

2020

Annual Report



Your number one choice for tactical IT

Contents

INTRODUCTION

This is MilDef	3
The year in brief	4
The CEO comments	6

BUSINESS DESCRIPTION

Vision, business idea, strategy, and financial goals	7
Market and competitors	8
Our sustainability work	10
Personnel	12

CORPORATE GOVERNANCE

Board of Directors	13
Corporate management	14

FORMAL ANNUAL REPORT

Administration report	16
Five-year summary	20
Definition of key ratios	21
Consolidated financial statements	22
Notes to the consolidated financial statements	27
Parent Company financial statements	45
Notes to the Parent Company financial statements	49
Auditor's report	56

Information to shareholders

ANNUAL GENERAL MEETING

The AGM will be held on Tuesday March 30 at 17:00 CET. Information on how to register will be provided along with the notice to attend, no later than two weeks before the AGM.

Due to the COVID-19 pandemic and in order to reduce the risk of spreading the virus, the Board has decided also to offer digital attendance at the AGM, providing the AGM approves the meeting being transmitted by video link. Information on registration and the right to attend, as well as proxies and assistants, will be provided in the notice to attend.

DIVIDEND

The Board proposes to the AGM a dividend to shareholders for the 2020 financial year of SEK 1.50 (0.75) per share.

DISTRIBUTION OF THE ANNUAL REPORT

The Annual Report will be distributed by email to all shareholders no later than two weeks prior to the AGM on 30 March.

This is MilDef

Ever since MilDef was founded in 1997, it has been supplying products and services that protect vital societal functions. As specialists in the global niche for tactical IT, the company's products and systems are made to perform in the toughest conditions. MilDef produces and delivers rugged electronics and complete hardware systems to the security and defense sectors. Operating in four countries and with partner networks in more than 30 others, MilDef currently has over 120 full-time employees and sales in the region of MSEK 400. In the past five years, the company has seen average annual growth (CAGR) of 27%.

MilDef is currently present and has operations in Sweden, Norway, the UK, and the USA. MilDef's largest geographical markets are the Nordics (68% of net sales 2020), Europe (excluding the Nordics, 12% of net sales 2020), and North America (17% of net sales 2020). Other countries accounted for approximately 3% of net sales in 2020.

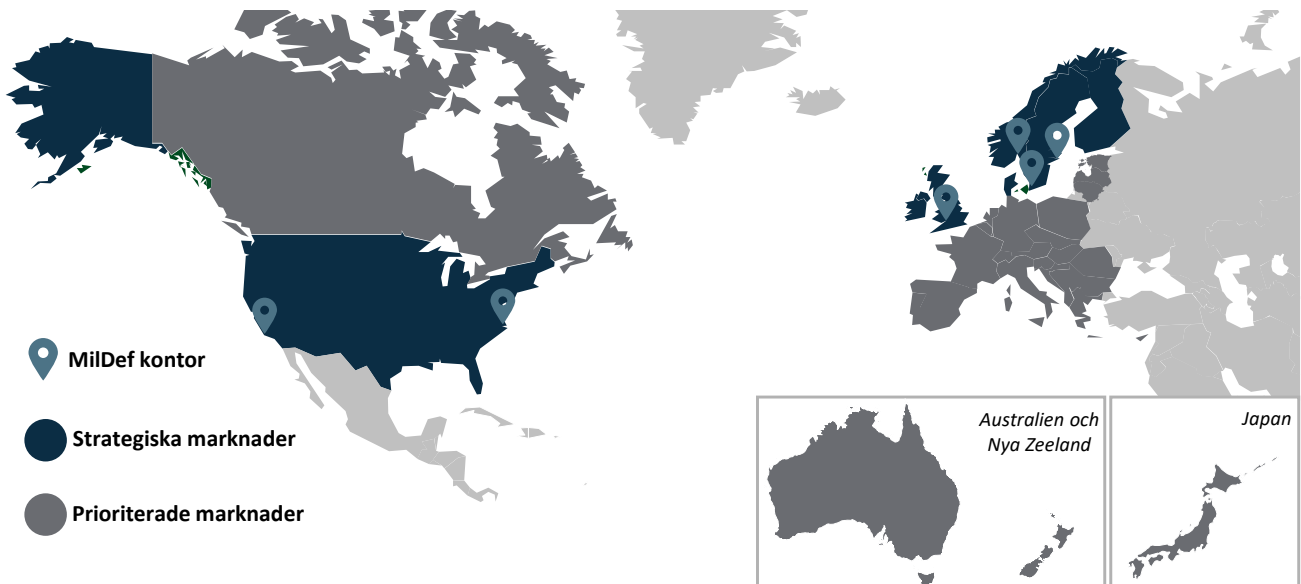
Customers are primarily defense-related, but growth is also taking place in areas such as health (medical applications in tough environments), industrial (drone control), and vital societal infrastructure (police, security services etc.). The common denominator among our customers is their need for tactical IT to carry out modern operations in environments where the products are subject to tough conditions.

Thanks to its historical legacy, MilDef has a strong position on its domestic market of Sweden, as well as strong, long-established customer relationships founded on dependability and security of supply.

