

MilDef Group

INTERIM REPORT
JANUARY–MARCH 2023

Q1

We digitalize the world

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



Interim Report January–March 2023

DOUBLED SALES – STRONG ORDER INTAKE

First quarter 2023

- Net sales increased by 100% to SEK 283.2 million (141.3).
- The gross margin was 45% (47).
- Adjusted EBITDA amounted to SEK 34.0 million (6.3), equivalent to an adjusted operating margin of 12.0% (4.5).
- Operating profit (EBIT) amounted to SEK 21.7 million (0.2).
- Order intake increased by 230% to SEK 342.9 million (103.9).
- The order backlog as of March 31, 2023 increased by 72% to SEK 1,279 million compared with the same date in 2022 (744).
- Operating cash flow amounted to SEK 28.8 million (43.4).
- Earnings per share after dilution over the last 12-month period amounted to SEK 0.75 (0.58).

LAST 12 MONTHS, APRIL 2022 – MARCH 2023

NET SALES	ADJUSTED OPERATING PROFIT (EBITDA)	ADJUSTED OPERATING MARGIN (EBITDA)
SEK 881 _m	SEK 87.7 _m	10.0%

Summary of significant events in the first quarter, January–March 2023

- After a completed evaluation process, on February 17 MilDef's Board of Directors announced the appointment of Daniel Ljunggren as permanent CEO from May 26. Ljunggren is currently the Company's CFO and has held that role for more than 10 years.
- On March 1 MilDef's Nomination Committee announced its proposal for board members Jan Andersson, Charlotte Darth, Christian Hammenborn, Lennart Pihl and Marianne Trolle to be re-elected, for Bengt-Arne Molin and Björn Karlsson to be elected as new members of the Board and for Björn Karlsson to be appointed Chair of the Board. Berndt Grundevik has declined re-election as a board member but will continue to head the Company's Advisory Board.
- To further strengthen MilDef's position in the Danish market, MilDef established a company in Denmark at the beginning of 2023.
- 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.

Summary of significant events after the end of the period

- On April 17 the Swedish Defence Materiel Administration (FMV) announced its allocation decision in the procurement process for a system named LSS Mark. There were two parts to this procurement: Central System Support and Unit Integrator. The FMV named MilDef the second best supplier in both areas.
After careful consideration, MilDef submitted an application on April 27 for a review of the Unit Integrator part of the procurement to the Stockholm Administrative Court with a petition for a repeat of the procurement process.
The grounds for the petition are essentially that the evaluation model used by the FMV did not result in the most financially beneficial supplier selection. It is unclear at the time of submitting this report what the result of this review process will be.
MilDef is following developments and will communicate further on this matter when relevant information is available.
- No other events considered of significance have taken place since the end of the period up to the signing of this interim report.

FINANCIAL SUMMARY

	January 1–March 31		Last 12 months	Full year
All figures are in SEK million unless otherwise indicated	2023	2022	April 2022–March 2023	2022
Net sales	283.2	141.3	880.7	738.8
Sales growth, %	100	177	57	57
Of which organic, %	78	97	42	26
Of which acquisition-driven, %	22	80	15	31
Gross margin, %	45	47	47	48
Adjusted operating profit (EBITDA)	34.0	6.3	87.7	60.0
Adjusted operating margin (EBITDA), %	12.0	4.5	10.0	8.1
Order intake	343	104	1,177	938
Order backlog	1,279	744	1,279	1,156
Operating cash flow	28.8	43.4	-109.6	-95.0

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

Profitable growth and record order intake set the tone for 2023

I usually allow financial KPIs to speak for themselves and mainly use these CEO comments to describe events of importance to the quarter's results and to our future. This will also be the focus here, but first I would like to mention three of the financial KPIs that we have followed with extra care.

MilDef doubled its sales to SEK 283 million, which provided positive benefits of scale, and we delivered the best profitability in the Company's history in a first quarter, of 12% adjusted EBITDA. Both sales and operating profit were, however, topped by our order intake, which increased by 230% to SEK 343 million. It is particularly gratifying to see the order backlog being filled with orders for technical development and concepts that will create new opportunities for more and larger business transactions in the future.

Technical development and transactions with future potential

Sustained confidence among customers in the United Kingdom regarding delivery of NATO-compatible computers and network products resulted in a contract signed with RBSL during the quarter for products for the upgraded British Army's Challenger 3 Main Battle Tank. These products also meet the Generic Vehicle Architecture (GVA) standard that is becoming increasingly important for interoperability.

Prototype orders for around 10 different products for an unnamed NATO nation created a positive challenge during the quarter, namely managing a record backlog of development projects. Together with technology and resource partners we are successfully scaling up this part of MilDef's growing business. The products have the potential to be reused by customers in other countries, and also to be ordered in larger volumes for serial delivery in later stages.



Another exciting technical development is happening in cooperation with a Swedish industrial partner, where an innovative concept for modularity and mobility will be part of the digitalization of a world-leading defense system. We believe this concept has the potential to be further developed for multiple related products in the same family.

The success of our groundbreaking OneCIS software continued and exports of this system have accelerated. Development and adaptation continued during the quarter, opening the door for additional potential customers.

On the services side, MilDef received orders that have further expanded deliveries. MilDef's increasingly important service offering covers the full digitalization lifecycle – from concept and design, to launch and integration, as well as maintenance and disposal/replacement.

“MilDef is well-calibrated to not only participate in this positive development in our domain, but also to drive it forward.”

