

Press Release

Helsingborg, 8 February 2024

Year-End Report January – December 2023

A STRONG END TO A STRONG YEAR

Financial development fourth quarter 2023

- Net sales increased by 12% to SEK 353 million (315).
- The gross margin was 48.2% (45.8).
- Adjusted EBITDA amounted to SEK 59.8 million (43.4), equivalent to an adjusted operating margin of 17.0% (13.8).
- Operating profit (EBIT) amounted to SEK 41.4 million (31.5), corresponding to an operating margin of 11.7% (10.0).
- Order intake increased by 51% to SEK 408 million (271).
- Operating cash flow amounted to SEK 26.2 million (-49.3).

Financial development January - December 2023

- Net sales increased by 56% to SEK 1,151 million (739).
- The gross margin was 48.3% (47.7).
- Adjusted EBITDA amounted to SEK 168.0 million (60.0), equivalent to an adjusted operating margin of 14.6% (8.1).
- Operating profit (EBIT) amounted to SEK 108.1 million (29.2), corresponding to an operating margin of 9.4% (4.0).
- Order intake increased by 29% to SEK 1,214 million (938).
- Order backlog as of December 31, 2023 increased by 15% to SEK 1,327 million compared with the same date in 2022 (1,156).
- Operating cash flow amounted to SEK 8.7 million (-95.0).
- Earnings per share after dilution over the last 12-month period amounted to SEK 1.71 (0.37).
- The Board of Directors is proposing that a dividend for the 2023 financial year be set at SEK 0.50 per share.

Summary of significant events in the fourth quarter, October – December 2023

- In the fourth quarter MilDef received a strategic hardware order from an unnamed, European NATO country. This is a suborder from an existing framework agreement and is the result of the country accelerating the pace at which it is boosting its defense capacity. The order is worth SEK 30 million with delivery expected to take place in 2024.
- MilDef's subsidiary Handheld won an order from Makin during the quarter. The order is for delivery of robust tablets in the Algiz RT 10 series to Makin, an international provider of machine control systems. The contract is for five years and is worth a total of SEK 67 million.
- The Swedish Defence Materiel Administration (FMV) placed a number of orders during the quarter for robust IT equipment for the Swedish Armed Forces. These are products such as computers, laptops and network equipment. The value of the deliveries, which will take place in 2024, is a total of SEK 45 million.
- Clavister, a leader in European cybersecurity for mission-critical applications, ordered MilDef hardware during the quarter for a value of SEK 97 million. The order follows an earlier prototype order for customized and robust network equipment. The products will be part of Clavister Cyber Armour, an integrated cyber security system for defense platforms. Deliveries will take place in the period 2024–2029.

Summary of significant events after the end of the period

- In February MilDef signed a Memorandum of Understanding (MoU) with defense company Lockheed Martin to explore an industrial partnership within Sweden's aerospace sector.
- No other events considered of significance have taken place since the end of the period up to the signing of this year-end 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's products are sold to more than 160 customers through companies in Sweden, Norway, Finland, United Kingdom, Germany, Switzerland, Italy, the United States and Australia, and through partner networks in more than 30 countries. MilDef was founded in 1997 and is listed on Nasdaq Stockholm since 2021.

Statement by Daniel Ljunggren, CEO MilDef Group

A STRONG FINISH TO 2023 SETS THE TONE FOR 2024

The fourth quarter was the strongest ever for the company in terms of order intake and sales. Order intake increased during the quarter by 51% to SEK 408 million. It is also gratifying to note that the company's focus on operating cash flow has delivered effect. The quarter's operating cash flow was SEK +26.2 compared with SEK -49.3 during the same period in 2022. The order backlog also grew by 15% for a record high of SEK 1,327 million at the end of the year.

Aside from the above-mentioned good news, we are still unfortunately living in an unstable world with a security situation that is a cause for concern. Many countries have an expressed need to strengthen their defense capacity for many years to come. This is confirmed by the rapidly increasing defense appropriations. We firmly believe that there will be a significant increase in demand for European defense technology over the next decade. Given this background, MilDef and what we deliver have never been more relevant. To leverage the upcoming growth opportunities we are maintaining our sharp focus on strengthening MilDef's market position and operating capacity.

