

# MilDef Group

INTERIM REPORT  
JANUARY–SEPTEMBER 2021

# Q3

*This is a translation of the Swedish original of MilDef Group's interim report for the period 1 January–30 September 2021. In the event of any discrepancies between the two versions, the original Swedish version shall apply*



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Your number one choice for tactical IT

# Interim Report January–September 2021

## STRONG INCREASE IN REVENUE DRIVEN BY ORGANIC GROWTH AND ACQUISITIONS

### Third quarter 2021

- Net sales increased by 139% to SEK 136.6 million (57.1).
- Gross margin amounted to 45% (48).
- Adjusted EBITDA amounted to SEK 14.9 million (4.8), equivalent to an adjusted operating margin of 10.9% (8.4).
- Operating profit (EBIT) amounted to SEK 2.3 million (0.7) including non-recurring items of SEK -4.4 million (-0.3).
- Order bookings decreased by 34% to SEK 119.2 million (181.4).
- Operating cash flow amounted to SEK -40.4 million (-0.2). The cash flow was adversely affected by a strategic inventory build-up to support future growth.

### January–September 2021

- Net sales increased by 78% to SEK 268.9 million (151.2).
- Gross margin amounted to 44% (45).
- Adjusted EBITDA amounted to SEK -2.3 million (-14.8), equivalent to an adjusted operating margin of -0.9% (-9.8).
- Operating profit (EBIT) amounted to SEK -31.1 million (-20.3) including non-recurring items of SEK -11.5 million (-0.3).
- Order bookings increased by 2% to SEK 380.4 million (372.3).
- The order backlog as of September 30, 2021 amounted to SEK 712.2 million (354.3), which corresponds to an increase of 101%.
- Operating cash flow amounted to SEK -58.2 million (-9.9).

### Summary of significant events in the third quarter, July–September 2021

- As a result of the Over-Allotment Option being exercised, 449,939 shares were issued.
- On July 20th 2021 MilDef acquired all of the shares in Defcon Solutions AB.
- 321,512 shares were issued in connection with the acquisition of Defcon Solutions AB.

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

- MilDef's wholly owned company, Defcon Solutions AB, won an integration deal in Sweden. The value of the order is SEK 23.5 million. The order is for delivery of complete training systems for FMV (Swedish Defence Materiel Administration) and the Swedish Armed Forces with delivery expected to take place in 2022.

### ROLLING 12 MONTHS, OCTOBER 2020–SEPTEMBER 2021

#### NET SALES

SEK 516<sub>m</sub>

#### ADJUSTED OPERATING PROFIT (EBITDA)

SEK 85.3<sub>m</sub>

#### ADJUSTED OPERATING MARGIN (EBITDA)

16.5%

### FINANCIAL SUMMARY

	July 1–September 30		January 1–September 30		Rolling 12 months	Full year
All figures are in SEK million unless otherwise indicated	2021	2020	2021	2020	Oct 2020–Sept 2021	2020
Net sales	136.6	57.1	268.9	151.2	516.2	398.5
Sales growth, %	139	3	78	-14	67	19
Of which organic sales growth, %	64	3	28	-14	43	19
Of which acquisition-driven sales growth, %	75	-	50	-	24	-
Gross margin, %	45	48	44	45	47	46
Adjusted operating profit (EBITDA)	14.9	4.8	-2.3	-14.8	85.3	72.8
Adjusted operating margin (EBITDA), %	10.9%	8.4%	-0.9%	-9.8%	16.5%	18.3%
Order bookings	119.2	181.4	380.4	372.3	726.1	718.0
Order backlog	712.2	354.3	712.2	354.3	712.2	446.3
Operating cash flow	-40.4	-0.2	-58.2	-9.9	4.8	53.1

For more information see the section "Financial overview" on page 8 under the heading "Order situation".

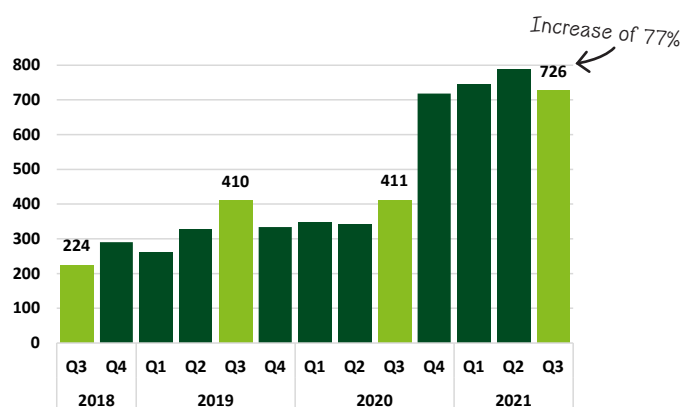
All amounts are presented in SEK m unless otherwise indicated. Rounding differences in totals may occur in the amount of +/- SEK 1 million. If, when rounded off, an underlying number becomes SEK 0 m, this is written as 0.



# MilDef's financial development

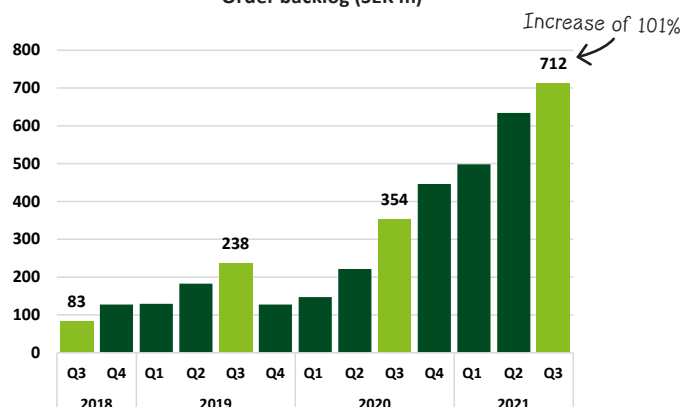
## ORDER SITUATION

Order bookings LTM (SEK m)



Each individual column in the diagram above shows MilDef's order bookings over the past 12 months in SEK million. The order bookings are the total orders received during the period in question. Deliveries may take place over a number of years. MilDef monitors order bookings to analyze future revenue streams and to validate forecasts.

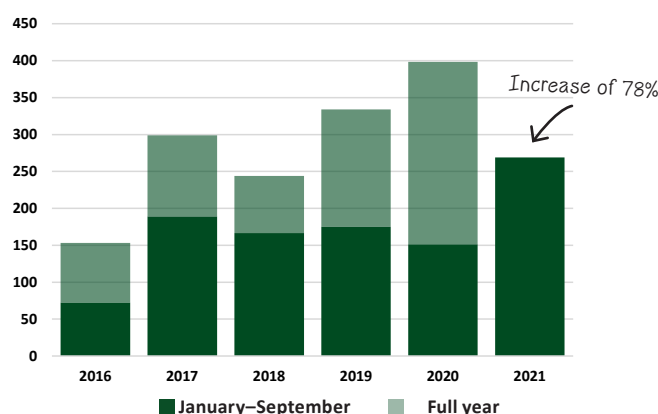
Order backlog (SEK m)



The columns in the diagram above show MilDef's current order backlog at the end of each calendar quarter in SEK million. The order backlog represents the total value of orders received. Deliveries may take place over a number of years. The Group's order backlog is measured to assess and calculate future revenue streams and cash flows.

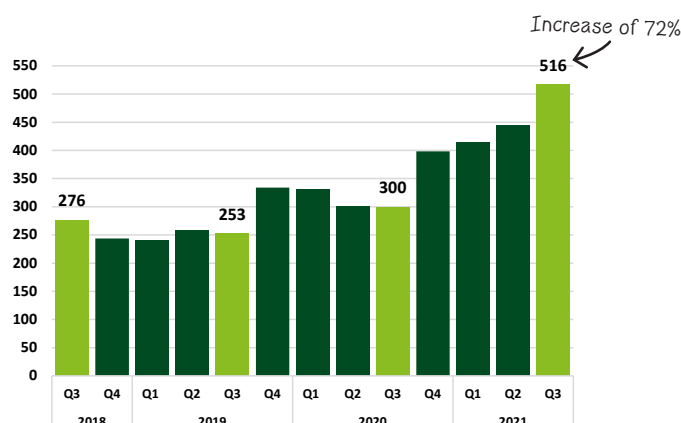
## NET SALES

Net sales (SEK m)



The columns above show MilDef's net sales for full years 2016–2020 and for January–September 2016–2021. The diagram shows the clear seasonal variation in MilDef's net sales.

