

MilDef Group

YEAR-END REPORT
JANUARY – DECEMBER 2022

Q4

We digitalize the world

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



Year-End Report January – December 2022

STRONG SALES GROWTH DESPITE DELIVERY DELAYS

Fourth quarter 2022

- Net sales increased by 57% to SEK 315.3 million (200.7).
- Gross margin amounted to 46% (46).
- Adjusted EBITDA amounted to SEK 43.4 million (34.6), equivalent to an adjusted operating margin of 13.8% (17.2).
- Operating profit (EBIT) amounted to SEK 31.5 million (28.2).
- Order intake increased by 27% to SEK 270.7 million (213.2).
- Operating cash flow amounted to SEK -49.3 million (-13.3).

Full year 2022

- Net sales increased by 57% to SEK 738.8 million (469.6).
- Gross margin amounted to 48% (45).
- Adjusted EBITDA amounted to SEK 60.0 million (32.2), equivalent to an adjusted operating margin of 8.1% (6.9).
- Operating profit (EBIT) amounted to SEK 29.2 million (-2.9) including non-recurring items of SEK 0.0 million (-11.5).
- Order intake increased by 59% to SEK 938.2 million (589.4).
- Order backlog as of December 31, 2022 was SEK 1,156 million (732), representing an increase of 58%.
- Operating cash flow amounted to SEK -95.0 million (-71.4).
- Earnings per share after dilution amounted to SEK 0.37 (-0.03).
- The Board of Directors proposes to the Annual General Meeting that no dividend be paid to shareholders in respect of the financial year 2022. The proposal is made in light of the company's steep growth rate and consequently estimated increased working capital requirements in 2023.

ROLLING 12 MONTHS, JANUARY – DECEMBER 2022

NET SALES	ADJUSTED OPERATING PROFIT (EBITDA)	ADJUSTED OPERATING MARGIN (EBITDA)
SEK 739 million	SEK 60.0 million	8.1%

Summary of significant events in the fourth quarter, October–December 2022

- In December 2022 MilDef announced identified delivery delays in the fourth quarter equivalent to around SEK 60–70 million. The final scope of delivery delays amounted to around SEK 100 million, i.e. additional hardware deliveries worth around SEK 20–30 million have been delayed until 2023. The reason for the delays is the shortage of semiconductor components for MilDef's hardware portfolio. No business will be lost due to this but sales and earnings were negatively impacted in the fourth quarter. The delivery delays are instead having a positive effect on the first half of 2023.
- MilDef has signed an additional order with the British Armed Forces MIV program for a value of around SEK 70 million. The deliveries will take place in 2023–2024.
- In the fourth quarter of 2022 MilDef established its first production facility outside Sweden. The production facility is based in Cardiff, Wales. The new facility will manufacture tactical IT platforms developed by MilDef.
- Björn Karlsson, MilDef's CEO has informed the Board of Directors that he wishes to resign as CEO of MilDef. Björn intends to stay on as CEO until the next Annual General Meeting when the Company's Executive Vice President and CFO, Daniel Ljunggren, will step in preliminarily as acting CEO. In consultation with the Chair of the Board, Jan Andersson, a group of the principal shareholders have decided to nominate Björn Karlsson as the new Chair of the Board.

Summary of significant events after the end of the period

- In 2022 MilDef announced a 20-year framework agreement worth SEK 2.8 billion with an unnamed European NATO country's armed forces. In January 2023 the first orders were placed under the agreement. The value of this initial transaction is around SEK 50 million and is for deliveries during the period 2023–2024. The order is for prototype development and system design with a focus on digitalization, infrastructure and security.
- To further strengthen MilDef's position in the Danish market, MilDef established a company in Denmark at the beginning of 2023.
- No other events considered of significance have taken place since the end of the period up to the signing of this year-end report.

FINANCIAL SUMMARY	October 1 – December 31		January 1 – December 31		Rolling 12 months	Full year
All figures are in SEK million unless otherwise indicated	2022	2021	2022	2021	Jan–Dec 2022	2021
Net sales	315.3	200.7	738.8	469.6	738.8	469.6
Sales growth, %	57	-22	57	18	57	18
Of which organic, %	29	-42	26	-14	26	-14
Of which acquisition-driven, %	28	20	31	32	31	32
Gross margin, %	46	46	48	45	48	45
Adjusted operating profit (EBITDA)	43.4	34.6	60.0	32.2	60.0	32.2
Adjusted operating margin (EBITDA), %	13.8	17.2	8.1	6.9	8.1	6.9
Order intake	270.7	213.2	938.2	589.4	938.2	589.4
Order backlog	1,156	731	1,156	731	1,156	731
Operating cash flow	-49.3	-13.3	-95.0	-71.4	-95.0	-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

Another quarter of growth underscores increased acceleration

It was no surprise that MilDef would continue to secure international business and deliver from a well-filled order backlog, but we should also be happy about some additional factors that will enable continued expansion. In addition to significant sales growth – growth that has up to now happened without the boost provided by increased defense budgets – the successes of strategic NATO projects continue, above all those relating to digitalization and modernization of vehicles. The volume increases have resulted in improved gross margin, 48% compared with 45% the previous year.

For the full year 2022 MilDef's sales grew by 57%, which is significantly higher than our financial growth target. The adjusted operating profit (EBITDA) increased by 86% and amounted to SEK 60.0 million (32.2), equivalent to an adjusted operating margin of 8.1% (6.9).



+59%

ORDER INTAKE
January – December
2022

+57%

NET SALES
January–December
2022

+86%

ADJUSTED EBITDA
January–December
2022

Strategic repositioning of MilDef leads to bigger and better business transactions

The two substantial framework agreements that were announced during the year are significant in several ways. The first agreement is in Sweden and will amount to SEK 870 million over seven years. The other is an unnamed NATO nation where MilDef has a broad assignment within military digitalization and will amount to SEK 2.8 billion over 20 years. Apart from the value of the framework agreement's business arrangements, where MilDef's products and services can flow freely, the agreements are a strong indicator that the Company's transformation from a product supplier to a system design actor is firmly rooted in important customer relationships.

These agreements came about based on the aim of allowing MilDef to have greater overall responsibility in high-priority projects involving modernization and capacity building. The solutions that we offer can be packaged and internationalized, especially to nations that have placed NATO compatibility and interoperability high up on their agendas.