On component shortages and delays

During the quarter improvement in the semiconductor components supply chain continued. The combination of adjusted warehouse management tactics and shorter lead times resulted in us meeting our production and delivery targets. About half of the reported delays from the fourth quarter of 2022 are now delivered.

Marked consolidation

There is still good potential for companies like MilDef that are focusing on acquisitions to find interesting acquisition candidates within the security and defense sector. Although at the start of 2023 a major focus for MilDef was integration of already acquired operations, the possibility of acquisitions taking place in the second half of the year cannot be ruled out. We are maintaining our principle of a selective acquisition process and ensuring that clear added value can be achieved in a short space of time.

National security link to the supplier portfolio

Some of the products in MilDef's product portfolio are manufactured in Taiwan, a country that has a strained national security relationship with China. MilDef's risk exposure has been decreasing for a number of years because these products are among the revenue streams with the lowest growth. However, steps are naturally being taken to further guarantee future deliveries. Among other steps, MilDef is improving its ability to move part of the production to Europe or the USA and there are also active efforts to expand the supplier portfolio to include dual and triple sourcing, i.e. obtaining alternative suppliers for similar products. In the present situation it is impossible to fully mitigate future national security risks in the supply chain, but our exposure is considered manageable.

Setback could be turned into a success

We were surprised by the negative outcome for us when we received information on the allocation for “LSS Mark – Unit Integrator,” a procurement aimed at digitalizing the Swedish Army to bring its current technical platform to a modern level. MilDef is one of relatively few suppliers with the credibility and capability to delivery this assignment ensuring nationwide delivery reliability. This was underscored by the fact that MilDef was the bidder that received the highest quality points in the procurement. We have decided to apply for a procurement review on the grounds of the use of a defective evaluation model that fails to fulfil the purpose of identifying the most financially beneficial bid with the expressed emphasis on quality when one bidder offers a price that does not align with the market price. Regardless of the outcome of this process, MilDef will continue with full force to deliver integration services for today's technical platforms, to participate in strengthening the national supply chain for Swedish defense companies, and to build the next generation of digitalization infrastructure – in Sweden, in the Nordics and in other NATO nations.

Summary of the quarter and a look ahead

The first quarter delivered a strong performance in all areas. The difficult situations around the world continues, particularly in the form of national security concerns and war in our vicinity. Contrary to what many believe, this creates a situation where orders for MilDef's products are often postponed. Many customers have prioritized their operational capacity over modernization and digitalization, even if future needs are increasing substantially. Despite the external environment, MilDef's growth rate has continued to rise, resulting in improved profitability.

In the second quarter the planned CEO switch will take place, with Daniel Ljunggren taking the helm while I have been proposed to take over as Chair of the Board at the upcoming shareholders' meeting. I am confident in the ability of Daniel, our Management Team and our 300 fantastic employees to continue to implement the strategy for growth and increasing profitability that we have launched together.

In conclusion, I can state that we are in a time when exponential opportunities are being created and where modern technology will be a catalyst for value-creation at levels rarely or never seen before. MilDef is well-calibrated to not only participate in this positive development in our domain, but also to drive it forward.

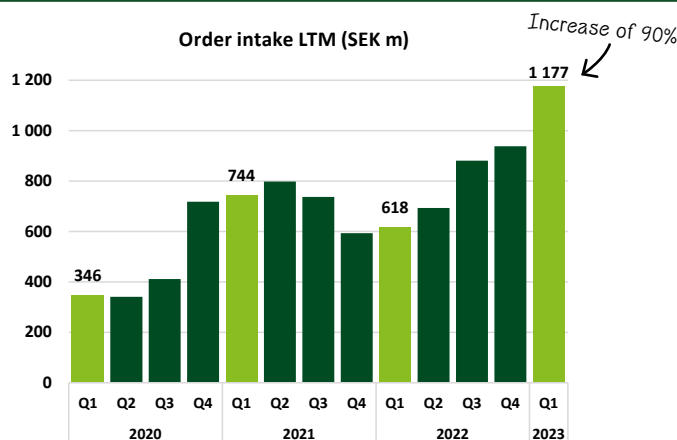
I would like to thank our employees, customers, partners, suppliers and shareholders for a particularly well-executed quarter.



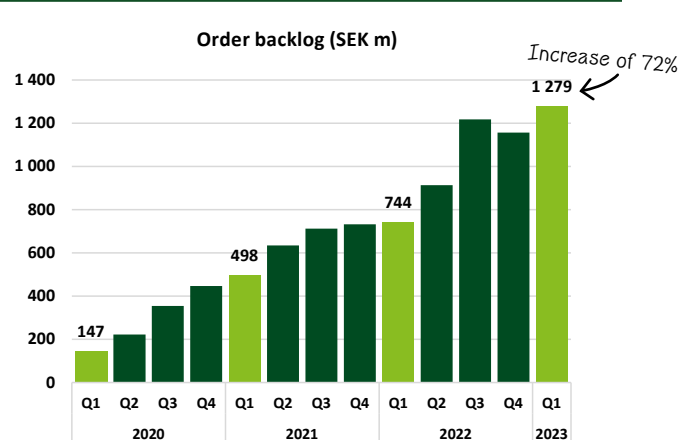
Björn Karlsson, President and CEO of MilDef Group.