MilDef's products are designed to withstand heat, cold, moisture, vibrations, impact, and other external factors. The systems' ability to withstand and minimize electromagnetic radiation is also key in ensuring they cannot be disrupted or intercepted. MilDef's products – dubbed ultra-rugged – are characterized by the ultimate durability, and their functionality and performance are guaranteed to withstand tough stresses and strains over long periods. The product portfolio spans all the constituent parts of an IT system, from servers and client computers to network equipment and intelligent display units.

Many of the core functions are managed from the head office in Helsingborg, where the Swedish production facilities are located. In 2020, MilDef moved to new premises with potential for far greater expansion in production and recruitment. The relatively high complexity of the products, both technically and in regard to the logistical management of a wide portfolio of proprietary products, necessitates a long-term approach to the provision of skills and personnel. Research and development is a priority and core competence for MilDef. Ongoing, close dialogue with MilDef's customers and business partners drives technology and product development forward. In 2020, R&D costs represented 8.3% of MilDef's revenue. Just over 20% of employees work in R&D.

MilDef's operating locations and prioritized markets



The year in brief

In 2020 MilDef increased its order intake considerably, firm evidence of the product portfolio's competitiveness and customers' trust in the company. This indicates ongoing future growth. Despite a challenging year that included the COVID-19 outbreak and its consequences, the company achieved some important milestones and delivered its strongest year to date in terms of net sales and profitability.

SIGNIFICANT EVENTS 2020

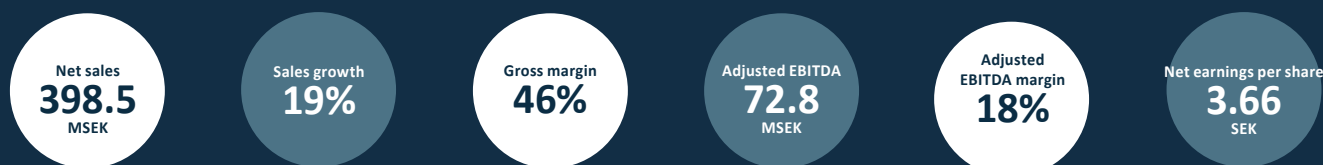
- » **Significant increase in orders**
Order intake increased by 115%, from MSEK 333.7 in 2019 to MSEK 718.0 in 2020. Important new contracts with important customers won, despite a challenging pandemic environment. Four new framework agreements were entered into in 2020.
- » **Continued strong organic sales growth**
Organic sales growth totaled 19% in 2020.
- » **Higher gross margin**
Gross profit improved to MSEK 182.1 (124.8), which equates to a gross margin of 46% (37%). The higher gross margin can mainly be attributed to increased business volumes, a more favorable product mix, and a weaker US dollar toward the end of the year.
- » **Sharp rise in profitability**
The adjusted operating profit (EBITDA), excluding items affecting comparability, amounted to MSEK 72.8 (35.6), equating to an operating margin (EBITDA) of 18% (11%).
- » **Solid balance sheet**
Net debt including lease liabilities amounted to MSEK 19.9, equating to 0.3 times EBITDA. Excluding lease liabilities, the company had net cash of MSEK 46.8 on December 31, 2020.

KEY RATIOS

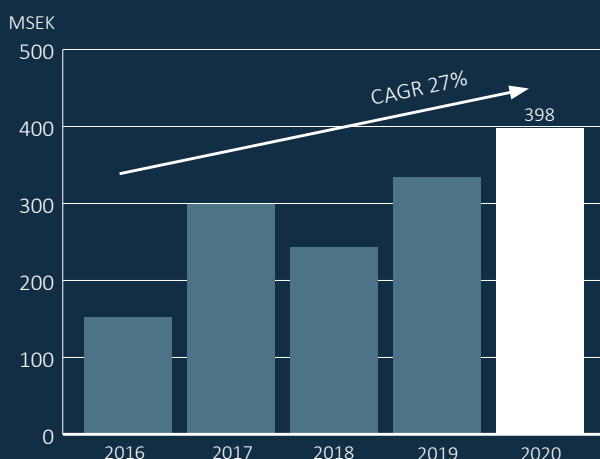
MSEK (unless otherwise stated)	2020	2019	2018
Net sales	398.5	334.0	243.8
Organic net sales growth, %	19%	37%	-
Order intake	718.0	333.7	290.5
Order book	446.3	127.4	127.5
Gross margin, %	46%	37%	38%
Adjusted EBITDA	72.8*	35.6	24.2
Adjusted EBITDA, %	18%	11%	10%
Operating profit (EBIT)	56.9	24.9	17.8
Operating margin EBIT, %	14%	7%	7%
Earnings per share, SEK	3.66	1.64	1.04
Dividend per share, SEK	1.50**	0.75	0.50
Operating cash flow	54.3	68.5	10.6
Net debt/EBITDA, times	0.3	1.8	-1.2
Equity/assets ratio, %	36%	36%	49%
Return on capital employed, %	31%	20%	25%
Return on equity, %	36%	20%	14%
Full-time employees at end of period	119	92	86

* Adjusted operating profit (EBITDA) excludes items affecting comparability of MSEK 4.3. The item affecting comparability is directly attributable to the company's ongoing public listing process, and has affected the 2020 figures in its entirety.

