

MilDef Group

INTERIM REPORT
JANUARY–SEPTEMBER 2022

Q3

We digitalize the world

where the stakes are the highest,
requirements are the toughest,
and when technology has game-changing potential



Interim Report January–September 2022

STRONG ORDER INTAKE AND INCREASED GROSS MARGIN

Third quarter 2022

- Net sales increased by 20% to SEK 163.7 million (136.6).
- Gross margin amounted to 51% (45).
- Adjusted EBITDA amounted to SEK 19.9 million (14.9), equivalent to an adjusted operating margin of 12.2% (10.9).
- Operating profit (EBIT) amounted to SEK 12.5 million (2.3) including non-recurring items of SEK 0.0 million (-4.4).
- Order intake increased by 158% to SEK 307.2 million (119.2).
- Operating cash flow amounted to SEK -40.1 million (-40.4).

January–September 2022

- Net sales increased by 57% to SEK 423.5 million (268.9).
- Gross margin amounted to 49% (44).
- Adjusted EBITDA amounted to SEK 16.6 million (-2.3), equivalent to an adjusted operating margin of 3.9% (-0.9).
- Operating profit (EBIT) amounted to SEK -2.3 million (-31.1) including non-recurring items of SEK 0.0 million (-11.5).
- Order intake increased by 75% to SEK 667.5 million (380.4).
- Order backlog as of September 30, 2022 was SEK 1,218 million (712), representing an increase of 71%.
- Operating cash flow amounted to SEK -45.7 million (-58.2).

ROLLING 12 MONTHS, OCTOBER 2021–SEPTEMBER 2022

NET SALES	ADJUSTED OPERATING PROFIT (EBITDA)	ADJUSTED OPERATING MARGIN (EBITDA)
SEK 624 _m	SEK 51.2 _m	8.2%

Summary of significant events in the third quarter, July–September 2022

- MilDef signs a strategic framework agreement with the armed forces of a European NATO country. The agreement has an estimated value of around SEK 2.8 billion over 20 years.
- Due to development in the defense market, in combination with MilDef's positioning and prospects, the Board has raised the Company's growth target from at least 15% a year to at least 25% per year, over time.
- MilDef acquires all of the shares in Handheld Group AB, a company specializing in rugged computers. The acquisition increases the pace of MilDef's strategy for profitable growth, adds a complementary product segment and expands the customer base.
- In order to facilitate future expansion through strategic acquisitions, MilDef carried out a directed new share issue worth SEK 150 million.

FINANCIAL SUMMARY

	July 1–September 30		January 1–September 30		Rolling 12 months	Full year
All figures are in SEK million unless otherwise indicated	2022	2021	2022	2021	Oct 2021–Sept 2022	2021
Net sales	163.7	136.6	423.5	268.9	624.2	469.6
Sales growth, %	20	139	57	78	21	18
Of which organic, %	12	64	23	28	19	-14
Of which acquisition-driven, %	8	75	34	50	2	32
Gross margin, %	51	45	49	44	48	45
Adjusted operating profit (EBITDA)	19.9	14.9	16.6	-2.3	51.2	32.2
Adjusted operating margin (EBITDA), %	12.2	10.9	3.9	-0.9	8.2	6.9
Order intake	307.2	119.2	667.5	380.4	880.7	589.4
Order backlog	1,218	712	1,218	712	1,218	731
Operating cash flow	-40.1	-40.4	-45.7	-58.2	-58.2	-71.4

All amounts are presented in SEK million 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.



CEO'S COMMENTS

New alliances and profitable growth

In the third quarter MilDef executed several important transactions that will have a positive impact on the Company for years into the future. The transaction with the highest financial impact is a 20-year framework agreement with the defense forces of an unnamed NATO nation for a value of SEK 2.8 billion. To this we add the acquisition of Handheld Group AB, which is MilDef's single largest acquisition up to now. It will result in an expansion of both technology and market segments, and also strengthen MilDef's geographical imprint. In the third quarter we also had the first call-off orders within the framework agreement with the Swedish Defence Materiel Administration (FMV), which MilDef signed in May 2022. This is a framework agreement with an estimated value of SEK 870 million over a seven-year period.

668_{SEK m}ORDER INTAKE
January–September

+75%

ORDER INTAKE
January–September

+57%

NET SALES
January–September

Alliances make us stronger

The theme for MilDef throughout the third quarter was becoming stronger through important alliances – with actors in the national and international defense industry and with government agencies and armed forces.

That we managed to improve our gross margin despite a component market that is still problematic was particularly gratifying. This, combined with continued growth, resulted in improved profitability compared with the same period the previous year.

We continue to add value through acquisitions

In line with our objective of implementing at least one acquisition a year, in September we completed our largest transaction so far in the Company's history. Handheld Group AB is an international group of companies that develops and produces tactical IT and has customers in areas that MilDef defines as crucial for society. MilDef's ever stronger connection to the total defense concept is a strategy we have previously communicated. There is good potential for commercial synergies in the defense segment, which is where MilDef's biggest strengths lie. We welcome Handheld Group and its employees into the MilDef family and look forward to continuing to grow together.

"We will continue to gradually improve our position as a strategic supplier of tactical IT within NATO and the EU."

Order backlog at new record levels

The third quarter of 2022 saw strong order intake of SEK +300 million, an increase of a full 158% compared with the same period the previous year. At the end of the period the order backlog was higher than ever before at SEK 1.2 billion, which is 71% higher than at the end of the same period in 2021.

It is worth noting that in the third quarter of 2022 MilDef was still seeing some limited effects of the increased defense appropriations. Our assessment is therefore that the increase in the order intake for the quarter would have happened in full or in part even without the announced but as yet not realized increase in defense-related purchases of products and services.

Successes in the big defense markets

In both the USA and the UK MilDef's local subsidiaries are making strong progress and enjoying increased order intake. After several tough years marked by Brexit and the pandemic, we have noted a positive bounce back in these markets where MilDef's offering is a good fit for the countries' significant modernization and digitalization needs.

In the US market the acquisition of Handheld is a particularly attractive one as we now have doubled the size of our organization, affording us good opportunities to strengthen our offering for a broader group of customers.

Important alliances continue to benefit MilDef

I have previously stressed the value of NATO membership for the Swedish defense industry in terms of export capacity. Although Sweden's and Finland's membership is not yet confirmed, we have seen an increased interest for MilDef's portfolio during the period. Our success with our OneCIS software, which enables NATO-compatible efficiency improvement and rollout of IT systems in tactical environments, stands out. Exporting to new countries has commenced and is progressing faster than we previously thought it would, likely as a consequence of major investments within NATO.

In the context of cooperation in the Nordics, MilDef's position has also strengthened thanks to the relationships we have in the Nordic markets. Our decision to set up a subsidiary in Finland has, for example, proven to be on the mark. Increased cooperation is in line with the strategy that MilDef is advocating regarding supply reliability, i.e. coordination of logistics chains in nearby geographies.

