

Press release

Helsingborg, Sweden, July 28, 2022

Interim report for January – June 2022

ACCELERATED ORDER INTAKE – RECORD ORDER BACKLOG

Financial development Q2 2022

- Net sales increased by 46% to SEK 118.5 million (81.3).
- Gross margin amounted to 49% (48).
- Adjusted EBITDA amounted to SEK -9.6 million (-2.3), equivalent to an adjusted operating margin of -8.1% (-2.8).
- Operating profit (EBIT) amounted to SEK -15.0 million (-10.5) including non-recurring items of SEK 0.0 million (-3.4).
- Order intake increased by 41% to SEK 256.4 million (181.7).
- Operating cash flow amounted to SEK -49.0 million (-0.1).

Financial development January - June 2022

- Net sales increased by 96% to SEK 259.8 million (132.3).
- Gross margin amounted to 48% (43).
- Adjusted EBITDA amounted to SEK -3.3 million (-17.2), equivalent to an adjusted operating margin of -1.3% (-13.0).
- Operating profit (EBIT) amounted to SEK -14.8 million (-33.4) including non-recurring items of SEK 0.0 million (-7.1).
- Order intake increased by 38% to SEK 360.3 million (261.2).
- Order backlog increased by 44% to SEK 913.4 million (634.0).
- Operating cash flow amounted to SEK -5.6 million (-20.1).

Summary of significant events in the second quarter, April – June 2022

- MilDef signed a 7-year framework agreement with the Swedish Defence Materiel Administration (FMV). The value of the agreement's future deliveries is estimated to reach SEK 870 million.
- MilDef won its single largest contract in the USA, with an order value of around SEK 50 million.
- The 2022 Annual General Meeting decided to distribute a dividend to the shareholders of SEK 0.75 per share for the 2021 financial year.

Summary of significant events after the end of the period

- At the beginning of July MilDef won an order with the Norwegian Defence Materiel Agency (FMA). The total value of the order is SEK 82 million.
- MilDef entered into a credit facility agreement with SEB bank for a total of SEK 325 million to finance future acquisitions.

Statement by Björn Karlsson, CEO MilDef Group

96% growth in first six months of the year

“During the second quarter MilDef was navigating its growth journey with confidence in a time that was otherwise one of uncertainty. Strong key ratios for the period are valuable, but the Company’s long-term contracts are more important for future growth. During the period, MilDef signed a framework agreement with the Swedish Defence Materiel Administration (FMV) worth SEK 870 million and the Company secured its largest contract to date in the USA, worth just over SEK 50 million. In addition, MilDef won a digitalization contract in Norway worth SEK 82 million. All of these events, as well as Sweden’s upcoming NATO membership, are important milestones which I will come back to shortly.”

As reported earlier, we have not seen any direct effects yet from increased defense appropriations on our order intake. Our assessment is that this is still one or more quarters away. We increased our order intake by 41% to SEK 256.4 during the quarter, compared with the same period the previous year. Compared with the first quarter of 2022, the order intake is up 147%.

Although the second quarter’s operating profit of SEK -9.6 million (adjusted EBITDA) is weaker than the comparison quarter, significant improvements were delivered in the first half of the year. The adjusted EBITDA was SEK -3.3 million compared with SEK -17.2 million, and EBIT was SEK -14.8 million compared with SEK -33.4 million. The lower operating profit for the second quarter, despite the growth achieved, is explained by continuing investments in staffing and in strengthening our delivery capacity to handle future growth. The costs for these are according to plan. Despite the current inflation situation, MilDef has maintained its gross margin – both in the first half of the year (48% compared with 43% in 2021) and in the second quarter (49% compared with 48% in 2021).

Growth despite ongoing component shortage

The previously reported challenges associated with the component shortage remain, but their impact is reduced by the new business opportunities and significantly improved key ratios that the Company is delivering. MilDef’s half-year sales growth totals 96%, compared with the same period in 2021, with organic growth of 34%.

A Swedish framework agreement worth more than money

In May MilDef signed its to date largest framework agreement with the Swedish Defence Materiel Administration – a 7-year agreement with an estimated value of SEK 870 million. But the benefits of this agreement go beyond financial value. With a period of growth on the way, it is of utmost importance to have stable business relationships that facilitate cooperation, partnership and an open dialogue. We have now established these for our entire offering – a combination of hardware, software and digitalization services – for the long term.

MilDef is becoming an increasingly integrated part of the growth that is planned within the Swedish armed forces, where digitalization and tactical IT are key components.

Our biggest contract in the USA

Our US operations are clearly experiencing their best year since the start in 2016. The single largest contract for MilDef’s North American operations was won in June and is worth over SEK 50 million. Through one of the largest military defense groups, MilDef will deliver 400 customized laptops for use by the US army. Significantly growing order intake indicate that MilDef’s US operations will generate solid growth and strong operating profit for 2022.

New digitalization order in Norway

Just after the end of the second quarter the Norwegian FMA (equivalent to Sweden’s FMV) placed a tactical IT order worth SEK 82 million for delivery in 2022 and 2023. Digitalization of the Norwegian armed forces is based on cutting-edge technology and uses the full spectrum of MilDef’s portfolio. MilDef already has a multi-year framework agreement with FMA and thus also a long-term strategic partnership.

Focusing on an active acquisition agenda

During the period we intensified our efforts to acquire companies that will help MilDef to grow in prioritized areas. No transactions have been executed, but we are optimistic about the work that has been done and the opportunities that exist to build an even stronger MilDef in cooperation with other excellent companies. Our objective to implement at least one acquisition a year is still in place. With a balance sheet that remains strong, we have the financial muscle to act when we identify opportunities.

Value of NATO membership

In answer to questions I've been asked about the significance of Sweden's NATO membership, I've mentioned, among other things, a hidden currency where the Swedish defense industry has an opportunity to complement its cutting-edge technology with international security policy capital that we have not had in the past. The new dynamic in MilDef's markets requires and deserves its own strategy to maximize the potential that exists in cooperation between NATO countries.

In this context, I would like to highlight our OneCIS software, a system for automated rollout of IT systems. OneCIS is equipped with special compatibility support for Federated Mission Networking (FMN), a NATO standard for interoperability between nations. We see great potential here for internationalization of our unique offering. We need to remember that the NATO issue is part of a larger context in which Russia continues its full-scale invasion of Ukraine while causing human suffering and enormous problems – both financially and from a security policy perspective. The consequences of this are deeply negative, long-lasting and hard to grasp.

The ways in which we are trying to contribute in a positive way in this global crisis are as follows: We are doing our utmost to securely and reliably deliver a technical advantage to total defense – for Sweden, the Nordics, the EU and NATO.

Björn Karlsson,
CEO MilDef Group

MILDEF GROUP'S INTERIM REPORT JANUARY-JUNE 2022 PRESENTATION

MilDef Group's CEO Björn Karlsson and CFO Daniel Ljunggren will present the interim report for January-June 2022.

Date: Thursday, July 28 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

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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, Finland, United Kingdom, the United States, and through partner networks in more than 30 countries, predominantly within the EU. MilDef Group is listed on Nasdaq Stockholm. www.mildef.com