

Press release

Helsingborg, Sweden, October 27, 2022

Interim report for January – September 2022

STRONG ORDER INTAKE AND INCREASED GROSS MARGIN

Financial development Q3 2022

- Net sales increased by 20% to SEK 163.7 million (136.6).
- Gross margin amounted to 51% (45).
- Adjusted EBITDA amounted to SEK 19.9 million (14.9), equivalent to an adjusted operating margin of 12.2% (10.9).
- Operating profit (EBIT) amounted to SEK 12.5 million (2.3) including non-recurring items of SEK 0.0 million (-4.4).
- Order intake increased by 158% to SEK 307.2 million (119.2).
- Operating cash flow amounted to SEK -40.1 million (-40.4).

Financial development January - September 2022

- Net sales increased by 57% to SEK 423.5 million (268.9).
- Gross margin amounted to 49% (44).
- Adjusted EBITDA amounted to SEK 16.6 million (-2.3), equivalent to an adjusted operating margin of 3.9% (-0.9).
- Operating profit (EBIT) amounted to SEK -2.3 million (-31.1) including non-recurring items of SEK 0.0 million (-11.5).
- Order intake increased by 75% to SEK 667.5 million (380.4).
- Order backlog as of September 30, 2022 was SEK 1,218 million (712), representing an increase of 71%.
- Operating cash flow amounted to SEK -45.7 million (-58.2).

Summary of significant events in the third quarter, July – September 2022

- MilDef signs a strategic framework agreement with the armed forces of a European NATO country. The agreement has an estimated value of around SEK 2.8 billion over 20 years.
- Due to development in the defense market, in combination with MilDef's positioning and prospects, the Board has raised the Company's growth target from at least 15% a year to at least 25% per year, over time.
- MilDef acquires all of the shares in Handheld Group AB, a company specializing in rugged computers. The acquisition increases the pace of MilDef's strategy for profitable growth, adds a complementary product segment and expands the customer base.
- In order to facilitate future expansion through strategic acquisitions, MilDef carried out a directed new share issue worth SEK 150 million.

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 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 Björn Karlsson, CEO MilDef Group

New alliances and profitable growth

In the third quarter MilDef executed several important transactions that will have a positive impact on the Company for years into the future. The transaction with the highest financial impact is a 20-year framework agreement with the defense forces of an unnamed NATO nation for a value of SEK 2.8 billion. To this we add the acquisition of Handheld Group AB, which is MilDef's single largest acquisition up to now. It will result in an expansion of both technology and market segments, and also strengthen MilDef's geographical imprint. In the third quarter we also had the first call-off orders within the framework agreement with the Swedish Defence Materiel Administration (FMV), which MilDef signed in May 2022. This is a framework agreement with an estimated value of SEK 870 million over a seven-year period.

Alliances make us stronger

The theme for MilDef throughout the third quarter was becoming stronger through important alliances – with actors in the national and international defense industry and with government agencies and armed forces.

That we managed to improve our gross margin despite a component market that is still problematic was particularly gratifying. This, combined with continued growth, resulted in improved profitability compared with the same period the previous year.

We continue to add value through acquisitions

In line with our objective of implementing at least one acquisition a year, in September we completed our largest transaction so far in the Company's history. Handheld Group AB is an international group of companies that develops and produces tactical IT and has customers in areas that MilDef defines as crucial for society. MilDef's ever stronger connection to the total defense concept is a strategy we have previously communicated. There is good potential for commercial synergies in the defense segment, which is where MilDef's biggest strengths lie. We welcome Handheld Group and its employees into the MilDef family and look forward to continuing to grow together.

Order backlog at new record levels

The third quarter of 2022 saw strong order intake of SEK +300 million, an increase of a full 158% compared with the same period the previous year. At the end of the period the order backlog was higher than ever before at SEK 1.2 billion, which is 71% higher than at the end of the same period in 2021.

It is worth noting that in the third quarter of 2022 MilDef was still seeing some limited effects of the increased defense appropriations. Our assessment is therefore that the increase in the order intake for the quarter would have happened in full or in part even without the announced but as yet not realized increase in defense-related purchases of products and services.

Successes in the big defense markets

In both the USA and the UK MilDef's local subsidiaries are making strong progress and enjoying increased order intake. After several tough years marked by Brexit and the pandemic, we have noted a positive bounce back in these markets where MilDef's offering is a good fit for the countries' significant modernization and digitalization needs. In the US market the acquisition of Handheld is a particularly attractive one as we now have doubled the size of our organization, affording us good opportunities to strengthen our offering for a broader group of customers.

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Important alliances continue to benefit MilDef

I have previously stressed the value of NATO membership for the Swedish defense industry in terms of export capacity. Although Sweden's and Finland's membership is not yet confirmed, we have seen an increased interest for MilDef's portfolio during the period. Our success with our OneCIS software, which enables NATO-compatible efficiency improvement and rollout of IT systems in tactical environments, stands out. Exporting to new countries has commenced and is progressing faster than we previously thought it would, likely as a consequence of major investments within NATO.

In the context of cooperation in the Nordics, MilDef's position has also strengthened thanks to the relationships we have in the Nordic markets. Our decision to set up a subsidiary in Finland has, for example, proven to be on the mark. Increased cooperation is in line with the strategy that MilDef is advocating regarding supply reliability, i.e. coordination of logistics chains in nearby geographies.

What will happen in the fourth quarter?

We will continue to gradually improve our position as a strategic supplier of tactical IT within NATO and the EU. MilDef is expanding in total defense and functions critical for society, and we are accelerating the pace of our Nordic defense industry strategy.

We look forward to an intense final quarter of 2022 in which our capabilities will be tested to the limits. With our sights set on the future and because we are able to give our customers a technical advantage, MilDef will continue to experience accelerated growth; growth that so far this year is exceeding our upgraded financial target of at least 25% a year, over time.

I would in particular like to thank our professional, talented and loyal employees who are impressive in their ability to perform and maintain high quality, even when market conditions are complicated. They do so in an uncertain world and as proud employees of a defense company that is growing fast, both in size and relevance.

We now conclude the third quarter and throw ourselves hungrily and enthusiastically at the fourth. Thank you for coming along on our journey.

Björn Karlsson,
CEO MilDef Group

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MILDEF GROUP'S INTERIM REPORT JANUARY-SEPTEMBER 2022 PRESENTATION

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

Date: Thursday, October 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

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