What will happen in the fourth quarter?

We will continue to gradually improve our position as a strategic supplier of tactical IT within NATO and the EU. MilDef is expanding in total defense and functions critical for society, and we are accelerating the pace of our Nordic defense industry strategy.

We look forward to an intense final quarter of 2022 in which our capabilities will be tested to the limits. With our sights set on the future and because we are able to give our customers a technical advantage, MilDef will continue to experience accelerated growth; growth that so far this year is exceeding our upgraded financial target of at least 25% a year, over time.

I would in particular like to thank our professional, talented and loyal employees who are impressive in their ability to perform and maintain high quality, even when market conditions are complicated. They do so in an uncertain world and as proud employees of a defense company that is growing fast, both in size and relevance.

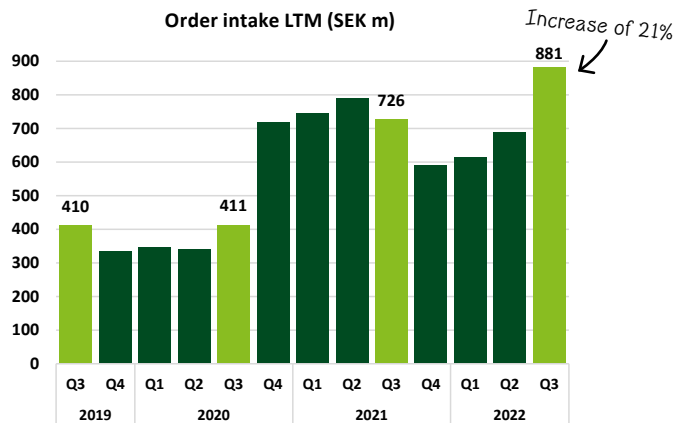
We now conclude the third quarter and throw ourselves hungrily and enthusiastically at the fourth. Thank you for coming along on our journey.



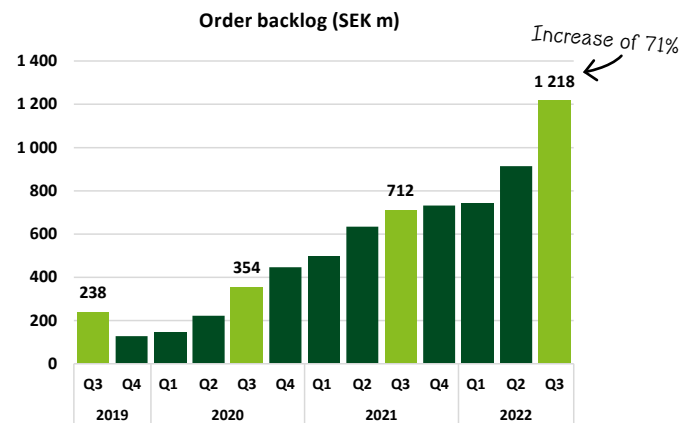
Björn Karlsson,
VD, MilDef Group

MilDef's financial development

ORDER STATUS

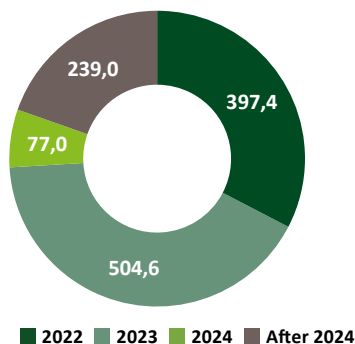


Each individual column in the diagram above shows MilDef's order intake over the past 12 months (LTM) in SEK million. The order intake are the total orders received during the period in question. Deliveries may take place over a number of years. MilDef monitors order intake to analyze future revenue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



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.

Order backlog by planned deliveries (SEK m)



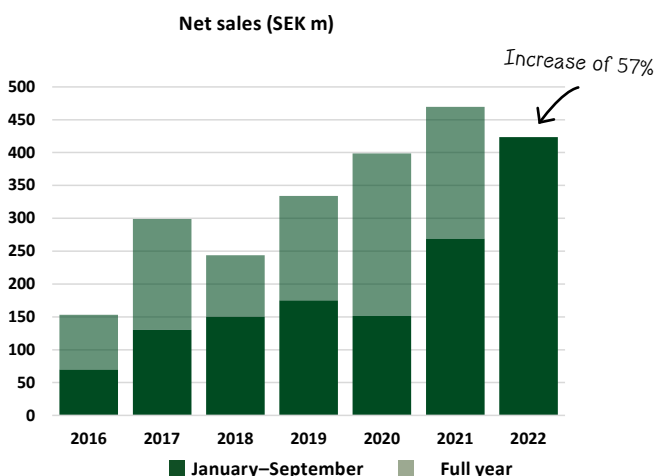
The pie chart above shows future planned deliveries by year in SEK m and is based on MilDef's current order backlog at the end of the period. The actual outcome may differ significantly from the above planned deliveries, above all due to delays.

Change in order backlog January–September 2022 (SEK m)

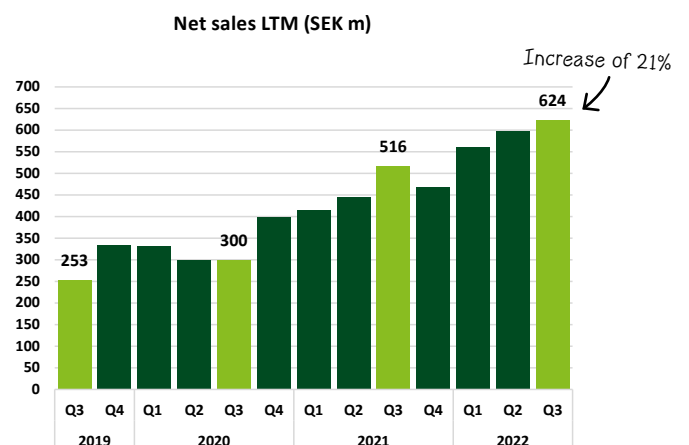
Order backlog as of January 1, 2022	731.5
Order intake January–September 2022	667.5
Sales January–September 2022	-423.5
Sales January–September 2022 not impacting order backlog	70.5
Order backlog acquired in the period	136.8
Currency effect in order backlog during the period	35.2
Order backlog as of September 30, 2022	1,218.0

The table above presents the development of MilDef's order backlog in SEK million during the first nine months, and the size of the components included, to arrive at the difference in the order backlog as of January 1, 2022 in comparison with September 30, 2022.