MilDef's financial development

ORDER STATUS

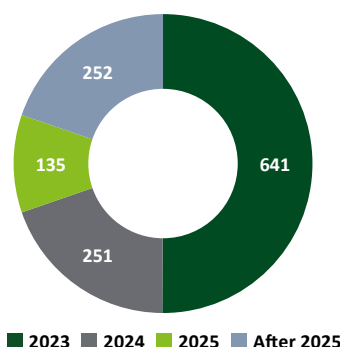


Each individual column in the diagram above shows MilDef's order intake over the past 12 months (LTM) in SEK million. The order intake is the total orders received during the period in question. Deliveries may take place over a number of years. MilDef monitors order intake to analyze future revenue streams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



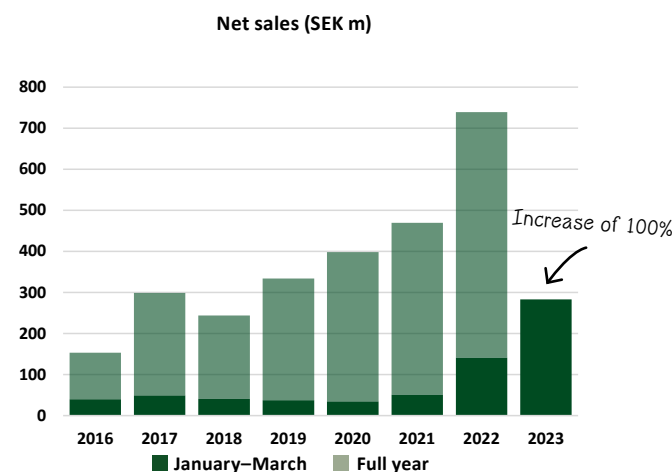
The pie chart above shows future planned deliveries by year in SEK m and is based on MilDef's current order backlog at the end of the period. The actual outcome may differ significantly from the above planned deliveries, above all due to delays.

Change in order backlog Jan–March 2023 (SEK m)

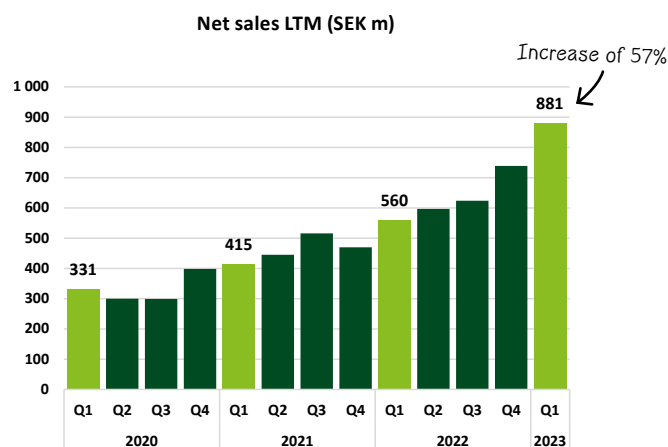
Order backlog as of January 1, 2023	1,156.0
Order intake Jan–March 2023	342.9
Sales Jan–March 2023	-283.2
Sales January–March 2023 not impacting order backlog	21.3
Order backlog acquired in the period	0.0
Currency effect in order backlog during the period	42.0
Order backlog as of March 31, 2023	1,279.0

The table above presents the development of MilDef's order backlog in SEK million during the first three months, and the size of the components included, to arrive at the difference in the order backlog as of March 31, 2023 in comparison with January 1, 2023.

NET SALES

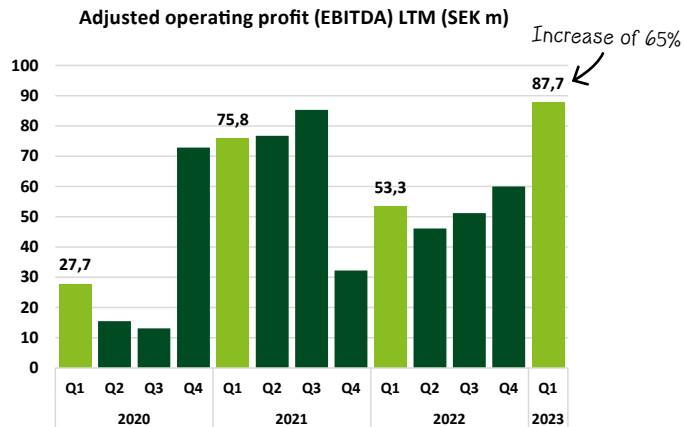


The columns above show MilDef's net sales for full years 2016–2022 and for January–March 2023. The diagram shows the clear seasonal variation in MilDef's net sales.

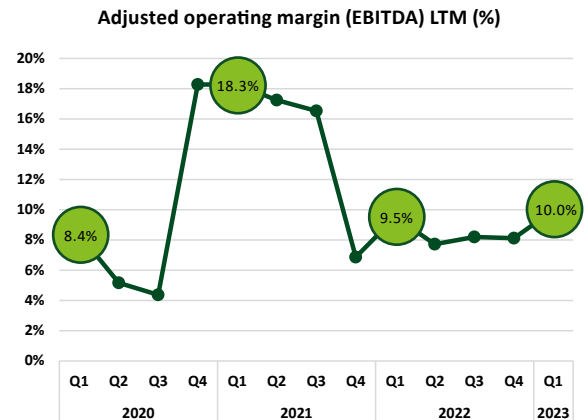


The diagram's columns show MilDef's net sales over the past 12 months (LTM) in SEK million. The columns show the data excluding seasonal variations during the year.

