

Press release

Helsingborg, Sweden, July 27, 2023

Interim Report January – June 2023

STRONG GROWTH DRIVES INCREASED PROFITABILITY

Financial development Q2 2023

- Net sales increased by 144% to SEK 288.8 million (118.5).
- The gross margin was 50% (49).
- Adjusted EBITDA amounted to SEK 47.7 million (-9.6), equivalent to an adjusted operating margin of 16.5% (-8.1).
- Operating profit (EBIT) amounted to SEK 33.6 million (-15.0), corresponding to an operating margin of 11.6% (-12.7).
- Order intake increased by 11% to SEK 285.5 million (256.4).
- Operating cash flow amounted to SEK -4.2 million (-49.0).

Financial development January - June 2023

- Net sales increased by 120% to SEK 572.0 million (259.8).
- The gross margin was 48% (48).
- Adjusted EBITDA amounted to SEK 81.7 million (-3.3), equivalent to an adjusted operating margin of 14.3% (-1.3).
- Operating profit (EBIT) amounted to SEK 55.3 million (-14.8), corresponding to an operating margin of 9.7% (-5.7).
- Order intake increased by 74% to SEK 628.4 million (360.3).
- Order backlog as of June 30, 2023 increased by 41% to SEK 1,288 million compared with the same date in 2022 (913).
- Operating cash flow amounted to SEK 24.5 million (-5.6).
- Earnings per share after dilution over the last 12-month period amounted to SEK 1.61 (0.25).

Summary of significant events in the second quarter, April - June 2023

- MilDef wins a three-year contract for digitalization of Swedish Amphibious Corps support ship. The assignment is part of the framework agreement that MilDef signed with the Swedish Defence Materiel Administration (FMV) in 2022.
- MilDef is accelerating its investment in the USA by consolidating the leadership of the US operations. From July 2023 Jim Rimap, currently CEO of Handheld US Inc., will take over management of all of MilDef's operating units in the USA.
- MilDef extends its framework agreement with the Norwegian Defence Materiel Agency (NDMA). The agreement has now been extended for two more years – from 2023 to 2025.
- In May MilDef recruits Viveca Johnsson as new CFO. Viveca has a solid financial background as well as experience from the industrial sector. She comes to MilDef from Nederman, an industrial company where she has worked since 2013. Viveca will join MilDef's Management Team and report directly to the CEO.

Summary of significant events after the end of the period

- MilDef's subsidiary Handheld secures a strategically important development project assignment with a global defense group to develop soldier-borne control systems for ultra-small drones. After the development phase, we see good opportunities for significant volume orders. In the press release issued on July 24, it was incorrectly stated that the order was included in the order backlog as of June 30, 2023. The order was received in the third quarter and will therefore be included in the third quarter.
- No other events considered of significance have taken place since the end of the period up to the signing of this interim report.

About MilDef

MilDef was founded in 1997 in Helsingborg, Sweden. The company delivers tactical IT, including rugged hardware, software, and services. MilDef's products are sold to more than 160 customers through MilDef's subsidiaries in Sweden, Norway, Denmark, Finland, United Kingdom, the Netherlands, Germany, Switzerland, Italy, the United States and Australia, and through partner networks in more than 30 countries, predominantly within the EU. MilDef Group is listed on Nasdaq Stockholm. www.mildef.com

Statement by Daniel Ljunggren, CEO MilDef Group

A gradually more active market

MilDef's first half of 2023 is strong. Organic growth remained high in the second quarter and sales increased by a total of 144%. Sales in the first half of the year reached SEK 572 million (260) and order intake amounted to SEK 628 million (360). The operating margin also improved significantly, proving the success of our scalable business model. It is worth noting that sales in the second quarter, on a rolling 12-month basis, exceeded SEK 1 billion for the first time. This development reflects a market in which activity is steadily increasing – a market that will likely continue to grow for many years to come.

Our main priority for 2023 is to successfully deliver on schedule to our customers. The global supply chain challenges that have existed over the past two years have resulted in delivery delays, which have in turn negatively impacted our profitability and cash flow. I am therefore happy to state that also in the second quarter we saw increased profitability and a clearly improved operating cash flow, driven by strong sales growth and good delivery capability.

Cash flow and working capital

Due to the global challenges in supply chains of the past few years we have decided to build up a buffer of critical components in order to meet our delivery commitments to our customers. As a consequence of this strategy our working capital has increased. Added to this are the negative effects on the working capital from the Handheld acquisition implemented in the third quarter of 2022. We expect current inventory levels to remain steady in absolute terms over the next few quarters, mainly due to our continued growth rate. However, we expect working capital as a percentage of sales, on a rolling 12-month basis, to normalize in upcoming quarters, and in the longer term to return to historical levels of around 20–25% of sales. This in turn will have a positive effect on operating cash flow in the coming 6–12 months.