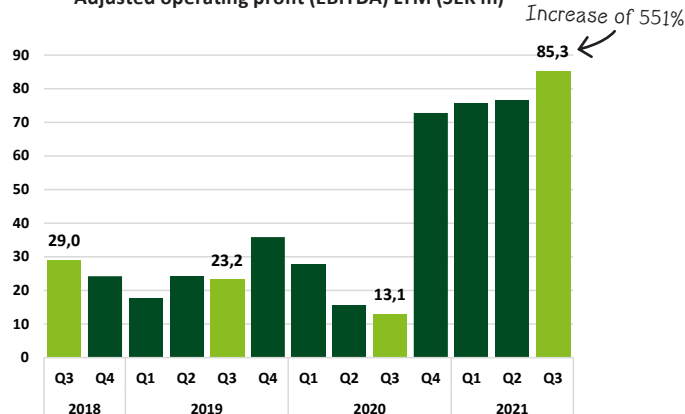
Net sales LTM (SEK m)



The diagram's columns show MilDef's net sales over the past 12 months in SEK million. The columns show the data excluding seasonal variations during the year.

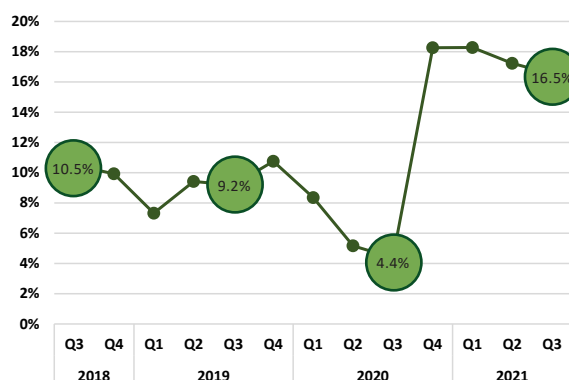
## ADJUSTED OPERATING PROFIT (EBITDA) AND ADJUSTED OPERATING MARGIN (EBITDA)

Adjusted operating profit (EBITDA) LTM (SEK m)



Each column in the diagram above shows MilDef's operating profit (EBITDA) over the past 12 months in SEK million, adjusted for non-recurring items. The non-recurring items are specified in detail on page 20 in Note 2. The purpose is to assess the Group's profits that are generated in operating activities.

Adjusted operating margin (EBITDA) LTM (%)



The diagram above shows MilDef's operating margin (EBITDA) over the past 12 months as a percentage, adjusted for non-recurring items. The non-recurring items are specified in detail on page 20 in Note 2. The adjusted EBITDA margin is stated as a percentage of net sales. MilDef considers the adjusted EBITDA margin to be a useful indicator to measure the Group's operational efficiency.

## CEO'S COMMENTS

## Strong growth and improved profitability, challenging component market

Sales growth for the third quarter was 139% higher than the same period the previous year. The adjusted operating profit (EBITDA) improved to SEK 14.9 million compared with SEK 4.8 million. A strategic acquisition was implemented in Sweden in the integration services segment. Order intake decreased by 34% to SEK 119.2 million. This is considered to be due to normal variations in purchasing patterns as well as strong comparative figures.

### Acquisitions for continued expansion

On July 20 Defcon Solutions AB was acquired. The company offers integration services in the Swedish market and complements MilDef's offering in this strategically prioritized service segment. The growing Swedish defense market offers good future potential and, in particular, the combination of MilDef's current portfolio and Defcon's service offering is expected to create new business opportunities.

***“Strategic acquisitions in 2021 have already contributed more than SEK 250 million in annual revenue.”***

The acquisition in the first quarter of Sysint AS continued to contribute positively, and cooperation between MilDef's Norwegian companies has generated success in the Norwegian market. During the period a cooperation agreement was signed with Kongsberg, Thales and Teleplan regarding digitalization of an upcoming new vehicle platform in Norway.

### Increased activity in the market

Continued limitations relating to Covid-19 restrictions have had an impact on the ability to meet customers, although trade fairs were held in both London and Oslo in the third quarter. An increasing number of visits took place observing safety protocols at the offices of customers and partners, and in MilDef's own offices. This expects to have a positive impact on future business opportunities in both sales and acquisitions.

### Shortage of components and its consequences

Like other production companies, MilDef has been affected of the component shortage in the semiconductor market.

In the third quarter the risks described in the previous quarterly report began to materialize. The consequences are difficult to quantify due to unreliable information in the supply chain, but delivery delays from the first quarter to the first half of 2022 are a reality. Mitigating measures include adjustment of the warehousing strategy for critical components.

### Summary of the first nine months of the year

MilDef delivered sales growth of 78% with a gross margin in line with the same period the previous year. This was made possible by a combination of our organic growth development and the two important acquisitions carried out in Sweden and Norway. Strategic acquisitions in 2021 have already contributed more than SEK 250 million in annual revenue. Covid-19 has affected which markets MilDef is able to focus on in the acquisition agenda, but we consider this to be temporary. So far this year, we have focused on Nordic companies with internationalization potential. MilDef has a key role in our customers' digitalization processes and, despite the current challenging component market, we see excellent potential to continue our growth journey. We are entering a very busy fourth quarter with confidence.



Björn Karlsson,  
CEO, MilDef Group AB



380 SEK m  
ORDER BOOKINGS  
January–September

+2%  
ORDER BOOKINGS  
January–September

+78%  
NET SALES  
January–September

## MilDef in brief

**Digitalization of operations and functions that are crucial for society is increasing and there is therefore a need for tactical IT in demanding environments. MilDef is taking an active role in this development. The goal is to be the most reliable partner in the industry. MilDef adds value through industry-leading quality and high delivery precision.**

### Brief facts

MilDef's shares are listed on the Nasdaq Stockholm Small Cap index. Ticker: MILDEF.

- Specialist in the global niche for tactical IT
- Operations in four countries
- Partner network in more than 30 countries
- Founded in 1997
- Around 190 employees on the date of the report



MilDef's head office is in Helsingborg, Sweden.

### Vision

Your number one choice for tactical IT.

### Mission

In an ever-changing and increasingly digitalized world, there is an urgent need for tactical IT systems for critical processes in society – systems that are robust, fit for purpose and produce the desired effect. MilDef will provide unique solutions to meet those needs with high quality, speed and precision.

### Business concept

MilDef's business concept is to develop, deliver and offer tactical IT products and services for operations and functions that are crucial for society. We customize solutions to meet our customers' specific requirements in the demanding environments in which they are used. MilDef's hardware and software products are combined with services to deliver effective digitalization. MilDef Group operates in the global security and defense market and in other areas that are crucial for society.

### Growth strategy

MilDef's growth strategy is based on three prioritized areas. The intention is to drive growth organically and through acquisitions, but also by expanding the customer offering. This strategy includes MilDef expanding both geographically and by adding products and services.

#### Organic growth

In established markets MilDef is aiming to increase the share of long-term contracts and framework agreements. A long-term presence, strong position and proven delivery capability increase the opportunities to win large contracts in markets that are already established.

#### Acquisitions

MilDef has a structured acquisition strategy to support market entry and add complementary technologies to its portfolio where the Company's strong international distribution channels can be reused. Based on implemented acquisitions, MilDef has created a structured model to identify potential acquisition candidates, address and evaluate these and, once the transaction is complete, integrate them.

**Expanded customer offering** MilDef also intends to expand its customer offering – which today is mainly focused on hardware – to include services and software. MilDef considers these three areas – hardware, services and software – to have the potential to be equally strong business divisions over time.

## Financial targets

### Growth

MilDef's target is to grow sales over time by at least 15% per year, including acquisitions.

### Profitability

MilDef's target is an operating margin (EBITDA) over time of at least 10%.

### Capital structure

MilDef's target is for interest-bearing net debt not to exceed 2.5 times operating profit (EBITDA), other than temporarily.

### Dividend policy

MilDef's target is to pay out an annual dividend of 20–40% of profit after tax. However, MilDef's long-term development, capital structure and the prevailing market conditions are to be taken into account.

## The MilDef Way

The MilDef Way is the name given to the Company's core values which serve as guidance for the employees. All MilDef employees have agreed to observe these. MilDef's relationships are based on trust and the business is to be operated in an open, honest, respectful and transparent way. Integrity must always be maintained. The core values are as follows:

### Priority

Put 80% effort into the 20% that matters most

### Proactivity

Plan for the future; act today

### Integrity

We say what we do and we do what we say

### Unity

Work together as one



## Sustainability

MilDef aims to maintain a good balance between business, environmental and social sustainability. This is considered crucial in order to meet current needs without jeopardizing the ability of future generations to meet their needs.

MilDef complies with mandatory requirements, such as those in laws and regulations, applicable organization and industry standards, contractual obligations and codes of conduct. MilDef strives to maintain a sustainable strategy to ensure that investments are made responsibly.

A framework for KYC (know your customer) is used to ensure that the actors MilDef chooses to do business with live up to both regulatory and ethical standards.