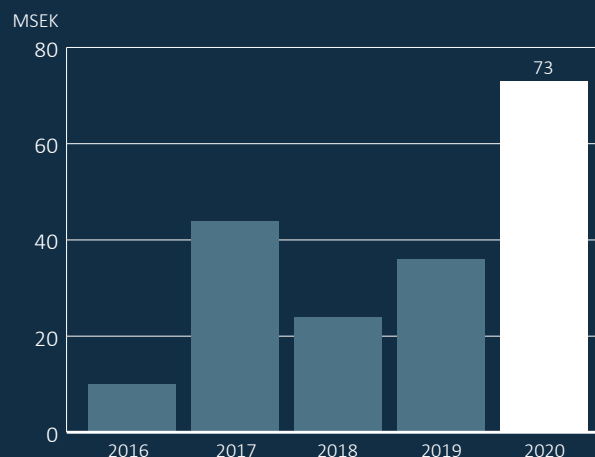
** Proposed dividend.



Net sales



Adjusted EBITDA



COVID-19

THE IMPACT OF COVID-19

During 2020, the coronavirus pandemic had a negative impact on the world. For MilDef the pandemic led to some negative effects locally, but a relatively limited impact globally. MilDef has not utilized the opportunity for furlough or other kinds of government business support. MilDef is actively monitoring developments, and is taking measures on an ongoing basis to limit any adverse consequences.

OPERATIONAL IMPACT

The limited impact of COVID-19 on MilDef as a company primarily relates to uncertainty and disruptions in the distribution chains. The operations also remain scrupulous regarding risk management for personnel, and are maximizing working from home as far as possible.

FINANCIAL IMPACT

MilDef considers that COVID-19 had a relatively limited financial impact on the business. The impact was mainly felt by the company's subsidiary in the USA, which reported slightly weaker development on a heavily exposed national market. Based on the Group's stable financial position and the nature of its customers, MilDef believes that the uncertainty factors linked to the coronavirus pandemic do not affect the company's ability to carry on with its operations in line with existing plans.

MEASURES TAKEN

During 2020, MilDef took various measures to mitigate the impact of the pandemic on the operation. Personnel safety always comes first, and all conceivable precautions were taken to enable a safe working environment for all parts of the business where people could not work from home. The company also worked hard to secure distribution and logistical chains, to ensure it could live up to its production and delivery commitments.

SOCIAL ASPECTS / ESG IMPACT

MilDef's products have been used in a total defense context at field hospitals and similar, to support efforts to reduce the adverse

CEO BJÖRN KARLSSON COMMENTS

A show of strength that creates new opportunities



In 2020, MilDef delivered growth of just over 19%, with net sales of MSEK 398.5. The growth in 2020 exceeds the company's long-term objective of 15% annual growth in sales. The adjusted operating profit (EBITDA) was MSEK 72.8, an increase of more than 100% on the previous year and equivalent to an adjusted operating margin (EBITDA) of 18.3%. The main factors behind the improved operating margin were a combination of higher net sales and a significant increase in the gross margin.

Long-term growth has been established on the important domestic markets: Sweden, Norway and Denmark. New framework agreements have been won in Denmark and Norway, running for 4–7 years. These contracts signal continued confidence in MilDef's ability to deliver tactical IT to NATO countries, which is deemed to have a positive effect on several international markets. Sweden is noticing a distinct upswing linked to raised ambitions and modernization.

The operation in North America has struggled with a declining domestic market, primarily for the industrial segment, and this is believed to be a temporary effect of delays caused by the COVID-19 pandemic. Sales in 2020 fell by 6% on 2019 to MSEK 67.5. The tremendous growth potential in the USA is deemed unchanged, although it is uncertain exactly when the market will recover. On the European market, excluding the Nordics, net sales totaled MSEK 49.5 in 2020, a decrease of 10.5% on 2019. Brexit entailed some difficulties for our British subsidiary on its domestic market, and this was a major factor underlying the decline on the European market. It was, however, pleasing to see an important order for proprietary products being won on the UK market toward the end of the year. The order is worth approximately MSEK 270 over 10 years.

Overall, the negative consequences of COVID-19 on business were relatively minor, although the situation has entailed tougher market conditions locally.

Volatility in orders and revenue streams is typical for many of the markets where MilDef operates, and in 2020 this resulted in a marked positive effect during Q4.

MilDef's product portfolio was strengthened by important projects involving the delivery of customizable products, with the potential for new sales on several markets. The strong segments for computers and network equipment have driven sales. In addition, the company's newly developed concept for displays was launched and delivered to a strategically important customer in Norway. This bolstering of the product portfolio enhances the company's ability to deliver complete IT environments – one of its express growth strategies.

The order book on December 31, 2020 was MSEK 446.3, compared to MSEK 127.4 on the same date in 2019.

To sum up, it is clear that 2020 has been a year of growth and profitability for MilDef. Our thanks go to personnel, partners, suppliers, and customers for a tremendous effort in 2020. We look forward to exciting new opportunities for MilDef's ongoing development.


Björn Karlsson, CEO, MilDef Group AB

Vision, business idea, strategy, and financial

Digitalization in areas that are vital to society is increasing, and with it the need for tactical IT in demanding environments. MilDef is taking an active role in this development. The aim is to be the most dependable business partner in the industry. MilDef adds value thanks to industry-leading quality and high delivery precision.

Vision

MilDef's vision is to be the number one choice for tactical IT.