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 20 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 20 in Note 2. The adjusted EBITDA margin is stated as a percentage of net sales. MilDef considers the adjusted EBITDA margin to be a useful indicator to measure the Group's operational efficiency.



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.

First quarter: January–March 2023

Order status

The order intake was strong in the first quarter of 2023, driven by strong underlying demand for digitalization and modernization among MilDef's end-customers. The order intake in the first quarter of 2023 increased by 230% to SEK 342.9 million, compared with SEK 103.9 million in the first quarter of 2022. The order backlog as of March 31, 2023 is at a record-high level having increased by 72% to SEK 1,279 million compared with March 31, 2022 (744). SEK 38.9 million of the period's order intake and SEK 109.7 million of the order backlog relate directly to the acquisition of Handheld Group AB.

Net sales

Net sales in the first quarter of 2023 doubled in comparison with the first quarter the previous year and amounted to SEK 283.2 million (141.3), representing an increase of 100%. Acquisition-driven growth amounted to SEK 32.0 million in the quarter, and is fully attributable to the acquisition of Handheld Group AB. Organic growth was 78% and acquisition-driven growth made up 22 percentage points of the total growth rate in the first quarter. Of the previously announced delivery delays of around SEK 100 million, around SEK 50 million were delivered in the first quarter.

Gross profit

Gross profit amounted to SEK 128.2 million (66.5), equivalent to a gross margin of 45% (47). 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 106.5 million (66.3), of which SEK 22.3 million related to operating costs acquired in the first quarter of 2023. There were no items affecting comparability during the period. Excluding operating expenses relating to the acquisition, the operating expenses increased by 27%, equivalent to SEK 17.9 million. The increase in expenses was planned for and tracks the Company's steep growth trajectory. However, sequentially the Company's operating expenses decreased by 6% in the first quarter of 2023 compared with the fourth quarter of 2022. The adjusted operating expenses as a percentage of sales amounted to 38% (47) in the first quarter of 2023.

Operating profit (EBIT)

Operating profit (EBIT) in the first quarter of 2023 amounted to SEK 21.7 million (0.2). There were no items affecting comparability. This is equivalent to an operating margin of 7.7% (0.1). 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 34.0 million (6.3), equivalent to a margin of 12.0% (4.5). Depreciation/amortization and impairment amounted to SEK 12.3 million (6.1), with depreciation of acquisition related assets accounting for most of the increase. Acquisitions in 2022 affected the quarter's adjusted operating profit in the amount of SEK -8.9 million. The adjusted operating profit does not include non-recurring items.

Financial items

Net financial income/expense for the period amounted to SEK -3.6 million (-0.8). An increase in expenses of SEK 2.8 million is mainly due to increased interest expense linked to the acquisition loan of SEK 200 million taken out for the acquisition of Handheld Group AB.

Tax

The first quarter's tax effect impacted net profit in the amount of SEK -1.8 million (0.9).

Net profit for the quarter

Profit after tax amounted to SEK 16.3 million (0.3). Earnings per share before dilution amounted to SEK 0.41 (0.01) and earnings per share after dilution to SEK 0.41 (0.01).

Cash flow

Cash flow for the quarter was reported at SEK 17.3 million (41.1). Operating cash flow in the quarter amounted to SEK 28.8 million (43.4). The decrease is mainly explained by a lower positive effect from working capital development.

Cash flow from operating activities amounted to SEK 40.5 million (46.7). Cash flow from changes in working capital amounted to SEK 18.7 million (45.8).

Cash flow from investing activities amounted to SEK -11.7 million (-3.3) and is mainly related to investments in product development. The increase is largely due to the acquisition of Handheld Group AB.

Cash flow from financing activities amounted to SEK -11.5 million (-2.3). The change compared to the previous year is mainly explained by paying down of the acquisition loan taken out in connection of the acquisition of Handheld Group AB. Amortization of leases was charged to financing activities in the amount of SEK -4.0 million (-2.3).

Equity

The Group's equity amounted to SEK 795.9 million (576.9) at the end of the period. The equity-assets ratio as of March 31, 2023 was SEK 58% (71).

Net working capital

Net working capital amounted to SEK 294.4 million (105.9) 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 due to the Company's growth and the acquisitions implemented. 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 14 percentage points, from 19% for the same period the previous year, to 33% as of March 31, 2023. However, there is a decrease in net operating capital in relation to net sales if compared with December 31, 2022 as on that date net operating capital in relation to net sales was 41% compared to 33% at this time.

SEK m	Mar. 31, 2023	Dec. 31, 2022	Mar. 31, 2022
Inventories	235.9	236.5	91.8
Accounts receivable	192.7	255.4	76.0
Other current receivables	90.7	69.9	51.4
Accounts payable	-104.0	-105.1	-43.8
Other current liabilities	-120.9	-151.1	-69.5
Net working capital	294.4	305.6	105.9
<i>as a percentage of net sales LTM (%)</i>	<i>33%</i>	<i>41%</i>	<i>19%</i>

Net debt and cash and cash equivalents

The net debt including lease liabilities amounted to SEK 246.5 million (-112.2) at the end of the period. Cash and cash equivalents as of December 31 amounted to SEK 75.9 million (212.2). 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 last 12-month period, excluding the effects of IFRS 16 Leases, amounted to 1.6 (-3.2). When calculated including the effects of IFRS 16 the net debt/equity ratio was 2.8 (-2.1).