With growing capacity within hardware, software and services, MilDef in 2022 continued to meet customer need for "fewer suppliers who deliver a larger portion of overall products and services," and to build better margins and business transactions higher up the value chain with suppliers over a longer period.

"As we enter 2023 it will be with a well-filled order backlog, important framework agreements in place and a MilDef that is ready to deliver"

Acquisition compass shows the way to the future

The acquisition of Handheld in autumn 2022 strengthened MilDef in several prioritized areas. An increased market presence in important defense markets provides new platforms for expansion, and work on this will begin very soon. Worth a mention are our efficient operations in Germany as well as operations in the USA that will immediately double MilDef's footprint.

Adding products and customers within critical infrastructure is another effect that MilDef has aimed for and that reinforces our total defense concept. Handheld's technology is highly suited to customers and applications in demanding environments and adds to MilDef's product portfolio which was previously primarily focused on military applications.

Perhaps the most exciting aspect of the acquisition is the intersection of Handheld's product segment for handheld devices and MilDef's expertise in meeting military requirements. We look forward in the near future to being able to offer digitalization of systems carried by soldiers.

Customers offered expanded national supply reliability

Setting up a production facility in Wales in 2022 was part of our strategy to offer customers improved domestic supply reliability. Regardless of whether the customers' are aiming to improve business with local suppliers or to ensure they have sufficient production capacity in the event of a deterioration of the security environment or even conflict, MilDef can provide the capacity they need locally in their country. The UK was the first and now the same model can be used to meet the needs of additional countries through the concept of "Made in X".

Regarding delivery delays and component shortages

The previously communicated delays in deliveries and revenue in the fourth quarter amounted to close to SEK 100 million, which is slightly more than expected. The prognosis for these deliveries in 2023 is divided between the first two quarters.

The Company has concluded that the component shortage will also be a factor in 2023. This has been taken into account operationally by improving supply strategies and in a new warehousing strategy developed in 2022.

Summary of 2022 and outlook for 2023

It has been a turbulent year with the world being thrown into an unparalleled security situation. We have war in our neighborhood. Sweden and Finland have applied for NATO membership. Interests rates and inflation have risen at a breakneck pace and markets have been weighed down by it. MilDef has been resilient and has been steadily contributing to a safer world. I am both proud and humbled as I thank our employees, customers, suppliers and owners for their excellent work in a year that has been difficult in so many ways.

As we enter 2023 it will be with a well-filled order backlog, important framework agreements in place and a MilDef that is ready to deliver. In 2022 we started the next part of our development phase aimed at increased value-creation through disruptive technology and innovation.

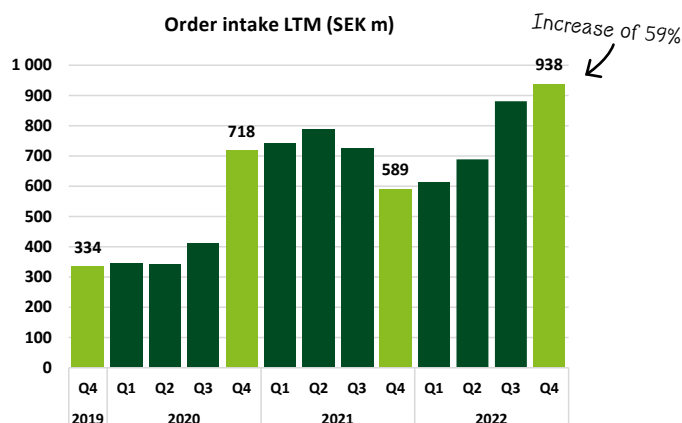
Thank you for choosing to be part of MilDef's journey and vision.



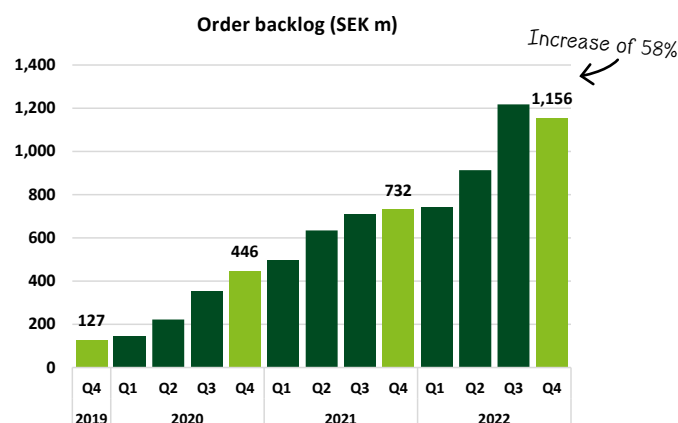
Björn Karlsson,
CEO, MilDef Group

MilDef's financial development

ORDER STATUS

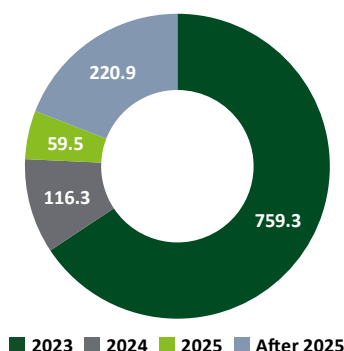


Each individual column in the diagram above shows MilDef's order intake over the past 12 months (LTM) in SEK million. The order intake are the total orders received during the period in question. Deliveries may take place over a number of years. MilDef monitors order intake to analyze future revenue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



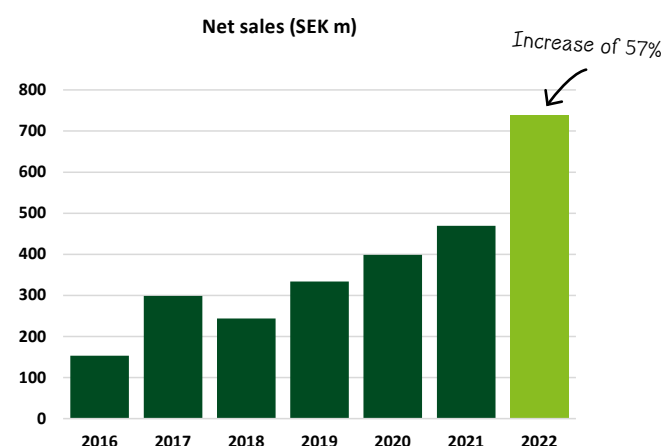
The pie chart above shows future planned deliveries by year in SEK m and is based on MilDef's current order backlog at the end of the period. The actual outcome may differ significantly from the above planned deliveries, above all due to delays.

