

# MilDef Group

INTERIM REPORT  
JANUARY–JUNE 2023

Q2

## We digitalize the world

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



# Interim Report January–June 2023

## STRONG GROWTH DRIVES INCREASED PROFITABILITY

### Second quarter 2023

- Net sales increased by 144% to SEK 288.8 million (118.5).
- The gross margin was 50% (49).
- Adjusted EBITDA amounted to SEK 47.7 million (-9.6), equivalent to an adjusted operating margin of 16.5% (-8.1).
- Operating profit (EBIT) amounted to SEK 33.6 million (-15.0), corresponding to an operating margin of 11.6% (-12.7).
- Order intake increased by 11% to SEK 285.5 million (256.4).
- Operating cash flow amounted to SEK -4.2 million (-49.0).

### January–June 2023

- Net sales increased by 120% to SEK 572.0 million (259.8).
- The gross margin was 48% (48).
- Adjusted EBITDA amounted to SEK 81.7 million (-3.3), equivalent to an adjusted operating margin of 14.3% (-1.3).
- Operating profit (EBIT) amounted to SEK 55.3 million (-14.8), corresponding to an operating margin of 9.7% (-5.7).
- Order intake increased by 74% to SEK 628.4 million (360.3).
- Order backlog as of June 30, 2023 increased by 41% to SEK 1,288 million compared with the same date in 2022 (913).
- Operating cash flow amounted to SEK 24.5 million (-5.6).
- Earnings per share after dilution over the last 12-month period amounted to SEK 1.61 (0.25).

### LAST 12 MONTHS, JULY 2022–JUNE 2023

NET SALES	ADJUSTED OPERATING PROFIT (EBITDA)	ADJUSTED OPERATING MARGIN (EBITDA)
SEK 1,051m	SEK 145m	13.8%

### Summary of significant events in the second quarter, April–June 2023

- MilDef wins a three-year contract for digitalization of Swedish Amphibious Corps support ship. The assignment is part of the framework agreement that MilDef signed with the Swedish Defence Materiel Administration (FMV) in 2022.
- MilDef is accelerating its investment in the USA by consolidating the leadership of the US operations. From July 2023 Jim Rimay, currently CEO of Handheld US Inc., will take over management of all of MilDef's operating units in the USA.
- MilDef extends its framework agreement with the Norwegian Defence Materiel Agency (NDMA). The agreement has now been extended for two more years – from 2023 to 2025.
- In May MilDef recruits Viveca Johnsson as new CFO. Viveca has a solid financial background as well as experience from the industrial sector. She comes to MilDef from Nederman, an industrial company where she has worked since 2013. Viveca will join MilDef's Management Team and report directly to the CEO.

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

- MilDef's subsidiary Handheld secures a strategically important development project assignment with a global defense group to develop soldier-borne control systems for ultra-small drones. After the development phase, we see good opportunities for significant volume orders. In the press release issued on July 24, it was incorrectly stated that the order was included in the order backlog as of June 30, 2023. The order was received in the third quarter and will therefore be included in the third quarter.
- 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

All figures are in SEK million unless otherwise indicated	April 1–June 30		January 1–June 30		Last 12 months	Full year
	2023	2022	2023	2022	July 2022–June 2023	2022
Net sales	288.8	118.5	572.0	259.8	1,051.0	738.8
Sales growth, %	144	46	120	96	76	57
<i>Of which organic, %</i>	104	4	90	34	54	26
<i>Of which acquisition-driven, %</i>	40	42	30	62	22	31
Gross margin, %	50	49	48	48	48	48
Adjusted operating profit (EBITDA)	47.7	-9.6	81.7	-3.3	145.0	60.0
Adjusted operating margin (EBITDA), %	16.5	-8.1	14.3	-1.3	13.8	8.1
Order intake	286	256	628	360	1,206	938
Order backlog	1,288	913	1,288	913	1,288	1,156
Operating cash flow	-4.2	-49.0	24.5	-5.6	-64.9	-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

# A gradually more active market

**MilDef's first half of 2023 is strong. Organic growth remained high in the second quarter and sales increased by a total of 144%. Sales in the first half of the year reached SEK 572 million (260) and order intake amounted to SEK 628 million (360). The operating margin also improved significantly, proving the success of our scalable business model. It is worth noting that sales in the second quarter, on a rolling 12-month basis, exceeded SEK 1 billion for the first time. This development reflects a market in which activity is steadily increasing – a market that will likely continue to grow for many years to come.**

Our main priority for 2023 is to successfully deliver on schedule to our customers. The global supply chain challenges that have existed over the past two years have resulted in delivery delays, which have in turn negatively impacted our profitability and cash flow. I am therefore happy to state that also in the second quarter we saw increased profitability and a clearly improved operating cash flow, driven by strong sales growth and good delivery capability.

**Cash flow and working capital**

Due to the global challenges in supply chains of the past few years we have decided to build up a buffer of critical components in order to meet our delivery commitments to our customers. As a consequence of this strategy our working capital has increased. Added to this are the negative effects on the working capital from the Handheld acquisition implemented in the third quarter of 2022. We expect current inventory levels to remain steady in absolute terms over the next few quarters, mainly due to our continued growth rate. However, we expect working capital as a percentage of sales, on a rolling 12-month basis, to normalize in upcoming quarters, and in the longer term to return to historical levels of around 20–25% of sales. This in turn will have a positive effect on operating cash flow in the coming 6–12 months.

**Increased demand for digitalization within the defense sector**

Since Russia launched its invasion of Ukraine our customers have prioritized their operational capacity over long-term modernization and digitalization. This coincides with a significant increase in demand for future digitalization. Digitalization of national defense forces is aimed at increasing the capabilities of decision-makers, enabling them to make better and faster decisions thanks to the availability of more information on which to base their decisions. Pens, compasses and paper maps are replaced by realtime digital information. By delivering the necessary infrastructure, MilDef is playing a key role in helping multiple defense forces to realize their ambition of increasing their digital capabilities. Against the background of the current defense appropriations – which are



growing in general – we are seeing a steady increase in activity in the market, although this is still not having any material impact on our order intake. Given MilDef's late-cycle position in the delivery chain, we expect demand for our products and services to increase substantially in the future. The fact that we, despite the described "slowness in the system", deliver such good numbers is a clear confirmation of MilDef's strength.

#### Accelerated ambitions in the North American market

We accelerate our ambitions in the North American market during the quarter by realizing one of the synergies we identified in connection with the Handheld acquisition. Jim Rimay who has headed Handheld's US operations since 2015 was given responsibility for all of MilDef's operations in the USA. This move will ensure leadership in the USA that is clearly focused on developing sales and business. Jim, who has many years of experience in North America, is expected to be a key figure in our continued strong growth in the

*"We predict sustained strong sales, order intake and profitability in 2023"*

USA. MilDef sees the North American market as a key market in the future and we already have a solid foundation on which to build with our existing customer base. I look forward to continuing to support our growth in North America and, together with our US team, to ensure we are well-positioned for continued success in the world's single largest defense market.

#### Breakthrough in realizing commercial synergies

It gives me great pleasure to be able to report that we have now realized the first transaction linked to the commercial synergies we identified when we acquired Handheld. At the time of the acquisition we communicated that there was potential for synergies such as significant cross-selling, above all of Handheld's products for the military domain. We secured one such deal at the beginning of the third quarter. The initial order for product development is worth SEK 6 million and the customer is a global defense group based in the USA. After the development phase is completed we believe there will be opportunities to secure an order for significant recurring volumes over the years ahead. Our ambition is to follow this up with several similar deals. The deal confirms the trend we have seen before, namely that existing and prospective customers want MilDef as a long-term strategic partner and not only as a supplier. This trend is undoubtedly one of the fundamental success factors for MilDef.

