

## Press release

Helsingborg, Sweden, May 5, 2023

# Interim Report January – March 2023

## DOUBLED SALES – STRONG ORDER INTAKE

### Financial development first quarter 2023

- Net sales increased by 100% to SEK 283.2 million (141.3).
- The gross margin was 45% (47).
- Adjusted EBITDA amounted to SEK 34.0 million (6.3), equivalent to an adjusted operating margin of 12.0% (4.5).
- Operating profit (EBIT) amounted to SEK 21.7 million (0.2).
- Order intake increased by 230% to SEK 342.9 million (103.9).
- The order backlog as of March 31, 2023 increased by 72% to SEK 1,279 million compared with the same date in 2022 (744).
- Operating cash flow amounted to SEK 28.8 million (43.4).
- Earnings per share after dilution over the last 12-month period amounted to SEK 0.75 (0.58).

### Summary of significant events in the first quarter, January–March 2023

- After a completed evaluation process, on February 17 MilDef's Board of Directors announced the appointment of Daniel Ljunggren as permanent CEO from May 26. Ljunggren is currently the Company's CFO and has held that role for more than 10 years.
- On March 1 MilDef's Nomination Committee announced its proposal for board members Jan Andersson, Charlotte Darth, Christian Hammenborn, Lennart Pihl and Marianne Trolle to be re-elected, for Bengt-Arne Molin and Björn Karlsson to be elected as new members of the Board and for Björn Karlsson to be appointed Chair of the Board. Berndt Grundevik has declined re-election as a board member but will continue to head the Company's Advisory Board.
- To further strengthen MilDef's position in the Danish market, MilDef established a company in Denmark at the beginning of 2023.
- 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.

### 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](http://www.mildef.com)

## Summary of significant events after the end of the period

- On April 17 the Swedish Defense Materiel Administration (FMV) announced its allocation decision in the procurement process for a system named LSS Mark. There were two parts to this procurement: Central System Support and Unit Integrator. The FMV named MilDef the second best supplier in both areas. After careful consideration, MilDef submitted an application on April 27 for a review of the Unit Integrator part of the procurement to the Stockholm Administrative Court with a petition for a repeat of the procurement process. The grounds for the petition are essentially that the evaluation model used by the FMV did not result in the most financially beneficial supplier selection. It is unclear at the time of submitting this report what the result of this review process will be. MilDef is following developments and will communicate further on this matter when relevant information is available.
- No other events considered of significance have taken place since the end of the period up to the signing of this interim report.

## Statement by Björn Karlsson, CEO MilDef Group

### Profitable growth and record order intake set the tone for 2023

***I usually allow financial KPIs to speak for themselves and mainly use these CEO comments to describe events of importance to the quarter's results and to our future. This will also be the focus here, but first I would like to mention three of the financial KPIs that we have followed with extra care.***

*MilDef doubled its sales to SEK 283 million, which provided positive benefits of scale, and we delivered the best profitability in the Company's history in a first quarter, of 12% adjusted EBITDA. Both sales and operating profit were, however, topped by our order intake, which increased by 230% to SEK 343 million. It is particularly gratifying to see the order backlog being filled with orders for technical development and concepts that will create new opportunities for more and larger business transactions in the future.*

#### Technical development and transactions with future potential

*Sustained confidence among customers in the United Kingdom regarding delivery of NATO-compatible computers and network products resulted in a contract signed with RBSL during the quarter for products for the upgraded British Army's Challenger 3 Main Battle Tank. These products also meet the Generic Vehicle Architecture (GVA) standard that is becoming increasingly important for interoperability. Prototype orders for around 10 different products for an unnamed NATO nation created a positive challenge during the quarter, namely managing a record backlog of development projects. Together with technology and resource partners we are successfully scaling up this part of MilDef's growing business. The products have the potential to be reused by customers in other countries, and also to be ordered in larger volumes for serial delivery in later stages.*

*Another exciting technical development is happening in cooperation with a Swedish industrial partner, where an innovative concept for modularity and mobility will be part of the digitalization of a world-leading defense system. We believe this concept has the potential to be further developed for multiple related products in the same family.*

*The success of our groundbreaking OneCIS software continued and exports of this system have accelerated. Development and adaptation continued during the quarter, opening the door for additional potential customers.*

*On the services side, MilDef received orders that have further expanded deliveries. MilDef's increasingly important service offering covers the full digitalization lifecycle – from concept and design, to launch and integration, as well as maintenance and disposal/replacement.*

#### On component shortages and delays

*During the quarter improvement in the semiconductor components supply chain continued. The combination of adjusted warehouse management tactics and shorter lead times resulted in us meeting our production and delivery targets. About half of the reported delays from the fourth quarter of 2022 are now delivered.*