SEK m	Mar. 31, 2023	Dec. 31, 2022	Mar. 31, 2022
Other interest-bearing liabilities	220.0	227.9	41.1
Lease liabilities	102.4	86.8	58.6
Cash and cash equivalents	-75.9	-59.9	-212.2
Net debt incl. IFRS 16	246.5	254.8	-112.2
<i>in relation to adjusted operating profit (EBITDA) LTM, multiple</i>	<i>2.8</i>	<i>4.2</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 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 March 31, 2023 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 70.10 and the market value was SEK 2,794 million. The total number of shareholders at the end of the period was around 10,100.

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 the Third Swedish National Pension Fund, AP3, representing 6.4% of the shares, Marianne Trolle representing 6.0% of the shares and Jan Andersson, Chairman 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 2022 Annual Report. The 2022 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 measures

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 25.

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 chief operating 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 in the first quarter of 2023

After a completed evaluation process, MilDef's Board of Directors announced on February 17 that Daniel Ljunggren had been appointed the permanent CEO as of May 26. Ljunggren is currently the Company's CFO and has held that role for more than 10 years.

On March 1 MilDef's Nomination Committee announced its proposal for board members Jan Andersson, Charlotte DARTH, Christian Hammenborn, Lennart Pihl and Marianne Trolle to be re-elected, for Bengt-Arne Molin and Björn Karlsson to be elected as new members of the Board and for Björn Karlsson to be appointed Chair of the Board. Berndt Grundevik has declined re-election as a board member but will continue to head the Company's Advisory Board.

Björn Karlsson has been President and CEO of MilDef Group since 2018. Before this his positions included EVP/CTO at ReadSoft AB where he was responsible for the product portfolio and software development. Björn has many years of experience of serving on boards and is currently Chair of Handheld Group AP and Sysint AS. He is also a member of the board of the Swedish Security and Defense Industry Association (SOFF).

Bengt-Arne Molin has many years of experience of serving on the boards of high-tech growth companies. He has a PhD in Electrical Engineering and has a solid academic background in both electronics and computer science. Bengt-Arne has held several significant industry assignments, including being responsible for the Swedish division of Sony Ericsson and as EVP/CTO at Axis Communications. His current board assignments include MeltSpot AB, Lumeo Technology AB, Auricula AB, Generic Sweden AB and Katam Technologies AB.

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

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.

In connection with modernization of a Swedish defense system, MilDef has been entrusted with delivering rugged computers, switches and displays. The order is worth SEK 69 million and deliveries will take place in 2023–2025. For reasons of secrecy and national security, the customer's name cannot be made public. This partnership involves development and delivery of a large volume of hardware. In the modernization of the defense system in question, older technology will be replaced by MilDef's products to raise system efficiency.

RBSL has granted MilDef a contract worth around SEK 32 million to deliver products for the British Army's upgraded Challenger 3 Main

Battle Tank. The products will be manufactured at MilDef's UK production plant in Cardiff, Wales. Over the past year MilDef has made significant investments to increase production capacity at the plant. MilDef will deliver a total of more than 300 units during the contract term. The deliveries will take place over several years starting in 2023. RBSL is a British joint venture between Rheinmetall and BAE Systems. It has a long-term partnership with the British Army after having designed and delivered many of the army's existing combat vehicles under various company names.

Significant events after the end of the period

On April 17 the Swedish Defence Materiel Administration (FMV) announced its allocation decision in the procurement process for a system dubbed LSS Mark.

There were two parts to this procurement: Central System Support and Unit Integrator. The FMV named MilDef the second best supplier in both areas.

After careful consideration, MilDef submitted an application on April 27 for a review of the Unit Integrator part of the procurement to the Stockholm Administrative Court with a petition for a repeat of the procurement process. The grounds for the petition are essentially that the evaluation model used by the FMV did not result in the most financially beneficial supplier selection.

It is unclear at the time of submitting this report what the result of this review process will be.

MilDef is following developments and will communicate further on this matter when relevant information is available.

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

Acquisition and acquisition analysis

At the time of acquisition, preliminary acquisition analyses are performed based on estimates and judgments 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.

Employees

The number of employees in the Group, recalculated to full-time equivalents (FTEs), was 296 (204) at the end of the period. 222 (161) of the employees were men and 74 (43) were women. The average number of FTEs during the period was 295, compared with 196 in the same 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 2023 further resources were added to the R&D department to handle an increasing number of projects, many of which are highly complex. Around 14% 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 85–87 in the Company's 2022 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 116 in Note 20 of the 2022 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 of the meeting will be given in due order.

Dividend proposal

The Board of Directors recommends to the Annual General Meeting that no dividend be paid to the shareholders for the 2022 financial year. This proposal is made against the background of the Company's rapid growth and hence increased estimated working capital requirement for 2023.