NET SALES

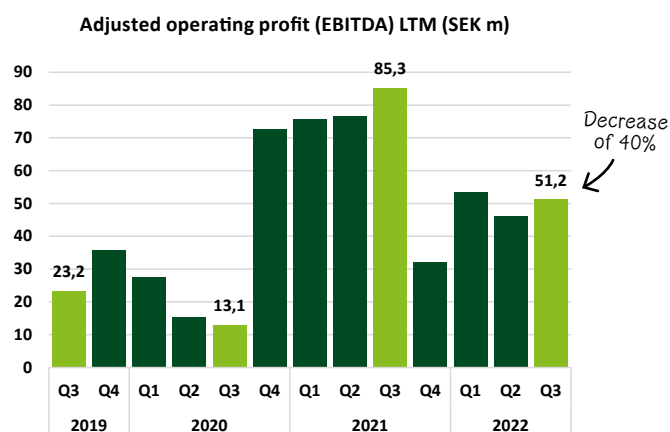


The columns above show MilDef's net sales for full year 2016–2021 and for January–September for the years 2016–2022. The diagram shows the clear seasonal variation in MilDef's net sales.

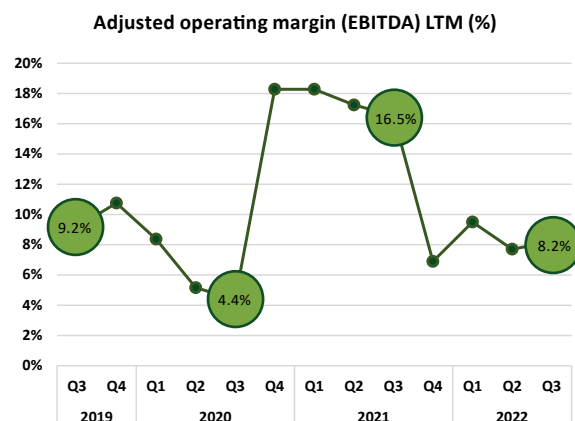


The diagram's columns show MilDef's net sales over the past 12 months (LTM) in SEK million. The columns show the data excluding seasonal variations during the year.

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



Each column in the diagram above shows MilDef's operating profit (EBITDA) over the past 12 months (LTM) in SEK million, adjusted for non-recurring items. The non-recurring items are specified in detail on page 22 in Note 2. The purpose is to assess the Group's profits that are generated in operating activities.



The diagram above shows MilDef's operating margin (EBITDA) over the past 12 months (LTM) as a percentage, adjusted for non-recurring items. The non-recurring items are specified in detail on page 22 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.



Financial overview

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

Third quarter: July–September 2022

Order status

The order intake increased in the third quarter of 2022, driven by strong underlying demand for digitalization and modernization among MilDef's end-customers. The order intake in the third quarter of 2022 increased by 158% to SEK 307.2 million, compared with SEK 119.2 million in the third quarter of 2021. The acquisition of Handheld Group AB made a marginally positive contribution to the quarter's order intake in the amount of SEK 2.5 million.

Net sales

Net sales in the third quarter of 2022 amounted to SEK 163.7 million (136.6), representing growth of 20%. Acquisition-driven growth amounted to SEK 11.2 million in the quarter, and is fully attributable to the acquisition of Handheld Group AB. Organic growth was 12% and acquisition-driven growth made up 8 percentage points of the total growth rate in the third quarter.

Gross profit

Gross profit amounted to SEK 83.3 million (61.0), equivalent to a gross margin of 51% (45). 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 70.8 million (58.7), of which SEK 2.9 million relates to acquired operating expenses in the third quarter of 2022, and SEK 0.0 million (SEK 4.4 million) to non-recurring items. Excluding these items, the operating expenses increased by 25%, equivalent to SEK 13.6 million. The increased expenses are a function of the Company's strong growth. The Company's operating expenses decreased by 7% in the third quarter of 2022 compared with the second quarter of 2022. The operating expenses as a percentage of sales were unchanged at 43% in the third quarter of 2022.

Operating profit (EBIT)

Operating profit (EBIT) in the third quarter of 2022 amounted to SEK 12.5 million (2.3). Adjusted for non-recurring items, operating profit for the quarter amounted to SEK 12.5 million (6.7), corresponding to an operating

margin of 7.6% (4.9). 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 19.9 million (14.9), equivalent to a margin of 12.2% (10.9). Depreciation/amortization and impairment amounted to SEK 7.4 million (8.2). The acquisition in 2022 contributed SEK 2.4 million to the quarter's operating profit. The adjusted operating profit does not include non-recurring items of SEK 0.0 million (4.4). These items are specified in Note 2 on page 22.

Financial items

Net financial income/expense for the period amounted to SEK -5.3 million (-1.7). An increase in expenses of SEK 3.6 million is mainly due to increased interest expense and unrealized exchange rate losses due to the weak development of the Swedish krona.

Tax

The third quarter's tax effect impacted net profit in the amount of SEK -0.6 million (0.9).

Net profit for the quarter

Profit after tax amounted to SEK 6.6 million (1.4). Earnings per share before dilution amounted to SEK 0.18 (0.04) and earnings per share after dilution to SEK 0.18 (0.04).

Cash flow

Cash flow for the quarter was reported at SEK -3.0 million (-169.3). The acquisition of Handheld Group AB in the third quarter impacted the quarter's cash flow in the net amount of SEK -383.1 million. Operating cash flow for the quarter was close to the previous year's level and amounted to SEK -40.1 million (-40.2).

Cash flow from operating activities amounted to SEK -37.1 million (-40.4). Cash flow from changes in working capital amounted to SEK -52.6 million (-44.9).

Cash flow from investing activities amounted to SEK -386.1 million (-143.0). The decrease is a result of the acquisition of Handheld Group AB.

Cash flow from financing activities amounted to SEK 420.2 million (14.1). The change compared to the previous year is mainly explained by the new share issues carried out by the Company in the third quarter of 2022, and by utilization of portions of the Company's existing credit facilities to finance the acquisition of Handheld Group AB. Amortization of leases was charged to financing activities in the amount of SEK -3.3 million (-2.3).

First nine months: January–September 2022

Order status

Order intake increased by 75% to SEK 667.5 million (380.4) in the first nine months of 2022, compared with the same period in 2021. The order backlog increased by 71% to SEK 1,218 million (712). SEK 2.5 million of the period's order intake and SEK 136.8 million of the order backlog relate to the acquisition of Handheld Group AB.

Net sales

Net sales in the first nine months of 2022 amounted to SEK 423.5 million (268.9), which is equivalent to growth

of 57% compared with the same period the previous year. Acquisition-driven growth amounted to SEK 93.1 million for the period. Organic growth was 23% for the period, driven by strong underlying demand for digitalization and modernization among MilDef's end-customers. Acquisition-driven growth accounted for 34 percentage points of the total sales growth for the period.

Gross profit

Gross profit amounted to SEK 207.8 million (117.4), equivalent to a gross margin of 49% (44). 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 210.1 million (148.5), of which SEK 46.3 relates to acquired operating expenses and SEK 0.0 million (11.5) to non-recurring items (see Note 2 on page 22).