Mission

In an ever-changing and increasingly digitalized world, there is urgent need for tactical IT systems for areas vital to society that are robust, fit for purpose and produce the desired effect. MilDef provides unique solutions to those needs with high quality, speed, and accuracy.

Business idea

MilDef's business idea is to develop, supply and offer tactical IT products and services for areas vital to society. We customize solutions to meet customers' specific requirements in the demanding environments in which they are used. MilDef's hardware and software products are teamed with services to deliver effective digitalization. MilDef Group operates on the global security and defense market, and in other sectors that are vital to society.

Core values

MilDef achieves its goals by meeting the unique demands of tactical environments. Quality and robustness are crucial to MilDef and the success of its customers. MilDef's business relations are based on trust, and we strive to run our business in an open, honest, respectful way, with full transparency. Integrity must always be maintained. MilDef's brand is based on quality, and the company is committed to meeting or exceeding expectations – its own and those of its customers.

Strategy and financial goals

MilDef's financial goal is an average increase in sales of 15% a year including acquisitions, and an operating margin (EBIT-DA) of at least 10%. In the past five years, sales have grown by about 27% a year on average, and the average operating margin has been in the region of 13%. Future growth for MilDef is based on a combination of organic growth and acquisitions. There is significant scope for expansion in the company's domain of tactical IT. MilDef is planning establishments on several priority markets via its own operations, partner networks and acquisitions. The acquisition ambitions are reflected in a structured implemented process, which aims to identify and conduct transactions on a fragmented market, with good access to well-reputed acquisition candidates. The company's technology portfolio has great unutilized potential for exports to several countries, as well as expansion into related market segments. In addition, MilDef aims to have an interest-bearing net debt not exceeding 2.5 times the operating profit (EBIT-DA), other than temporarily.

MilDef works to the following strategies in order to achieve its financial growth and profitability goals:

- » Increase market share on existing priority markets, primarily North America.
- » Make strategic acquisitions that complement MilDef's current product portfolio and/or enable access to new markets.
- » Continue to invest in developing new products and evolving existing ones.

Dividend policy

The company aims to pay a dividend of at least 40% of the profit after tax. However, MilDef's long-term development, capital structure, and the prevailing market conditions must be taken into account.

Market and competitors

MilDef's prioritized markets

MilDef produces and delivers rugged electronics and complete hardware systems to the security and defense sectors. MilDef's products are sold to more than 30 countries, and the company is currently present and has operations in Sweden, Norway, the UK, and the USA. MilDef's largest geographical markets are the Nordics (68% of net sales 2020), Europe (excluding the Nordics, 12% of net sales 2020), and North America (17% of net sales 2020). Other countries accounted for approximately 3% of net sales in 2020.

Market overview for rugged electronics

The global market for rugged electronics comprises two general end-user markets: security and defense (68% of the global market), and civilian applications (32%). In 2020, rugged computers and rugged network systems accounted for 87% of the market for rugged defense electronics (Arthur D. Little, Rugged Electronics Market Study 2021), while rugged displays accounted for the remaining 13%.

The global market for rugged defense electronics in 2020 totaled approximately USD 14 billion, equating to around SEK 120 billion (exchange rate USD 1 = SEK 8.28). The average annual market growth in the period 2016–2020 was 2.4%, and this is expected to rise to 4.5% during the period 2020–2025 (Arthur D. Little, Rugged Electronics Market Study 2021).

Several macro-trends are expected to drive market growth for rugged defense electronics in the years to come, with the development of tactical IT being driven by increased digitalization and continued penetration of IoT (Internet of Things). Through increased defense spending, nations are funding modernization programs that aim to replace old systems with new IT systems that are also dimensioned for new technologies, for instance related to sensor systems, automated and remote-controlled vehicles, and AI. While MilDef can see a tendency toward greater defense of national borders and territory, the importance of total defense is also increasing, which in addition to conventional defense also includes other operations that are vital to society. This in turn creates impetus for further changes and good market conditions.

Product properties for rugged electronics

The hallmark of rugged electronics is the ability to withstand

heat and cold, moisture, vibrations, impact, and other external factors. The systems' ability to withstand and minimize electromagnetic radiation is also key in ensuring they cannot be disrupted or intercepted. Ultra-rugged products are characterized by the ultimate durability, and their functionality and performance are guaranteed to withstand tough stresses and strains over long periods. MilDef's products are considered to belong to this category. As a segment, rugged defense electronics is divided into rugged computers, rugged network systems, and rugged displays, and MilDef's portfolio encompasses all of these sub-segments.

Competition and market dynamics

MilDef has various competitors in the rugged computers, rugged network systems, and rugged display sub-segments.

Rugged computers

Rugged computers comprise notebooks, tablets and hand-helds. There are a few global competitors in the segment that are generally characterized by a combination of civilian, industrial and defense-related product portfolios (Arthur D. Little, Rugged Electronics Market Study 2021). Examples of competitors in this segment include Panasonic Corporation and Dell Technologies. There are also local competitors, such as Grid in the UK and Miltope in the USA. Competition is characterized by price pressure, the global suppliers offering larger volumes and lower margins, but often also a lower degree of customization and durability.

