakob Marken from SEB. Please go ahead.

Jakob Marken
Analyst | SEB

Perfect. Thank you for taking my question. Just a follow-up on the GlobalEye that you touched upon on the six across the year. Firstly, what kind of investment do you think you need to reach that number? Secondly, we know the France order, and we expect NATO and Canada, of course, but if you see beyond that, what's a reasonable sort of order from a normalized country? How many orders or countries are you expecting orders from if having a production capacity at six planes a year?

Micael Johansson
President and CEO | Saab

Well, I think it's hard to sort of break this down into really specific things, but our assessment of the potential pipeline, including NATO and Canada, of course, and a couple of others that we have in the pipeline, is substantial. If we want to keep our lead times and the deliveries needed in the 2030 timeframe and onwards, I think we need to be somewhere between four and six. I should rather sort of build for six, because it's not that sort of complicated if you need to adjust it a bit downwards. It's not huge investments in terms of infrastructure that we're talking about, honestly. It can be done, but also in partnership with a couple of countries, we can build that capacity.

Micael Johansson
President and CEO | Saab

Of course, you can calculate that the business case is substantial on the GlobalEye, and we want to capture that market. I won't go into saying specific numbers on it, but I'm confident that we can now go a bit further than the four per year that we talked about earlier.

Johan Andersson
Head of Investor Relations | Saab

Good. Thank you.

Jakob Marken
Analyst | SEB

Okay, perfect. That's very helpful. Just a short question, a more technical one. Corporate costs very low here in the quarter, as well as in Q1. Should we expect corporate costs to be structurally lower, or can you comment anything about that?

Anna Wijkander
CFO | Saab

Do you want me to take that? I think what you can say is, as a guidance, you can look at the corporate costs that should be in line with how we reported them last year. It was a little bit lower this quarter, again impacted by both a more profitable business in the Skeldar business and also lower cost for our incentive program, share matching plans.

Jakob Marken
Analyst | SEB

Okay. Thank you.

Johan Andersson
Head of Investor Relations | Saab

Thank you very much. It's related to that you have made a number of investments in AI companies, Helsing and some other stakes that you have. What are you getting in return for this, and how do you view them long term?

Micael Johansson
President and CEO | Saab

Well, it's not an equity investment in itself. That is not the important part, so to say. To have a share 5%-10% in an AI company is maybe not what we're looking at. It's not a financial investment, of course, that can be good as well. It's more connected to a partnership with a company to create a shortcut of skillful people that can add both AI stacks to our platforms and applications in a speedier way than if we build them ourselves. That's the key, really, to get a shortcut into something where they already built something that fits really well with our command and control systems or with our AI agents that we need to use in our platforms. That's the reason. There are a number of them that's really good in Europe today.

Johan Andersson
Head of Investor Relations | Saab

Good. Thank you. Operator, do we have any final questions on the telephone conference?

Operator

Yes, we have a question from the line of Henric Hintze from ABG. Please go ahead.

Henric Hintze
Analyst | ABG

Hi, this is Henric at ABG. Just a quick question on Dynamics from me. Q2 was a pretty strong quarter for sales there. I was just wondering if you could give us any detail on the phasing of deliveries and Dynamics this year. You previously sometimes commented if it's been a bit higher or lower in a specific quarter.

Micael Johansson
President and CEO | Saab

Well, again, I think you have to look upon Dynamics as not on a specific quarter, because deliveries are related to, of course, deliveries. You recognize revenue when you actually deliver, and that's a bit batch-like, happening now and then. Of course, they have many deliveries to do. They have a huge backlog. The demand in the market is still extensive. That's also different in different quarters. They are definitely moving in the right direction, and the margins are really good, almost still 20%, which is higher than the mid double-digit margins that I've talked about. They're doing really well right now. It fluctuates a bit between quarters, but there's nothing new in the trend that we can see or want to highlight related to Dynamics. I'm really confident with that business area.