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

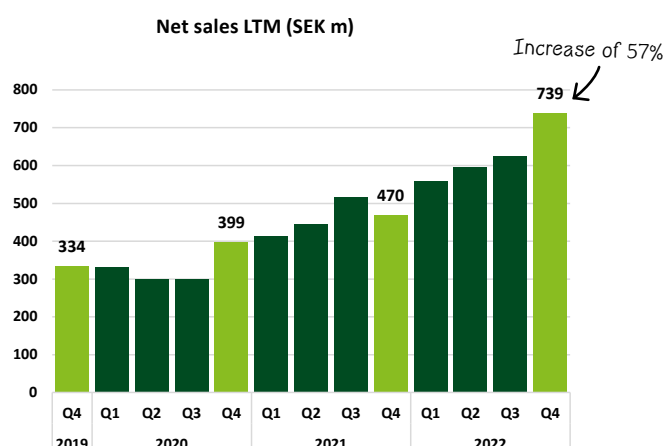
Order backlog as of January 1, 2022	731.5
Order intake Jan–Dec 2022	938.2
Sales Jan–Dec 2022	-738.8
Sales January–December 2022 not impacting order backlog	93.9
Order backlog acquired in the period	136.8
Currency effect in order backlog during the period	-5.6
Order backlog as of December 31, 2022	1,156.0

The table above presents the development of MilDef's order backlog in SEK million during the year, and the size of the components included, to arrive at the difference in the order backlog as of January 1, 2022 in comparison with December 31, 2022.

NET SALES

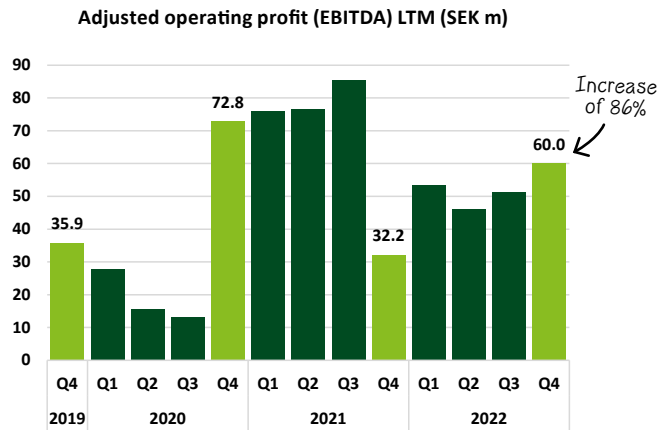


The columns above show MilDef's net sales for full year 2016–2022.

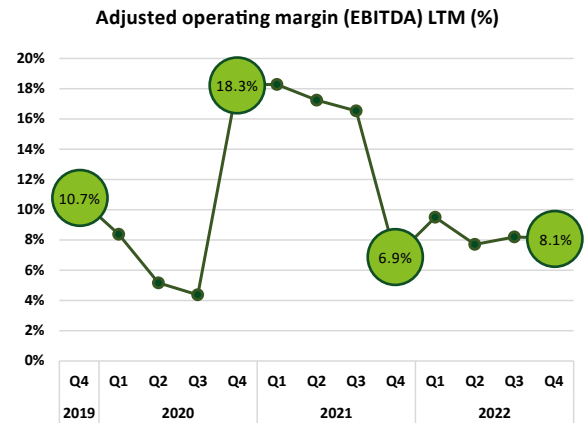


The diagram's columns show MilDef's net sales over the past 12 months (LTM) in SEK million. The columns show the data excluding seasonal variations during the year.

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.

Fourth quarter: October–December 2022

Order status

The order intake increased in the fourth quarter of 2022, driven by strong underlying demand for digitalization and modernization among MilDef's end-customers. The order intake in the fourth quarter of 2022 increased by 27% to SEK 270.7 million, compared with SEK 213.2 million in the fourth quarter of 2021. The acquisition of Handheld Group AB made a positive contribution to the quarter's order intake in the amount of SEK 46.6 million.

Net sales

Net sales in the fourth quarter of 2022 amounted to SEK 315.3 million (200.7), representing growth of 57%. Acquisition-driven growth amounted to SEK 55.5 million in the quarter, and is fully attributable to the acquisition of Handheld Group AB. Organic growth was 29% and acquisition-driven growth made up 28% of the total growth rate in the fourth quarter.

Gross profit

Gross profit amounted to SEK 144.5 million (92.7), equivalent to a gross margin of 46% (46). 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 113.0 million (64.5), of which SEK 25.6 million related to operating costs acquired in the fourth quarter of 2022. There were no items affecting comparability during the period. Excluding these items, the operating expenses increased by 36%, equivalent to SEK 22.9 million. The increased expenses are a function of the Company's strong growth. The adjusted operating expenses as a percentage of sales amounted to 36% (32) in the fourth quarter of 2022.

Operating profit (EBIT)

Operating profit (EBIT) in the fourth quarter of 2022 amounted to SEK 31.5 million (28.2). There were no items affecting comparability. This is equivalent to an operating margin of 10.0% (14.1). 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 43.4 million (34.6), equivalent to a margin of 13.8% (17.2). Depreciation/amortization and impairment amounted to SEK 11.9 million (6.4), with depreciation of acquisition related assets accounting for most of the increase. Acquisitions in 2022 contributed SEK 4.7 million to the quarter's adjusted operating profit. The adjusted operating profit does not include non-recurring items of SEK 0.0 million (0.0). These items are specified in Note 2 on page 22.

Other operating income/expenses

The net of other operating income and expenses for the period was SEK 5.6 million (0.0). All of the revenue related to unrealized exchange rate gains.

Financial items

Net financial income/expense for the period amounted to SEK -3.7 million (-0.9). Increased expense of SEK 2.8 million is mainly due to increased interest expense.

Tax

The fourth quarter's tax effect impacted net profit in the amount of SEK -7.3 million (-6.7).

Net profit for the quarter

Profit after tax amounted to SEK 20.5 million (20.6). Earnings per share before dilution amounted to SEK 0.51 (0.57) and earnings per share after dilution to SEK 0.51 (0.57).