## 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](http://www.mildef.com)

### **Marked consolidation**

*There is still good potential for companies like MilDef that are focusing on acquisitions to find interesting acquisition candidates within the security and defense sector. Although at the start of 2023 a major focus for MilDef was integration of already acquired operations, the possibility of acquisitions taking place in the second half of the year cannot be ruled out. We are maintaining our principle of a selective acquisition process and ensuring that clear added value can be achieved in a short space of time.*

### **National security link to the supplier portfolio**

*Some of the products in MilDef's product portfolio are manufactured in Taiwan, a country that has a strained national security relationship with China. MilDef's risk exposure has been decreasing for a number of years because these products are among the revenue streams with the lowest growth. However, steps are naturally being taken to further guarantee future deliveries. Among other steps, MilDef is improving its ability to move part of the production to Europe or the USA and there are also active efforts to expand the supplier portfolio to include dual and triple sourcing, i.e. obtaining alternative suppliers for similar products. In the present situation it is impossible to fully mitigate future national security risks in the supply chain, but our exposure is considered manageable.*

### **Setback could be turned into a success**

*We were surprised by the negative outcome for us when we received information on the allocation for "LSS Mark – Unit Integrator," a procurement aimed at digitalizing the Swedish Army to bring its current technical platform to a modern level. MilDef is one of relatively few suppliers with the credibility and capability to deliver this assignment ensuring nationwide delivery reliability. This was underscored by the fact that MilDef was the bidder that received the highest quality points in the procurement. We have decided to apply for a procurement review on the grounds of the use of a defective evaluation model that fails to fulfil the purpose of identifying the most financially beneficial bid with the expressed emphasis on quality when one bidder offers a price that does not align with the market price. Regardless of the outcome of this process, MilDef will continue with full force to deliver integration services for today's technical platforms, to participate in strengthening the national supply chain for Swedish defense companies, and to build the next generation of digitalization infrastructure – in Sweden, in the Nordics and in other NATO nations.*

### **Summary of the quarter and a look ahead**

*The first quarter delivered a strong performance in all areas. The difficult situations around the world continues, particularly in the form of national security concerns and war in our vicinity. Contrary to what many believe, this creates a situation where orders for MilDef's products are often postponed. Many customers have prioritized their operational capacity over modernization and digitalization, even if future needs are increasing substantially. Despite the external environment, MilDef's growth rate has continued to rise, resulting in improved profitability.*

*In the second quarter the planned CEO switch will take place, with Daniel Ljunggren taking the helm while I have been proposed to take over as Chair of the Board at the upcoming shareholders' meeting. I am confident in the ability of Daniel, our Management Team and our 300 fantastic employees to continue to implement the strategy for growth and increasing profitability that we have launched together.*

*In conclusion, I can state that we are in a time when exponential opportunities are being created and where modern technology will be a catalyst for value-creation at levels rarely or never seen before. MilDef is well-calibrated to not only participate in this positive development in our domain, but also to drive it forward.*

*I would like to thank our employees, customers, partners, suppliers and shareholders for a particularly well-executed quarter.*

**Björn Karlsson,**  
CEO MilDef Group

### **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](http://www.mildef.com)

## MILDEF GROUP'S INTERIM REPORT JANUARY-MARCH 2023 PRESENTATION

MilDef Group's CEO Björn Karlsson and CFO Daniel Ljunggren will present the Interim report for January-March 2023.

**Date:** Friday, May 5 at 10:00 a.m. (CEST). The report is published at 08:00 a.m. (CEST) the same day at [www.mildef.com](http://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.

### Phone numbers:

+46 8 502 413 79 (Sverige)  
+47 23 52 52 25 (Norge)  
+45 32 73 03 21 (Danmark)  
+358 9 23106849 (Finland)  
+44 20 3855 6017 (Storbritannien)  
+1 323-486-4735 (USA)

Use conference-ID: **711 253 36#**

The interim report, the presentation material and the webcast will be available on [www.mildef.com](http://www.mildef.com).

### For more information, please contact:

#### Björn Karlsson, CEO

Phone: +46 705 25 01 07

Email: [bjorn.karlsson@mildef.com](mailto:bjorn.karlsson@mildef.com)

#### Daniel Ljunggren, EVP & CFO

Phone: +46 706 68 00 15

Email: [daniel.ljunggren@mildef.com](mailto:daniel.ljunggren@mildef.com)

#### Olof Engvall, Head of IR & Communications

Phone: +46 735 41 45 73

Email: [olof.engvall@mildef.com](mailto:olof.engvall@mildef.com)

### 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 May 5, 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](http://www.mildef.com)