Rugged network systems

Rugged network systems comprise complete IT systems with power supply, servers, computers, and network equipment. In this area, several of the company's customers, system integrators, are also potential competitors. One example is Swedish company Saab, which has a business area (Saab Annual and Sustainability Report 2019) that delivers products equivalent to those supplied by MilDef. The typical market dynamic among competitors like these is that they tend to encourage competition among their own internal suppliers in order to secure the best solution, and this enables MilDef to compete well with its specialized operation.

MilDef's competitors also include industrial companies looking to break into the security and defense segments. One example is Data Respos, based in Norway.

On the clearly fragmented North American market, there are a number of competitors offering products with properties similar to MilDef's. These competitors often operate at the national or state level, and examples include companies such as PacStar (recently acquired by Curtiss-Wright), DTECH Labs and Crystal Group.

Rugged displays

Rugged displays is a relatively new segment for MilDef, and there are various competitors on the market. One of the hallmarks of MilDef's products is that their display units can be customized in terms of computer power (known as intelligent display units), and also in terms of accessories such as embedded tactile keysets.

Competitors with a strong market position include Argon and TransDigm (ScioTeq brand) in the USA.

MilDef's market position

MilDef deems that it has a strong position in the Nordic na-

tions of Sweden (strategic supplier with collaborations since 1997), Norway (two framework agreements for the company's entire product portfolio, from 2020 and seven years ahead), and Denmark (four active framework agreements for large parts of the company's product portfolio). MilDef currently has no major presence in Finland, although this is deemed to be an important future market. The company's operations in the UK and USA have a long-standing market presence and strong customer networks. Internationally speaking, MilDef has a niche position through partners and distributors.

The combination of MilDef's market positions and its ability to synergize know-how and product development across markets, leads to a cost-effective technological edge that is hard for its local competitors to emulate. Moreover, the company's relatively small size creates benefits of flexibility and agility – important factors when it comes to staying competitive compared to the major international companies, which sometimes compete for the same contracts.



Our sustainability work

MilDef strives to strike a good balance between economic, environmental and social sustainability. This is deemed crucial to meet current needs, without jeopardizing the ability of future generations to meet their needs.

MilDef strives to work in accordance with obligatory requirements, such as prevailing laws and regulations, applicable organization and industry standards, contract requirements, and relevant codes of conduct. MilDef endeavors to have a sustainable strategy for ensuring responsible investments.

To support its work, MilDef has chosen to be certified to ISO 9001:2015 for quality and ISO 14001:2015 for environmental consideration.

A framework for KYC (Know Your Customer) is used to ensure that the companies MilDef opts to do business with meet regulatory and ethical requirements.

Economic sustainability

The overriding ambition is to achieve long-term business sustainability by striving for stable, profitable progress over time, and by applying good business practices. MilDef values ethics and morality highly, and at all levels in the company employees should treat each other with the utmost respect. Customers and other stakeholders should also be met with the utmost respect and service-mindedness. Commitments and agreements should be adhered to. Maintaining lasting relations with customers and suppliers lays the foundation to also spread MilDef’s sustainability work to others.

With a restrictive attitude to the export of technological products to countries outside of its prioritized markets, MilDef maintains economic sustainability that extends into other key areas in society. MilDef chooses to decline business with nations where the EU or UN has introduced sanctions, whether or not these sanctions entail regulatory limitations on export.

Policy port-



- Code of Conduct
- Anti-bribery and anti-corruption policies
- Anti-trust policy
- Internal and external training



Certifications and regulatory compliance



- ISO 9001:2015 certification for quality
- ISO 14001:2015 certification for the environment
- ISO 45001 – work ongoing for health, safety and working environment certification
- EC 428/2009 regulations for products with dual applications (part of

Corporate culture and values



- We choose to be selective in which countries we do business with
- Companies and agencies in the EU
- Companies and agencies in selected NATO countries
- No business with nations where EU or UN sanctions exist
- A corporate culture based on trust, professionalism and integrity
- We train our personnel in ethical business from the first day of employment

Rules and regulatory compliance

Social responsibility

Environmental sustainability

The overriding ambition in environmental sustainability is to protect the environment by actively striving to reduce MilDef's and its customers' environmental impact, and to decrease the use of resources – on activities managed by MilDef and those managed by its suppliers. MilDef has committed to protect the environment, prevent pollution, and fulfill legal and other requirements.

MilDef's operations can impact the environment, and the company has implemented a solution integrated into its management system to visualize and manage environmental aspects. Each aspect is evaluated according to a model that considers the environmental burden. The aspects rated most highly are termed significant aspects. All of these significant aspects are analyzed to establish actions for how their impact can be eliminated or reduced. Depending on how serious each aspect is, focus areas and goals are then set. The list of aspects and their impact are examined continuously in the event of major changes, and on an annual basis, at both company and Group level.

MilDef produces and sells electronic products. Sustainability from an environmental perspective is considered during the entire lifecycle of supplied products. A long

life of the products themselves is sought, and products are simple to dismantle after use for reuse or recycling.

To reduce the impact from product transportation, MilDef strives for high transport utilization with coordinated delivery days and space optimization through compact packing.

MilDef has strict routines for handling chemicals, and strives only to use eco-friendly alternatives. Where this is not possible, only chemicals classed as low environmental risk are used.

MilDef's supply chain is assessed and followed up regularly to ensure that the company's high environmental requirements are followed also by suppliers. MilDef has produced a Supplier Code of Conduct, in which MilDef's economic, social and environmental requirements are reported, and which the company's suppliers are expected to follow.