#### Steep growth pace creates positive challenges

A fast growth pace brings challenges and sometimes leads to growing pains. We have addressed this challenge and, by investing in our corporate culture and our people, we are determined to

continue to make MilDef a stronger, more resilient company. Our actions today are more important than ever before. All of our employees are working hard to deliver excellence to our customers and, in doing so, are helping to make this a safer world. It is therefore gratifying to see the increased interest in MilDef, despite tough competition in the labor market. During the quarter we welcomed more than fifteen new employees and I'm convinced that together we will make MilDef even stronger and more profitable.

#### LSS Mark and the review process

As communicated in the first quarter, MilDef has applied for a review of the "LSS Mark – Unit Integrator" procurement. The procurement is for digitalization of the Swedish ground forces. We expect the Stockholm Administrative Court to announce a ruling in the case in the third quarter. Regardless of the outcome, we believe there are good opportunities to deliver considerable volumes of hardware and services in the Swedish market – both aimed at facilitating next generation digitalization of the Swedish defense forces.

#### Sustainability work worth highlighting

At MilDef we are determined to make sustainability an integral part of our work – both today and in the future. Sustainability is a key aspect of our strategy and I'm proud of the widespread commitment to sustainability among all of our employees. I would like to highlight in particular something that makes me even more proud – our MilDef Charity Foundation (MCF). MCF was established in 2014 and since then has provided vulnerable individuals with a better future. Every year 1% of MilDef's operating profit goes towards funding MCF. You, our shareholders, can be extra proud of this too – you are contributing to a brighter future for the most vulnerable among us.

#### Positive expectations in 2023

The forward-looking investments that were made over the past few years, in combination with a strong order backlog and an increasingly active market, enable us to predict sustained strong sales, order intake and profitability in 2023. Our operations aimed at the military domain are and will remain our core business. Our confidence in our ability to continue growing in that domain is based on raised defense spendings, increased and pent-up demand for digitalization and on the market share we have won.

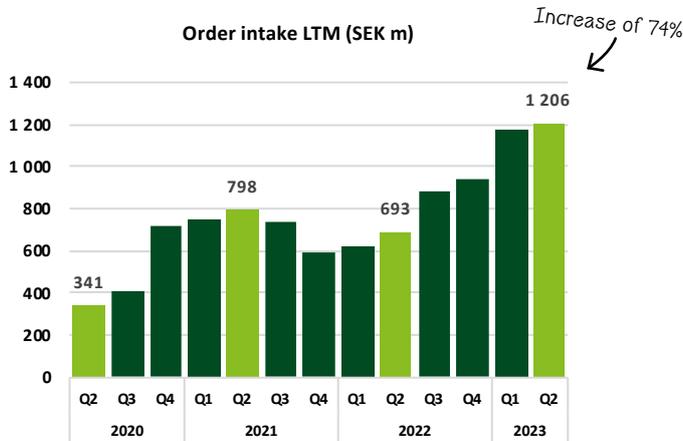
I'm excited, curious and greatly humbled as I take on the role as President and CEO of MilDef. I would also on this occasion like to take the opportunity to thank our employees, customers, suppliers and owners for a successful quarter.



Daniel Ljunggren, President and CEO of MilDef Group

# MilDef's financial development

## ORDER STATUS

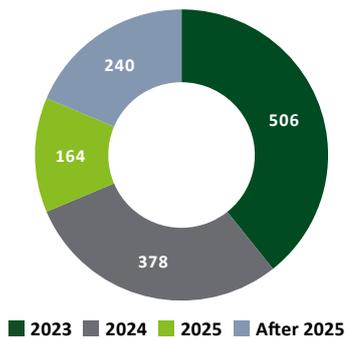


Each individual column in the diagram above shows MilDef's order intake over the last 12 months (LTM) in SEK million. The order intake is the total orders received during the period in question. Deliveries may take place over a number of years. MilDef monitors order intake to analyze future revenue streams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



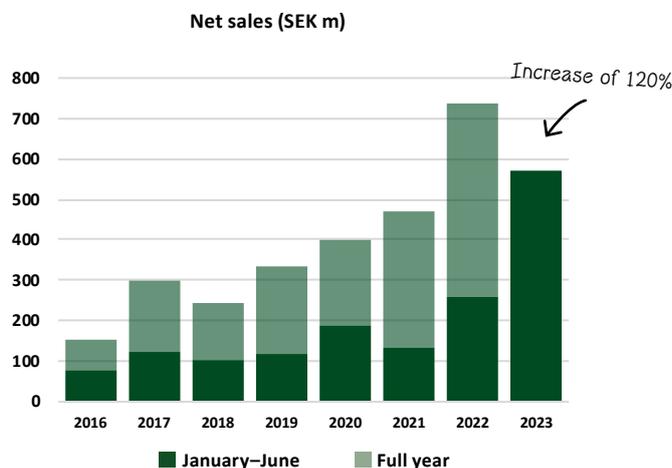
The pie chart above shows future planned deliveries by year in SEK m and is based on MilDef's current order backlog at the end of the period. The actual outcome may differ significantly from the above planned deliveries, above all due to delays.

### Change in order backlog Jan–June 2023 (SEK m)

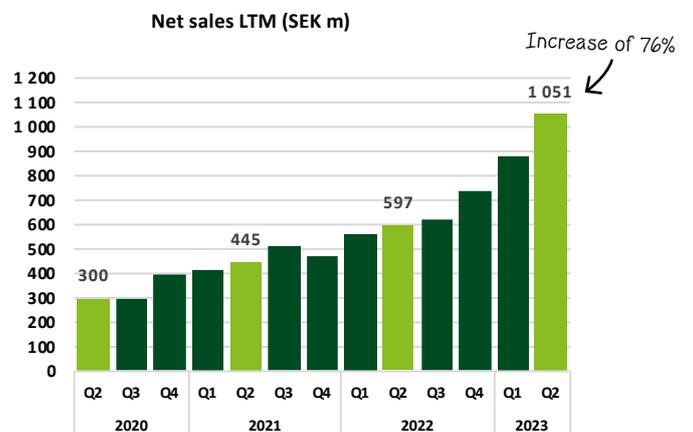
Order backlog as of January 1, 2023	1,156.0
Order intake Jan–June 2023	628.4
Sales Jan–June 2023	-571.7
Sales January–June 2023 not impacting order backlog	44.8
Order backlog acquired in the period	0.0
Currency effect in order backlog during the period	30.5
<b>Order backlog as of June 30, 2023</b>	<b>1,288.0</b>

The table above presents the development of MilDef's order backlog in SEK million during the first half of 2023, and the size of the components included, to arrive at the difference in the order backlog as of January 1, 2023 compared with June 30, 2023.

## NET SALES

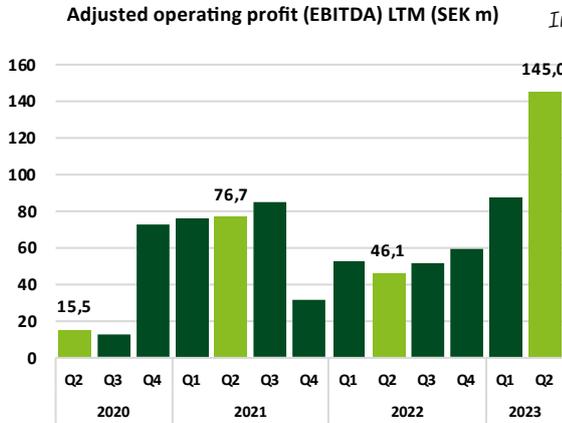


The columns above show MilDef's net sales for full years 2016–2022 and for January–June 2016–2023. The diagram shows the clear seasonal variation in MilDef's net sales.