## Financial overview

**Profit/loss items and cash flow are compared with the corresponding period the previous year. The balance sheet items are at the end of the period and compared with the corresponding date the previous year.**

### Third quarter: July–September 2021

#### Order situation

Order bookings decreased by 34% to SEK 119.2 million (181.4), of which the positive effect of exchange differences was SEK 0.7 million. The acquisition of Defcon Solutions AB contributed SEK 22.6 million to the quarter's order bookings.

#### Net sales

Net sales in the third quarter of 2021 amounted to SEK 136.6 million (57.1), representing growth of 139%. Acquisition-driven growth amounted to SEK 43.1 million in the quarter, and is fully attributable to the acquisitions of Sysint AS and Defcon Solutions AB. Organic growth was 64% in the third quarter, driven by strong underlying demand for digitalization and modernization among MilDef's end-customers. Acquisition-driven growth accounted for 75% of the total sales growth.

#### Gross profit

Gross profit amounted to SEK 61.0 million (27.4), equivalent to a gross margin of 45% (48). The Company's gross margin may vary from quarter to quarter depending on sales volumes and the product and customer mix.

#### Operating expenses

Operating expenses amounted to SEK 58.7 million (26.7), of which SEK 10.4 million relates to acquired operating expenses in 2021 and SEK 4.4 million to costs relating to the Company's stock exchange listing in 2021. Excluding these items, operating expenses increased by 39%, equivalent to SEK 17.2 million. The cost increase is a result of the Company's strong growth. The adjusted operating expenses represented 40% (47) of sales.

#### Operating profit (EBIT)

Operating profit (EBIT) in the second quarter of 2021 amounted to SEK 2.3 million (0.7). Adjusted for non-recurring items, operating profit for the quarter amounted to SEK 6.7 million (1.0), corresponding to an operating margin of 4.9% (1.8). MilDef's sales and profits are affected by seasonal variations. Year-on-year comparisons

between quarters can be made. The Group's strongest quarter in terms of sales and profits is normally the fourth quarter.

#### Adjusted operating profit (EBITDA)

Adjusted operating profit before depreciation/amortization and impairment amounted to SEK 14.9 million (4.8), equivalent to a margin of 10.9% (8.4). Depreciation/amortization and impairment amounted to SEK 8.2 million (3.8). Acquisitions in 2021 contributed SEK 9.5 million to the quarter's operating profit. The adjusted operating profit does not include non-recurring items of SEK 4.4 million (0.3). These items are specified in Note 2 on page 20.

#### Financial items

Net financial income/expense for the period amounted to SEK -1.7 million (-0.3).

#### Tax

The third quarter's tax effect contributed positively to net profit in the amount of SEK 0.9 million (-0.1).

#### Net profit for the quarter

Profit after tax amounted to SEK 1.4 million (0.3). Earnings per share amounted to SEK 0.04 (0.03).

#### Cash flow

Cash flow reported for the quarter amounted to SEK -169.3 million (10.0). The acquisition of Defcon Solutions AB in the third quarter impacted the quarter's cash flow in the net amount of SEK -143.4 million. The operating cash flow for the quarter amounted to SEK -40.4 million (-0.2), with most of the decrease relating to changes in working capital.

Cash flow from operating activities amounted to SEK -40.4 million (2.2). Cash flow from changes in working capital amounted to SEK -44.9 million (-1.5). The global component shortage has resulted in a partially altered strategy with respect to the inventory of critical components, which in turn has led to MilDef choosing to increase its stocks to improve lead times for customers.

Cash flow from investing activities amounted to SEK -143.0 million (-2.4). The decrease was driven by the fact that the acquisition of Defcon Solutions AB was fully financed by MilDef's own funds.



Cash flow from financing activities amounted to SEK 14.1 million (10.2). The change compared to the previous year is mainly explained by the Company issuing new shares in connection with the listing on Nasdaq Stockholm.

Amortization of leases was charged to financing activities in the amount of SEK -2.3 million (0.0).

### First nine months: January–September 2021

#### Order situation

Order bookings increased by 2% to SEK 380.4 million (372.3), of which the positive effect of exchange differences was SEK 1.7 million, equivalent to 0.5%. The order backlog increased by 101% to SEK 712.2 million (354.3). Sysint AS, which was acquired in the first quarter of 2021, has not had any impact on order bookings or order backlog during the period. SEK 22.6 million of the period's order bookings and SEK 79.4 million of the order backlog relate to the acquisition of Defcon Solutions AB. The increase in order intake and the order backlog in the last 12 months depends to some extent that MilDef received a significant customer contract in its fourth quarter 2020 in the UK market. The total value of the contract is around SEK 275 million. The contract spans 10 years and serial delivery is not expected to start until 2023. MilDef is expecting planned deliveries to proceed according to the contract, in terms of both schedule and volume. However, the risk of changes or reduction in scope cannot be excluded.

#### Net sales

Net sales in the first nine months of 2021 amounted to SEK 268.9 million (151.2), which is equivalent to growth of 78% compared with the same period the previous year. Acquisition-driven growth amounted to SEK 75.0 million for the period, and is attributable entirely to the acquisitions of Sysint AS and Defcon Solutions AB. Organic growth was 28% for the period, driven by strong underlying demand for digitalization and modernization among MilDef's end-customers. Acquisition-driven growth accounted for 50% of the total sales growth for the period.

#### Gross profit

Gross profit amounted to SEK 117.4 million (68.1), equivalent to a gross margin of 44% (45). The Company's gross margin may vary slightly over time depending on sales volumes and the product and customer mix.

#### Operating expenses

Operating expenses amounted to SEK 148.5 million (88.4), of which SEK 19.1 relates to acquired operating expenses and SEK 11.5 million to non-recurring items (see Note 2). Excluding these items, the operating expenses increased

by 33%, equivalent to SEK 29.5 million. The cost increase is a result of the Company's strong growth. The adjusted operating expenses represented 51% (58) of sales.

#### Operating profit (EBIT)

Operating profit (EBIT) in the first nine months of 2021 amounted to SEK -31.1 million (-20.3). Adjusted for non-recurring items, the operating profit for the period amounted to SEK -19.6 million (-20.0), which is equivalent to an operating margin of -7.3% (-13.2). The Company's negative operating profit is explained by normal seasonal variations. Year-on-year comparisons between quarters can be made. The Group's strongest quarter in terms of sales and profits is normally the fourth quarter.

#### Adjusted operating profit (EBITDA)

Adjusted operating profit before depreciation/amortization and impairment amounted to SEK -2.3 million (-14.8), equivalent to a margin of -0.9% (-9.8). Depreciation/amortization and impairment amounted to SEK 17.3 million (5.2). The companies acquired in 2021 contributed SEK 16.5 million to operating profit for the period. The adjusted operating profit does not include non-recurring items of SEK 11.5 million (-0.3). These items are specified in Note 2 on page 20.

#### Financial items

Net financial income/expense for the period amounted to SEK -1.5 million (-0.6).

#### Tax

The tax effect for the period had a positive impact on net profit in the amount of SEK 11.2 million (4.1) and relates to a deferred tax asset based on tax loss carryforwards for the period, as well as temporary differences attributable to the Company's listing process.

#### Net profit for the period

Profit after tax amounted to SEK -21.4 million (-16.8). Earnings per share amounted to SEK -0.94 (-1.44).

#### Cash flow

Cash flow reported for the period amounted to SEK 136.1 million (8.6). Operating cash flow amounted to SEK -58.2 million (-9.9).

Cash flow from operating activities amounted to SEK -47.5 million (-8.3). Cash flow from changes in working capital amounted to SEK -18.5 million (8.4). The global component shortage has resulted in a partially altered strategy with respect to the inventory of critical components, which in turn has led to MilDef choosing to increase its stocks to improve lead times for customers.



Cash flow from investment activities amounted to SEK -181.9 million (-1.6), of which SEK -171.2 million related to acquisitions made in the period. Cash flow from investments in property, plant and equipment and intangible assets amounted to SEK -11.1 (-1.7).

Cash flow from financing activities amounted to SEK 365.5 million (18.5). The change compared to the previous year is mainly explained by the Company issuing new shares in connection with the listing on Nasdaq Stockholm. The period was impacted by dividends paid to the shareholders amounting to SEK -17.4 million (0). Amortization of leases was charged to financing activities in the amount of SEK -6.4 million (-1.9).

### Equity

The Group's equity amounted to SEK 544.5 million (83.2) at the end of the period. The equity-assets ratio as of September 30, 2021 was SEK 66% (39).