Social sustainability

MilDef is involved in continuous improvement of the working environment and social sustainability. MilDef promotes a positive culture of health and safety. The overall ambition is the social sphere is to strive for a better society by acting as a responsible, respectful employer, and contributing to improved social progress in the places where we operate, in line with our Code of Conduct.

Personnel

MilDef aims to be perceived as an attractive employer, a company full of opportunities. The company has high ethical and moral standards which permeate all communication, both with existing employees and in recruitment. One key part of our values is to work according to the principle of freedom with responsibility, which means that neither the subsidiaries nor individual employees in the Group are micro-managed, but that everyone should have a clear ethical and business compass to orientate themselves.

This is also the purpose of *The MilDef Way*, the company’s core values that capture the cultural values important to the growing operation in a business-like way.



Personnel are MilDef’s most important asset, and great emphasis is placed on offering a positive, challenging working environment. Career paths are set within MilDef to give personnel the opportunity to develop within the Group, with the potential for movement between departments and different parts of the operation. There are many examples of employee promotions and voluntary transfers between different departments and even countries.

On December 31, 2020 MilDef had 119 employees, 90 of whom worked at MilDef’s head office in Helsingborg, Sweden. MilDef views diversity positively, and strives for a highly diverse workforce. At the end of 2020, approximately 25% of employees were women. On the Board of MilDef Group AB, 33% of the members are women, and 25% of the MilDef corporate management are women.

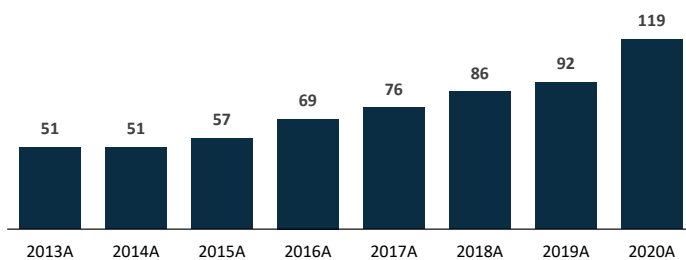
In its overall management system, MilDef applies a number of policies that are of importance to the operation in the areas of quality, environment, working environment, and sustainability. Compliance with regulatory requirements, as well as ethical and cultural approaches, are of the utmost importance. A selection of the policies in place for the operation are presented below.

CODE OF CONDUCT

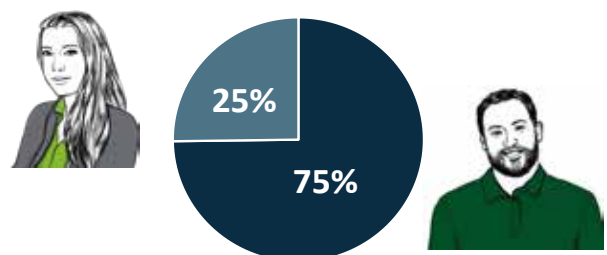
MilDef has adopted a Code of Conduct which outlines the company’s values, leadership philosophy, social responsibility, working environment factors, and other dimensions. In addition, it clarifies MilDef’s attitude toward ethics, morality, business-mindedness, zero tolerance of bribery and corruption, etc.

This Code of Conduct has further support and details regarding anti-corruption and fair conditions for trade, in specific policies and other steering documents.

Historical development of the number of full-



Breakdown between men and women employed on December 31, 2020





Jan Andersson,
Chairman of the Board
Board member 2015–2017,
2018 – present.

Born: 1959

Education: MSc in Computer Science,
The Institute of Technology at Linköping University

Other current assignments: Board member of
Addnode Group AB, Entreprenörinvest Sverige AB,
TimeZynk AB, Localize Direct AB, Myloc Holding
AB and Innovum Invest AB, and Chairman of DH
Anticounterfeit AB.

Previous assignments over the past five years:
Chairman of Fast2 Affärssystem AB.

Holding in company: 274,500 shares.

Relationship of dependence: Independent in rela-
tion to the company, its management, and major
shareholders.

Board committees: Chairman of the remuneration
committee



Marianne Trolle
Board member
Board member since 1998

Born: 1956

Education: Studies in economics, law, and manage-
ment in Helsingborg.

Other current assignments: Trolle Management
AB.

Previous assignments over the past five years:
Board member of MilDef Products AB, MilDef AB,
MilDef AS, MilDef Ltd, and MilDef Inc.

Holding in company: 2,604,826 shares.

Relationship of dependence: Dependent in rela-
tion to the company, its management, and major
shareholders.



Berndt Grundevik
Board member
Board member since 2018

Born: 1956

Education: Swedish Defence University.

Other current assignments: Board member and
President of Top Level AB and member of SBB's
advisory board.

Previous assignments over the past five years: -

Holding in company: -

Relationship of dependence: Dependent in rela-
tion to the company and its management, indepen-
dent in relation to major shareholders.

Board committees: -



Christian Hammenborn
Board member
Board member since 2017

Born: 1965

Education: Master of Laws, University of Lund.

Other current assignments: Board member
of Hammenborn Advokatbyrå AB.

Previous assignments over the past five years:
Partner at Advokatfirman Lindahl
(limited partnership).