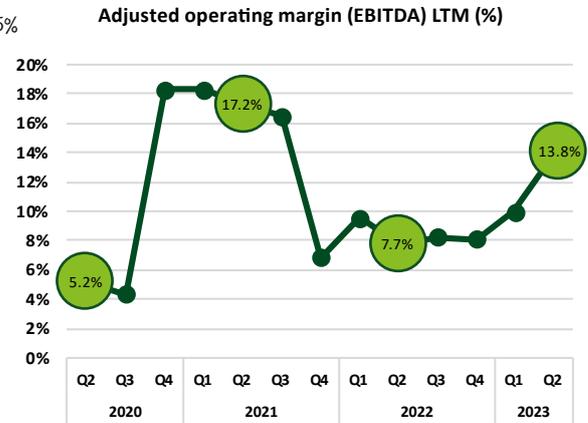


The diagram's columns show MilDef's net sales over the last 12 months (LTM) in SEK million. The columns show the data excluding seasonal variations during the year.

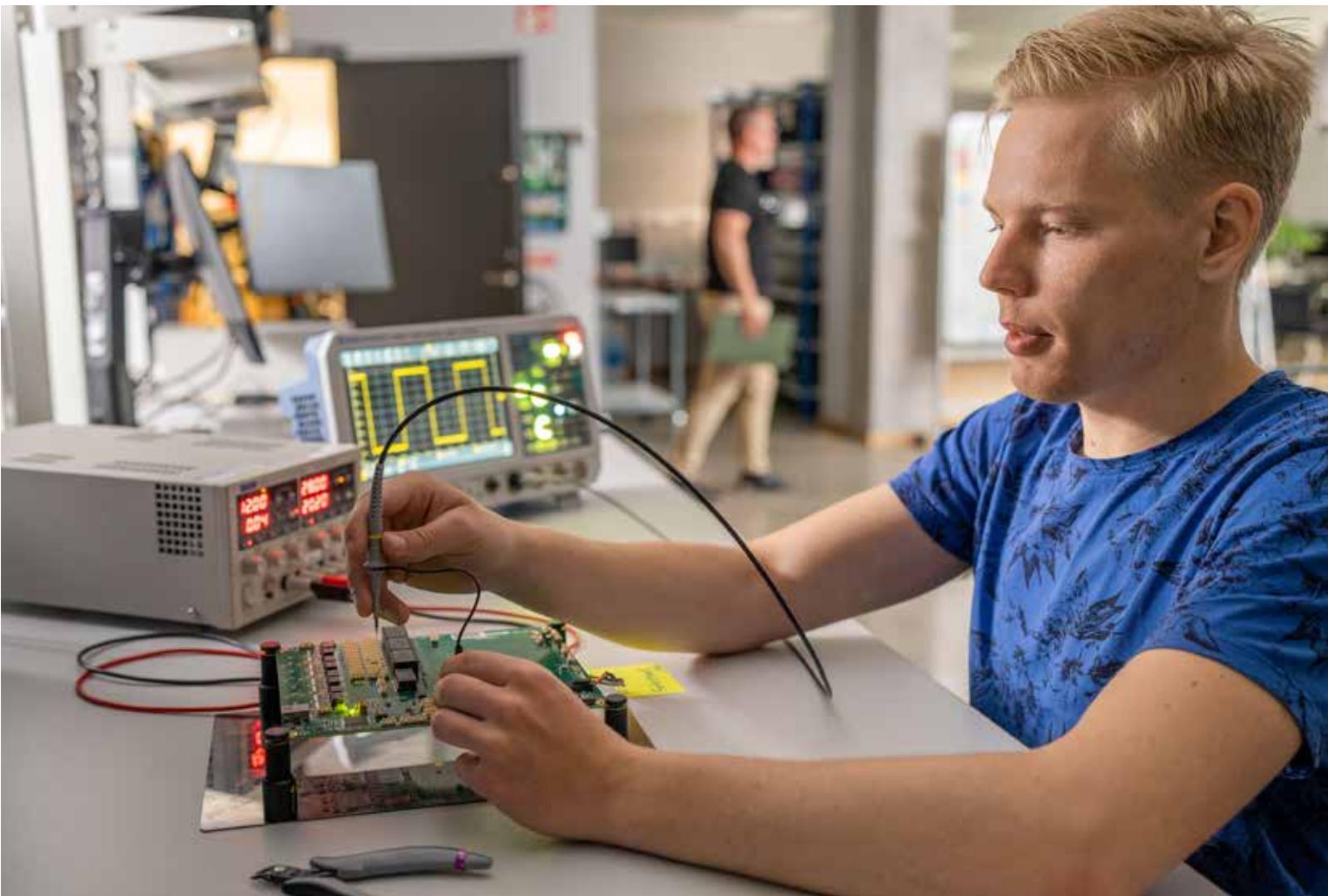
**ADJUSTED OPERATING PROFIT (EBITDA) AND ADJUSTED OPERATING MARGIN (EBITDA)**



Each column in the diagram above shows MilDef’s operating profit (EBITDA) over the last 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 last 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.**

## Second quarter: April–June 2023

### Order status

The order intake remained good in the second quarter of 2023 and, as in the past, this is driven by strong underlying demand for digitalization and modernization among MilDef's end-customers. The order intake in the second quarter of 2023 increased by 11% to SEK 285.5 million compared with SEK 256.4 million in the second quarter of 2022. SEK 57.1 million of the period's order intake is directly related to the acquisition of Handheld Group AB.

### Net sales

Net sales increased in the second quarter of 2023 by 144% compared with the same quarter the previous year and amounted to SEK 288.8 million (118.5). Acquisition-driven growth amounted to SEK 46.6 million in the quarter, and is fully attributable to the acquisition of Handheld Group AB. Organic growth was 104% and acquisition-driven growth made up 40% of the total growth rate in the second quarter.

### Gross profit

Gross profit amounted to SEK 144.8 million (58.0), equivalent to a gross margin of 50% (49). 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 111.2 million (73.0), of which SEK 23.4 million related to operating expenses acquired in the second quarter of 2023. There were no items affecting comparability during the period. Excluding acquisition-related operating expenses, the operating expenses increased by 20%, equivalent to SEK 14.8 million. The increase in expenses was planned for and tracks the Company's steep growth pace. Sequentially the Company's operating expenses increased by 4% in the second quarter of 2023 compared with the first quarter of the year. The operating expenses as a percentage of sales amounted to 39% (62) in the second quarter of 2023.

### Operating profit (EBIT)

The Company's increased sales and improved gross margin in the second quarter led to a clear improvement in operating profits. Operating profit (EBIT) in the second quarter of 2023 amounted to SEK 33.6 million (-15.0). This is equivalent to an operating margin of 11.6% (-12.7). There were no items affecting comparability. 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 47.7 million (-9.6), equivalent to a margin of 16.5% (-8.1). Depreciation/amortization and impairment amounted to SEK 14.1 million (5.4), 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 -6.1 million. The adjusted operating profit does not include non-recurring items.

### Financial items

Net financial income/expense for the period amounted to SEK -5.4 million (-0.2). The increase is mainly due to increased interest expense linked to the acquisition loan taken out for the acquisition of Handheld Group AB.

### Tax

The second quarter's tax effect impacted net profit in the amount of SEK -6.9 million (2.0). Increased tax costs accompany the Company's good financial development. The tax cost for the quarter is equivalent to 24% of profit after financial items.

### Net profit for the quarter

Profit after tax amounted to SEK 21.3 million (-13.2). Earnings per share before dilution amounted to SEK 0.53 (-0.36) and earnings per share after dilution to SEK 0.53 (-0.36).

### Cash flow

Cash flow for the quarter was reported at SEK -40.1 million (-89.3). Operating cash flow in the quarter amounted to SEK -4.2 million (-49.0). The improvement is mainly explained by better operating profit.

Cash flow from operating activities amounted to SEK 8.5 million (-45.1). Cash flow from changes in working capital amounted to SEK -19.0 million (-23.4).

Cash flow from investing activities amounted to SEK -12.7 million (-3.9). SEK 7.5 million is for investments in production development and SEK 5.3 is mostly for investments in production and testing equipment.

Cash flow from financing activities amounted to SEK -35.9 million (-40.3). Contingent considerations from past acquisitions impacted cash flow in the second quarter by SEK 23.1 million. Repayment of loans taken out in connection with the acquisition of Handheld amounted to SEK 7.5 million in the second quarter of 2023. No dividend was paid out in the second quarter of 2023. However, SEK 27.3 million in dividends were paid out in the same period the previous year. Amortization of leases was charged to financing activities in the amount of SEK -5.4 million (-1.6).