Cash flow

Cash flow for the quarter was reported at SEK -61.3 million (-15.9). Operating cash flow in the quarter amounted to SEK -49.3 million (-13.3). The decrease is mainly explained by negative working capital development.

Cash flow from operating activities amounted to SEK -41.3 million (-8.1). Cash flow from changes in working capital amounted to SEK -93.2 million (-46.5).

Cash flow from investing activities amounted to SEK -8.0 million (-5.2) and is mainly related to investments in fixed assets.

Cash flow from financing activities amounted to SEK -12.0 million (-2.6). The change from the previous year is explained by increased amortization of interest-bearing liabilities. Amortization of leases was charged to financing activities in the amount of SEK -3.3 million (-2.6).

Full year 2022: January – December 2022

Order status

Order intake increased by 59% to SEK 938.2 million (589.4). The order backlog increased by 58% to SEK 1,156 million (732). SEK 49.1 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 full year of 2022 amounted to SEK 738.8 million (469.6), which is equivalent to growth of 57% compared with the same period previous year. Acquisition-driven growth amounted to SEK 148.1 million for the period. Organic growth was 26% for the period, driven by strong underlying demand for digitalization and modernization among MilDef's end-customers. Acquisition-driven growth accounted for 31 percentage points of the total sales growth for the period.

Gross profit

Gross profit amounted to SEK 352.3 million (210.1), equivalent to a gross margin of 48% (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 323.1 million (213.0), of which SEK 71.9 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 25%, equivalent to SEK 49.7 million. The increased expenses are a function of the Company's strong growth. The adjusted operating expenses as a percentage of sales amounted to 44% (43).



Operating profit (EBIT)

Operating profit (EBIT) for full year 2022 amounted to SEK 29.2 million (-2.9). Adjusted for non-recurring items, operating profit for the period amounted to SEK 29.2 million (8.6), corresponding to an operating margin of 4.0% (1.8).

Adjusted operating profit (EBITDA)

Adjusted operating profit before depreciation/amortization and impairment amounted to SEK 60.0 million (32.2), equivalent to a margin of 8.1% (6.9). Depreciation/amortization and impairment amounted to SEK 30.8 million (23.6), with acquisitions accounting for most of the increase. 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 -10.0 million (-2.4). Increased expense of SEK 7.6 million is mainly due to increased interest expense and contingent consideration.

Tax

Tax for the period was charged to net profit in the amount of SEK -5.0 million (4.6). The previous year's positive contribution related to deferred tax assets based on tax loss carryforwards and temporary differences relating to the Company's listing process.

Net profit for the period

Profit after tax amounted to SEK 14.2 million (-0.7). Earnings per share before dilution amounted to SEK 0.38 (-0.03) and after dilution SEK 0.37 (-0.03).

Cash flow

Cash flow reported for the period amounted to SEK -112.4 million (120.3). Operating cash flow amounted to SEK -95.0 million (-71.4).

Cash flow from operating activities amounted to SEK -76.8 million (-55.5). Cash flow from changes in working capital amounted to SEK -123.4 million (-65.0). 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 -401.3 million (-187.2), 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 -18.0 (-16.4).

Cash flow from financing activities amounted to SEK 365.7 million (362.9). To finance the acquisition of Handheld Group AB, the Company carried out a new share issue worth a net amount of SEK 223.2 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 interest-bearing liabilities and lease liabilities was charged to financing activities in the amount of SEK -30.2 million (-39.0).

Equity

The Group's equity amounted to SEK 787.9 million (568.2) at the end of the period. The equity-assets ratio as of December 31, 2022 was SEK 57% (70).

Net working capital

Net working capital amounted to SEK 305.6 million (148.0) 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 is offset to some extent by increased accounts payable and other current liabilities. Net working capital in relation to net sales increased by 9 percentage points, from 32% for the same period the previous year to 41% as of December 31, 2022.

SEK m	Dec. 31, 2022	Sept. 30, 2022	Dec. 31, 2021
Inventories	236.5	188.9	85.8
Accounts receivable	255.4	124.2	136.2
Other current receivables	69.9	102.0	40.5
Accounts payable	-105.1	-74.5	-39.5
Other current liabilities	-151.1	-113.0	-75.0
Net working capital	305.6	227.6	148.0
<i>as a percentage of net sales LTM (%)</i>	<i>41%</i>	<i>36%</i>	<i>32%</i>

Net debt and cash and cash equivalents

The net debt including lease liabilities amounted to SEK 254.8 million (-67.1) at the end of the period. Cash and cash equivalents as of December 31 amounted to SEK 59.9 million (67.1). 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 2.8 (-1.5). When calculated including the effects of IFRS 16 the net debt/equity ratio was 4.2 (-2.1).

SEK m	Dec. 31, 2022	Sept. 30, 2022	Dec. 31, 2021
Other interest-bearing liabilities	227.9	233.4	41.4
Lease liabilities	86.8	87.3	60.7
Cash and cash equivalents	-59.9	-121.4	-169.2
Net debt incl. IFRS 16	254.8	199.3	-67.1
<i>in relation to adjusted operating profit (EBITDA) LTM, multiple</i>	<i>4.2</i>	<i>3.9</i>	<i>-2.1</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 42 employees.

MilDef Group AB 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. As of January 1, 2023 the share is being traded on NASDAQ OMX Stockholm in the Mid Cap segment.

Share capital and number of shares

The total number of shares as of December 31, 2022 was 39,859,566 (36,389,373) and the share capital was SEK 9,964,891.50 SEK (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 80.80 and the market value was SEK 3,221 million. The total number of shareholders at the end of the period was around 8,800.

Nomination Committee

Based on guidelines decided on at a previous Annual General Meeting, the following individuals have been appointed to MilDef's Nomination Committee: Ulf Hedlundh, Svolder AB representing 7.4% of the shares, Peter Lundkvist, appointed by Tredje AP-fonden representing 6.4% of the shares, Marianne Trolle representing 6.0% of the shares and Jan Andersson, Chair of the Board. The Nomination Committee has appointed Ulf Hedlundh to chair the Committee. The composition of the Nomination Committee is the same as ahead of the 2022 Annual General Meeting.

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 esti-

mates 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.

Unevenly divided between 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 fourth quarter of 2022

In mid-December 2022 MilDef announced identified delivery delays in the fourth quarter equivalent to around SEK 60–70 million. The reason for the delays is the shortage of semiconductor

components for MilDef's hardware portfolio. No business will be lost due to this but sales and earnings were negatively impacted in the fourth quarter. The delivery delays are instead having a positive effect on the first half of 2023.