### Net working capital

Net working capital amounted to SEK 84.7 million (68.8) at the end of the period. Higher accounts receivable and an increase in inventory volumes have had a negative impact on working capital. The increase is a consequence of the Company's growth. The negative impact from increased accounts receivable and inventory volumes was offset by increased accounts payable and other current liabilities. Net working capital in relation to net sales decreased by 6 percentage points, from 22% for the same period the previous year to 16% as of September 30, 2021.

SEK m	Sept. 30, 2021	Dec. 31, 2020	Sept. 30, 2020
Inventories	95.4	57.3	73.4
Accounts receivable	90.2	161.4	25.0
Other current receivables	32.9	13.3	12.4
Accounts payable	-57.8	-62.8	-35.6
Other current liabilities	-76.0	-96.4	-6.4
<b>Net working capital</b>	<b>84.7</b>	<b>72.7</b>	<b>68.8</b>
<i>as a percentage of net sales LTM (%)</i>	<i>16%</i>	<i>18%</i>	<i>22%</i>

### Net debt and cash and cash equivalents

The net debt including lease liabilities amounted to SEK -64.6 million (65.4) at the end of the period. Cash and cash equivalents as of 30 September amounted to SEK 184.9 million (17.3). The change in cash and cash equivalents is mainly the result of the Company issuing new shares in connection with the stock exchange listing. At the end of the period there was also an unutilized revolving overdraft facility of SEK 50.0 million (27.2). Net debt at the end of the period in relation to adjusted operating profit (EBITDA) over the past 12 month-period, excluding the effects of IFRS 16 Leases, amounted to -1.5 (-0.7). When calculated including the effects of IFRS 16 the net indebtedness was -0.8 (14.9).

SEK m	Sept. 30, 2021	Dec. 31, 2020	Sept. 30, 2020
Liabilities to credit institutions	-	-	14.4
Other interest-bearing liabilities	55.1	-	-
Lease liabilities	65.2	66.7	68.3
Cash and cash equivalents	-184.9	-46.8	-17.3
<b>Net debt incl. IFRS 16</b>	<b>-64.6</b>	<b>19.9</b>	<b>65.4</b>
<i>in relation to adjusted operating profit (EBITDA) LTM, multiple</i>	<i>-0.8</i>	<i>0.3</i>	<i>14.9</i>



## Other information

### Parent Company

The operations of MilDef Group AB (corp. reg. no. 556893-5414), registered office in Helsingborg, Sweden, are primarily focused on the Group's strategic development and group-wide functions such as HR, IT, finance, etc. Most of the funds from the Group's external financing are held within the Parent Company. As of the end of the period the Company had 33 employees.

### MilDef Group AB's share

MilDef Group AB (publ) is listed on the Nasdaq Stockholm Small Cap index in the Industrial Goods and Services sector.

### Share capital and number of shares

The total number of shares as of September 30, 2021 was 36,389,373 (11,618,422) and the share capital was SEK 9,097,343.25 (5,809,211). All of the shares are ordinary shares carrying the same voting rights. The shares have a quote value of SEK 0.25. At the end of the period, the closing price per share was SEK 46.00 and the market value SEK 1,674 million.

### Accounting principles

MilDef prepares its consolidated accounts in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. This interim report was prepared in accordance with IAS 34 Interim Financial Reporting and the Annual Accounts Act. The Parent Company applies the Swedish Financial Reporting Board's recommendation RFR 2, Accounting for Legal Entities and the Annual Accounts Act. The accounting principles applied correspond to the accounting and valuation principles presented in the 2020 Annual Report. The 2020 Annual Report is available at [www.mildef.com](http://www.mildef.com).

### Judgements and estimates in the financial statements

Preparation of the financial statements in accordance with IFRS requires management to make judgements and estimates that affect the application of the accounting principles and the carrying amounts of assets, liabilities, revenue and expenses. Actual outcomes may deviate from these estimates and judgements. Estimates and assumptions are reviewed on a regular basis. Changes in estimates are reported in the period the change is made if the change has only affected that period, or in the period the change is made and in future periods if the changes affects both the current period and future periods.

### Alternative performance measure

MilDef applies the guidelines for alternative performance measures issued by ESMA, the European Securities and Markets Authority. Alternative performance measures are financial measures that cannot be directly gleaned or deduced from the financial statements. These financial measures are intended to facilitate management's and investors' analysis of the Group's development. Investors should not regard these alternative performance measures as substitutes for, but rather as complements to, the financial statements prepared in accordance with IFRS. Definitions of the alternative performance measures are presented on page 25.

### Segments

MilDef's operations are treated as one segment as this reflects the Group's business, financial monitoring and management structure.

### Seasonal variations

MilDef's sales and profits are affected by seasonal variations. Year-on-year comparisons between quarters can be made. The Group's strongest quarter in terms of sales and profits is normally the fourth quarter. Most of the seasonal variations are in the Nordic market.

### Fluctuation in order inflow and sales

MilDef's markets are characterized by large procurements with irregular frequency. The lead times are often long due to extensive administrative processes and long sales cycles. Both order bookings and sales may fluctuate significantly between the quarters. The Company's development should therefore be evaluated in a longer perspective and not based on an individual quarter or year.

### Acquisition of Defcon Solutions AB

On July 20, 2021 MilDef acquired all of the shares in Defcon Solutions AB ("Defcon").

### Purchase consideration on July 20, 2021

The total purchase consideration consisted of 321,512 newly issued shares in MilDef and SEK 145 million on a cash-free and debt-free basis, excluding any contingent consideration. The contingent consideration is based on anticipated operating profit in 2021, 2022 and 2023. The maximum contingent consideration for the whole period amounts to SEK 40 million. The acquisition is financed by the transfer of 321,512 newly issued shares in MilDef

and the Company's own funds. The transfer of shares to the seller of Defcon is subject to a lock-up period of 36 months.

**The amounts below indicate the cash effect of the acquisition in the quarter**

(SEK m)	
Cash payment	145.0
Less: Defcon's cash and cash equivalents	-1.6
<b>Effect of the acquisition on the Groups' cash and cash equivalents</b>	<b>143.4</b>

**Acquisition balance as of July 1, 2021**

Defcon was consolidated into MilDef Group's accounts as of July 1, 2021. The acquisition balance as of July 1, 2021 was as follows:

(SEK m)	Fair value
Property, plant and equipment	0.1
Inventories	0.4
Accounts receivable	16.3
Current receivables	13.1
Cash and cash equivalents	1.6
<b>Total assets</b>	<b>31.5</b>
Equity	14.9
Accounts payable	5.9
Other current liabilities	10.7
<b>Total equity and liabilities</b>	<b>31.5</b>

The acquisition generates a consolidated surplus value of SEK 190.0 million including estimated additional purchase consideration of 35.6 MSEK. The surplus value is allocated in part to goodwill (145.0 MSEK), partly customer relations (45.0 MSEK). The intention is for customer relationships to be depreciated on a straight-line basis over a 10-year period. The acquisition analysis has not yet been based on fully established values of the identifiable intangible assets. The acquisition analysis is thus considered as preliminary regarding the allocation of the consolidated surplus values.

**Acquisition of Sysint AS**

The acquisition of Norwegian Sysint AS in the first quarter of 2021 generated a consolidated surplus value of SEK 122.3 million including an estimated additional purchase price of SEK 18.2 million. The surplus value is allocated partly to goodwill (SEK 77.3 million), partly customer relations (22.5 MSEK), partly software (22.5 MSEK). The intention is that the identifiable intangible assets, customer relationships and software, will be depreciated on a straight-line basis over a 10-year period. The acquisition analysis have been based on values not yet fully established identifiable intangible assets. The acquisition

analysis is thus considered as preliminary for the allocation of the consolidated surplus values.

**Significant events during the period**

On March 11, 2021 MilDef acquired 100% of the shares in the Norwegian service and software provider Sysint AS (Sysint). The acquisition was financed by an acquisition loan of SEK 30 million, the transfer of 711,087 treasury shares and the Company's own cash and cash equivalents. Sysint is an IT company with a service offering aimed at Norwegian public sector and industrial customers. For two decades Sysint has delivered IT services to defense actors, government agencies and sectors critical for society, such as health and energy. Software product development includes the NATO-compliant system OneCIS for fast and secure rollout of IT systems. This complements MilDef's hardware offering and creates a strong, comprehensive offering for MilDef's customers, and good potential for both further development locally and exports to other markets.

MilDef was listed on Nasdaq Stockholm's main index on June 4, 2021. In connection with admission to trading of the Company's shares, 10,958,904 new shares were issued.

On July 20 MilDef announced the signing of an agreement to acquire all of the shares in Defcon Solutions AB ("Defcon"). Defcon supplies integration services to the defense market in Sweden and is considered to have good potential for continued business growth in the years ahead. This combined with MilDef's product portfolio of tactical IT in hardware and software means there are considerable opportunities for synergies between the companies – both in the Swedish market and internationally. Defcon was founded in 2014 and is based in Stockholm. The company has around 40 employees. Sale for the most recent financial year amounted to around SEK 92 million.