## First half of the year: January–June 2023

### Order status

The order intake was strong in the first half of 2023 and, as before, was driven by strong underlying demand for digitalization and modernization among MilDef's end-customers. In the first half of the year the order intake increased by 74% to SEK 628.4 million, compared with SEK 360.3 million for the same period in 2022. The order backlog as of June 30, 2023 is at a record-high level having increased by 41% to SEK 1,288 million compared with the same date the previous year (913). SEK 96.0 million of the period's order intake and SEK 129.0 million of the order backlog relate directly to the acquisition of Handheld Group AB.

### Net sales

Net sales increased in the first half of 2023 by 120% compared with the same period the previous year and amounted to SEK 572.0 million (259.8). Acquisition-driven growth amounted to SEK 78.6 million during the period, all of which is related to the acquisition of Handheld Group AB. Organic growth was 90% and acquisition-driven growth made up 30% of the total growth rate in the first half of the year.

### Gross profit

Gross profit amounted to SEK 273.0 million (124.5), equivalent to a gross margin of 48% (48). The Company's gross margin may vary from quarter to quarter depending on sales volumes and the product and customer mix.

### Operating expenses

Operating expenses amounted to SEK 217.7 million (139.3), of which SEK 45.7 million related to operating costs acquired in the first half of 2023. There were no items affecting comparability during the period. Excluding operating expenses relating to the acquisition, the operating expenses increased by 23%, equivalent to SEK 32.7 million. The increase in expenses was planned for and tracks the Company's steep growth pace. The Company's operating expenses increased by 9% in the first half of 2023 compared with the second half of 2022. Operating expenses as a percentage of sales amounted to 38% (54) in the first half of 2023.

### Operating profit (EBIT)

The Company's increased sales and improved gross margin in the first half of the year led to a clear improvement in operating profits. Operating profit (EBIT) in the first half of 2023 amounted to SEK 55.3 million (-14.8). This is equivalent to an operating margin of 9.7% (-5.7). There were no items affecting comparability. 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 81.7 million (-3.3), equivalent to a margin of 14.3% (-1.3). Depreciation/amortization and impairment amounted to SEK 26.4 million (11.5), with depreciation of acquisition-related assets accounting for most of the increase. Acquisitions in 2022 affected the period's adjusted operating profit in the amount of SEK -14.9 million. The adjusted operating profit does not include non-recurring items.

### Financial items

Net financial income/expense for the period amounted to SEK -9.0 million (-1.0). The increase is mainly due to increased interest expense linked to the acquisition loan taken out for the acquisition of Handheld Group AB.

### Tax

The tax effect of the first half impacted net profit in the amount of SEK -8.7 million (2.9). Increased tax costs accompany the Company's good financial development. The tax cost for the period is equivalent to 19% of profit after financial items.

### Net profit for first half of the year

Profit after tax amounted to SEK 37.6 million (-12.9). Earnings per share before dilution amounted to SEK 0.94 (-0.36) and earnings per share after dilution to SEK 0.93 (-0.35).

### Cash flow

Cash flow for the first half of the year was reported at SEK -22.9 million (-48.2). Operating cash flow in the first half amounted to SEK 24.5 million (-5.6). The improvement is mainly explained by better operating profit.

Cash flow from operating activities amounted to SEK 49.0 million (1.6). Cash flow from changes in working capital amounted to SEK -0.3 million (22.4).

Cash flow from investing activities amounted to SEK -24.5 million (-7.2). SEK 17.9 million is for investments in production development and SEK 6.6 million is mostly for investments in production and testing equipment.

Cash flow from financing activities amounted to SEK -47.4 million (-42.6). In the first half of the year contingent considerations from past acquisitions impacted cash flow by SEK 23.1 million. Repayment of loans taken out in connection with the acquisition of Handheld amounted to SEK 15.0 million during the period. No dividends were paid out in the first half of 2023. However, SEK 27.3 million in dividends were paid out in the same period the previous year. Amortization of leases was charged to financing activities in the amount of SEK -9.3 million (-3.9).

### Equity

The Group's equity amounted to SEK 820.7 million (534.6) at the end of the period. The equity-assets ratio as of June 30, 2023 was 58% (70).

### Net working capital

Net working capital amounted to SEK 328.5 million (140.9) 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 7 percentage points, from 24% for the same period the previous year, to 31% as of June 30, 2023. However, there is a decrease in net operating capital in relation to net sales if compared with March 31, 2023 as on that date net operating capital in relation to net sales was 33% compared to 31% at this time.

SEK m	June 30, 2023	Dec. 31, 2022	June 30, 2022
Inventories	271.4	236.5	113.0
Accounts receivable	179.3	255.4	81.4
Other current receivables	107.5	69.9	59.1
Accounts payable	-96.8	-105.1	-43.0
Other current liabilities	-132.9	-151.1	-69.6
<b>Net working capital</b>	<b>328.5</b>	<b>305.6</b>	<b>140.9</b>
<i>as a percentage of net sales LTM (%)</i>	31%	41%	24%

### Net debt and cash and cash equivalents

The net debt including lease liabilities amounted to SEK 271.2 million (-36.1) at the end of the period. Cash and cash equivalents as of June 30 amounted to SEK 37.4 million (123.1). 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 last 12-month period, excluding the effects of IFRS 16 Leases, amounted to 1.0 (-2.0). When calculated including the effects of IFRS 16 the net debt/equity ratio was 1.9 (-0.8).

SEK m	June 30, 2023	Dec. 31, 2022	June 30, 2022
Other interest-bearing liabilities	189.4	227.9	29.9
Lease liabilities	119.2	86.8	57.1
Cash and cash equivalents	-37.4	-59.9	-123.1
<b>Net debt incl. IFRS 16</b>	<b>271.2</b>	<b>254.8</b>	<b>-36.1</b>
<i>relative to adjusted operating profit (EBITDA) LTM, times</i>	1.9	4.2	-0.8



# 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 43 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 June 30, 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 65.50 and the market value was SEK 2,611 million. The total number of shareholders at the end of the period was around 10,200.

## 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](http://www.mildef.com).

## Judgements and estimates in the financial statements

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

## Alternative performance measure

MilDef applies the guidelines for alternative performance measures issued by ESMA, the European Securities and Markets Authority. Alternative performance measures are financial measures that cannot be directly gleaned or deduced from the financial statements. These financial measures are intended to facilitate the Management Team's and investors' analysis of the Group's development. Investors should not regard these alternative performance measures as substitutes for the financial statements prepared in accordance with IFRS, but rather as complements to the statements. Definitions of the alternative performance measures are presented on page 27.

## Segments

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

## Fluctuation in order inflow and sales

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

## Significant events during the second quarter of 2023

MilDef's Swedish integration operations secured a three-year contract for digitalization of a support vessel, a light supply vessel, for the Swedish Amphibious Corps. The assignment is part of the large framework agreement that MilDef signed with the Swedish Defence Materiel Administration (FMV) in 2022. Management systems will be upgraded and installed in 16 vessels for a value of SEK 37 million. MilDef has previously designed, configured and installed both its own hardware and other support systems

as part of the process of modernizing Swedish ships and combat boats. The FMV has once again entrusted MilDef with designing and installing the hardware required by modern battle control systems. The light supply vessel is one of the Swedish Amphibious Corps' support ships and for a three-year period MilDef will handle the modernization of all sixteen units. The assignment builds on a prototype system that was recently tested in major Swedish military exercise called Aurora 2023.

MilDef has accelerated its investment in the USA by consolidating MilDef Inc. and the recently acquired Handheld operations into a strong and focused entity. This doubles MilDef's total presence in the USA and significantly expands the product offering for a great reach within the military, public sector and critical infrastructure sectors. Jim Rimap, currently CEO of Handheld US Inc., will now head all of MilDef's activities in the USA.