Long-term view more important than individual quarters

While a record quarter is certainly something to celebrate, the company's financial development over time is even more important as a means of driving long-term shareholder value. MilDef operates in an industry characterized by volatile order intake over individual quarters and the volatility between quarters is expected to continue. This means that it is best to look at a longer time horizon when evaluating MilDef's financial performance. The past 12-month period saw growth of 56%, 47% of which is organic growth. This was achieved at the same time as operating profit improved by 180%, from SEK 60 million to SEK 168 million.

The operating profit for the full year is 15% (8%), which exceeds the company's long-term target of 10% over time. Order intake increased by 29%, from SEK 938 million to SEK 1,214 million. In summary, MilDef has clearly moved the company's financial performance in a positive direction over the past 12-month period.

Cash flow and operating capital are developing well

In the fourth quarter we saw positive effects of the company's ever-increasing focus on operating cash flow as activities implemented are now starting to yield results. This was achieved despite the fact that sustained strong growth drives a need for increased working capital. MilDef's operating cash flow for full year 2023 amounted to SEK +8.7 million. This is a distinct improvement on the comparison period in 2022 when a negative cash flow of SEK -95.0 million was reported. 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 will, over time, return to historical levels of around 25%. This will in turn lead to further positive effects on operating cash flow going forward.

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Market conditions 2024 and beyond

Behind the strong growth in 2023 is higher activity in the market combined with increased digitalization among our end-customers. The geopolitical tensions affect our industry and have resulted in the biggest increase in defense investment for 30 years, above all in Europe. It is, however, important to mention that MilDef's growth in 2023 is mainly the result of earlier decisions on armed forces modernization and digitalization. The effects of the recent increase in defense budgets are expected to be felt later on. The need for more advanced technical capacity, more secure supply chains and rebuilding of inventory from low levels will drive demand over the next decade, particularly within the European defense industry.

Operating capacity prioritized initially

Since Russia invaded Ukraine the European defense industry has been navigating somewhat new and unknown terrain. Transitioning from disarmament to building greatly increased defense capacity takes time. At MilDef we have noted that rearmament – contrary to what one might expect – has initially caused a situation where orders for MilDef's products have been put on the hold in favor of more basic needs. This is because MilDef's end-customers have shifted their focus from modernization and digitalization to pure operating capacity. At the same time the need for modernization – which was already significant – has increased in line with an increased focus on defense. At MilDef we are positioning ourselves to be prepared for larger volumes.

Summary of 2023 and outlook for 2024

Now we are closing the books and putting 2023 behind us. It was a year in which MilDef made important advances – both operationally and financially. The company is reporting record profits, strong growth and clearly improved cash flow, and for this we want to extend our great gratitude to our employees, customers and suppliers for their efforts and support during the year.

MilDef is entering 2024 with a record order backlog and important framework agreements in place, while also being well-prepared to meet the rapidly growing needs of the market. All this makes me very optimistic as I look forward to 2024.

Daniel Ljunggren,

President and CEO of MilDef Group

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MILDEF GROUP'S YEAR-END REPORT JANUARY-DECEMBER 2023 PRESENTATION

MilDef Group's CEO Daniel Ljunggren and CFO Viveca Johnsson will present the Year-End Report for January - December 2023.

Date: Thursday, February 8 at 10:00 a.m. (CEST).

The report is published at 08:00 a.m. (CEST) the same day at www.mildef.com and the news platform Cision.

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.

For more information, please contact:

Daniel Ljunggren, CEO

Phone: +46 70 668 00 15

Email: daniel.ljunggren@mildef.com

Viveca Johnsson, CFO

Phone: +46 70 462 75 05

Email: Viveca.johnsson@mildef.com

Olof Engvall, Head of IR & Communications

Phone: +46 735 41 45 73

Email: olof.engvall@mildef.com

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