Audit review

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



Condensed consolidated income statement

SEK m	Note	January 1–March 31		Last 12 months	Full year
		2023	2022	April 2022– March 2023	2022
Net sales	2	283.2	141.3	880.7	738.8
Cost of goods sold		-155.0	-74.8	-466.7	-386.5
Gross profit		128.2	66.5	414.0	352.3
Selling expenses		-67.0	-42.3	-231.0	-206.3
Administrative expenses		-20.4	-14.9	-72.7	-67.2
Research and development expenses		-19.0	-9.2	-58.8	-49.0
Other operating income/expenses		-0.1	0.1	-0.8	-0.6
Operating profit		21.7	0.2	50.7	29.2
Net financial items		-3.6	-0.8	-12.8	-10.0
Profit after financial items		18.1	-0.6	37.9	19.2
Income tax		-1.8	0.9	-7.7	-5.0
Net profit for the period		16.3	0.3	30.2	14.2
Other comprehensive income for the Group					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Translation differences		-8.3	8.4	-7.1	9.6
Other comprehensive income for the period		-8.3	8.4	-7.1	9.6
Comprehensive income for the period		8.0	8.7	23.1	23.8

Earnings per share

	January 1–March 31		Last 12 months	Full year
	2023	2022	April 2022– March 2023	2022
Number of shares at end of period	39,859,566	36,389,373	39,859,566	39,859,566
Weighted average number of shares in the period before dilution	39,859,566	36,389,373	39,834,877	37,400,988
Weighted average number of shares in the period after dilution	40,301,066	36,832,873	40,276,377	37,844,488
Earnings per share before dilution (SEK)	0.41	0.01	0.76	0.38
Earnings per share after dilution (SEK)	0.41	0.01	0.75	0.37

Condensed consolidated balance sheet

SEK m	Mar. 31, 2023	Dec. 31, 2022	Mar. 31, 2022
ASSETS			
Non-current assets			
Capitalized product development expenses	63.5	56.2	13.2
Acquisition-related intangible assets	588.3	598.7	290.0
Other intangible assets	0.4	0.4	0.5
Right-of-use assets	101.1	85.2	57.6
Other property, plant and equipment	16.4	17.1	14.0
Deferred tax assets	18.3	14.3	7.5
Other financial non-current assets	0.3	0.3	0.2
Total non-current assets	788.3	772.2	383.0
Inventories	235.9	236.5	91.8
Accounts receivable	192.7	255.4	76.0
Other current receivables	90.7	69.9	51.4
Cash and cash equivalents	75.9	59.9	212.2
Total current assets	595.2	621.7	431.4
TOTAL ASSETS	1,383.5	1,393.9	814.4
EQUITY AND LIABILITIES			
Equity	795.9	787.9	576.9
Non-current liabilities			
Lease liabilities	75.9	70.6	50.4
Non-current interest-bearing liabilities	155.0	174.8	31.7
Provisions for taxes	40.3	35.1	24.2
Total non-current liabilities	271.2	280.5	106.3
Current liabilities			
Current interest-bearing liabilities	65.0	53.1	9.7
Lease liabilities	26.5	16.2	8.2
Accounts payable	104.0	105.1	43.8
Other current liabilities	120.9	151.1	69.5
Total current liabilities	316.4	325.5	131.2
TOTAL EQUITY AND LIABILITIES	1,383.5	1,393.9	814.4

Condensed consolidated statement of changes in equity

SEK m	Mar. 31, 2023	Dec. 31, 2022	Mar. 31, 2022
Equity, opening balance	787.9	568.2	568.2
Comprehensive income for the period after tax	8.0	23.8	8.7
New share issue	-	223.2	-
Dividend	-	-27.3	-
Equity, closing balance	795.9	787.9	576.9

Condensed consolidated cash flow statement

	January 1–March 31		Last 12 months	Full year
SEK m	2023	2022	April 2022– March 2023	2022
Cash flow from operating activities				
Operating profit	21.7	0.2	50.7	29.2
Reversal of depreciation, amortization and impairment	12.3	6.1	37.0	30.8
Other non-cash items	0.4	0.1	-0.9	-1.2
Net interest income/expense	-4.0	-0.8	-7.8	-4.6
Income taxes paid	-8.6	-4.7	-11.5	-7.6
Change in working capital	18.7	45.8	-150.5	-123.4
Cash flow from operating activities	40.5	46.7	-83.0	-76.8
Cash flow from investing activities				
Investments in intangible assets	-10.4	-3.0	-20.6	-13.2
Investments in property, plant and equipment	-1.3	-0.3	-5.8	-4.8
Acquisition of subsidiaries, net of acquired cash and cash equivalents	-	-	-383.1	-383.1
Change in other non-current receivables	-	-	-0.2	-0.2
Cash flow from investing activities	-11.7	-3.3	-409.7	-401.3
Cash flow from financing activities				
Dividend	-	-	-27.3	-27.3
New shares issues	-	-	223.2	223.2
Increase in interest-bearing liabilities	-	-	200.0	200.0
Repayment of interest-bearing liabilities	-7.5	-	-27.3	-19.8
Repayment of lease liabilities	-4.0	-2.3	-12.1	-10.4
Cash flow from financing activities	-11.5	-2.3	356.5	365.7
Total cash flow for the period	17.3	41.1	-136.2	-112.4
Change in cash and cash equivalents				
Cash and cash equivalents at beginning of period	59.9	169.2	212.2	169.2
Translation differences	-1.2	1.9	0.1	3.2
Cash and cash equivalents at end of period	75.9	212.2	76.0	59.9