Jim has served as CEO of Handheld's US operations since 2015 and has a solid background in the defense-related IT industry, including as CEO of Getac in the USA. Under the consolidated strategy MilDef will increase its business focus, double its footprint in the USA and realize synergies from the Handheld acquisition. No changes will be made to existing offices or operating units. MilDef instead expects to open more offices and recruit more employees in the USA as the business continues to grow. The USA's defense market is the largest defense market in the world and its defense budget represents almost 50% of all other countries' defense budgets combined.

MilDef has extended its framework agreement with the Norwegian Defence Materiel Agency (NDMA). The agreement, which was originally signed in May 2020, has now been extended for a further two years, from 2023 to 2025. Under the agreement MilDef will continue to provide its groundbreaking military IT solutions to support the NDMA. The extension is the first of two possible extensions, each for two years, as part of the original three-year agreement. MilDef looks forward to continuing its successful partnership with the NDMA and is determined to provide state-of-the-art military IT solutions that meet the agency's high standards.

In May MilDef recruited Viveca Johnsson as new CFO. Viveca has a solid financial background as well as experience from the industrial sector. She comes to MilDef from Nederman, an industrial company where she has worked since 2013. Viveca will join MilDef's Management Team and report directly to the CEO. She will take up the post no later than September 18, 2023. Viveca is taking over from Daniel Ljunggren who has served as the Company's CFO since 2011. Daniel has taken on the role as MilDef's President and CEO.

### Significant events after the end of the period

MilDef's subsidiary Handheld secured a strategically important development project with a global defense group to develop soldier-borne control systems for ultra-small drones. The project has growth potential. The custom-made control computer to be attached to uniforms is based on a 7-inch ultra-rugged Handheld Android tablet. The customer is a global defense group, based in the US, that delivers nano drones for military battlefield surveillance.

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 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.

### Employees

The number of employees in the Group, recalculated to full-time equivalents (FTEs), was 304 (213) at the end of the period. 226 (167) of the employees were men and 78 (46) were women. The average number of FTEs during the period was 300, compared with 209 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 15% of MilDef's employees work in R&D-related positions.

### Significant risks and factors of uncertainty

MilDef's operations and results are affected by a number of external and internal factors. A constant process is under way to identify all 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.

### Annual General Meeting 2023

The Annual General Meeting on May 25, 2023 decided to re-elect board members Jan Andersson, Marianne Trolle, Lennart Pihl, Charlotte Darth and Christian Hammenborn, and to elect Björn Karlsson and Bengt-Arne Molin as new members. Berndt Grundevik has declined re-election. Björn Karlsson was appointed as Chair of the Board.

At the subsequent statutory board meeting Björn Karlsson (Chair) and Jan Andersson were elected as members of the Remuneration Committee until the next statutory board meeting. For the same period, Lennart Pihl (Chair), Charlotte Darth and Christian Hammenborn were elected as members of the Audit Committee.

Öhrlings PricewaterhouseCoopers AB with Eric Salander as Auditor-in-Charge was elected as the Company's auditor for a term of one year. Auditors' fees are payable as invoiced.

The 2023 Annual General Meeting decided in accordance with the Board of Directors' proposal to pay no dividend to the shareholders for the 2022 financial year. This decision was made against the background of the Company's steep growth trajectory and estimated increased working capital requirement for 2023.

The AGM also decided to authorize the Board, on one or several

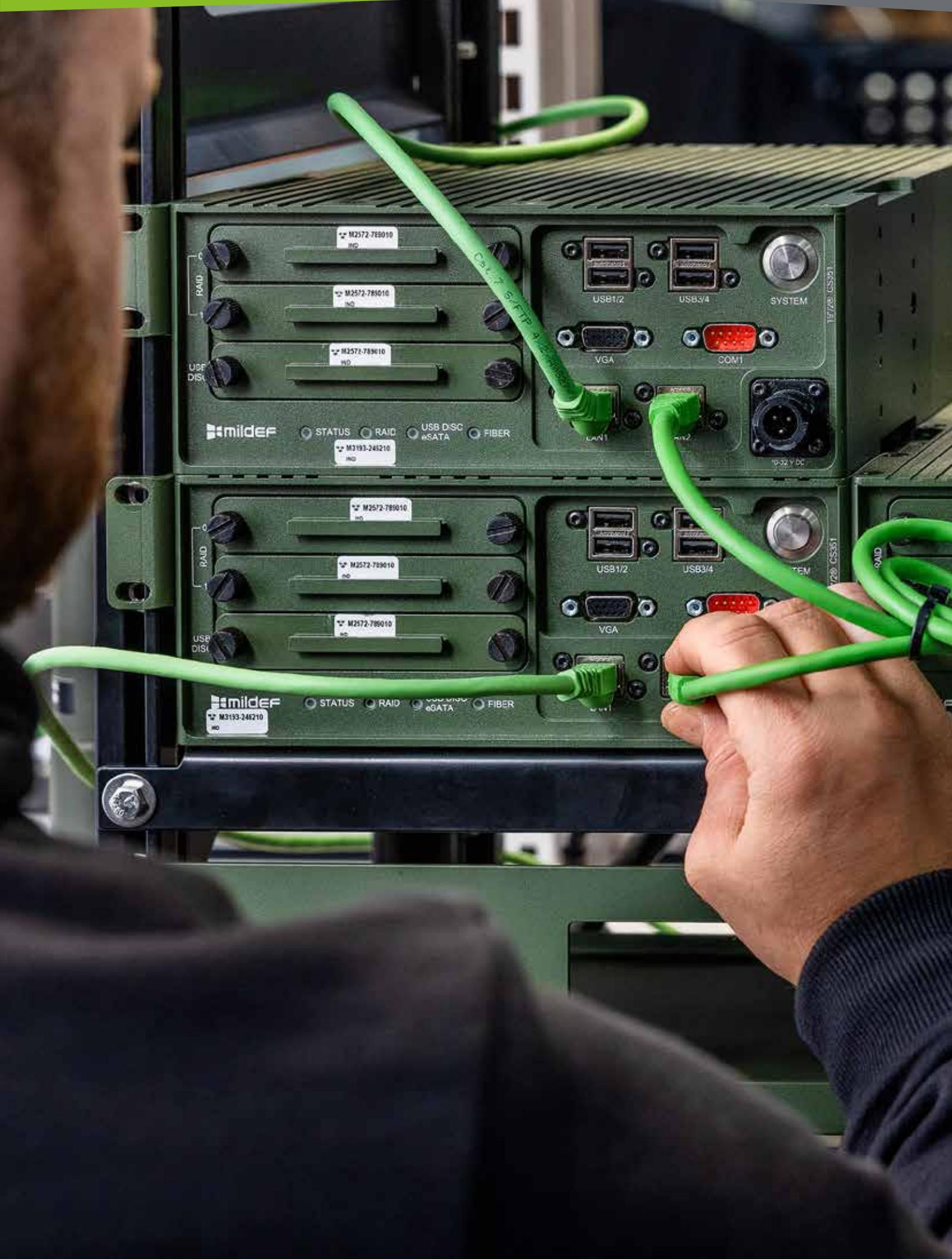
occasions up to the 2024 AGM, to decide on issuing new shares for cash, in-kind or offset payment, allowing deviation from the shareholders' preferential rights. This authorization is limited to a maximum of 10% of the total number of shares in the Company at the time the authorization is exercised. The purpose of the authorization and the reason for the deviation from the shareholders' preferential rights is to enable the Company to issue shares to finance acquisitions of companies or operations, or part thereof.