**Significant events after the end of the period**

MilDef announced on October 12 that the wholly owned company Defcon Solutions AB had won an integration contract in Sweden. The value of the order is SEK 23.5 million. The order is for delivery of complete training systems for FMV (Swedish Defence Materiel Administration) and the Swedish Armed Forces with delivery expected to take place in 2022.

**Employees**

The number of employees in the Group, recalculated to full-time equivalents (FTEs), was 191 (113) at the



end of the period. 150 (85) of the employees were men and 41 (28) were women. The average number of FTEs amounted to 187 during the period compared with 111 in the corresponding period the previous year.

### Research and development

MilDef conducts extensive research and development. This is considered a critical factor for continued organic growth and for penetrating new markets. It is important to identify the customers' changing demands and transform them through R&D into the best solutions for every given market situation. In 2021 resources were added to the R&D department to handle an increasing number of projects, many of which are highly complex. Around 15% of MilDef's employees work in R&D-related positions.

### Significant risks and factors of uncertainty

MilDef's operations and results are affected by a number of external and internal factors. A constant process is under way to identify all the risks that occur and to assess how to manage each risk. MilDef's risks can be divided into market-related, operational and financial risk. For a more detailed description of financial risk, see pages 32–33 in the Company's 2020 Annual Report. No other material risks, other than those described there, have occurred.

### Transactions with related parties

No board member or senior executive has or has had any direct or indirect participation in any business transactions with Group companies during the current or previous financial years on terms that are or were unusual in nature. Nor has any Group company provided loans or guarantees, or entered into any surety agreement for any of the members of the Board or senior executives.

### Long-term share-based incentive program

At an extraordinary meeting of shareholders on April 29, 2021 a decision was made to implement a long-term share-based incentive program based on call options for the Group's employees by issuing warrants with the subsequent right to subscribe for new shares in MilDef. For tax reasons the incentive program is only for employees who are required to pay taxes in Sweden. The program is for a maximum of 578,000 call options, equivalent to around 1.6% of the total number of shares in the Company. The right to acquire warrants is based on the following principles with respect to allocation categories: (i) CEO and members of the Management Team: maximum 30,000 warrants per participant; (ii) other senior executives and key individuals: maximum 15,000 warrants per participant and (iii) other employees: maximum 3,000 warrants per participant. The warrants have been

transferred on market terms at a price (premium) that was established based on an estimated market value using the recognized Black & Scholes model. The calculation was carried out by an independent appraisal institution. Each warrant entitles the holder to subscribe for one new share in MilDef at a subscription price of SEK 48.55, which is equivalent to 133% of the price per share in the new share issue implemented in connection with admission to trading of the Company's shares on Nasdaq Stockholm on June 4, 2021. Registration to subscribe for shares can take place from September 1, 2024 until August 31, 2025. The Company reserves the right to buy back warrants if the participant's employment is terminated or if the participant wishes to transfer the warrants. Buy-back may take place at the market price of the warrants at the time the preferential right is exercised. The Company has no outstanding share-based incentive programs other than the warrants described above.

### Contingent liabilities

There have been no changes in the Group's contingent liabilities as described in more detail on page 55 in Note 20 of the 2020 Annual Report.

### Disputes

The Company is not a party in any material dispute.

### Forward-looking statements

This report may contain forward-looking statements based on the Management Team's current expectations.

Even though management determines that the expectations expressed in such forward-looking statements are reasonable, there can be no guarantee that these expectations will prove to be correct.

Consequently, future outcomes may vary significantly compared with those expressed in forward-looking statements, depending on factors such as changed conditions in the market for MilDef's products and more general changes in, for example, the economy, markets and competition, legal requirements and other political measures, and fluctuations in exchange rates.

### Annual General Meeting

The Board has decided to hold the 2022 Annual Meeting in Helsingborg on May 12, 2022. Notice will be given in due order.

### Audit review

This report has been reviewed by the Company's auditors.







## Condensed consolidated income statement

SEK m	Note	July 1–September 30		January 1–September 30		Rolling 12 months	Full year
		2021	2020	2021	2020	Oct 2020– Sept 2021	2020
Net sales	1	136.6	57.1	268.9	151.2	516.1	398.5
Cost of goods sold		-75.6	-29.7	-151.5	-83.1	-284.8	-216.4
<b>Gross profit</b>		<b>61.0</b>	<b>27.4</b>	<b>117.4</b>	<b>68.1</b>	<b>231.4</b>	<b>182.1</b>
Selling expenses		-32.6	-14.2	-72.5	-40.9	-88.1	-56.4
Administrative expenses		-16.1	-7.5	-45.6	-24.8	-56.8	-36.0
Research and development expenses		-9.4	-7.2	-31.2	-21.9	-42.3	-33.1
Other operating income/expenses		-0.6	2.2	0.8	-0.8	1.8	0.3
<b>Operating profit</b>		<b>2.3</b>	<b>0.7</b>	<b>-31.1</b>	<b>-20.3</b>	<b>46.1</b>	<b>56.9</b>
Net financial items		-1.7	-0.3	-1.5	-0.6	-2.4	-1.5
<b>Profit after financial items</b>		<b>0.6</b>	<b>0.4</b>	<b>-32.6</b>	<b>-20.9</b>	<b>43.7</b>	<b>55.4</b>
Income tax		0.9	-0.1	11.2	4.1	-5.7	-12.8
<b>Net profit for the period</b>		<b>1.4</b>	<b>0.3</b>	<b>-21.4</b>	<b>-16.8</b>	<b>37.9</b>	<b>42.5</b>
<b>Other comprehensive income for the Group</b>							
<i>Items that may be reclassified subsequently to profit or loss</i>							
Translation differences		1.3	-0.5	1.1	-1.3	-0.1	-2.6
<b>Other comprehensive income for the period</b>		<b>1.3</b>	<b>-0.5</b>	<b>1.1</b>	<b>-1.3</b>	<b>-0.1</b>	<b>-2.6</b>
<b>Comprehensive income for the period</b>		<b>2.7</b>	<b>-0.2</b>	<b>-20.2</b>	<b>-18.1</b>	<b>37.9</b>	<b>40.0</b>

## Earnings per share

	July 1–September 30		January 1–September 30		Rolling 12 months	Full year
	2021	2020	2021	2020	Oct 2020– Sept 2021	2020
Number of shares at end of period	36,389,373	11,618,422	36,389,373	11,618,422	36,389,373	11,618,422
Weighted average number of shares in the period	36,278,255	11,618,422	22 823 936	11,618,422	19,999,532	11,618,422
<b>Earnings per share (SEK)</b>	<b>0.04</b>	<b>0.03</b>	<b>-0.94</b>	<b>-1.44</b>	<b>1.90</b>	<b>3.66</b>



## Condensed consolidated balance sheet

SEK m	Sept. 30, 2021	Dec. 31, 2020	Sept. 30, 2020
<b>ASSETS</b>			
<b>Non-current assets</b>			
Capitalized product development expenses	6.3	8.0	4.9
Acquisition-related intangible assets	309.1	2.7	4.0
Right-of-use assets	64.5	66.5	68.3
Other property, plant and equipment	15.1	6.6	3.3
Deferred tax assets	27.2	5.0	5.8
Other financial non-current assets	0.3	0.4	0.4
<b>Total non-current assets</b>	<b>422.6</b>	<b>89.1</b>	<b>86.7</b>
Inventories	95.4	57.3	73.4
Accounts receivable	90.2	161.4	25.0
Other current receivables	32.9	13.3	12.4
Cash and cash equivalents	184.9	46.8	17.3
<b>Total current assets</b>	<b>403.4</b>	<b>278.8</b>	<b>128.0</b>
<b>TOTAL ASSETS</b>	<b>825.9</b>	<b>367.9</b>	<b>214.6</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>544.5</b>	<b>132.6</b>	<b>83.2</b>
<b>Non-current liabilities</b>			
Lease liabilities	55.2	58.8	60.6
Non-current interest-bearing liabilities	21.9	-	14.4
Provisions for taxes	27.3	9.4	6.8
<b>Total non-current liabilities</b>	<b>104.5</b>	<b>68.2</b>	<b>81.7</b>
<b>Current liabilities</b>			
Current interest-bearing liabilities	33.2	-	-
Lease liabilities	10.0	7.9	7.7
Accounts payable	57.8	62.8	35.6
Other current liabilities	76.0	96.4	6.4
<b>Total current liabilities</b>	<b>177.0</b>	<b>167.1</b>	<b>49.7</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>825.9</b>	<b>367.9</b>	<b>214.6</b>