Quarterly overview for the Group

	2023	2022				2021			
SEK m	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net sales	283.2	315.3	163.7	118.5	141.3	200.7	136.6	81.3	51.0
Cost of goods sold	-155.0	-170.8	-80.4	-60.5	-74.8	-108.0	-75.6	-42.5	-33.5
Gross profit	128.2	144.5	83.3	58.0	66.5	92.7	61.0	38.9	17.5
Operating expenses	-106.5	-113.0	-70.8	-73.0	-66.3	-64.5	-58.7	-49.4	-40.4
Operating profit	21.7	31.5	12.5	-15.0	0.2	28.2	2.3	-10.5	-22.9
Net financial items	-3.6	-3.7	-5.3	-0.2	-0.8	-0.9	-1.7	1.6	-1.4
Profit before tax	18.1	27.8	7.2	-15.2	-0.6	27.3	0.6	-8.9	-24.3
Income tax on profit for the period	-1.8	-7.3	-0.6	2.0	0.9	-6.7	0.9	5.3	5.1
Net profit for the period	16.3	20.5	6.6	-13.2	0.3	20.6	1.4	-3.6	-19.2

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

SEK m	January 1–March 31		Last 12 months	Full year
	2023	2022	April 2022– March 2023	2022
Net sales	23.4	19.1	25.9	21.6
Selling expenses	-7.1	-5.8	-10.9	-9.6
Administrative expenses	-9.0	-6.8	-11.0	-8.8
Research and development expenses	-5.7	-4.6	-7.1	-6.0
Other operating income/expenses	0.1	0.0	-0.4	-0.5
Operating profit	1.7	1.9	-3.5	-3.3
Net financial items	0.2	0.5	-2.8	-2.5
Profit after financial items	1.9	2.4	-6.3	-5.8
Year-end appropriations	-	-	8.7	8.7
Profit before tax	1.9	2.4	2.4	2.9
Income tax	-0.4	-	-1.8	-1.4
Net profit for the period	1.5	2.4	0.6	1.5
Other comprehensive income				
Net profit for the period	1.5	2.4	0.6	1.5
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	2.4	0.6	1.5

Condensed Parent Company balance sheet

SEK m	Mar. 31, 2023	Dec. 31, 2022	Mar. 31, 2022
ASSETS			
Non-current assets			
Property, plant and equipment	9.2	9.5	9.5
Financial non-current assets	780.6	780.6	430.6
Total non-current assets	789.8	790.1	440.1
Current receivables from Group companies	199.3	173.6	110.7
Other current receivables	17.8	16.0	8.5
Cash and cash equivalents	69.7	51.5	150.9
Total current assets	286.8	241.1	270.1
TOTAL ASSETS	1,076.6	1,031.2	710.2
EQUITY AND LIABILITIES			
Equity	755.3	753.8	557.7
Untaxed reserves	3.6	3.6	5.5
Non-current liabilities			
Non-current interest-bearing liabilities	212.6	174.8	31.7
Deferred tax liabilities	0.4	-	-
Total non-current liabilities	213.0	174.8	31.7
Current liabilities			
Current interest-bearing liabilities	65.0	53.1	9.6
Current liabilities to Group companies	25.1	30.0	93.5
Accounts payable	1.4	3.2	2.0
Other current liabilities	13.2	12.7	10.2
Total current liabilities	104.7	99.0	115.3
TOTAL EQUITY AND LIABILITIES	1,076.6	1,031.2	710.2

Condensed Parent Company statement of changes in equity

SEK m	Mar. 31, 2023	Dec. 31, 2022	Mar. 31, 2022
Equity, opening balance	753.8	555.2	555.2
Comprehensive income for the period after tax	1.5	2.7	2.4
New shares issues	-	223.2	-
Dividend	-	-27.3	-
Equity, closing balance	755.3	753.8	557.7

Notes

Note 1. Net sales by geographic area

SEK m	Q1 2023	Q1 2022	Last 12 months	Full year 2022
Nordics	148.3	94.5	510.5	456.7
Europe (excl. Nordics)	72.9	17.9	174.4	119.4
North America	54.8	27.7	178.2	151.1
Other countries	7.2	1.2	17.6	11.6
Total revenue	283.2	141.3	880.7	738.8

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	Q1 2023	Q1 2022	Last 12 months	Full year 2022
Listing expenses	-	-	-	-
Acquisition-related expenses	-	-	-	-
Total non-recurring items	0.0	0.0	0.0	0.0

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	Q1 2023	Q1 2022	Last 12 months	Full year 2022
Operating profit (EBIT)	21.7	0.2	50.7	29.2
Listing expenses	-	-	-	-
Acquisition-related expenses	-	-	-	-
Adjusted operating profit (EBIT)	21.7	0.2	50.7	29.2
Adjusted operating profit (EBIT)	21.7	0.2	50.7	29.2
Net sales	283.2	141.3	880.7	738.8
Adjusted operating margin (EBIT), %	7.7%	0.1%	5.8%	4.0%
Operating profit (EBITA), SEK m				
Operating profit (EBIT)	21.7	0.2	50.7	29.2
Amortization of intangible assets	6.8	2.9	19.5	15.6
Operating profit (EBITA)	28.5	3.1	70.2	44.8
Adjusted operating profit (EBITA), SEK m				
Operating profit (EBITA)	28.5	3.1	70.2	44.8
Listing expenses	-	-	-	-
Acquisition-related expenses	-	-	-	-
Adjusted operating profit (EBITA)	28.5	3.1	70.2	44.8
Adjusted operating profit (EBITA)	28.5	3.1	70.2	44.8
Net sales	283.2	141.3	880.7	738.8
Adjusted operating margin (EBITA), %	10.1%	2.2%	8.0%	6.1%
Operating profit (EBITDA), SEK m				
Operating profit (EBIT)	21.7	0.2	50.7	29.2
Depreciation/amortization	12.3	6.1	37.0	30.8
Operating profit (EBITDA)	34.0	6.3	87.7	60.0
Adjusted operating profit (EBITDA), SEK m				
Operating profit (EBITDA)	34.0	6.3	87.7	60.0
Listing expenses	-	-	-	-
Acquisition-related expenses	-	-	-	-
Adjusted operating profit (EBITDA)	34.0	6.3	87.7	60.0
Adjusted operating profit (EBITDA)	34.0	6.3	87.7	60.0
Net sales	283.2	141.3	880.7	738.8
Adjusted operating margin (EBITDA), %	12.0%	4.5%	10.0%	8.1%