In the fourth quarter of 2022 MilDef established its first production facility outside Sweden. The production facility is based in Cardiff, Wales. The new facility will manufacture tactical IT platforms developed by MilDef. The official opening of the UK facility is planned for the first quarter of 2023 and will be attended by representatives from MilDef and the Welsh government as well as Members of Parliament. The new production and office building covers an area of around 500 square meters. The facility will primarily deliver under the 10-year contract with Rheinmetall BAE Systems for computers, servers and switches for the Mechanised Infantry Vehicle (MIV) program. MilDef's new facility is close to Cardiff International Airport, which will improve delivery efficiency. The expanded British operations will also be used within the framework of international commercial agreements with Commonwealth nations such as Australia, New Zealand and Canada. Initially, six new full-time positions will be created in connection with the launch.

MilDef signed an additional order with the British Armed Forces MIV program in the fourth quarter of 2022. The order is worth around SEK 70 million. The deliveries will take place in the period 2023–2030. Back in 2020 MilDef received an extensive order for the Armed Forces program worth around SEK 300 million with the potential to equip an additional 100 vehicles. The new order has now been signed and involves delivery of MilDef's broad technology portfolio for tactical IT, adapted for the MIV requirements. In total MilDef will deliver more than 5,000 units during the life of the program. The program covers so-called Boxer vehicles that have a life of more than 30 years and will play an important role in the British Armed Forces Future Soldier modernization program, while also ensuring compatibility with NATO allies. MilDef will produce the components at its British facility in Cardiff.

Björn Karlsson, MilDef's CEO informed the Board of Directors in November 2022 that he wishes to resign as CEO of MilDef. Björn intends to stay on as CEO until the next Annual General Meeting when the Company's Executive Vice President and CFO, Daniel Ljunggren, will step in preliminarily as acting CEO. In consultation with the Chair of the Board, Jan Andersson, a group of the principal shareholders have decided to nominate Björn Karlsson as the new Chair of the Board.

Significant events after the end of the period

In August 2022 MilDef announced a 20-year framework agreement worth SEK 2.8 billion with an unnamed European NATO country's

armed forces. In January 2023 the first orders were placed under the agreement. The value of this initial transaction is around SEK 50 million and is for deliveries during the period 2023–2024. The order is for prototype development and system design with a focus on digitalization, infrastructure and security.

To further strengthen MilDef's position in the Danish market, MilDef established a company in Denmark at the beginning of 2023.

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

Acquisition and acquisition analysis

At the time of acquisition, preliminary acquisition analyses are performed based on estimates and judgements that are as accurate as possible. These analyses may however need to be adjusted at some point in the future. All acquisition analyses are subject to final adjustments no later than twelve months after the acquisition date.

Acquisition of Handheld Group AB

On September 21, 2022 MilDef acquired all of the shares in Handheld Group AB ("Handheld"). The first preliminary acquisition analysis showed that the acquisition generated a consolidation surplus of SEK 305.7 million. No contingent consideration was included in the calculation of the preliminary consolidation surplus. The entire surplus has been temporarily allocated to goodwill.

The allocation of the consolidation surplus in the preliminary acquisition analysis was corrected in the fourth quarter. The brand has been identified as a significant intangible asset. As of December 31, 2022, SEK 56.0 million of the total consolidation surplus has been allocated to the brand. The goodwill relating to the Handheld acquisition thus amounted to SEK 249.7 million as of December 31, 2022. As of the fourth quarter of 2022 the identifiable intangible asset in the form of the brand is being amortized on a straight-line basis over a 10-year period.

After the fourth quarter it was clear that no contingent consideration would be paid for the acquisition.

Employees

The number of employees in the Group, recalculated to full-time equivalents (FTEs), was 291 (188) at the end of the period. 219 (147) of the employees were men and 72 (41) were women. The average number of FTEs amounted to 288 during the fourth quarter, compared with 190 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.

Dividend proposal

The Board of Directors proposes to the Annual General Meeting that no dividend be paid to shareholders in respect of the financial year 2022. The proposal is made in light of the company's steep growth rate and consequently estimated increased working capital requirements in 2023.

Audit review

This year-end report has not been reviewed by the Company's auditors.



Consolidated income statement in summary

SEK m	Note	October 1 – December 31		January 1 – December 31		Rolling 12 months	Full year
		2022	2021	2022	2021	Jan–Dec 2022	2021
Net sales	1	315.3	200.7	738.8	469.6	738.8	469.6
Cost of goods sold		-170.8	-108.0	-386.5	-259.5	-386.5	-259.5
Gross profit		144.5	92.7	352.3	210.1	352.3	210.1
Selling expenses		-78.7	-41.9	-206.3	-114.4	-206.3	-114.4
Administrative expenses		-21.0	-13.4	-67.2	-59.0	-67.2	-59.0
Research and development expenses		-18.9	-9.2	-49.0	-40.4	-49.0	-40.4
Other operating income/expenses		5.6	0.0	-0.6	0.8	-0.6	0.8
Operating profit		31.5	28.2	29.2	-2.9	29.2	-2.9
Net financial items		-3.7	-0.9	-10.0	-2.4	-10.0	-2.4
Profit after financial items		27.8	27.3	19.2	-5.3	19.2	-5.3
Income tax		-7.3	-6.7	-5.0	4.6	-5.0	4.6
Net profit for the period		20.5	20.6	14.2	-0.7	14.2	-0.7
Other comprehensive income for the Group							
<i>Items that may be reclassified subsequently to profit or loss</i>							
Translation differences		1.8	0.4	9.6	1.5	9.6	1.5
Other comprehensive income for the period		1.8	0.4	9.6	1.5	9.6	1.5
Comprehensive income for the period		22.3	21.0	23.8	0.8	23.8	0.8

Earnings per share

	October 1 – December 31		January 1 – December 31		Rolling 12 months	Full year
	2022	2021	2022	2021	Jan–Dec 2022	2021
Number of shares at end of period	39,859,566	36,389,373	39,859,566	36,389,373	39,859,566	36,389,373
Weighted average number of shares in the period before dilution	39,859,566	36,389,373	37,400,988	26,243,169	37,400,988	26,243,169
Weighted average number of shares in the period after dilution	40,303,066	36,389,373	37,844,488	26,243,169	37,844,488	26,243,169
Earnings per share before dilution (SEK)	0.51	0.57	0.38	-0.03	0.38	-0.03
Earnings per share after dilution (SEK)	0.51	0.57	0.37	-0.03	0.37	-0.03