Holding in company: -

Relationship of dependence: Dependent in rela-
tion to the company and its management, indepen-
dent in relation to major shareholders.

Board committees: Member of the audit commit-
tee.



Charlotte Darth
Board member
Board member since 2020

Born: 1968

Education: BSc Business Admin. & Economics
Stockholm University

Other current assignments: CEO of
Binero Group AB (publ) and
Board member of Intervallor AB.

Previous assignments over the past five years:
President of Affecto Sweden AB,
President of ReadSoft Sverige AB,
and Board member of Binero Group AB (publ).

Holding in company: -

Relationship of dependence: Independent in rela-
tion to the company, its management, and major
shareholders.

Board committees: Member of the audit commit-



Lennart Pihl
Board member
Board member since 2020

Born: 1950

Education: BSc Business Admin. & Economics,
University of Lund.

Other current assignments: Chairman of
Nordic Room Improvement Holding AB,
Midway Holding AB, Myloc Holding AB,
INGAPE AB, ALG Holding AB, and
Nordic Vehicle AB.

Previous assignments over the past five years:
Chairman of Green Cargo AB and
HXH International AB. Board member of Advenica
AB, Avega Group AB, and Poolia AB.

Holding in company: -

Relationship of dependence: Independent in rela-
tion to the company, its management, and major
shareholders.

Board committees: Chairman of the audit commit-
tee and member of the remuneration committee.



Björn Karlsson, Chief Executive Officer (CEO) since 2018

Born: 1973.

Education: Technical college graduate, 4-year technical program, electrical/computer technology.

Other current assignments: Chairman of MilDef Products AB, Board member of MilDef AB and Board member of the Swedish Security and Defence Industry Association.

Previous assignments over the past five years: -. Managing Director and Chairman of MilDef AB.

Holding in company: -. 580,922 shares.



Daniel Ljunggren, Chief Financial Officer (CFO) since 2011.

Born: 1980.

Education: MBA, Kristianstad University.

Other current assignments: Chairman of MilDef AB and MilDef AS, Board member of MilDef Products AB, MilDef Ltd, and MilDef Inc.

Previous assignments over the past five years: -.

Holding in company: 660,922 shares.



Fredrik Persson, Chief Technology Officer (CTO) since 2020.

Born: 1981.

Education: MSc in Radio Electronics & Electromagnetic Field Theory, Faculty of Engineering, Lund University

Other current assignments: Chairman of MilDef Products AB.

Previous assignments over the past five years: -. Deputy Managing Director and Head of Development of MilDef Products AB.



Johan Holmqvist, Head of Investor Relations since 2020.

Born: 1972.

Education: BSc Business Admin. & Economics, University of Lund.

Other current assignments: -.

Previous assignments over the past five years: Global Transformation Communication Manager for Ingka Group AB, Head of Investor Relations and Corporate Communications for Boozt AB (publ), Vice President Corporate Communications for ReadSoft AB (publ) and Vice President Corporate Communications for ReadSoft AB from Lexmark.

Holding in company: -.



Ola Alfredsson, Chief Commercial Officer (CCO), VP Strategic Projects since 2020

Born: 1964.

Education: Marinens Officershögskola naval academy.

Other current assignments: Chairman of MilDef Inc., Board member of MilDef AB, MilDef AS, MilDef Ltd, and PrimeKey Solutions AB.

Previous assignments over the past five years: Counsellor, the Embassy of Sweden Washington, USA.

Holding in company: -.



Per Björnson, Chief Operating Officer (COO) since 2020.

Born: 1978.

Education: Military academy, IMD Business School.

Other current assignments: Managing Director and Head of Development of MilDef Products AB.

Previous assignments over the past five years: Chief Business Support Officer for Helsingborgs Hamn AB, external signatory for Helsingborgs Hamn Aktiebolag.

Holding in company: 3,250 shares.



Evelina Hedskog, Chief Business Development Officer (CBDO) since 2021.

Born: 1981.

Education: MSc Media Technology, Royal Institute of Technology in Stockholm and BSc in Business, Stockholm University.

Other current assignments: Managing Director of MilDef AB, board member of MW Group AB and reserve officer in the Swedish Navy (Lt. Cdr.).

Previous assignments over the past five years: Head of Products and Strategy at Saab AB, Business Unit Combat Systems and C4I Solutions.

Holding in company: -.



Karin Svalander, General Counsel since 2020.

Born: 1978.

Education: Master of Laws, Uppsala University.

Other current assignments: Board member of MilDef AB, MilDef Products AB, MilDef AS and MilDef Inc.

Previous assignments over the past five years: Deputy Board member of Invono Fund AB, General Counsel for Invono AB, counselor/lawyer at Advokatfirman Lindahl and LRF Konsult.

Holding in company: -.

Formal Annual Report →

Administration report	16
Five-year summary	20
Definition of key ratios	21
Consolidated financial statements	22
Notes to the consolidated financial statements	27
Parent Company financial statements	45
Notes to the Parent Company financial statements	49
Auditor's report	56

Administration report

The business in general

Ever since MilDef was founded in 1997, it has been supplying products and services that protect vital societal functions. MilDef's business idea is to develop and supply tactical IT products and services for areas vital to society. We customize solutions to meet customers' specific requirements in the demanding environments in which they are used. Our customers mainly work in the security and defense sectors. MilDef's hardware and software products are teamed with services to deliver effective digitalization. As specialists in the global niche for tactical IT, MilDef's products and systems are made to perform in the toughest conditions. MilDef's products – dubbed ultra-rugged – are characterized by the ultimate durability, and their functionality and performance are guaranteed to withstand tough stresses and strains over long periods. The product portfolio spans all the constituent parts of an IT system, from servers and client computers to network equipment and intelligent display units. Research and development is a priority and core competence for MilDef. Ongoing, close dialogue with MilDef's customers and business partners drives technology and product development forward.