### 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.

### Audit review

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



## Condensed consolidated income statement

SEK m	Note	April 1–June 30		January 1–June 30		Last 12 months	Full year
		2023	2022	2023	2022	July 2022–June 2023	2022
Net sales	2	288.8	118.5	572.0	259.8	1,051.0	738.8
Cost of goods sold		-144.0	-60.5	-299.0	-135.3	-550.2	-386.5
<b>Gross profit</b>		<b>144.8</b>	<b>58.0</b>	<b>273.0</b>	<b>124.5</b>	<b>500.8</b>	<b>352.3</b>
Selling expenses		-67.0	-43.3	-134.0	-85.6	-254.7	-206.3
Administrative expenses		-21.3	-15.7	-41.7	-30.6	-78.3	-67.2
Research and development expenses		-20.5	-10.7	-39.5	-19.9	-68.6	-49.0
Other operating income/expenses		-2.4	-3.3	-2.5	-3.2	0.1	-0.6
<b>Operating profit</b>		<b>33.6</b>	<b>-15.0</b>	<b>55.3</b>	<b>-14.8</b>	<b>99.3</b>	<b>29.2</b>
Net financial items		-5.4	-0.2	-9.0	-1.0	-18.0	-10.0
<b>Profit after financial items</b>		<b>28.2</b>	<b>-15.2</b>	<b>46.3</b>	<b>-15.8</b>	<b>81.3</b>	<b>19.2</b>
Income tax		-6.9	2.0	-8.7	2.9	-16.6	-5.0
<b>Net profit for the period</b>		<b>21.3</b>	<b>-13.2</b>	<b>37.6</b>	<b>-12.9</b>	<b>64.7</b>	<b>14.2</b>
<b>Other comprehensive income for the Group</b>							
<i>Items that may be reclassified subsequently to profit or loss</i>							
Translation differences		3.5	-1.7	-4.8	6.7	-1.9	9.6
<b>Other comprehensive income for the period</b>		<b>3.5</b>	<b>-1.7</b>	<b>-4.8</b>	<b>6.7</b>	<b>-1.9</b>	<b>9.6</b>
<b>Comprehensive income for the period</b>		<b>24.8</b>	<b>-14.9</b>	<b>32.8</b>	<b>-6.2</b>	<b>62.8</b>	<b>23.8</b>

### Earnings per share

	April 1–June 30		January 1–June 30		Last 12 months	Full year
	2023	2022	2023	2022	July 2022–June 2023	2022
Number of shares at end of period	39,859,566	36,389,373	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	39,859,566	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	40,301,066	36,832,873	40,276,377	37,844,488
<b>Earnings per share before dilution (SEK)</b>	<b>0.53</b>	<b>-0.36</b>	<b>0.94</b>	<b>-0.36</b>	<b>1.63</b>	<b>0.38</b>
<b>Earnings per share after dilution (SEK)</b>	<b>0.53</b>	<b>-0.36</b>	<b>0.93</b>	<b>-0.35</b>	<b>1.61</b>	<b>0.37</b>

## Condensed consolidated balance sheet

SEK m	June 30, 2023	Dec. 31, 2022	June 30, 2022
<b>ASSETS</b>			
<b>Non-current assets</b>			
Capitalized product development expenses	67.5	56.2	14.9
Acquisition-related intangible assets	585.7	598.7	284.7
Other intangible assets	0.4	0.4	0.5
Right-of-use assets	120.4	85.2	56.0
Other property, plant and equipment	17.4	17.1	14.9
Deferred tax assets	21.2	14.3	11.7
Other financial non-current assets	0.3	0.3	0.2
<b>Total non-current assets</b>	<b>812.9</b>	<b>772.2</b>	<b>382.9</b>
Inventories	271.4	236.5	113.0
Accounts receivable	179.3	255.4	81.4
Other current receivables	107.5	69.9	59.1
Cash and cash equivalents	37.4	59.9	123.1
<b>Total current assets</b>	<b>595.6</b>	<b>621.7</b>	<b>376.6</b>
<b>TOTAL ASSETS</b>	<b>1,408.5</b>	<b>1,393.9</b>	<b>759.5</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>820.7</b>	<b>787.9</b>	<b>534.6</b>
<b>Non-current liabilities</b>			
Lease liabilities	88.2	70.6	49.4
Non-current interest-bearing liabilities	147.5	174.8	10.6
Provisions for taxes	49.5	35.1	25.3
<b>Total non-current liabilities</b>	<b>285.2</b>	<b>280.5</b>	<b>85.3</b>
<b>Current liabilities</b>			
Current interest-bearing liabilities	41.9	53.1	19.3
Lease liabilities	31.0	16.2	7.7
Accounts payable	96.8	105.1	43.0
Other current liabilities	132.9	151.1	69.6
<b>Total current liabilities</b>	<b>302.6</b>	<b>325.5</b>	<b>139.6</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,408.5</b>	<b>1,393.9</b>	<b>759.5</b>

## Condensed consolidated statement of changes in equity

SEK m	June 30, 2023	Dec. 31, 2022	June 30, 2022
Equity, opening balance	787.9	568.2	568.2
Comprehensive income for the period after tax	32.8	23.8	-6.2
New share issues	-	223.2	-
Dividend	-	-27.3	-27.3
<b>Equity, closing balance</b>	<b>820.7</b>	<b>787.9</b>	<b>534.6</b>

## Condensed consolidated cash flow statement

SEK m	April 1–June 30		January 1–June 30		Last 12 months	Full year
	2023	2022	2023	2022	July 2022–June 2023	2022
<b>Cash flow from operating activities</b>						
Operating profit	33.6	-15.0	55.3	-14.8	99.3	29.2
Reversal of depreciation, amortization and impairment	14.0	5.4	26.3	11.5	45.6	30.8
Other non-cash items	0.2	-0.6	0.6	-0.4	-0.2	-1.2
Net interest income/expense	-5.4	-0.1	-9.4	-0.9	-13.1	-4.6
Income taxes paid	-14.9	-11.5	-23.5	-16.2	-14.9	-7.6
Change in working capital	-19.0	-23.4	-0.3	22.4	-146.1	-123.4
<b>Cash flow from operating activities</b>	<b>8.5</b>	<b>-45.1</b>	<b>49.0</b>	<b>1.6</b>	<b>-29.4</b>	<b>-76.8</b>
<b>Cash flow from investing activities</b>						
Investments in intangible assets	-7.5	-2.2	-17.9	-5.2	-25.9	-13.2
Investments in property, plant and equipment	-5.3	-1.7	-6.6	-2.0	-9.4	-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
<b>Cash flow from investing activities</b>	<b>-12.7</b>	<b>-3.9</b>	<b>-24.5</b>	<b>-7.2</b>	<b>-418.6</b>	<b>-401.3</b>
<b>Cash flow from financing activities</b>						
Dividend	-	-27.3	-	-27.3	-	-27.3
New share issues	-	-	-	-	223.2	223.2
Increase in liabilities to credit institutions	-	-	-	-	200.0	200.0
Change in interest-bearing liabilities	-30.6	-11.4	-38.1	-11.4	-46.5	-19.8
Change in lease liabilities	-5.4	-1.6	-9.3	-3.9	-15.8	-10.4
<b>Cash flow from financing activities</b>	<b>-35.9</b>	<b>-40.3</b>	<b>-47.4</b>	<b>-42.6</b>	<b>360.9</b>	<b>365.7</b>
<b>Total cash flow for the period</b>	<b>-40.1</b>	<b>-89.3</b>	<b>-22.9</b>	<b>-48.2</b>	<b>-87.1</b>	<b>-112.4</b>
<b>Change in cash and cash equivalents</b>						
Cash and cash equivalents at beginning of period	75.9	212.2	59.9	169.2	123.1	169.2
Translation differences	1.6	0.2	0.4	2.1	1.5	3.2
<b>Cash and cash equivalents at end of period</b>	<b>37.4</b>	<b>123.1</b>	<b>37.4</b>	<b>123.1</b>	<b>37.4</b>	<b>59.9</b>