Increased demand for digitalization within the defense sector

Since Russia launched its invasion of Ukraine our customers have prioritized their operational capacity over long-term modernization and digitalization. This coincides with a significant increase in demand for future digitalization. Digitalization of national defense forces is aimed at increasing the capabilities of decision-makers, enabling them to make better and faster decisions thanks to the availability of more information on which to base their decisions. Pens, compasses and paper maps are replaced by realtime digital information. By delivering the necessary infrastructure, MilDef is playing a key role in helping multiple defense forces to realize their ambition of increasing their digital capabilities. Against the background of the current defense appropriations – which are growing in general – we are seeing a steady increase in activity in the market, although this is still not having any material impact on our order intake. Given MilDef's late-cycle position in the delivery chain, we expect demand for our products and services to increase substantially in the future. The fact that we, despite the described "slowness in the system", deliver such good numbers is a clear confirmation of MilDef's strength.

Accelerated ambitions in the North American market

We accelerate our ambitions in the North American market during the quarter by realizing one of the synergies we identified in connection with the Handheld acquisition. Jim Rimap who has headed Handheld's US operations since 2015 was given responsibility for all of MilDef's operations in the USA. This move will ensure leadership in the USA that is clearly focused on developing sales and business. Jim, who has many years of experience in North America, is expected to be a key figure in our continued strong growth in the USA. MilDef sees the North American market as a key market in the future and we already have a solid foundation on which to build with our existing customer base. I look forward to continuing to support our growth in North America and, together with our US team, to ensure we are well-positioned for continued success in the world's single largest defense market.

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Breakthrough in realizing commercial synergies

It gives me great pleasure to be able to report that we have now realized the first transaction linked to the commercial synergies we identified when we acquired Handheld. At the time of the acquisition we communicated that there was potential for synergies such as significant cross-selling, above all of Handheld's products for the military domain. We secured one such deal at the beginning of the third quarter. The initial order for product development is worth SEK 6 million and the customer is a global defense group based in the USA. After the development phase is completed we believe there will be opportunities to secure an order for significant recurring volumes over the years ahead. Our ambition is to follow this up with several similar deals. The deal confirms the trend we have seen before, namely that existing and prospective customers want MilDef as a long-term strategic partner and not only as a supplier. This trend is undoubtedly one of the fundamental success factors for MilDef.

Steep growth pace creates positive challenges

A fast growth pace brings challenges and sometimes leads to growing pains. We have addressed this challenge and, by investing in our corporate culture and our people, we are determined to continue to make MilDef a stronger, more resilient company. Our actions today are more important than ever before. All of our employees are working hard to deliver excellence to our customers and, in doing so, are helping to make this a safer world. It is therefore gratifying to see the increased interest in MilDef, despite tough competition in the labor market. During the quarter we welcomed more than fifteen new employees and I'm convinced that together we will make MilDef even stronger and more profitable.

LSS Mark and the review process

As communicated in the first quarter, MilDef has applied for a review of the "LSS Mark – Unit Integrator" procurement. The procurement is for digitalization of the Swedish ground forces. We expect the Stockholm Administrative Court to announce a ruling in the case in the third quarter. Regardless of the outcome, we believe there are good opportunities to deliver considerable volumes of hardware and services in the Swedish market – both aimed at facilitating next generation digitalization of the Swedish defense forces.

Sustainability work worth highlighting

At MilDef we are determined to make sustainability an integral part of our work – both today and in the future. Sustainability is a key aspect of our strategy and I'm proud of the widespread commitment to sustainability among all of our employees. I would like to highlight in particular something that makes me even more proud – our MilDef Charity Foundation (MCF). MCF was established in 2014 and since then has provided vulnerable individuals with a better future. Every year 1% of MilDef's operating profit goes towards funding MCF. You, our shareholders, can be extra proud of this too – you are contributing to a brighter future for the most vulnerable among us.

Positive expectations in 2023

The forward-looking investments that were made over the past few years, in combination with a strong order backlog and an increasingly active market, enable us to predict sustained strong sales, order intake and profitability in 2023. Our operations aimed at the military domain are and will remain our core business. Our confidence in our ability to continue growing in that domain is based on raised defense spendings, increased and pent-up demand for digitalization and on the market share we have won.

I'm excited, curious and greatly humbled as I take on the role as President and CEO of MilDef. I would also on this occasion like to take the opportunity to thank our employees, customers, suppliers and owners for a successful quarter.

Daniel Ljunggren,

President and CEO of MilDef Group

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MILDEF GROUP'S INTERIM REPORT JANUARY-JUNE 2023 PRESENTATION

MilDef Group's CEO Daniel Ljunggren will present the Interim report for January-June 2023.

Date: Thursday, July 27 at 10:00 a.m. (CEST). The report is published at 08:00 a.m. (CEST) the same day at www.mildef.com.

You are welcome to watch the live webcast via Teams or dial in to the conference call. It is possible to post questions over the conference call and the web.

Connecting to the meeting

To connect to the meeting, [click this Teams link](#) or phone in on one of the phone numbers below (audio only). Notification is not required for participation in the conference call but please connect/call in five minutes prior to the specified time to ensure a punctual start of the meeting.

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The interim report, the presentation material and the webcast will be available on www.mildef.com.

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Publication

This information is the information that MilDef Group AB (publ) is required to publish in accordance with the EU's market abuse regulation and the Swedish Securities Market Act. The information was submitted, through the agency of the contact persons set out above, for publication at 08:00 CEST on July 27, 2023.

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