Consolidated statement of financial position in summary

SEK m	Dec. 31, 2022	Dec. 31, 2021
ASSETS		
Non-current assets		
Capitalized product development expenses	56.2	10.7
Acquisition-related intangible assets	598.7	285.2
Other intangible assets	0.4	0.5
Right-of-use assets	85.2	59.8
Other property, plant and equipment	17.1	14.5
Deferred tax assets	14.3	5.6
Other financial non-current assets	0.3	0.3
Total non-current assets	772.2	376.6
Inventories	236.5	85.8
Accounts receivable	255.4	136.2
Other current receivables	69.9	40.5
Cash and cash equivalents	59.9	169.2
Total current assets	621.7	431.7
TOTAL ASSETS	1,393.9	808.2
EQUITY AND LIABILITIES		
Equity	787.9	568.2
Non-current liabilities		
Lease liabilities	70.6	52.1
Non-current interest-bearing liabilities	174.8	31.7
Provisions for taxes	35.1	23.5
Total non-current liabilities	280.5	107.3
Current liabilities		
Current interest-bearing liabilities	53.1	9.7
Lease liabilities	16.2	8.6
Accounts payable	105.1	39.5
Other current liabilities	151.1	75.0
Total current liabilities	325.5	132.8
TOTAL EQUITY AND LIABILITIES	1,393.9	808.2

Condensed consolidated statement of changes in equity

SEK m	Dec. 31, 2022	Dec. 31, 2021
Equity, opening balance	568.2	132.6
Comprehensive income for the period after tax	23.8	0.8
New share issue	223.2	452.2
Dividend	-27.3	-17.4
Equity, closing balance	787.9	568.2

Condensed consolidated cash flow statement

	October 1 – December 31		January 1 – December 31		Rolling 12 months	Full year
SEK m	2022	2021	2022	2021	Jan–Dec 2022	2021
Cash flow from operating activities						
Operating profit	31.5	28.2	29.2	-2.9	29.2	-2.9
Reversal of depreciation, amortization and impairment	11.9	6.4	30.8	23.6	30.8	23.6
Other non-cash items	-1.3	-0.4	-1.2	-0.5	-1.2	-0.5
Net interest income/expense	-1.7	-0.9	-4.6	-2.4	-4.6	-2.4
Income taxes paid	11.5	5.1	-7.6	-8.2	-7.6	-8.2
Change in working capital	-93.2	-46.5	-123.4	-65.0	-123.4	-65.0
Cash flow from operating activities	-41.3	-8.1	-76.8	-55.5	-76.8	-55.5
Cash flow from investing activities						
Investments in intangible assets	-6.2	-5.0	-13.2	-5.6	-13.2	-5.6
Investments in property, plant and equipment	-1.6	-0.3	-4.8	-10.8	-4.8	-10.8
Acquisition of subsidiaries, net of acquired cash and cash equivalents	-	-	-383.1	-171.3	-383.1	-171.3
Change in other non-current receivables	-0.2	0.1	-0.2	0.5	-0.2	0.5
Cash flow from investing activities	-8.0	-5.2	-401.3	-187.2	-401.3	-187.2
Cash flow from financing activities						
Dividend	-	-	-27.3	-17.4	-27.3	-17.4
New shares issues	-0.3	-	223.2	389.3	223.2	389.3
Increase in interest-bearing liabilities	-	-	200.0	30.0	200.0	30.0
Repayment of interest-bearing liabilities	-8.4	-	-19.8	-30.0	-19.8	-30.0
Repayment of lease liabilities	-3.3	-2.6	-10.4	-9.0	-10.4	-9.0
Cash flow from financing activities	-12.0	-2.6	365.7	362.9	365.7	362.9
Total cash flow for the period	-61.3	-15.9	-112.4	120.3	-112.4	120.3
Change in cash and cash equivalents						
Cash and cash equivalents at beginning of period	121.4	184.9	169.2	46.8	169.2	46.8
Translation differences	-0.2	0.2	3.2	2.1	3.2	2.1
Cash and cash equivalents at end of period	59.9	169.2	59.9	169.2	59.9	169.2

Quarterly overview for the Group

	2022				2021				2020
SEK m	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Net sales	315.3	163.7	118.5	141.3	200.7	136.6	81.3	51.0	257.7
Cost of goods sold	-170.8	-80.4	-60.5	-74.8	-108.0	-75.6	-42.5	-33.5	-131.1
Gross profit	144.5	83.3	58.0	66.5	92.7	61.0	38.9	17.5	126.6
Operating expenses	-113.0	-70.8	-73.0	-66.3	-64.5	-58.7	-49.4	-40.4	-49.5
Operating profit	31.5	12.5	-15.0	0.2	28.2	2.3	-10.5	-22.9	77.1
Net financial items	-3.7	-5.3	-0.2	-0.8	-0.9	-1.7	1.6	-1.4	-0.7
Profit before tax	27.8	7.2	-15.2	-0.6	27.3	0.6	-8.9	-24.3	76.4
Income tax on profit for the period	-7.3	-0.6	2.0	0.9	-6.7	0.9	5.3	5.1	-13.6
Net profit for the period	20.5	6.6	-13.2	0.3	20.6	1.4	-3.6	-19.2	62.8