## Quarterly overview for the Group

SEK m	2023		2022			2021			
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Net sales	288.8	283.2	315.3	163.7	118.5	141.3	200.7	136.6	81.3
Cost of goods sold	-144.0	-155.0	-170.8	-80.4	-60.5	-74.8	-108.0	-75.6	-42.5
<b>Gross profit</b>	<b>144.8</b>	<b>128.2</b>	<b>144.5</b>	<b>83.3</b>	<b>58.0</b>	<b>66.5</b>	<b>92.7</b>	<b>61.0</b>	<b>38.9</b>
Operating expenses	-111.2	-106.5	-113.0	-70.8	-73.0	-66.3	-64.5	-58.7	-49.4
<b>Operating profit</b>	<b>33.6</b>	<b>21.7</b>	<b>31.5</b>	<b>12.5</b>	<b>-15.0</b>	<b>0.2</b>	<b>28.2</b>	<b>2.3</b>	<b>-10.5</b>
Net financial items	-5.4	-3.6	-3.7	-5.3	-0.2	-0.8	-0.9	-1.7	1.6
<b>Profit before tax</b>	<b>28.2</b>	<b>18.1</b>	<b>27.8</b>	<b>7.2</b>	<b>-15.2</b>	<b>-0.6</b>	<b>27.3</b>	<b>0.6</b>	<b>-8.9</b>
Income tax on profit for the period	-6.9	-1.8	-7.3	-0.6	2.0	0.9	-6.7	0.9	5.3
<b>Net profit for the period</b>	<b>21.3</b>	<b>16.3</b>	<b>20.5</b>	<b>6.6</b>	<b>-13.2</b>	<b>0.3</b>	<b>20.6</b>	<b>1.4</b>	<b>-3.6</b>

## 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	April 1–June 30		January 1–June 30		Last 12 months	Full year
	2023	2022	2023	2022	July 2022– June 2023	2022
Net sales	23.2	19.2	46.6	38.3	29.9	21.6
Selling expenses	-6.8	-7.1	-13.9	-12.9	-10.6	-9.6
Administrative expenses	-9.7	-7.9	-18.7	-14.7	-12.8	-8.8
Research and development expenses	-6.4	-5.1	-12.1	-9.7	-8.4	-6.0
Other operating income/expenses	-0.1	-0.2	0.0	-0.2	-0.3	-0.5
<b>Operating profit</b>	<b>0.2</b>	<b>-1.1</b>	<b>1.9</b>	<b>0.8</b>	<b>-2.2</b>	<b>-3.3</b>
Net financial items	0.5	1.1	0.7	1.6	-3.4	-2.5
<b>Profit after financial items</b>	<b>0.7</b>	<b>0.0</b>	<b>2.6</b>	<b>2.4</b>	<b>-5.6</b>	<b>-5.8</b>
Year-end appropriations	-	-	-	-	8.7	8.7
<b>Profit before tax</b>	<b>0.7</b>	<b>0.0</b>	<b>2.6</b>	<b>2.4</b>	<b>3.1</b>	<b>2.9</b>
Income tax	-0.1	-0.5	-0.5	-0.5	-1.4	-1.4
<b>Net profit for the period</b>	<b>0.6</b>	<b>-0.5</b>	<b>2.1</b>	<b>1.9</b>	<b>1.7</b>	<b>1.5</b>
<b>Other comprehensive income</b>						
<b>Net profit for the period</b>	<b>0.6</b>	<b>-0.5</b>	<b>2.1</b>	<b>1.9</b>	<b>1.7</b>	<b>1.5</b>
<b>Other comprehensive income</b>						
<i>Items that may be reclassified subsequently to profit or loss</i>	-	-	-	-	-	-
<b>Other comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Comprehensive income for the period</b>	<b>0.6</b>	<b>-0.5</b>	<b>2.1</b>	<b>1.9</b>	<b>1.7</b>	<b>1.5</b>

## Condensed Parent Company balance sheet

SEK m	June 30, 2023	Dec. 31, 2022	June 30, 2022
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9.1	9.5	9.6
Financial non-current assets	781.3	780.6	430.6
<b>Total non-current assets</b>	<b>790.4</b>	<b>790.1</b>	<b>440.2</b>
Current receivables from Group companies	236.3	173.6	136.0
Other current receivables	19.9	16.0	15.0
Cash and cash equivalents	39.5	51.5	77.4
<b>Total current assets</b>	<b>295.7</b>	<b>241.1</b>	<b>228.4</b>
<b>TOTAL ASSETS</b>	<b>1,086.1</b>	<b>1,031.2</b>	<b>668.6</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>755.9</b>	<b>753.8</b>	<b>529.8</b>
<b>Untaxed reserves</b>	<b>3.6</b>	<b>3.6</b>	<b>5.5</b>
<b>Non-current liabilities</b>			
Non-current interest-bearing liabilities	185.5	174.8	10.6
Deferred tax liabilities	0.6	-	0.5
<b>Total non-current liabilities</b>	<b>186.1</b>	<b>174.8</b>	<b>11.1</b>
<b>Current liabilities</b>			
Current interest-bearing liabilities	41.9	53.1	19.3
Current liabilities to Group companies	82.0	30.0	88.9
Accounts payable	2.9	3.2	2.5
Other current liabilities	13.7	12.7	11.5
<b>Total current liabilities</b>	<b>140.5</b>	<b>99.0</b>	<b>122.2</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,086.1</b>	<b>1,031.2</b>	<b>668.6</b>

## Condensed Parent Company statement of changes in equity

SEK m	June 30, 2023	Dec. 31, 2022	June 30, 2022
Equity, opening balance	753.8	555.2	555.2
Comprehensive income for the period after tax	2.1	2.7	1.9
New share issues	-	223.2	-
Dividend	-	-27.3	-27.3
<b>Equity, closing balance</b>	<b>755.9</b>	<b>753.8</b>	<b>529.8</b>

## Notes

### Note 1. Net sales by geographic area

SEK m	Q2 2023	Q2 2022	Jan–June 2023	Jan–June 2022	Last 12 months	Full year 2022
Nordics	202.6	82.7	350.9	177.2	630.4	456.7
Europe (excl. Nordics)	36.7	16.4	109.6	34.3	194.7	119.4
North America	23.1	17.9	77.9	45.6	183.4	151.1
Other countries	26.4	1.5	33.6	2.7	42.5	11.6
<b>Total revenue</b>	<b>288.8</b>	<b>118.5</b>	<b>572.0</b>	<b>259.8</b>	<b>1,051.0</b>	<b>738.8</b>

### Note 2. Non-recurring items

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

SEK m	Q2 2023	Q2 2022	Jan–June 2023	Jan–June 2022	Last 12 months	Full year 2022
Listing expenses	-	-	-	-	-	-
Acquisition-related expenses	-	-	-	-	-	-
<b>Total non-recurring items</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