Excluding these items, the operating expenses increased by 20%, equivalent to SEK 26.8 million. The increased expenses are a function of the Company's strong growth. The operating expenses as a percentage of sales amounted to 50% (55).

Operating profit (EBIT)

Operating profit (EBIT) in the first nine months of 2022 amounted to SEK -2.3 million (-31.1). Adjusted for non-recurring items, operating profit for the period amounted to SEK -2.3 million (-19.6), corresponding to an operating margin of -0.5% (-7.3). 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 16.6 million (-2.3), equivalent to a margin of 3.9% (-0.9). Depreciation/amortization and impairment amounted to SEK 18.9 million (17.3). The adjusted operating profit does not include non-recurring items of SEK 0.0 million (11.5). These items are specified in Note 2 on page 22.

Financial items

Net financial income/expense for the period amounted to SEK -6.3 million (-1.5). The increase in expenses of SEK 4.8 million is mainly due to increased interest expense and unrealized exchange rate losses due to the weak development of the Swedish krona.

Tax

The tax effect for the period had a positive impact on net profit in the amount of SEK 2.3 million (11.2) and relates to a deferred tax asset based on tax loss carryforwards, as well as temporary differences in the previous year attributable to the Company's listing process.

Net profit for the period

Profit after tax amounted to SEK -6.3 million (-21.4). Earnings per share amounted to SEK -0.17 (-0.94), both before and after dilution.

Cash flow

Cash flow reported for the period amounted to SEK -51.2 million (136.1). Operating cash flow amounted to SEK -45.7 million (-58.2).

Cash flow from operating activities amounted to SEK -35.5 million (-47.5). Cash flow from changes in working capital amounted to SEK -30.2 million (-18.5). The global component shortage has resulted in maintaining the amended 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 -393.3 million (-181.9), of which SEK -383.1 million (-171.2) is related to acquisitions made in the period. Cash flow from investments in property, plant and equipment and intangible assets amounted to SEK -10.2 (-11.1).

Cash flow from financing activities amounted to SEK 393.3 million (365.5). To finance the acquisition of Handheld

Group AB, the Company carried out a new share issue worth a net amount of SEK 223.5 million and took out a loan of SEK 200.0 million. The previous year the Company carried out a new share issue in connection with the listing on Nasdaq Stockholm. The period was impacted by dividends paid to the shareholders in the amount of SEK -27.3 million (-17,4). Amortization of leases was charged to financing activities in the amount of SEK -7.2 million (-6.4).

Equity

The Group's equity amounted to SEK 765.9 million (544.5) at the end of the period. The equity-assets ratio as of September 30, 2022 was SEK 59% (66).

Net working capital

Net working capital amounted to SEK 227.6 million (84.7) 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 to some extent by increased accounts payable and other current liabilities. Net working capital in relation

SEK m	Sept. 30, 2022	Dec. 31, 2021	Sept. 30, 2021
Inventories	188.9	85.8	95.4
Accounts receivable	124.2	136.2	90.2
Other current receivables	102.0	40.5	32.9
Accounts payable	-74.5	-39.5	-57.8
Other current liabilities	-113.0	-75.0	-76.0
Net working capital	227.6	148.0	84.7
<i>as a percentage of net sales LTM (%)</i>	<i>36%</i>	<i>32%</i>	<i>16%</i>

to net sales increased by 20 percentage points, from 16% for the same period the previous year to 36% as of September 30, 2022.

Net debt and cash and cash equivalents

The net debt including lease liabilities amounted to SEK 199.3 million (-64.6) at the end of the period. Cash and cash equivalents as of September 30 amounted to SEK 121.4 million (184.9). At the end of the period there was also an unutilized revolving overdraft facility of SEK 75.0 million (50.0). 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 2.2 (-1.5). When calculated including the effects of IFRS 16 the net debt/equity ratio was 3.9 (-0.8).

SEK m	Sept. 30, 2022	Dec. 31, 2021	Sept. 30, 2021
Other interest-bearing liabilities	233.4	41.4	55.1
Lease liabilities	87.3	60.7	65.2
Cash and cash equivalents	-121.4	-169.2	-184.9
Net debt incl. IFRS 16	199.3	-67.1	-64.6
<i>in relation to adjusted operating profit (EBITDA) LTM, multiple</i>	<i>3.9</i>	<i>-2.1</i>	<i>-0.8</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 41 employees.

MilDef Group AB's share

MilDef Group AB (publ) has been listed on NASDAQ OMX Stockholm Small Cap in the Industrial Goods and Services sector since June 4, 2021. The share's ISIN code is SE0016074249. The share is traded under the ticker MILDEF. A trading unit is one (1) share.

Share capital and number of shares

The total number of shares as of September 30, 2022 was 39,859,566 (36,389,373) and the share capital was SEK 9,964,891.50 (9,097,343.25). All of the shares are ordinary shares carrying the same voting rights. The shares have a quota value of SEK 0.25. At the end of the period the closing price was SEK 62.40 and the market value was SEK 2,487 million. The total number of shareholders at the end of the period was around 8,058.

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 Swedish 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 2021 Annual Report. The 2021 Annual Report is available at www.mildef.com.

Judgements and estimates in the financial statements

Preparation of the financial statements in accordance with IFRS requires the Management Team 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 change 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 the Management Team's and investors' analysis of the Group's development. Investors should not regard these alternative performance measures as substitutes for the financial statements prepared in accordance with IFRS, but rather as complements to the statements. Definitions of the alternative performance measures are presented on page 27.

Segments

MilDef's operations are treated as one segment as this reflects the Group's business, financial monitoring and management structure. MilDef's CEO, who is the highest executive decision-maker, monitors and analyzes results and financial position for the Group as a whole. The CEO does not monitor results on a disaggregated level lower than at consolidation level. The CEO thus also decides on allocation of resources and takes strategic decisions based on consolidation as a whole. Based on IFRS 8, the analysis concludes that the MilDef Group consists of only one reporting segment.

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 intake 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.

Significant events during the third quarter of 2022

On August 22 MilDef signed a 20-year strategic framework agreement with the armed forces of a European NATO country. MilDef's assignment is to modernize and digitalize the country's armed forces. The framework agreement is the single largest so far for MilDef. The estimated value is around SEK 2.8 billion over the term of the agreement. To facilitate a significant upgrade of tactical IT, integrated in a brand new fleet of military vehicles, this government agency has turned to MilDef for a complete offering of deliveries within hardware, software, integration and life-cycle services. MilDef will, among other things, supply the country's armed forces with computers, displays and network infrastructure suitable for task force capabilities. The framework agreement also includes the first international export of MilDef's OneCIS installation software. The software will be used in both static and operational infrastructure.

Due to development in the defense market, in combination with MilDef's positioning and prospects, the Board has raised the Company's growth target from at least 15% a year to at least 25% per year, over time. The new growth target is based on the Company's past growth, an analysis of recently signed framework agreements, and future business opportunities in the defense markets where MilDef intends to do business. The upgraded growth target went into effect immediately and was announced on August 24. Other financial targets remain the same.

