

Press release

Helsingborg, Sweden, February 9, 2023

Year-End Report January – December 2022

STRONG SALES GROWTH DESPITE DELIVERY DELAYS

Financial development fourth quarter 2022

- Net sales increased by 57% to SEK 315.3 million (200.7).
- Gross margin amounted to 46% (46).
- Adjusted EBITDA amounted to SEK 43.4 million (34.6), equivalent to an adjusted operating margin of 13.8% (17.2).
- Operating profit (EBIT) amounted to SEK 31.5 million (28.2).
- Order intake increased by 27% to SEK 270.7 million (213.2).
- Operating cash flow amounted to SEK -49.3 million (-13.3).

Financial development January – December 2022

- Net sales increased by 57% to SEK 738.8 million (469.6).
- Gross margin amounted to 48% (45).
- Adjusted EBITDA amounted to SEK 60.0 million (32.2), equivalent to an adjusted operating margin of 8.1% (6.9).
- Operating profit (EBIT) amounted to SEK 29.2 million (-2.9) including non-recurring items of SEK 0.0 million (-11.5).
- Order intake increased by 59% to SEK 938.2 million (589.4).
- Order backlog as of December 31, 2022 was SEK 1,156 million (732), representing an increase of 58%.
- Operating cash flow amounted to SEK -95.0 million (-71.4).
- Earnings per share after dilution amounted to SEK 0.37 (-0.03).
- The Board of Directors proposes to the Annual General Meeting that no dividend be paid to shareholders in respect of the financial year 2022. The proposal is made in light of the company's steep growth rate and consequently estimated increased working capital requirements in 2023.

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

Summary of significant events in the fourth quarter, October – December 2022

- In December 2022 MilDef announced identified delivery delays in the fourth quarter equivalent to around SEK 60–70 million. The final scope of delivery delays amounted to around SEK 100 million, i.e. additional hardware deliveries worth around SEK 20–30 million have been delayed until 2023. The reason for the delays is the shortage of semiconductor components for MilDef's hardware portfolio. No business will be lost due to this but sales and earnings were negatively impacted in the fourth quarter. The delivery delays are instead having a positive effect on the first half of 2023.
- MilDef has signed an additional order with the British Armed Forces MIV program for a value of around SEK 70 million. The deliveries will take place in 2023–2024.
- In the fourth quarter of 2022 MilDef established its first production facility outside Sweden. The production facility is based in Cardiff, Wales. The new facility will manufacture tactical IT platforms developed by MilDef.
- Björn Karlsson, MilDef's CEO has informed the Board of Directors that he wishes to resign as CEO of MilDef. Björn intends to stay on as CEO until the next Annual General Meeting when the Company's Executive Vice President and CFO, Daniel Ljunggren, will step in preliminarily as acting CEO. In consultation with the Chair of the Board, Jan Andersson, a group of the principal shareholders have decided to nominate Björn Karlsson as the new Chair of the Board.

Summary of significant events after the end of the period

- In 2022 MilDef announced a 20-year framework agreement worth SEK 2.8 billion with an unnamed European NATO country's armed forces. In January 2023 the first orders were placed under the agreement. The value of this initial transaction is around SEK 50 million and is for deliveries during the period 2023–2024. The order is for prototype development and system design with a focus on digitalization, infrastructure and security.
- To further strengthen MilDef's position in the Danish market, MilDef established a company in Denmark at the beginning of 2023.
- No other events considered of significance have taken place since the end of the period up to the signing of this year-end report.

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Statement by Björn Karlsson, CEO MilDef Group

Another quarter of growth underscores increased acceleration

It was no surprise that MilDef would continue to secure international business and deliver from a well-filled order backlog, but we should also be happy about some additional factors that will enable continued expansion. In addition to significant sales growth – growth that has up to now happened without the boost provided by increased defense budgets – the successes of strategic NATO projects continue, above all those relating to digitalization and modernization of vehicles. The volume increases have resulted in improved gross margin, 48% compared with 45% the previous year.