Micael Johansson
President and CEO | Saab

That's why we have lots of capacity investments coming more and more into play as well, which adds to the capability of deliveries.

Henric Hintze
Analyst | ABG

Yeah, I guess that's what I'm getting at. Would you say that the Q2 figure was maybe a bit stronger because of some certain deliveries, or is it more a result of capacity coming online that you see this strong Q2 figure?

Micael Johansson
President and CEO | Saab

I wouldn't regard it as. If you look at orders, even though if you look at the half year, it's SEK 5 billion less than the comparable half year last year. That doesn't worry me at all because I know the pipeline and timing on contracting. The deliveries, they're doing well. They can continue in this direction. Of course, they can. Exactly, I don't want to detail exactly when each and every one deliveries are. I wouldn't look at the quarters especially fantastic when it comes to the growth either. They have a lot in the backlog, SEK 80 billion plus, so there are lots of deliveries, so they should do numbers like this.

Anna Wijkander
CFO | Saab

The only thing maybe to add on that, as normal for Q3, we have.

Micael Johansson
President and CEO | Saab

Of course

Anna Wijkander
CFO | Saab

vacancy period, that goes for everyone. With delivery projects as we have in Dynamics, they are often impacted by the vacancy period.

Micael Johansson
President and CEO | Saab

Yeah, that could happen in Q3.

Anna Wijkander
CFO | Saab

Yeah.

Micael Johansson
President and CEO | Saab

In Q3, I will say this is like a Q3, then there are normally a Q4 that is extremely good for Dynamics, as you know. That's how it varies between the quarters. I look more on a yearly, more long-term basis.

Johan Andersson
Head of Investor Relations | Saab

Good.

Henric Hintze
Analyst | ABG

Okay. Very good. Thank you.

Johan Andersson
Head of Investor Relations | Saab

A quick one here from the web. You talked a lot about GlobalEye and the ramp-up there. Where are we in terms of Gripen, and how do you see that also with new contract coming in here?

Micael Johansson
President and CEO | Saab

Also ramping up. We say we are aiming for somewhere between 25 and 30 across the year. That's doubling almost the capacity that where we are right now. We're moving quickly in that direction, confident with the investments we're doing to manage that. That's also important, absolutely.

Johan Andersson
Head of Investor Relations | Saab

Excellent. Operator, I think we have time for a final question from the telephone conference. Do you have a final one from there?

Operator

Yes, we have a follow-up question from the line of Daniel Djurberg from Handelsbanken. Please go ahead.

Daniel Djurberg
Equity Analyst | Handelsbanken

Thank you, operator, for squeezing me in. I want to go back to a note before about the Unmanned Airborne Early Warning system that you tried out with General Atomics in the quarter. What you can tell us about potential market launches or when this could hit the market? Thank you.

Micael Johansson
President and CEO | Saab

We're test flying it as we speak. We are pushing hard to get it into the market, of course. It is for sale already, so that's obviously the case. It's a complementary capability to a GlobalEye capability, I would say. It's not exactly the same, but it's a great surveillance capability. We're getting there quickly. Of course, if you look upon it from a buyer's perspective, MQ-9B as a platform is quite attractive in the marketplace. To have different capabilities integrated to it is, of course, something we will benefit from, having our airborne early warning pods to attach to it. I look forward to see that coming into the market. It's not really there yet. We are still working test flights, but we are prepared to start talking contracts with people.

Johan Andersson
Head of Investor Relations | Saab

Excellent.

Daniel Djurberg
Equity Analyst | Handelsbanken

Yeah, would it be purchased? Oh, okay. I won't give the price.

Johan Andersson
Head of Investor Relations | Saab

Okay, I think from that, we will end the Q&A session and also the presentation for today. We thank everyone for listening in and joining. Please reach out to the investor relations team if you have any other follow-ups or any other comments on the report. Thank you very much.

Micael Johansson
President and CEO | Saab

Thank you