Available cash and cash equivalents

SEK m	Mar. 31, 2023	Dec. 31, 2022	Sept. 30, 2022	June 30, 2022	Mar. 31, 2022
Cash and bank balances	75.9	59.9	121.4	123.1	212.2
Unutilized overdraft facilities	75.0	75.0	75.0	50.0	50.0
Available cash and cash equivalents	150.9	134.9	196.4	173.1	262.2

Working capital including cash and bank balances

SEK m	Mar. 31, 2023	Dec. 31, 2022	Sept. 30, 2022	June 30, 2022	Mar. 31, 2022
Total current assets	519.3	561.8	415.1	253.5	219.2
Cash and bank balances	75.9	59.9	121.4	123.1	212.2
Current liabilities, non-interest-bearing	-224.9	-256.2	-187.5	-112.6	-113.3
Working capital including cash and bank balances	370.3	365.5	349.0	264.0	318.1
Net sales last 12 months	880.7	738.8	624.2	597.1	559.9
Working capital including cash and bank balances in relation to net sales, %	42.0%	49.5%	55.9%	44.2%	56.8%

Working capital excluding cash and bank balances

SEK m	Mar. 31, 2023	Dec. 31, 2022	Sept. 30, 2022	June 30, 2022	Mar. 31, 2022
Inventories	235.9	236.5	188.9	113.0	91.8
Current receivables	283.4	325.3	226.2	140.5	127.4
Current liabilities, non-interest-bearing	-224.9	-256.2	-187.5	-112.6	-113.3
Working capital excluding cash and bank balances	294.4	305.6	227.6	140.9	105.9
Net sales last 12 months	880.7	738.8	624.2	597.1	559.9
Working capital excluding cash and bank balances in relation to net sales, %	33.4%	41.4%	36.5%	23.6%	18.9%

Return on capital employed

SEK m	Mar. 31, 2023	Dec. 31, 2022	Sept. 30, 2022	June 30, 2022	Mar. 31, 2022
Profit after financial items, last 12 months	37.9	19.2	18.7	12.1	18.4
Financial expense, last 12 months	5.8	13.4	7.9	6.4	4.6
Profit before financial expense, last 12 months	43.7	32.6	26.6	18.5	23.0
Capital employed at beginning of period	676.9	670.3	664.8	595.7	231.1
Capital employed at end of period	1,118.3	1,102.6	1,086.6	621.6	676.9
Average capital employed	897.6	886.5	875.7	608.7	454.0
Return on capital employed, %	4.9%	3.7%	3.0%	3.0%	5.1%

Return on equity

SEK m	Mar. 31, 2023	Dec. 31, 2022	Sept. 30, 2022	June 30, 2022	Mar. 31, 2022
Profit after tax, last 12 months	30.2	14.2	14.4	9.2	18.8
Equity at beginning of period	576.9	568.2	544.5	513.0	145.1
Equity at end of period	795.9	787.9	765.9	534.6	576.9
Average equity	686.4	678.1	655.2	523.8	361.0
Return on equity, %	4.4%	2.1%	2.2%	1.8%	5.2%

Net debt/EBITDA

SEK m	Mar. 31, 2023	Dec. 31, 2022	Sept. 30, 2022	June 30, 2022	Mar. 31, 2022
Non-current liabilities, interest-bearing	230.9	245.4	253.9	60.0	82.1
Current liabilities, interest-bearing	91.5	69.3	66.8	27.0	17.9
Cash and bank balances	-75.9	-59.9	-121.4	-123.1	-212.2
Net debt incl. IFRS 16	246.5	254.8	199.3	-36.1	-112.2
Operating profit, last 12 months	50.7	29.2	25.9	15.7	20.2
Depreciation, amortization and impairment, last 12 months	37.0	30.8	25.3	26.0	25.3
Non-recurring items, last 12 months	-	-	-	4.4	7.8
Adjusted EBITDA, last 12 months	87.7	60.0	51.2	46.1	53.3
Net debt/EBITDA, multiple	2.8	4.2	3.9	-0.8	-2.1

Board of Directors' assurance

The Board of Directors and CEO hereby 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 other companies included in the Group.

MilDef Group AB (publ)

Helsingborg, May 5, 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 last 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 income-bearing financial 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 with it 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 approach

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 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.





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Invitation to a presentation of MilDef's interim report for January–March 2023

The presentation will be held in English and will conclude with a Q&A. The meeting will start at 10:00 CEST on May 5, 2023 and 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: 711 253 36#

Financial calendar

Annual General Meeting 2023	May 25, 2023
Interim Report Q2 2023	July 27, 2023
Interim Report Q3 2023	October 26, 2023
Year-End Report Q4 2023	February 8, 2024

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 was submitted, through the agency of the contact persons set out above, for publication at 08:00 CEST on May 5, 2023.

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.