Multi-year overview for the Group

	2022	2021	2020	2019	2018	2017	2016	2015
Net sales, SEK m	738.8	469.6	398.5	334.0	243.8	298.8	153.1	146.0
Gross margin	46%	45%	46%	37%	38%	34%	34%	29%
Operating margin (EBITDA)	8.1%	6.9%	17.2%	10.7%	9.9%	14.7%	6.5%	7.3%
Operating margin (EBIT)	4.0%	-0.6%	14.3%	7.4%	7.3%	11.9%	3.8%	4.8%
Profit margin (EBT)	2.6%	-1.1%	13.9%	7.5%	7.9%	11.0%	4.6%	4.9%
Earnings per share for the period before dilution, SEK	0.38	-0.03	1.72*	1.64	1.04	2.24	0.48	0.55
Earnings per share for the period after dilution, SEK	0.37	-0.03	1.72*	1.64	1.04	2.24	0.48	0.55
Net cash, SEK m	59.9	169.2	46.8	9.1	31.5	26.7	-10.1	34.9
Cash flow from operating activities, SEK m	-76.8	-55.5	61.7	-7.9	25.8	35.0	-19.0	2.3
Total assets, SEK m	1,393.9	808.2	367.9	285.2	178.2	167.6	134.6	89.0
Equity, SEK m	787.9	568.2	132.6	101.3	87.7	85.2	61.9	59.4
Equity/assets ratio	57%	70%	36%	36%	49%	51%	46%	67%
Return on capital employed	4%	0%	36%	20%	25%	36%	10%	12%
Return on equity	2%	0%	36%	20%	14%	34%	9%	10%
Equity per share, SEK	19.77	15.61	11.41	8.72	7.55	8.10	5.61	5.41
Dividend per share, SEK	0.00	0.75	0.75*	0.75	0.50	1.22	0.00	0.18
Average number of employees	239	154	97	85	81	75	64	54
Number of employees at end of period	291	188	119	93	86	76	69	57

*After adjustment for 2:1 split

Condensed Parent Company income statement

	October 1 – December 31		January 1 – December 31		Rolling 12 months	Full year
SEK m	2022	2021	2022	2021	Jan–Dec 2022	2021
Net sales	21.6	17.3	79.3	64.0	79.3	64.0
Selling expenses	-9.6	-6.7	-28.8	-23.1	-28.8	-23.1
Administrative expenses	-8.8	-7.2	-31.5	-37.9	-31.5	-37.9
Research and development expenses	-6.0	-4.6	-20.4	-17.0	-20.4	-17.0
Other operating income/expenses	-0.5	0.5	-0.8	2.2	-0.8	2.2
Operating profit	-3.3	-0.7	-2.2	-11.7	-2.2	-11.7
Net financial items	-2.5	0.2	-3.8	-1.0	-3.8	-1.0
Profit after financial items	-5.8	-0.5	-6.0	-12.7	-6.0	-12.7
Year-end appropriations	8.7	33.3	8.7	33.3	8.7	33.3
Profit before tax	2.9	32.8	2.7	20.6	2.7	20.6
Income tax	-1.4	-7.5	-	-	-	-
Net profit for the period	1.5	25.3	2.7	20.6	2.7	20.6
Other comprehensive income						
Net profit for the period	1.5	25.3	2.7	20.6	2.7	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	1.5	25.3	2.7	20.6	2.7	20.6

Condensed Parent Company balance sheet

SEK m	Dec. 31, 2022	Dec. 31, 2021
ASSETS		
Non-current assets		
Property, plant and equipment	9.5	9.9
Financial non-current assets	780.6	360.6
Total non-current assets	790.1	370.5
Current receivables from Group companies	173.6	41.6
Other current receivables	16.0	5.4
Cash and cash equivalents	51.5	202.2
Total current assets	241.1	249.2
TOTAL ASSETS	1,031.2	619.7
EQUITY AND LIABILITIES		
Equity	753.8	555.2
Untaxed reserves	3.6	5.5
Non-current liabilities		
Non-current interest-bearing liabilities	174.8	31.7
Total non-current liabilities	174.8	31.7
Current liabilities		
Current interest-bearing liabilities	53.1	9.7
Current liabilities to Group companies	30.0	3.7
Accounts payable	3.2	1.8
Other current liabilities	12.7	12.1
Total current liabilities	99.0	27.3
TOTAL EQUITY AND LIABILITIES	1,031.2	619.7

Condensed Parent Company statement of changes in equity

SEK m	Dec. 31, 2022	Dec. 31, 2021
Equity, opening balance	555.2	99.9
Comprehensive income for the period after tax	2.7	20.6
New shares issues	223.2	452.2
Dividend	-27.3	-17.4
Equity, closing balance	753.8	555.2

Notes

Note 1. Net sales by geographic area

SEK m	Q4 2022	Q4 2021	Jan–Dec 2022	Jan–Dec 2021	Rolling 12 months	Full year 2021
Nordics	167.9	164.7	456.7	335.4	456.7	335.4
Europe (excl. Nordics)	57.1	28.7	119.4	80.2	119.4	80.2
North America	83.1	7.0	151.1	51.0	151.1	51.0
Other countries	7.2	0.3	11.6	3.0	11.6	3.0
Total revenue	315.3	200.7	738.8	469.6	738.8	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	Q4 2022	Q4 2021	Jan–Dec 2022	Jan–Dec 2021	Rolling 12 months	Full year 2021
Listing expenses	-	-	-	-11.1	-	-11.1
Acquisition-related expenses	-	-	-	-0.4	-	-0.4
Total non-recurring items	-	-	-	-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	Q4 2022	Q4 2021	Jan-Dec 2022	Jan-Dec 2021	Rolling 12 months	Full year 2021
Operating profit (EBIT)	31.5	28.2	29.2	-2.9	29.2	-2.9
Listing expenses	-	-	-	11.1	-	11.1
Acquisition-related expenses	-	-	-	0.4	-	0.4
Adjusted operating profit (EBIT)	31.5	28.2	29.2	8.6	29.2	8.6
Adjusted operating profit (EBIT)	31.5	28.2	29.2	8.6	29.2	8.6
Net sales	315.3	200.7	738.8	469.6	738.8	469.6
Adjusted operating margin (EBIT), %	10.0%	14.1%	4.0%	1.8%	4.0%	1.8%
Operating profit (EBITA), SEK m						
Operating profit (EBIT)	31.5	28.2	29.2	-2.9	29.2	-2.9
Amortization of intangible assets	6.9	2.8	15.6	11.1	15.6	11.1
Operating profit (EBITA)	38.4	31.0	44.8	8.2	44.8	8.2
Adjusted operating profit (EBITA), SEK m						
Operating profit (EBITA)	38.4	31.0	44.8	8.2	44.8	8.2
Listing expenses	-	-	-	11.1	-	11.1
Acquisition-related expenses	-	-	-	0.4	-	0.4
Adjusted operating profit (EBITA)	38.4	31.0	44.8	19.7	44.8	19.7
Adjusted operating profit (EBITA)	38.4	31.0	44.8	19.7	44.8	19.7
Net sales	315.3	200.7	738.8	469.6	738.8	469.6
Adjusted operating margin (EBITA), %	12.2%	15.5%	6.1%	4.2%	6.1%	4.2%
Operating profit (EBITDA), SEK m						
Operating profit (EBIT)	31.5	28.2	29.2	-2.9	29.2	-2.9
Depreciation/amortization	11.9	6.4	30.8	23.6	30.8	23.6
Operating profit (EBITDA)	43.4	34.6	60.0	20.7	60.0	20.7
Adjusted operating profit (EBITDA), SEK m						
Operating profit (EBITDA)	43.4	34.6	60.0	20.7	60.0	20.7
Listing expenses	-	-	-	11.1	-	11.1
Acquisition-related expenses	-	-	-	0.4	-	0.4
Adjusted operating profit (EBITDA)	43.4	34.6	60.0	32.2	60.0	32.2
Adjusted operating profit (EBITDA)	43.4	34.6	60.0	32.2	60.0	32.2
Net sales	315.3	200.7	738.8	469.6	738.8	469.6
Adjusted operating margin (EBITDA), %	13.8%	17.2%	8.1%	6.9%	8.1%	6.9%