On September 9 MilDef announced that the Company had entered into an agreement to acquire all of the shares in Handheld Group AB ("Handheld"), a company specializing in rugged computers with an international customer base. The acquisition accelerates MilDef's strategy for profitable growth, adds a complementary product segment, expands the customer base and strengthens MilDef's international footprint, including an increased presence in prioritized markets such as the USA and Germany. MilDef sees an opportunity for significant commercial synergies in multiple areas, including through cross-selling in product segments in the Company's existing verticals. The initial purchase consideration amounted to SEK 350 million, equivalent to EV/EBITDA multiple of around 10x based on Handheld's forecast EBITDA for full year 2022. The cash consideration was SEK 270 million and was financed within the framework of existing credit facilities, while the remaining SEK 80

million was paid in the form of newly issued shares. The acquisition was completed on September 21.

MilDef carried out a targeted new share issue of 2,343,750 shares raising SEK 150 million on September 13. The Company intends to use the issue proceeds to enable future expansion through strategic acquisitions according to the Company's business plan and strategy. The subscription price was set through a bookbuilding process at SEK 64 per share, resulting in issue proceeds of SEK 150 million before transaction costs. A large number of institutional investors subscribed for shares in the new issue, including Andra AP-fonden, Swedbank Robur, Svolder AB, Carnegie Fonder and Grenspecialisten Förvaltning.

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.

Acquisition of Handheld Group AB

On September 21, 2022 MilDef acquired all of the shares in Handheld Group AB ("Handheld").

Purchase consideration on September 21, 2022

The initial purchase consideration was SEK 350 million. A maximum contingent consideration of SEK 100 million may be payable if agreed financial targets for 2022 are exceeded. The cash consideration amounted to SEK 270 million and was financed within the framework of existing credit facilities, while the remaining SEK 80 million was paid for with 1,126,443 newly issued shares.

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

(SEK m)	
Purchase consideration paid	350.0
To be added: Interest-bearing net debt	33.1
Net outflow of cash and cash equivalents	383.1

Acquisition balance as of September 21, 2022

Handheld was consolidated into MilDef Group's accounts as of September 21, 2022. The acquisition balance as of September 21, 2022 was as follows:

(SEK m)	Fair value
Total purchase consideration	350.0
Intangible assets	37.9
Property, plant and equipment	1.7
Right-of-use assets	27.6
Deferred tax assets	3.5
Inventories	57.6
Accounts receivable	27.2
Other current receivables	21.8
Non-current liabilities related to leases	-20.4
Accounts payable	-17.5
Current liabilities related to leases	-7.2
Current interest-bearing liabilities	-33.1
Other current liabilities	-54.8
Acquired identifiable net assets	44.3
Goodwill	305.7
Total acquired net assets	350.0

The acquisition generates a consolidation surplus of SEK 305.7 million. No contingent consideration is included in the calculation of the consolidation surplus. The entire surplus has been temporarily allocated to goodwill. The acquisition analysis was based on measurements of net assets and identifiable intangible assets which have not yet been fully established. The acquisition analysis is therefore considered preliminary.

Employees

The number of employees in the Group, recalculated to full-time equivalents (FTEs), was 285 (191) at the end of the period. 217 (150) of the employees were men and 68 (41) were women. The average number of FTEs amounted to 250 during the period, compared with 187 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 to penetrate new markets. It is important to identify the customers' changing requirements and transform them into the best solutions for every given market situation. In 2022 further resources were added to the R&D department to handle an increasing number of

projects, many of which are highly complex. Around 13% 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 of 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 66–69 in the Company's 2021 Annual Report. No other material financial risks, other than those described there, have been identified.

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.

Contingent liabilities

There have been no changes in the Group's contingent liabilities as described in more detail on page 96 in Note 20 of the 2021 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 2023

The Board has decided to hold the 2023 Annual General Meeting in Helsingborg on May 25, 2023. Notice will be given in due order.

Audit review

This interim 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
		2022	2021	2022	2021	Oct 2021– Sept 2022	2021
Net sales	1	163.7	136.6	423.5	268.9	624.2	469.6
Cost of goods sold		-80.4	-75.6	-215.7	-151.5	-323.7	-259.5
Gross profit		83.3	61.0	207.8	117.4	300.5	210.1
Selling expenses		-42.0	-32.6	-127.6	-72.5	-169.5	-114.4
Administrative expenses		-15.6	-16.1	-46.2	-45.6	-59.6	-59.0
Research and development expenses		-10.2	-9.4	-30.1	-31.2	-39.3	-40.4
Other operating income/expenses		-3.0	-0.6	-6.2	0.8	-6.2	0.8
Operating profit		12.5	2.3	-2.3	-31.1	25.9	-2.9
Net financial items		-5.3	-1.7	-6.3	-1.5	-7.2	-2.4
Profit after financial items		7.2	0.6	-8.6	-32.6	18.7	-5.3
Income tax		-0.6	0.9	2.3	11.2	-4.3	4.6
Net profit for the period		6.6	1.4	-6.3	-21.4	14.4	-0.7

Other comprehensive income for the Group

Items that may be reclassified subsequently to profit or loss

Translation differences	1.1	1.3	7.8	1.1	8.2	1.5
Other comprehensive income for the period	1.1	1.3	7.8	1.1	8.2	1.5
Comprehensive income for the period	7.7	2.7	1.5	-20.2	22.6	0.8

Earnings per share

	July 1–September 30		January 1–September 30		Rolling 12 months	Full year
	2022	2021	2022	2021	Oct 2021– Sept 2022	2021
Number of shares at end of period	39,859,566	36,389,373	39,859,566	36,389,373	36,389,373	36,389,373
Weighted average number of shares in the period before dilution	36,932,653	36,278,255	36,572,456	22,823,936	36,526,309	26,243,169
Weighted average number of shares in the period after dilution	37,376,153	36,278,255	37,015,956	22,823,936	36,858,023	26,243,169
Earnings per share before dilution (SEK)	0.18	0.04	-0.17	-0.94	0.39	-0.03
Earnings per share after dilution (SEK)	0.18	0.04	-0.17	-0.94	0.39	-0.03