## Condensed consolidated statement of changes in equity

SEK m	Sept. 30, 2021	Dec. 31, 2020	Sept. 30, 2020
Equity, opening balance	132.6	101.3	101.3
Comprehensive income for the period after tax	-20.2	40.0	-18.1
New share issue	449.5	-	-
Dividend	-17.4	-8.7	-
<b>Equity, closing balance</b>	<b>544.5</b>	<b>132.6</b>	<b>83.2</b>

## Condensed consolidated cash flow statement

	July 1–September 30		January 1–September 30		Rolling 12 months	Full year
SEK m	2021	2020	2021	2020	Oct 2020– Sept 2021	2020
<b>Cash flow from operating activities</b>						
Operating profit	2.3	0.7	-31.1	-20.3	46.1	56.9
Reversal of depreciation, amortization and impairment	8.2	3.8	17.3	5.2	23.7	11.6
Other non-cash items	-0.1	-0.7	-0.2	2.6	1.2	4.0
Net interest income/expense	-1.7	-0.3	-1.5	-0.6	-2.4	-1.5
Income taxes paid	-4.2	0.2	-13.4	-3.6	-28.7	-18.9
Change in working capital	-44.9	-1.5	-18.5	8.4	-17.4	9.6
<b>Cash flow from operating activities</b>	<b>-40.4</b>	<b>2.2</b>	<b>-47.5</b>	<b>-8.3</b>	<b>22.5</b>	<b>61.7</b>
<b>Cash flow from investing activities</b>						
Investments in intangible assets	-	-	-0.6	-	-4.2	-3.5
Investments in property, plant and equipment	0.2	-2.4	-10.5	-1.7	-14.1	-5.4
Acquisition of subsidiaries, net of acquired cash and cash equivalents	-143.2	-	-171.2	-	-171.2	-
Change in other non-current receivables	-	-	0.4	0.1	0.6	0.3
<b>Cash flow from investing activities</b>	<b>-143.0</b>	<b>-2.4</b>	<b>-181.9</b>	<b>-1.6</b>	<b>-188.9</b>	<b>-8.6</b>
<b>Cash flow from financing activities</b>						
Dividend	-	-	-17.4	-	-26.1	-8.7
New share issue	16.4	-	389.3	-	389.3	-
Change in overdraft facilities	-	10.2	-	20.4	-21.1	-0.7
Increase in liabilities to credit institutions	-	-	30.0	-	30.0	-
Repayment of loans issued by credit institutions	-	-	-30.0	-	-30.0	-
Repayment of lease liabilities	-2.3	-	-6.4	-1.9	-9.4	-4.9
<b>Cash flow from financing activities</b>	<b>14.1</b>	<b>10.2</b>	<b>365.5</b>	<b>18.5</b>	<b>332.7</b>	<b>-14.4</b>
<b>Total cash flow for the period</b>	<b>-169.3</b>	<b>10.0</b>	<b>136.1</b>	<b>8.6</b>	<b>166.2</b>	<b>38.7</b>
<b>Change in cash and cash equivalents</b>						
Cash and cash equivalents at beginning of period	353.9	7.2	46.8	9.1	17.3	9.1
Translation differences	0.3	0.1	1.9	-0.4	1.3	-1.0
<b>Cash and cash equivalents at end of period</b>	<b>184.9</b>	<b>17.3</b>	<b>184.9</b>	<b>17.3</b>	<b>184.9</b>	<b>46.8</b>

## Quarterly overview for the Group

SEK m	2021				2020			2019	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Net sales	136.6	81.3	51.0	257.7	57.1	51.0	34.5	158.9	55.5
Cost of goods sold	-75.6	-42.5	-33.5	-131.1	-29.7	-34.6	-19.9	-98.7	-34.8
<b>Gross profit</b>	<b>61.0</b>	<b>38.9</b>	<b>17.5</b>	<b>126.6</b>	<b>27.4</b>	<b>16.4</b>	<b>14.6</b>	<b>60.2</b>	<b>20.7</b>
Operating expenses	-58.7	-49.4	-40.4	-49.5	-26.7	-21.4	-34.2	-38.8	-17.2
<b>Operating profit</b>	<b>2.3</b>	<b>-10.5</b>	<b>-22.9</b>	<b>77.1</b>	<b>0.7</b>	<b>-5.0</b>	<b>-19.6</b>	<b>21.4</b>	<b>3.5</b>
Net financial items	-1.7	1.6	-1.4	-0.7	-0.3	-0.5	0.2	-1.5	1.0
<b>Profit before tax</b>	<b>0.6</b>	<b>-8.9</b>	<b>-24.3</b>	<b>76.4</b>	<b>0.4</b>	<b>-5.5</b>	<b>-19.4</b>	<b>19.9</b>	<b>4.5</b>
Income tax on profit for the period	0.9	5.3	5.1	-13.6	-0.1	0.3	3.7	-5.3	-0.3
<b>Net profit for the period</b>	<b>1.4</b>	<b>-3.6</b>	<b>-19.2</b>	<b>62.8</b>	<b>0.3</b>	<b>-5.2</b>	<b>-15.7</b>	<b>14.6</b>	<b>4.2</b>

## Multi-year overview for the Group

	2020	2019	2018	2017	2016	2015	2014	2013
Net sales, SEK m	398.5	334.0	243.8	298.8	153.1	146.0	135.5	180.3
Gross margin	46%	37%	38%	34%	34%	29%	30%	34%
Operating margin (EBITDA)	17%	10.7%	9.9%	15%	7%	7%	12%	23%
Operating margin (EBIT)	14%	7.4%	7.3%	12%	4%	5%	9%	10%
Profit margin	14%	8%	8%	11%	5%	5%	9%	10%
Earnings per share for the period, SEK	3.66	1.64	1.04	2.24	0.48	0.55	0.83	1.26
Net cash, SEK m	46.8	9.1	31.5	26.7	-10.1	34.9	38.7	57.0
Cash flow from operating activities, SEK m	61.7	-7.9	25.8	35.0	-19.0	2.3	-1.9	55.8
Total assets, SEK m	367.9	285.2	178.2	167.6	134.6	89.0	96.9	102.2
Equity, SEK m	132.6	101.3	87.7	85.2	61.9	59.4	61.2	66.4
Equity/assets ratio	36%	36%	49%	51%	46%	67%	63%	65%
Return on capital employed	36%	20%	25%	36%	10%	12%	19%	30%
Return on equity	36%	20%	14%	34%	9%	10%	14%	23%
Equity per share, SEK	11.41	8.72	7.55	8.10	5.61	5.41	5.58	6.04
Dividend per share, SEK	1.50	0.75	0.50	1.22	0.00	0.18	0.44	1.25
Average number of employees	97	85	81	75	64	54	50	46
Number of employees at end of period	119	93	86	76	69	57	51	51



## Condensed Parent Company income statement

SEK m	July 1–September 30		January 1–September 30		Rolling 12 months	Full year
	2021	2020	2021	2020	Oct 2020– Sept 2021	2020
Net sales	15.6	11.3	46.7	34.0	62.8	50.1
Selling expenses	-5.6	-3.2	-16.4	-10.3	-22.6	-16.5
Administrative expenses	-11.1	-3.9	-30.7	-11.7	-41.9	-22.9
Research and development expenses	-3.8	-2.4	-12.4	-7.8	-17.4	-12.8
Other operating income/expenses	0.1	-0.6	1.7	-1.2	-0.3	-3.2
<b>Operating profit</b>	<b>-4.8</b>	<b>1.2</b>	<b>-11.1</b>	<b>3.0</b>	<b>-19.4</b>	<b>-5.3</b>
Net financial items	-0.4	0.3	-1.2	0.9	-7.3	-5.3
<b>Profit after financial items</b>	<b>-5.1</b>	<b>1.5</b>	<b>-12.2</b>	<b>3.9</b>	<b>-26.7</b>	<b>-10.6</b>
Year-end appropriations	-	-	-	-	37.2	37.2
<b>Profit before tax</b>	<b>-5.1</b>	<b>1.5</b>	<b>-12.2</b>	<b>3.9</b>	<b>10.5</b>	<b>26.6</b>
Income tax	1.1	-0.3	7.5	-0.8	1.1	-7.3
<b>Net profit for the period</b>	<b>-4.1</b>	<b>1.2</b>	<b>-4.7</b>	<b>3.1</b>	<b>11.5</b>	<b>19.3</b>
<b>Other comprehensive income</b>						
<b>Net profit for the period</b>	<b>-4.1</b>	<b>1.2</b>	<b>-4.7</b>	<b>3.1</b>	<b>11.5</b>	<b>19.3</b>
<b>Other comprehensive income</b>						
<i>Items that may be reclassified subsequently to profit or loss</i>	-	-	-	-	-	-
<b>Other comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Comprehensive income for the period</b>	<b>-4.1</b>	<b>1.2</b>	<b>-4.7</b>	<b>3.1</b>	<b>11.5</b>	<b>19.3</b>