Available cash and cash equivalents

SEK m	Dec. 31, 2022	Sept. 30, 2022	June 30, 2022	Mar. 31, 2022	Dec. 31, 2021
Cash and bank balances	59.9	121.4	123.1	212.2	169.2
Unutilized overdraft facilities	75.0	75.0	50.0	50.0	50.0
Available cash and cash equivalents	134.9	196.4	173.1	262.2	219.2

Working capital including cash and bank balances

SEK m	Dec. 31, 2022	Sept. 30, 2022	June 30, 2022	Mar. 31, 2022	Dec. 31, 2021
Total current assets	561.8	415.1	253.5	219.2	262.5
Cash and bank balances	59.9	121.4	123.1	212.2	169.2
Current liabilities, non-interest-bearing	-256.2	-187.5	-112.6	-113.3	-114.2
Working capital including cash and bank balances	365.5	349.0	264.0	318.1	317.5
Net sales last 12 months	738.8	624.2	597.1	559.9	469.6
Working capital including cash and bank balances in relation to net sales, %	49.5%	55.9%	44.2%	56.8%	67.6%

Working capital excluding cash and bank balances

SEK m	Dec. 31, 2022	Sept. 30, 2022	June 30, 2022	Mar. 31, 2022	Dec. 31, 2021
Inventories	236.5	188.9	113.0	91.8	85.8
Current receivables	325.3	226.2	140.5	127.4	176.7
Current liabilities, non-interest-bearing	-256.2	-187.5	-112.6	-113.3	-114.2
Working capital excluding cash and bank balances	305.6	227.6	140.9	105.9	148.3
Net sales last 12 months	738.8	624.2	597.1	559.9	469.6
Working capital excluding cash and bank balances in relation to net sales, %	41.4%	36.5%	23.6%	18.9%	31.6%

Return on capital employed

SEK m	Dec. 31, 2022	Sept. 30, 2022	June 30, 2022	Mar. 31, 2022	Dec. 31, 2021
Profit after financial items, last 12 months	19.2	18.7	12.1	18.4	-5.3
Financial expense, last 12 months	13.4	7.9	6.4	4.6	5.2
Profit before financial expense, last 12 months	32.6	26.6	18.5	23.0	-0.1
Capital employed at beginning of period	670.3	664.8	595.7	231.1	186.4
Capital employed at end of period	1,102.6	1,086.6	621.6	676.9	670.3
Average capital employed	886.5	875.7	608.7	454.0	428.3
Return on capital employed, %	3.7%	3.0%	3.0%	5.1%	0.0%

Return on equity

SEK m	Dec. 31, 2022	Sept. 30, 2022	June 30, 2022	Mar. 31, 2022	Dec. 31, 2021
Profit after tax, last 12 months	14.2	14.4	9.2	18.8	-0.7
Equity at beginning of period	568.2	544.5	513.0	145.1	132.6
Equity at end of period	787.9	765.9	534.6	576.9	568.2
Average equity	678.1	655.2	523.8	361.0	350.4
Return on equity, %	2.1%	2.2%	1.8%	5.2%	-0.2%

Net debt/EBITDA

SEK m	Dec. 31, 2022	Sept. 30, 2022	June 30, 2022	Mar. 31, 2022	Dec. 31, 2021
Non-current liabilities, interest-bearing	245.4	253.9	60.0	82.1	83.8
Current liabilities, interest-bearing	69.3	66.8	27.0	17.9	18.3
Cash and bank balances	-59.9	-121.4	-123.1	-212.2	-169.2
Net debt incl. IFRS 16	254.8	199.3	-36.1	-112.2	-67.1
Operating profit, last 12 months	29.2	25.9	15.7	20.2	-2.9
Depreciation, amortization and impairment, last 12 months	30.8	25.3	26.0	25.3	23.6
Non-recurring items, last 12 months	-	-	4.4	7.8	11.5
Adjusted EBITDA, last 12 months	60.0	51.2	46.1	53.3	32.2
Net debt/EBITDA, multiple	4.2	3.9	-0.8	-2.1	-2.1

Board of Directors' assurance

The Board of Directors and CEO affirm that this year-end report presents fairly the operations, position and results of the Parent Company and the Group, and describes significant risks and uncertainties faced by the Parent Company and the other companies included in the Group.

MilDef Group AB (publ)

Helsingborg, February 9, 2023

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

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 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 Mid Cap index.

Ticker: MILDEF.

- Specialist in the global niche for tactical IT
- Operations in 11 countries
- Partner network in more than 30 countries
- Founded in 1997
- Around 300 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 within other areas that are crucial for society.

Growth strategies

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 Materiel 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 year-end 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:



Björn Karlsson, CEO
+46 70 525 01 07
bjorn.karlsson@mildef.com



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



Olof Engvall, Head of IR & Communications
+46 735 41 45 73
olof.engvall@mildef.com

Invitation to a presentation of MilDef's Year-End Report January–December 2022

The presentation will be held in English and will conclude with a Q&A. The meeting will start at 10:00 CET on February 9, 2023 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: 774 969 964#

Financial calendar

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
Interim Report Q3 2023	October 26, 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 February 9, 2023 at 08:00 CET.

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, Denmark, 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.