Condensed consolidated balance sheet

SEK m	Sept. 30, 2022	Dec. 31, 2021	Sept. 30, 2021
ASSETS			
Non-current assets			
Capitalized product development expenses	53.2	10.7	6.3
Acquisition-related intangible assets	587.3	285.2	309.1
Other intangible assets	0.9	0.5	-
Right-of-use assets	86.0	59.8	64.5
Other property, plant and equipment	17.0	14.5	15.1
Deferred tax assets	19.7	5.6	27.2
Other financial non-current assets	0.3	0.3	0.3
Total non-current assets	764.4	376.6	422.6
Inventories	188.9	85.8	95.4
Accounts receivable	124.2	136.2	90.2
Other current receivables	102.0	40.5	32.9
Cash and cash equivalents	121.4	169.2	184.9
Total current assets	536.5	431.7	403.4
TOTAL ASSETS	1,300.9	808.2	825.9
EQUITY AND LIABILITIES			
Equity	765.9	568.2	544.5
Non-current liabilities			
Lease liabilities	71.8	52.1	55.2
Non-current interest-bearing liabilities	182.1	31.7	21.9
Provisions for taxes	26.8	23.5	27.3
Total non-current liabilities	280.7	107.3	104.5
Current liabilities			
Current interest-bearing liabilities	51.3	9.7	33.2
Lease liabilities	15.5	8.6	10.0
Accounts payable	74.5	39.5	57.8
Other current liabilities	113.0	75.0	76.0
Total current liabilities	254.3	132.8	177.0
TOTAL EQUITY AND LIABILITIES	1,300.9	808.2	825.9

Condensed consolidated statement of changes in equity

SEK m	Sept. 30, 2022	Dec. 31, 2021	Sept. 30, 2021
Equity, opening balance	568.2	132.6	132.6
Comprehensive income for the period after tax	1.5	0.8	-20.2
New share issue	223.5	452.2	449.5
Dividend	-27.3	-17.4	-17.4
Equity, closing balance	765.9	568.2	544.5

Condensed consolidated cash flow statement

	April 1–September 30		January 1–September 30		Rolling 12 months	Full year
SEK m	2022	2021	2022	2021	Oct 2021– Sept 2022	2021
Cash flow from operating activities						
Operating profit	12.5	2.3	-2.3	-31.1	25.9	-2.9
Reversal of depreciation, amortization and impairment	7.4	8.2	18.9	17.3	25.2	23.6
Other non-cash items	0.5	-0.1	0.1	-0.2	-0.2	-0.5
Net interest income/expense	-2.0	-1.7	-2.9	-1.5	-3.8	-2.4
Income taxes paid	-2.9	-4.2	-19.1	-13.4	-13.9	-8.2
Change in working capital	-52.6	-44.9	-30.2	-18.5	-76.7	-65.0
Cash flow from operating activities	-37.1	-40.4	-35.5	-47.5	-43.5	-55.5
Cash flow from investing activities						
Investments in intangible assets	-1.8	-	-7.0	-0.6	-12.0	-5.6
Investments in property, plant and equipment	-1.2	0.2	-3.2	-10.5	-3.5	-10.8
Acquisition of subsidiaries, net of acquired cash and cash equivalents	-383.1	-143.2	-383.1	-171.2	-383.2	-171.3
Change in other non-current receivables	-	-	-	0.4	0.1	0.5
Cash flow from investing activities	-386.1	-143.0	-393.3	-181.9	-398.6	-187.2
Cash flow from financing activities						
Dividend	-	-	-27.3	-17.4	-27.3	-17.4
New shares issues	223.5	16.4	223.5	389.3	223.5	389.3
Increase in interest-bearing liabilities	200.0	-	200.0	30.0	200.0	30.0
Repayment of interest-bearing liabilities	-	-	-11.4	-30.0	-11.4	-30.0
Repayment of lease liabilities	-3.3	-2.3	-7.2	-6.4	-9.8	-9.0
Cash flow from financing activities	420.2	14.1	377.6	365.5	375.0	362.9
Total cash flow for the period	-3.0	-169.3	-51.2	136.1	-67.1	120.3
Change in cash and cash equivalents						
Cash and cash equivalents at beginning of period	123.1	353.9	169.2	46.8	184.8	46.8
Translation differences	1.3	0.3	3.4	1.9	3.6	2.1
Cash and cash equivalents at end of period	121.4	184.9	121.4	184.9	121.4	169.2

Quarterly overview for the Group

SEK m	2022				2021			2020	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Net sales	163.7	118.5	141.3	200.7	136.6	81.3	51.0	257.7	57.1
Cost of goods sold	-80.4	-60.5	-74.8	-108.0	-75.6	-42.5	-33.5	-131.1	-29.7
Gross profit	83.3	58.0	66.5	92.7	61.0	38.9	17.5	126.6	27.4
Operating expenses	-70.8	-73.0	-66.3	-64.5	-58.7	-49.4	-40.4	-49.5	-26.7
Operating profit	12.5	-15.0	0.2	28.2	2.3	-10.5	-22.9	77.1	0.7
Net financial items	-5.3	-0.2	-0.8	-0.9	-1.7	1.6	-1.4	-0.7	-0.3
Profit before tax	7.2	-15.2	-0.6	27.3	0.6	-8.9	-24.3	76.4	0.4
Income tax on profit for the period	-0.6	2.0	0.9	-6.7	0.9	5.3	5.1	-13.6	-0.1
Net profit for the period	6.6	-13.2	0.3	20.6	1.4	-3.6	-19.2	62.8	0.3

Multi-year overview for the Group

	2021	2020	2019	2018	2017	2016	2015	2014
Net sales, SEK m	469.6	398.5	334.0	243.8	298.8	153.1	146.0	135.5
Gross margin	45%	46%	37%	38%	34%	34%	29%	30%
Operating margin (EBITDA)	5%	17%	10.7%	9.9%	15%	7%	7%	12%
Operating margin (EBIT)	0%	14%	7.4%	7.3%	12%	4%	5%	9%
Profit margin	0%	14%	8%	8%	11%	5%	5%	9%
Earnings per share for the period, SEK	0.03	1,72*	1.64	1.04	2.24	0.48	0.55	0.83
Net cash, SEK m	169.2	46.8	9.1	31.5	26.7	-10.1	34.9	38.7
Cash flow from operating activities, SEK m	-55,5	61.7	-7.9	25.8	35.0	-19.0	2.3	-1.9
Total assets, SEK m	808.2	367.9	285.2	178.2	167.6	134.6	89.0	96.9
Equity, SEK m	568.2	132.6	101.3	87.7	85.2	61.9	59.4	61.2
Equity/assets ratio	70%	36%	36%	49%	51%	46%	67%	63%
Return on capital employed	0%	36%	20%	25%	36%	10%	12%	19%
Return on equity	0%	36%	20%	14%	34%	9%	10%	14%
Equity per share, SEK	15.61	11.41	8.72	7.55	8.10	5.61	5.41	5.58
Dividend per share, SEK	0.75	0.75*	0.75	0.50	1.22	0.00	0.18	0.44
Average number of employees	154	97	85	81	75	64	54	50
Number of employees at end of period	188	119	93	86	76	69	57	51