## Condensed Parent Company balance sheet

SEK m	Sept. 30, 2021	Dec. 31, 2020	Sept. 30, 2020
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10.3	4.6	1.9
Financial non-current assets	374.0	65.2	71.7
<b>Total non-current assets</b>	<b>384.3</b>	<b>69.8</b>	<b>73.6</b>
Current receivables from Group companies	106.2	94.8	58.8
Other current receivables	5.3	5.2	2.3
Cash and cash equivalents	143.9	7.0	0.0
<b>Total current assets</b>	<b>255.4</b>	<b>107.0</b>	<b>61.1</b>
<b>TOTAL ASSETS</b>	<b>639.6</b>	<b>176.8</b>	<b>134.7</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>527.3</b>	<b>99.9</b>	<b>79.2</b>
<b>Untaxed reserves</b>	<b>23.8</b>	<b>23.8</b>	<b>14.9</b>
<b>Non-current liabilities</b>			
Non-current interest-bearing liabilities	21.9	-	14.4
<b>Total non-current liabilities</b>	<b>21.9</b>	<b>0.0</b>	<b>14.4</b>
<b>Current liabilities</b>			
Current interest-bearing liabilities	33.2	-	-
Current liabilities to Group companies	24.6	25.6	25.6
Accounts payable	1.7	3.8	2.0
Other current liabilities	7.1	23.8	-1.3
<b>Total current liabilities</b>	<b>66.7</b>	<b>53.1</b>	<b>26.3</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>639.6</b>	<b>176.8</b>	<b>134.7</b>

## Condensed Parent Company statement of changes in equity

SEK m	Sept. 30, 2021	Dec. 31, 2020	Sept. 30, 2020
Equity, opening balance	99.9	89.3	89.3
Comprehensive income for the period after tax	-4.7	19.3	3.1
New share issue	449.5	-	-
Dividend	-17.4	-8.7	-13.2
<b>Equity, closing balance</b>	<b>527.3</b>	<b>99.9</b>	<b>79.2</b>

## Notes

### Note 1. Net sales by geographic area

SEK m	Q3 2021	Q3 2020	Jan–Sept 2021	Jan–Sept 2020	Oct 2020–Sept 2021	Full year 2020
Nordics	90.3	18.4	170.7	63.0	378.8	271.1
Europe (excl. Nordics)	24.3	11.4	51.5	31.5	69.6	49.6
North America	20.0	22.1	44.0	48.0	63.5	67.5
Other countries	2.0	5.2	2.7	8.7	4.2	10.3
<b>Total revenue</b>	<b>136.6</b>	<b>57.1</b>	<b>268.9</b>	<b>151.2</b>	<b>516.1</b>	<b>398.5</b>

### Note 2. Non-recurring items

Refers to items reported separately to aid comparability, since these items are material in nature and are not deemed to form part of the ordinary core business. Examples include acquisition-related items, expenses for listing on a stock exchange, and restructuring costs.

SEK m	Q3 2021	Q3 2020	Jan–Sept 2021	Jan–Sept 2020	Oct 2020–Sept 2021	Full year 2020
Listing expenses	-4.4	-0.3	-11.1	-0.3	-15.1	-4.3
Acquisition-related expenses	-	-	-0.4	-	-0.4	-
<b>Total non-recurring items</b>	<b>-4.4</b>	<b>-0.3</b>	<b>-11.5</b>	<b>-0.3</b>	<b>-15.5</b>	<b>-4.3</b>



## Additional performance measures

The Group's performance measures are detailed below. Some of these are defined in accordance with IFRS. Other than these the Group has identified certain additional performance measures that provide the Company's investors and management with supplementary information to facilitate the assessment of relevant trends as well as the Company's performance. Since not all companies calculate financial measures in the same way, these are not always comparable with measures used by other companies. These financial measures are therefore to be seen as supplementing the performance measures defined according to IFRS.

Operating profit (EBIT), SEK m	Q3 2021	Q3 2020	Jan–Sept 2021	Jan–Sept 2020	Oct 2020–Sept 2021	Full year 2020
<b>Operating profit (EBIT)</b>	<b>2.3</b>	<b>0.7</b>	<b>-31.1</b>	<b>-20.3</b>	<b>46.1</b>	<b>56.9</b>
Listing expenses	4.4	0.3	11.1	0.3	15.1	4.3
Acquisition-related expenses	0.0	0.0	0.4	0.0	0.4	0.0
<b>Adjusted operating profit (EBIT)</b>	<b>6.7</b>	<b>1.0</b>	<b>-19.6</b>	<b>-20.0</b>	<b>61.6</b>	<b>61.2</b>
<b>Adjusted operating profit (EBIT)</b>	<b>6.7</b>	<b>1.0</b>	<b>-19.6</b>	<b>-20.0</b>	<b>61.6</b>	<b>61.2</b>
Net sales	136.6	57.1	268.9	151.2	516.2	398.5
<b>Adjusted operating margin (EBIT), %</b>	<b>4.9%</b>	<b>1.8%</b>	<b>-7.3%</b>	<b>-13.2%</b>	<b>11.9%</b>	<b>15.4%</b>
<b>Operating profit (EBITA), SEK m</b>						
Operating profit (EBIT)	2.3	0.7	-31.1	-20.3	46.1	56.9
Amortization of intangible assets	4.9	1.4	8.2	-4.6	18.7	5.9
<b>Operating profit (EBITA)</b>	<b>7.2</b>	<b>2.1</b>	<b>-22.9</b>	<b>-24.9</b>	<b>64.8</b>	<b>62.8</b>
<b>Adjusted operating profit (EBITA), SEK m</b>						
Operating profit (EBITA)	7.2	2.1	-22.9	-24.9	64.8	62.8
Listing expenses	4.4	0.3	11.1	0.3	15.1	4.3
Acquisition-related expenses	0.0	0.0	0.4	0.0	0.4	0.0
<b>Adjusted operating profit (EBITA)</b>	<b>11.6</b>	<b>2.4</b>	<b>-11.4</b>	<b>-24.6</b>	<b>80.3</b>	<b>67.1</b>
<b>Adjusted operating profit (EBITA)</b>	<b>11.6</b>	<b>2.4</b>	<b>-11.4</b>	<b>-24.6</b>	<b>80.3</b>	<b>67.1</b>
Net sales	136.6	57.1	268.9	151.2	516.2	398.5
<b>Adjusted operating margin (EBITA), %</b>	<b>8.5%</b>	<b>4.3%</b>	<b>-4.2%</b>	<b>-16.3%</b>	<b>15.6%</b>	<b>16.8%</b>
<b>Operating profit (EBITDA), SEK m</b>						
Operating profit (EBIT)	2.3	0.7	-31.1	-20.3	46.1	56.9
Depreciation/amortization	8.2	3.8	17.3	5.2	23.7	11.6
<b>Operating profit (EBITDA)</b>	<b>10.5</b>	<b>4.5</b>	<b>-13.8</b>	<b>-15.1</b>	<b>69.7</b>	<b>68.5</b>
<b>Adjusted operating profit (EBITDA), SEK m</b>						
Operating profit (EBITDA)	10.5	4.5	-13.8	-15.1	69.7	68.5
Listing expenses	4.4	0.3	11.1	0.3	15.1	4.3
Acquisition-related expenses	0.0	0.0	0.4	0.0	0.4	0.0
<b>Adjusted operating profit (EBITDA)</b>	<b>14.9</b>	<b>4.8</b>	<b>-2.3</b>	<b>-14.8</b>	<b>85.3</b>	<b>72.8</b>
<b>Adjusted operating profit (EBITDA)</b>	<b>14.9</b>	<b>4.8</b>	<b>-2.3</b>	<b>-14.8</b>	<b>85.3</b>	<b>72.8</b>
Net sales	136.6	57.1	268.9	151.2	516.2	398.5
<b>Adjusted operating margin (EBITDA), %</b>	<b>10.9%</b>	<b>8.4%</b>	<b>-0.9%</b>	<b>-9.8%</b>	<b>16.5%</b>	<b>18.3%</b>

**Available cash and cash equivalents**

SEK m	Sept. 30, 2021	June 30, 2021	Dec. 31, 2020	Sept. 30, 2020
Cash and bank balances	184.9	353.9	46.8	17.3
Unutilized overdraft facilities	50.0	51.1	27.1	27.2
<b>Available cash and cash equivalents</b>	<b>234.9</b>	<b>405.0</b>	<b>73.9</b>	<b>44.5</b>