For the full year 2022 MilDef's sales grew by 57%, which is significantly higher than our financial growth target. The adjusted operating profit (EBITDA) increased by 86% and amounted to SEK 60.0 million (32.2), equivalent to an adjusted operating margin of 8.1% (6.9).

Strategic repositioning of MilDef leads to bigger and better business transactions

The two substantial framework agreements that were announced during the year are significant in several ways. The first agreement is in Sweden and will amount to SEK 870 million over seven years. The other is an unnamed NATO nation where MilDef has a broad assignment within military digitalization and will amount to SEK 2.8 billion over 20 years. Apart from the value of the framework agreement's business arrangements, where MilDef's products and services can flow freely, the agreements are a strong indicator that the Company's transformation from a product supplier to a system design actor is firmly rooted in important customer relationships.

These agreements came about based on the aim of allowing MilDef to have greater overall responsibility in high-priority projects involving modernization and capacity building. The solutions that we offer can be packaged and internationalized, especially to nations that have placed NATO compatibility and interoperability high up on their agendas.

With growing capacity within hardware, software and services, MilDef in 2022 continued to meet customer need for "fewer suppliers who deliver a larger portion of overall products and services," and to build better margins and business transactions higher up the value chain with suppliers over a longer period.

Acquisition compass shows the way to the future

The acquisition of Handheld in autumn 2022 strengthened MilDef in several prioritized areas. An increased market presence in important defense markets provides new platforms for expansion, and work on this will begin very soon. Worth a mention are our efficient operations in Germany as well as operations in the USA that will immediately double MilDef's footprint.

Adding products and customers within critical infrastructure is another effect that MilDef has aimed for and that reinforces our total defense concept. Handheld's technology is highly suited to customers and applications in demanding environments and adds to MilDef's product portfolio which was previously primarily focused on military applications.

Perhaps the most exciting aspect of the acquisition is the intersection of Handheld's product segment for handheld devices and MilDef's expertise in meeting military requirements. We look forward in the near future to being able to offer digitalization of systems carried by soldiers.

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Customers offered expanded national supply reliability

Setting up a production facility in Wales in 2022 was part of our strategy to offer customers improved domestic supply reliability. Regardless of whether the customers' are aiming to improve business with local suppliers or to ensure they have sufficient production capacity in the event of a deterioration of the security environment or even conflict, MilDef can provide the capacity they need locally in their country. The UK was the first and now the same model can be used to meet the needs of additional countries through the concept of "Made in X".

Regarding delivery delays and component shortages

The previously communicated delays in deliveries and revenue in the fourth quarter amounted to close to SEK 100 million, which is slightly more than expected. The prognosis for these deliveries in 2023 is divided between the first two quarters.

The Company has concluded that the component shortage will also be a factor in 2023. This has been taken into account operationally by improving supply strategies and in a new warehousing strategy developed in 2022.

Summary of 2022 and outlook for 2023

It has been a turbulent year with the world being thrown into an unparalleled security situation. We have war in our neighborhood. Sweden and Finland have applied for NATO membership. Interest rates and inflation have risen at a breakneck pace and markets have been weighed down by it. MilDef has been resilient and has been steadily contributing to a safer world. I am both proud and humbled as I thank our employees, customers, suppliers and owners for their excellent work in a year that has been difficult in so many ways.

As we enter 2023 it will be with a well-filled order backlog, important framework agreements in place and a MilDef that is ready to deliver. In 2022 we started the next part of our development phase aimed at increased value-creation through disruptive technology and innovation.

Thank you for choosing to be part of MilDef's journey and vision.

Björn Karlsson,
CEO MilDef Group

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MILDEF GROUP'S YEAR-END REPORT JANUARY-DECEMBER 2022 PRESENTATION

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

Date: Thursday, February 9 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 February 9, 2023.

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