*After adjustment for 2:1 split

Condensed Parent Company income statement

	July 1–September 30		January 1–September 30		Rolling 12 months	Full year
SEK m	2022	2021	2022	2021	Oct 2021– Sept 2022	2021
Net sales	19.4	15.6	57.7	46.7	75.0	64.0
Selling expenses	-6.3	-5.6	-19.2	-16.4	-25.9	-23.1
Administrative expenses	-8.0	-11.1	-22.7	-30.7	-29.9	-37.9
Research and development expenses	-4.7	-3.8	-14.4	-12.4	-19.0	-17.0
Other operating income/expenses	-0.1	0.1	-0.3	1.7	0.2	2.2
Operating profit	0.3	-4.8	1.1	-11.1	0.4	-11.7
Net financial items	-2.9	-0.4	-1.3	-1.2	-1.1	-1.0
Profit after financial items	-2.6	-5.1	-0.2	-12.2	-0.7	-12.7
Year-end appropriations	-	-	-	-	33.3	33.3
Profit before tax	-2.6	-5.1	-0.2	-12.2	32.6	20.6
Income tax	1.9	1.1	1.4	7.5	-6.1	-
Net profit for the period	-0.7	-4.1	1.2	-4.7	26.5	20.6
Other comprehensive income						
Net profit for the period	-0.7	-4.1	1.2	-4.7	26.5	20.6
Other comprehensive income						
<i>Items that may be reclassified subsequently to profit or loss</i>	-	-	-	-	-	-
Other comprehensive income for the period	-	-	-	-	-	-
Comprehensive income for the period	-0.7	-4.1	1.2	-4.7	26.5	20.6

Condensed Parent Company balance sheet

SEK m	Sept. 30, 2022	Dec. 31, 2021	Sept. 30, 2021
ASSETS			
Non-current assets			
Property, plant and equipment	9.3	9.9	10.3
Financial non-current assets	782.0	430.6	374.0
Total non-current assets	791.3	440.5	384.3
Current receivables from Group companies	173.0	41.6	106.2
Other current receivables	17.0	5.4	5.3
Cash and cash equivalents	108.2	202.2	143.9
Total current assets	298.2	249.2	255.3
TOTAL ASSETS	1,089.5	689.7	639.6
EQUITY AND LIABILITIES			
Equity	752.7	555.2	527.3
Untaxed reserves	5.5	5.5	23.8
Non-current liabilities			
Non-current interest-bearing liabilities	182.1	31.7	21.9
Total non-current liabilities	182.1	31.7	21.9
Current liabilities			
Current interest-bearing liabilities	51.3	9.7	33.2
Current liabilities to Group companies	80.6	73.7	24.6
Accounts payable	6.3	1.8	1.7
Other current liabilities	11.0	12.1	7.1
Total current liabilities	149.2	97.3	66.7
TOTAL EQUITY AND LIABILITIES	1,089.5	689.7	639.6

Condensed Parent Company statement of changes in equity

SEK m	Sept. 30, 2022	Dec. 31, 2021	Sept. 30, 2021
Equity, opening balance	555.2	99.9	99.9
Comprehensive income for the period after tax	1.2	20.6	-4.7
New shares issues	223.5	452.2	449.5
Dividend	-27.3	-17.4	-17.4
Equity, closing balance	752.6	555.2	527.3

Notes

Note 1. Net sales by geographic area

SEK m	Q3 2022	Q3 2021	Jan–Sept 2022	Jan–Sept 2021	Rolling 12 months	Full year 2021
Nordics	111.6	90.3	288.8	170.7	453.5	335.4
Europe (excl. Nordics)	28.0	24.3	62.3	51.5	91.0	80.2
North America	22.4	20.0	68.0	44.0	75.0	51.0
Other countries	1.7	2.0	4.4	2.7	4.7	3.0
Total revenue	163.7	136.6	423.5	268.9	624.2	469.6

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 2022	Q3 2021	Jan–Sept 2022	Jan–Sept 2021	Rolling 12 months	Full year 2021
Listing expenses	-	-4.4	-	-11.1	-	-11.1
Acquisition-related expenses	-	-	-	-0.4	-	-0.4
Total non-recurring items	-	-4.4	-	-11.5	-	-11.5

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 2022	Q3 2021	Jan–Sept 2022	Jan–Sept 2021	Rolling 12 months	Full year 2021
Operating profit (EBIT)	12.5	2.3	-2.3	-31.1	25.9	-2.9
Listing expenses	-	4.4	-	11.1	-	11.1
Acquisition-related expenses	-	-	-	0.4	-	0.4
Adjusted operating profit (EBIT)	12.5	6.7	-2.3	-19.6	25.9	8.6
Adjusted operating profit (EBIT)	12.5	6.7	-2.3	-19.6	25.9	8.6
Net sales	163.7	136.6	423.5	268.9	624.2	469.6
Adjusted operating margin (EBIT), %	7.6%	4.9%	-0.5%	-7.3%	4.1%	1.8%
Operating profit (EBITA), SEK m						
Operating profit (EBIT)	12.5	2.3	-2.3	-31.1	25.9	-2.9
Amortization of intangible assets	3.0	4.9	8.7	8.2	11.5	11.1
Operating profit (EBITA)	15.5	7.2	6.4	-22.9	37.4	8.2
Adjusted operating profit (EBITA), SEK m						
Operating profit (EBITA)	15.5	7.2	6.4	-22.9	37.4	8.2
Listing expenses	-	4.4	-	11.1	-	11.1
Acquisition-related expenses	-	-	-	0.4	-	0.4
Adjusted operating profit (EBITA)	15.5	11.6	6.4	-11.4	37.4	19.7
Adjusted operating profit (EBITA)	15.5	11.6	6.4	-11.4	37.4	19.7
Net sales	163.7	136.6	423.5	268.9	624.2	469.6
Adjusted operating margin (EBITA), %	9.5%	8.5%	1.5%	-4.2%	6.0%	4.2%
Operating profit (EBITDA), SEK m						
Operating profit (EBIT)	12.5	2.3	-2.3	-31.1	25.9	-2.9
Depreciation/amortization	7.4	8.2	18.9	17.3	25.3	23.6
Operating profit (EBITDA)	19.9	10.5	16.6	-13.8	51.2	20.7
Adjusted operating profit (EBITDA), SEK m						
Operating profit (EBITDA)	19.9	10.5	16.6	-13.8	51.2	20.7
Listing expenses	-	4.4	-	11.1	-	11.1
Acquisition-related expenses	-	-	-	0.4	-	0.4
Adjusted operating profit (EBITDA)	19.9	14.9	16.6	-2.3	51.2	32.2
Adjusted operating profit (EBITDA)	19.9	14.9	16.6	-2.3	51.2	32.2
Net sales	163.7	136.6	423.5	268.9	624.2	469.6
Adjusted operating margin (EBITDA), %	12.2%	10.9%	3.9%	-0.9%	8.2%	6.9%