## Additional performance measures

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

Operating profit (EBIT), SEK m	Q2 2023	Q2 2022	Jan–June 2023	Jan–June 2022	Last 12 months	Full year 2022
<b>Operating profit (EBIT)</b>	33.6	-15.0	55.3	-14.8	99.3	29.2
Listing expenses	-	-	-	-	-	-
Acquisition-related expenses	-	-	-	-	-	-
<b>Adjusted operating profit (EBIT)</b>	<b>33.6</b>	<b>-15.0</b>	<b>55.3</b>	<b>-14.8</b>	<b>99.3</b>	<b>29.2</b>
<b>Adjusted operating profit (EBIT)</b>	33.6	-15.0	55.3	-14.8	99.3	29.2
Net sales	288.8	118.5	572.0	259.8	1,051.0	738.8
<b>Adjusted operating margin (EBIT), %</b>	<b>11.6%</b>	<b>-12.7%</b>	<b>9.7%</b>	<b>-5.7%</b>	<b>9.4%</b>	<b>4.0%</b>
<b>Operating profit (EBITA), SEK m</b>						
Operating profit (EBIT)	33.6	-15.0	55.3	-14.8	99.3	29.2
Amortization of intangible assets	7.2	2.8	14.0	5.7	23.9	15.6
<b>Operating profit (EBITA)</b>	<b>40.8</b>	<b>-12.2</b>	<b>69.3</b>	<b>-9.1</b>	<b>123.2</b>	<b>44.8</b>
<b>Adjusted operating profit (EBITA), SEK m</b>						
Operating profit (EBITA)	40.8	-12.2	69.3	-9.1	123.2	44.8
Listing expenses	-	-	-	-	-	-
Acquisition-related expenses	-	-	-	-	-	-
<b>Adjusted operating profit (EBITA)</b>	<b>40.8</b>	<b>-12.2</b>	<b>69.3</b>	<b>-9.1</b>	<b>123.2</b>	<b>44.8</b>
<b>Adjusted operating profit (EBITA)</b>	40.8	-12.2	69.3	-9.1	123.2	44.8
Net sales	288.8	118.5	572.0	259.8	1,051.0	738.8
<b>Adjusted operating margin (EBITA), %</b>	<b>14.1%</b>	<b>-10.3%</b>	<b>12.1%</b>	<b>-3.5%</b>	<b>11.7%</b>	<b>6.1%</b>
<b>Operating profit (EBITDA), SEK m</b>						
Operating profit (EBIT)	33.6	-15.0	55.3	-14.8	99.3	29.2
Depreciation/amortization	14.1	5.4	26.4	11.5	45.7	30.8
<b>Operating profit (EBITDA)</b>	<b>47.7</b>	<b>-9.6</b>	<b>81.7</b>	<b>-3.3</b>	<b>145.0</b>	<b>60.0</b>
<b>Adjusted operating profit (EBITDA), SEK m</b>						
Operating profit (EBITDA)	47.7	-9.6	81.7	-3.3	145.0	60.0
Listing expenses	-	-	-	-	-	-
Acquisition-related expenses	-	-	-	-	-	-
<b>Adjusted operating profit (EBITDA)</b>	<b>47.7</b>	<b>-9.6</b>	<b>81.7</b>	<b>-3.3</b>	<b>145.0</b>	<b>60.0</b>
<b>Adjusted operating profit (EBITDA)</b>	47.7	-9.6	81.7	-3.3	145.0	60.0
Net sales	288.8	118.5	572.0	259.8	1,051.0	738.8
<b>Adjusted operating margin (EBITDA), %</b>	<b>16.5%</b>	<b>-8.1%</b>	<b>14.3%</b>	<b>-1.3%</b>	<b>13.8%</b>	<b>8.1%</b>

**Available cash and cash equivalents**

SEK m	June 30, 2023	Mar. 31, 2023	Dec. 31, 2022	Sept. 30, 2022	June 30, 2022
Cash and bank balances	37.4	75.9	59.9	121.4	123.1
Unutilized overdraft facility	75.0	75.0	75.0	75.0	50.0
<b>Available cash and cash equivalents</b>	<b>112.4</b>	<b>150.9</b>	<b>134.9</b>	<b>196.4</b>	<b>173.1</b>

**Working capital including cash and bank balances**

SEK m	June 30, 2023	Mar. 31, 2023	Dec. 31, 2022	Sept. 30, 2022	June 30, 2022
Total current assets	558.2	519.3	561.8	415.1	253.5
Cash and bank balances	37.4	75.9	59.9	121.4	123.1
Current liabilities, non-interest-bearing	-229.7	-224.9	-256.2	-187.5	-112.6
<b>Working capital including cash and bank balances</b>	<b>365.9</b>	<b>370.3</b>	<b>365.5</b>	<b>349.0</b>	<b>264.0</b>
Net sales last 12 months	1,051.0	880.7	738.8	624.2	597.1
<b>Working capital including cash and bank balances in relation to net sales, %</b>	<b>34.8%</b>	<b>42.0%</b>	<b>49.5%</b>	<b>55.9%</b>	<b>44.2%</b>

**Working capital excluding cash and bank balances**

SEK m	June 30, 2023	Mar. 31, 2023	Dec. 31, 2022	Sept. 30, 2022	June 30, 2022
Inventories	271.4	235.9	236.5	188.9	113.0
Current receivables	286.8	283.4	325.3	226.2	140.5
Current liabilities, non-interest-bearing	-229.7	-224.9	-256.2	-187.5	-112.6
<b>Working capital excluding cash and bank balances</b>	<b>328.5</b>	<b>294.4</b>	<b>305.6</b>	<b>227.6</b>	<b>140.9</b>
Net sales last 12 months	1,051.0	880.7	738.8	624.2	597.1
<b>Working capital excluding cash and bank balances in relation to net sales, %</b>	<b>31.3%</b>	<b>33.4%</b>	<b>41.4%</b>	<b>36.5%</b>	<b>23.6%</b>

**Return on capital employed**

SEK m	June 30, 2023	Mar. 31, 2023	Dec. 31, 2022	Sept. 30, 2022	June 30, 2022
Profit after financial items, last 12 months	81.3	37.9	19.2	18.7	12.1
Financial expense, last 12 months	-23.4	5.8	13.4	7.9	6.4
Profit before financial expense, last 12 months	57.9	43.7	32.6	26.6	18.5
Capital employed at beginning of period	621.6	676.9	670.3	664.8	595.7
Capital employed at end of period	1,129.3	1,118.3	1,102.6	1,086.6	621.6
Average capital employed	875.5	897.6	886.5	875.7	608.7
<b>Return on capital employed, %</b>	<b>6.6%</b>	<b>4.9%</b>	<b>3.7%</b>	<b>3.0%</b>	<b>3.0%</b>

**Return on equity**

SEK m	June 30, 2023	Mar. 31, 2023	Dec. 31, 2022	Sept. 30, 2022	June 30, 2022
Profit after tax, last 12 months	64.7	30.2	14.2	14.4	9.2
Equity at beginning of period	534.6	576.9	568.2	544.5	513.0
Equity at end of period	820.7	795.9	787.9	765.9	534.6
Average equity	677.7	686.4	678.1	655.2	523.8
<b>Return on equity, %</b>	<b>9.5%</b>	<b>4.4%</b>	<b>2.1%</b>	<b>2.2%</b>	<b>1.8%</b>

**Net debt/EBITDA**

SEK m	June 30, 2023	Mar. 31, 2023	Dec. 31, 2022	Sept. 30, 2022	June 30, 2022
Non-current liabilities, interest-bearing	235.7	230.9	245.4	253.9	60.0
Current liabilities, interest-bearing	72.9	91.5	69.3	66.8	27.0
Cash and bank balances	-37.4	-75.9	-59.9	-121.4	-123.1
<b>Net debt incl. IFRS 16</b>	<b>271.2</b>	<b>246.5</b>	<b>254.8</b>	<b>199.3</b>	<b>-36.1</b>
Operating profit, last 12 months	99.3	50.7	29.2	25.9	15.7
Depreciation, amortization and impairment, last 12 months	45.7	37.0	30.8	25.3	26.0
Non-recurring items, last 12 months	-	-	-	-	4.4
Adjusted EBITDA, last 12 months	145.0	87.7	60.0	51.2	46.1
<b>Net debt/EBITDA, multiple</b>	<b>1.9</b>	<b>2.8</b>	<b>4.2</b>	<b>3.9</b>	<b>-0.8</b>

# Board of Directors' assurance

The Board of Directors and CEO affirm that the half-year 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, July 27, 2023

**Björn Karlsson**  
Chair

**Jan Andersson**  
Board member

**Marianne Trolle**  
Board member

**Christian Hammenborn**  
Board member

**Charlotte Darth**  
Board member

**Lennart Pihl**  
Board member

**Bengt-Arne Molin**  
Board member

**Daniel Ljunggren**  
Chief Executive Officer

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

# 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, on a rolling 12-month basis, 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 as is 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

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





## Important information

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

## For further information please contact:



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## Invitation to a presentation of MilDef's half-year report, January–June 2023

The presentation will be held in English and will conclude with a Q&A. The meeting will start at 10:00 CEST on July 27, 2023 and last for about 45 minutes. The report will be made available at [www.mildef.com](http://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: 991 860 776#

## Financial calendar

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 July 27, 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.*

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