**Working capital including cash and bank balances**

SEK m	Sept. 30, 2021	June 30, 2021	Dec. 31, 2020	Sept. 30, 2020
Total current assets	218.5	142.8	232.0	110.7
Cash and bank balances	184.9	353.9	46.8	17.3
Current liabilities, non-interest-bearing	-133.9	-96.9	-159.2	-42.0
<b>Working capital including cash and bank balances</b>	<b>269.5</b>	<b>399.8</b>	<b>119.6</b>	<b>86.0</b>
Net sales last 12 months	516.1	445.3	398.5	310.1
<b>Working capital including cash and bank balances in relation to net sales, %</b>	<b>52.2%</b>	<b>89.8%</b>	<b>30.0%</b>	<b>27.7%</b>

**Working capital excluding cash and bank balances**

SEK m	Sept. 30, 2021	June 30, 2021	Dec. 31, 2020	Sept. 30, 2020
Inventories	95.4	79.9	57.3	73.4
Current receivables	123.1	62.9	174.7	37.3
Current liabilities, non-interest-bearing	-133.9	-96.9	-159.2	-42.0
<b>Working capital excluding cash and bank balances</b>	<b>84.6</b>	<b>45.9</b>	<b>72.8</b>	<b>68.7</b>
Net sales last 12 months	516.1	445.3	398.5	310.1
<b>Working capital excluding cash and bank balances in relation to net sales, %</b>	<b>16.4%</b>	<b>10.3%</b>	<b>18.3%</b>	<b>22.2%</b>

**Return on capital employed**

SEK m	Sept. 30, 2021	June 30, 2021	Dec. 31, 2020	Sept. 30, 2020
Profit after financial items, last 12 months	43.7	47.0	55.4	-4.6
Financial expense, last 12 months	5.8	2.6	1.7	1.8
Profit before financial expense, last 12 months	49.5	49.6	57.1	-2.8
Capital employed at beginning of period	156.6	156.8	173.5	82.1
Capital employed at end of period	664.8	595.7	199.3	156.6
Average capital employed	410.7	376.3	186.4	119.4
<b>Return on capital employed, %</b>	<b>12.1%</b>	<b>13.2%</b>	<b>30.6%</b>	<b>-2.3%</b>

**Return on equity**

SEK m	Sept. 30, 2021	June 30, 2021	Dec. 31, 2020	Sept. 30, 2020
Profit after tax, last 12 months	37.9	40.6	42.5	-1.6
Equity at beginning of period	83.2	83.4	101.3	82.1
Equity at end of period	544.5	513.0	132.6	83.2
Average equity	313.9	298.2	117.0	82.7
<b>Return on equity, %</b>	<b>12.1%</b>	<b>13.6%</b>	<b>36.3%</b>	<b>-1.9%</b>

**Net debt/EBITDA**

SEK m	Sept. 30, 2021	June 30, 2021	Dec. 31, 2020	Sept. 30, 2020
Non-current liabilities, interest-bearing	77.1	64.6	58.8	75.0
Current liabilities, interest-bearing	43.2	18.2	7.9	7.7
Cash and bank balances	-184.9	-353.9	-46.8	-17.3
<b>Net debt incl. IFRS 16</b>	<b>-64.6</b>	<b>-271.1</b>	<b>19.9</b>	<b>65.4</b>
Operating profit, last 12 months	46.1	48.0	56.9	-2.5
Depreciation, amortization and impairment, last 12 months	23.7	14.9	11.6	6.9
Non-recurring items, last 12 months	15.5	11.4	4.3	-
Adjusted EBITDA, last 12 months	85.3	74.3	72.8	4.4
<b>Net debt/EBITDA, multiple</b>	<b>-0.8</b>	<b>-3.6</b>	<b>0.3</b>	<b>14.9</b>

# Auditors' Review Report

**To the Board of Directors of MilDef Group AB**  
**Corp. ID no. 556893-5414**

## Introduction

We have reviewed the condensed financial interim information (interim report) of MilDef Group AB as of September 30, 2021 and the nine-month period then ended. The Board of Directors and the Chief Executive Officer are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim financial information based on our review.

## Scope and focus of the review

We conducted our review in accordance with International Standard on Review Engagements ISRE 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA) and other generally accepted auditing standards,

and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information has not been prepared, in all material respects, in accordance with IAS 34 and the Annual Accounts Act in the case of the consolidated financial statements and in accordance with the Annual Accounts Act in the case of the Parent Company.

Helsingborg on October 27, 2021

### Bengt Ekenberg

Authorized Public  
Accountant

### Andreas Brodström

Authorized Public  
Accountant

# Board of Directors' assurance

The Board of Directors and CEO provide an assurance that this interim report presents fairly the operations, position and results of the Parent Company and the Group, and describes material risks and uncertainties faced by the Parent Company and the companies included in the Group.

Helsingborg on October 27, 2021

### Jan Andersson

Chair

### Marianne Trolle

Board member

### Lennart Pihl

Board member

### Charlotte Darth

Board member

### Berndt Grundevik

Board member

### Christian Hammenborn

Board member

### Björn Karlsson

CEO



## Definitions

### NUMBER OF OUTSTANDING SHARES

Number of registered shares less repurchased shares, held by the Company.

### RETURN ON EQUITY

Profit after tax attributable to owners of the parent as a percentage of average equity.

### RETURN ON CAPITAL EMPLOYED

Profit after financial income as a percentage of average capital employed.

### EBIT

Earnings before interest and taxes according to the income statement.

### EBITDA

Earnings before interest, taxes, depreciation and amortization of property, plant and equipment and intangible asset.

### NON-RECURRING ITEMS

Non-recurring items are specific material items that are reported separately because of their size or frequency, e.g. restructuring costs, impairment, divestments and acquisition-related expenses.

### NET DEBT

Long-term and short-term interest-bearing liabilities less financial income-bearing assets.

### OPERATING CASH FLOW

Cash flow from operating activities and cash flow from investing activities excluding acquisitions and divestments of intangible assets and of property, plant and equipment.

### ORGANIC GROWTH

Annual growth in net sales excluding acquisition-related net sales, calculated as an increase in net sales excluding acquisition-related net sales compared with the previous year, expressed as a percentage.

### WORKING CAPITAL

Current assets, excluding cash and cash equivalents and current tax assets, less interest-free current liabilities, excluding current tax liabilities.

### OPERATING MARGIN

Operating profit as a percentage of net sales.

### EQUITY/ASSETS RATIO

Equity as a percentage of total assets.

### CAPITAL EMPLOYED

Equity plus interest-bearing net debt.

### EARNINGS PER SHARE BEFORE DILUTION

Profit after tax attributable to owners of the parent as a percentage of average number of outstanding shares.

### EARNINGS PER SHARE AFTER DILUTION

Profit after tax attributable to owners of the parent as a percentage of average number of outstanding shares plus average number of shares added upon conversion of outstanding convertibles and warrants.

#### Financial calendar:

Year-End Report 2021	February 10, 2022
Interim report Q1 2022	April 28, 2022
Annual Report 2021	Week 15, 2022
Annual General Meeting	May 12, 2022
Interim report Q2 2022	July 28, 2022
Interim report Q3 2022	October 27, 2022

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bjorn.karlsson@mildef.com

Daniel Ljunggren, CFO/EVP  
+46 70 668 00 15  
daniel.ljunggren@mildef.com

#### Invitation to the presentation of MilDef's third quarter interim report

The presentation will be held in English and will conclude with a Q&A. The meeting will start at 11:00 CEST on October 27, 2021 and will last for about 30 minutes. The report will be made available at [www.mildef.com](http://www.mildef.com) the same morning.

#### Connecting to the meeting

Connection to the meeting will be by phone (audio only). Please connect or call in 5 minutes before the set start time.

#### Telephone numbers:

+46 8 502 413 79 (Sweden)  
+47 23 52 52 25 (Norway)  
+45 32 73 03 21 (Denmark)  
+358 9 23106849 (Finland)  
+44 20 3855 6017 (United Kingdom)  
+1 323-486-4735 (USA)

Enter conference ID 662 280 057#.

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 is disclosed through the above-mentioned contact persons for publication on October 27, 2021 at 08:00 CEST.

*MilDef was founded in 1997 in Helsingborg, Sweden, and is a supplier of tactical IT for demanding environments. Tactical IT includes rugged electronics, software and services. MilDef's products are currently sold to more than 160 customers through MilDef's subsidiaries in Sweden, Norway, the UK and the USA, and through a network of partners in more than 30 countries, mainly within the EU. The product portfolio encompasses all of the components in an IT system – from servers and client computers to network equipment and intelligent displays. The products have been developed to withstand extreme heat, cold, moisture, vibration, shock and other environmental impacts. MilDef is listed on Nasdaq Stockholm.*