Available cash and cash equivalents

SEK m	Sept. 30, 2022	June 30, 2022	Mar. 31, 2022	Dec. 31, 2021	Sept. 30, 2021
Cash and bank balances	121.4	123.1	212.2	169.2	184.9
Unutilized overdraft facilities	75.0	50.0	50.0	50.0	50.0
Available cash and cash equivalents	196.4	173.1	262.2	219.2	234.9

Working capital including cash and bank balances

SEK m	Sept. 30, 2022	June 30, 2022	Mar. 31, 2022	Dec. 31, 2021	Sept. 30, 2021
Total current assets	415.1	253.5	219.2	262.5	218.5
Cash and bank balances	121.4	123.1	212.2	169.2	184.9
Current liabilities, non-interest-bearing	-187.5	-112.6	-113.3	-114.2	-133.9
Working capital including cash and bank balances	349.0	264.0	318.1	317.5	269.5
Net sales last 12 months	624.2	597.1	559.9	469.6	516.1
Working capital including cash and bank balances in relation to net sales, %	55.9%	44.2%	56.8%	67.6%	52.2%

Working capital excluding cash and bank balances

SEK m	Sept. 30, 2022	June 30, 2022	Mar. 31, 2022	Dec. 31, 2021	Sept. 30, 2021
Inventories	188.9	113.0	91.8	85.8	95.4
Current receivables	226.2	140.5	127.4	176.7	123.1
Current liabilities, non-interest-bearing	-187.5	-112.6	-113.3	-114.2	-133.9
Working capital excluding cash and bank balances	227.6	140.9	105.9	148.3	84.6
Net sales last 12 months	624.2	597.1	559.9	469.6	516.1
Working capital excluding cash and bank balances in relation to net sales, %	36.5%	23.6%	18.9%	31.6%	16.4%

Return on capital employed

SEK m	Sept. 30, 2022	June 30, 2022	Mar. 31, 2022	Dec. 31, 2021	Sept. 30, 2021
Profit after financial items, last 12 months	18.7	12.1	18.4	-5.3	43.7
Financial expense, last 12 months	7.9	6.4	4.6	5.2	5.8
Profit before financial expense, last 12 months	26.6	18.5	23.0	-0.1	49.5
Capital employed at beginning of period	664.8	595.7	231.1	186.4	156.6
Capital employed at end of period	1,086.6	621.6	676.9	670.3	664.8
Average capital employed	875.7	608.7	454.0	428.3	410.7
Return on capital employed, %	3.0%	3.0%	5.1%	0.0%	12.1%

Return on equity

SEK m	Sept. 30, 2022	June 30, 2022	Mar. 31, 2022	Dec. 31, 2021	Sept. 30, 2021
Profit after tax, last 12 months	14.4	9.2	18.8	-0.7	37.9
Equity at beginning of period	544.5	513.0	145.1	132.6	83.2
Equity at end of period	765.9	534.6	576.9	568.2	544.5
Average equity	655.2	523.8	361.0	350.4	313.9
Return on equity, %	2.2%	1.8%	5.2%	-0.2%	12.1%

Net debt/EBITDA

SEK m	Sept. 30, 2022	June 30, 2022	Mar. 31, 2022	Dec. 31, 2021	Sept. 30, 2021
Non-current liabilities, interest-bearing	253.9	60.0	82.1	83.8	77.1
Current liabilities, interest-bearing	66.8	27.0	17.9	18.3	43.2
Cash and bank balances	-121.4	-123.1	-212.2	-169.2	-184.9
Net debt incl. IFRS 16	199.3	-36.1	-112.2	-67.1	-64.6
Operating profit, last 12 months	25.9	15.7	20.2	-2.9	46.1
Depreciation, amortization and impairment, last 12 months	25.3	26.0	25.3	23.6	23.7
Non-recurring items, last 12 months	-	4.4	7.8	11.5	15.5
Adjusted EBITDA, last 12 months	51.2	46.1	53.3	32.2	85.3
Net debt/EBITDA, multiple	3.9	-0.8	-2.1	-2.1	-0.8

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.

MilDef Group AB (publ)

Helsingborg, October 27, 2022

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

Chief Executive Officer

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, 2022 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, October 27, 2022

Bengt Ekenberg

Authorized

Public Accountant

Andreas Brodström

Authorized

Public Accountant

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 before tax after reversal of financial expense, based on a rolling 12-month calculation, expressed 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 assets.

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

Average total assets less non-interest-bearing liabilities and provisions.

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.

MilDef in brief

Digitalization of operations and functions that are critical for society is increasing and this also increases the 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 10 countries
- Partner network in more than 30 countries
- Founded in 1997
- Around 285 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 processes 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 has expanded its customer offering, which in the past was mainly focused on hardware, to also 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 25% 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. MilDef will, however, take long-term development, capital structure and the prevailing market conditions 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.

Glossary

ESMA	European Securities and Markets Authority, an independent EU agency
FMA	Norwegian Defence Materiel Agency, Norwegian equivalent of the Swedish Defence Material Administration, FMV
FMN	Federated Mission Networking, NATO's initiative to ensure interoperability and operative efficiency
FMV	Swedish Defence Materiel Administration
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
KYC	Know your customer
NATO	North Atlantic Treaty Organization, a military alliance between states
R&D	Research and development
LTM	Last 12 months





Important information

This interim report may contain forward-looking information that reflects MilDef's current view of future events, as well as financial and operative development. Words such as "intends," "sees," "expects," "may," "assesses", "plans," "considers," "estimates" and other expressions that convey indications or predictions regarding future development or trends, and that are not based on historical fact, constitute forward-looking information. Forward-looking information is by nature associated with both known and unknown risks and factors of uncertainty because it depends on future events and circumstances. Forward-looking information does not offer any guarantee regarding future performance or development, and actual outcomes may differ materially from those expressed in forward-looking information.

For further information please contact:



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Invitation to a presentation of MilDef's interim report for January–September 2022

The presentation will be held in English and will conclude with a Q&A. The meeting will start at 10:00 CEST on October 27, 2022 and will last for about 45 minutes. The report will be made available at www.mildef.com the same morning.

Connecting to the meeting

Connect to the meeting either via the following [Teams link](#) or by calling in (audio only). Please call in five minutes prior to the 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: 998 337 623#

Financial calendar

Interim Report Q4 2022	February 9, 2023
Annual Report 2022	Week of May 1–5, 2023
Interim Report Q1 2023	May 5, 2023
Annual General Meeting 2023	May 25, 2023
Interim Report Q2 2023	July 27, 2023

This information is the information that MilDef Group AB (publ) is required to publish in accordance with the EU market abuse regulation and the Swedish Securities Market Act. The information is disclosed through the above-mentioned contact persons for publication on October 27, 2022 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, Finland, UK, the Netherlands, Germany, Switzerland, Italy, USA and Australia, and through a network of partners in more than 30 countries, mainly within the EU. The product portfolio encompasses all 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.