

Press Release

Helsingborg, 26 October 2023

Interim Report January – September 2023

SHARPLY IMPROVED PROFITABILITY FOR THE FIRST NINE MONTHS

Financial development Q3 2023

- Net sales increased by 38% to SEK 226.5 million (163.7).
- The gross margin was 50% (51).
- Adjusted EBITDA amounted to SEK 26.5 million (19.9), equivalent to an adjusted operating margin of 11.7% (12.2).
- Operating profit (EBIT) amounted to SEK 11.4 million (12.5), corresponding to an operating margin of 5.0% (7.6).
- Order intake decreased by 42% to SEK 177.2 million (307.2).
- Operating cash flow amounted to SEK -42.0 million (-40.1).
- Earnings per share after dilution amounted to SEK 0.14 (0.18).

Financial development January - September 2023

- Net sales increased by 89% to SEK 798.5 million (423.5).
- The gross margin was 48% (49).
- Adjusted EBITDA amounted to SEK 108.2 million (16.6), equivalent to an adjusted operating margin of 13.5% (3.9).
- Operating profit (EBIT) amounted to SEK 66.7 million (-2.3), corresponding to an operating margin of 8.4% (-0.5).
- Order intake increased by 21% to SEK 805.6 million (667.5).
- Order backlog as of September 30, 2023 increased by 4% to SEK 1,272 million compared with the same date in 2022 (1,218).
- Operating cash flow amounted to SEK -17.5 million (-45.7).
- Earnings per share after dilution for the last 12-month period amounted to SEK 1.07 (-0.17) and before dilution, SEK 1.09 (SEK -0.17).

Summary of significant events in the third quarter, July - September 2023

- At the DSEI (Defence and Security Equipment International) trade fair in London in September MilDef launched its newly developed brand platform WE ARMOR IT, signifying that MilDef makes both IT and everything we produce stronger and more sustainable.
- In the third quarter MilDef signed a series of contracts in the US defense market for rugged IT. Based on its products, MilDef will deliver mission-critical functionality under these contracts for land vehicles, aviation platforms and naval vessel installations.
- During the quarter MilDef launched its handheld Tactical Android Device (T.A.D) which will redefine soldier-borne digitalization. The innovative unit addresses the challenges that military personnel face by offering advanced technical functions and durability.
- During the quarter a newly developed Panel PC was launched with a rapidly detachable computer module for a new level of operational flexibility. This unique display and computer combination will enable groundbreaking use of computers and displays in military operations.

Summary of significant events after the end of the period

- No events considered of significance have taken place since the end of the period up to the signing of this interim report.

MilDef - WE ARMOR IT.

MilDef is a global systems integrator and full-spectrum provider specializing in rugged IT for military, government and critical infrastructure sectors. MilDef provides hardware, software, and services that shield and protect critical information streams and systems, when and where the stakes are the highest. MilDef Group is listed on Nasdaq Stockholm. www.mildef.com

Statement by Daniel Ljunggren, CEO MilDef Group

CONTINUED GOOD GROWTH

As we now close the books for the third quarter we can state that MilDef as a company and what MilDef delivers have never been more relevant in the Company's 26 years in existence. Based on national security policy, significant increases in military capacity are imminent in the West and MilDef is ready to deliver to meet the needs of this trend.

Good growth was sustained in the third quarter and sales increased by 38%. During the first nine months of the year sales amounted to SEK 799 million (424), representing growth of a full 89%. During the same period the Company's operating profit (adjusted EBITDA) increased by 552%, from SEK 16.6 million to SEK 108.2 million. Added to this is an order backlog that remains strong at SEK 1,272 million.

An unstable world and changed dynamics

The world around us remains unstable. The security situation is concerning to say the least. It is my belief that countries will need to reinforce their defense capacity for many years to come and this is confirmed by the planned increases in defense appropriations. We are not satisfied with our third quarter order intake, but I attribute this shortfall above all to volatility over individual quarters. In the first nine months of the year we saw an increase of 21% in order intake. We are optimistic about the order intake going forward as our addressable market is growing sharply. In the past our end-customers have had time but limited financial resources; now they have the money but are short on time. This changed dynamic will work in MilDef's favor. Combined with MilDef's offering and strong reputation, this gives us faith in our ability to convert business opportunities into orders.

Delivery in focus

The Company's primary priority for 2023 is to successfully deliver according to our customers' needs and wishes. Based on this, the focus in the third quarter was on continuing to build up our inventory. Along the ambitious growth journey that MilDef has embarked upon on it is of utmost importance for the Company to meet customer needs and delivery undertakings. We continue to take a cautious approach with respect to the supply chain challenges because some uncertainty still exists. MilDef is working constantly on managing these challenges to secure stable delivery flows for our customers.

Cash flow and working capital

The higher inventory levels at the end of the quarter reflect our delivery readiness going into the fourth quarter. MilDef's liquidity is following past patterns this year too, being strained in the autumn before improving markedly in the first quarter of the following year. Although changes in working capital affected the third quarter cash flow negatively in the amount of SEK 48.1 million, this is a price worth paying to ensure deliveries to our customers. Working capital as a percentage of sales on a rolling 12-month basis is still not where the Company would like it to be, but we remain of the opinion that it will normalize and return to historical levels over time. This in turn will have a positive effect on operating cash flow. MilDef's operating cash flow for the first nine months of the year, excluding the effect from the acquired company Handheld, amounted to SEK +28.9 million. This is a substantial improvement in relation to the comparison period (-45.7).

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Product development

During the quarter two new products were launched in our product portfolio, demonstrating MilDef's ability to develop innovative solutions. The first is a rugged, handheld Android- based unit intended for military operations. MilDef's focus on the end-user has enabled us to produce a product that exceeds what is required of a future-proof soldier-borne solution. The second new product is our next generation Panel PC with a rapidly detachable computer module for a new level of operational flexibility. The unique display and computer combination will enable groundbreaking use of computers and displays in military operations. The system has already been implemented in battle-ready platforms.

LSS Mark – review rejected

As communicated in the first quarter of 2023 MilDef applied for a review of the “LSS Mark – Unit Integrator” procurement. The procurement is for digitalization of the Swedish ground forces. In the third quarter the Stockholm Administrative Court ruled to reject MilDef's review application. Despite this negative outcome, we believe that we took a clear and important stance in this matter which relates to the highly topical issue of Sweden's supply reliability. The prospects are still good for MilDef to deliver significant volumes of hardware and services for next generation digitalization of Sweden's armed forces.

Positive expectations

The underlying conditions for MilDef to achieve strong and sustainable growth remain good. The forward-looking investments that have been accelerated over the past few years, in combination with a significant order intake and a more active market, allow us to predict sustained strong sales, order intake and profitability.

Given the above, I see continued good potential for MilDef to keep creating long-term value for the Company's shareholders and other stakeholders.

Daniel Ljunggren,

President and CEO of MilDef Group

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MILDEF GROUP'S INTERIM REPORT JANUARY-SEPTEMBER 2023 PRESENTATION

MilDef Group's CEO Daniel Ljunggren and CFO Viveca Johnsson will present the Interim report for January-September 2023

Date: Thursday, October 26 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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