With operations in four countries and partner networks in more than 30, MilDef currently has just over 120 full-time employees. The Group comprises the Parent Company MilDef Group AB, and wholly-owned subsidiaries in Sweden, Norway, the UK, and USA. Many of the core functions are managed from the head office in Helsingborg, where the Swedish production facilities are located.

The business in 2020 in brief

- MilDef received its largest ever single order, an order worth around MSEK 270 from a British defense customer with deliveries over a 10-year period.
- MilDef signed seven-year framework agreements with the Danish defense and logistics organization DALO and the Norwegian defense and logistics organization FMA.
- A significant agreement was entered into with an existing American defense customer.
- During the year an extensive project to incorporate all of the affiliated companies into a new ERP system was completed. The costs of implementation burdened profit for the year in their entirety; no expenditure was capitalized in the balance sheet.
- On November 4, 2020 the company held an extraordinary general meeting of shareholders in Helsingborg. The meeting voted in two new Board members: Lennart Pihl and Charlotte Darth. Furthermore, the meeting approved a dividend of SEK 0.75 per share for the 2019 financial year.

The approved dividend was paid in the fourth quarter.

- In December 2020, the company began to relocate its head office, including the production facilities, to new, larger premises. The move was completed during the first quarter of 2021.

Financial review 2020

Income statement items and cash flow are compared with the previous year. Balance sheet items refer to the position at year-end and are compared with the corresponding date the previous year.

Order situation

Orders received increased by 115% to MSEK 718 (334), an increase that was entirely organic. In the fourth quarter, MilDef signed a 10-year agreement worth around MSEK 270 with a British defense customer. Excluding that order, orders received increased by 34% to MSEK 446. The order book increased by 251% to MSEK 446.3 (127.3), an increase that was entirely organic.

Net sales and earnings

Sales increased by 19% to MSEK 398.5 (334.0). The growth in sales was entirely organic and was mainly driven by the Nordic market. Gross profit improved to MSEK 182.1 (124.8), which equates to a gross margin of 46% (37%). The higher gross margin can mainly be attributed to increased business volumes, a more favorable product mix, and a weaker US dollar toward the end of the year.

Selling expenses totaled MSEK 56.4 (53.9). Administrative expenses increased to MSEK 36.0 (20.4). The increase in expenses can be explained by a stronger organization and higher consultancy costs, both linked to the company's increased degree of internationalization and future strategies. The company has continued to invest in product development, which has led to an increase in costs for research and development to MSEK 33.1 (26.0). Total operating costs totaled MSEK 160 (148), equating to 13% (14%) of sales.

The adjusted operating profit (EBITDA) increased to MSEK 73.4 (35.9), an increase of 104%, which equates to an adjusted operating margin of 18% (11%). The rise is a result of increased business volumes coupled with an improved gross margin. Operating profit (EBIT) amounted to MSEK 56.9 (24.9) in 2020, a 129% growth in earnings compared with the previous year. The operating margin for 2020 as a whole was 14% (8%). Adjusted for items affecting comparability, operating profit amounted to MSEK 61.2 (24.9), which equates to a margin of 15% (8%). Net financial items amounted to MSEK -1.5 (0.2). The increase can be attributed to high interest expenses relating to utilized bank overdraft facilities.

The tax expense for the period totaled MSEK 12.8 (6.1), which equates to an effective tax rate of 23.1% (24.3%).

Profit after tax increased by 124% to MSEK 42.5 (19.0). Earnings per share increased to SEK 3.66 (1.64).

Cash flow

The reported cash flow for the whole year totaled MSEK 38.7 (-22.6). Operating cash flow improved to MSEK 53.1 (-10.6), which can primarily be attributed to improved operating profit and a more favorable development of working capital.

Cash flow from operating activities amounted to MSEK 61.7 (-7.9). Cash flow from changes in working capital totaled MSEK 9.6 (-35.7). The increase in inventories had a negative effect on working capital of MSEK -11.3 (-11.7). The increase in accounts receivable had a negative effect on cash flow of MSEK -35.6 (-43.0), but this was countered by a positive effect from an increase in accounts payable during the year of MSEK 19.2 (27.4). The higher level of accounts receivable and the increase in accounts payable can mainly be attributed to high sales during the last month of the year.

Cash flow from investing activities amounted to MSEK -8.6 (-2.7). The change can mainly be explained by increased investment relating to the company's relocation of the existing head office to new premises and directly related investments. Cash flow from investments in intangible assets totaled MSEK -3.5 (-1.5) and refers to investments in product development.

Cash flow from financing activities amounted to MSEK -14.4 (-12.0). The year-over-year change can mainly be attributed to an increased dividend to shareholders of MSEK -8.7 (-5.8).

Capital expenditure

The company's investments in property, plant and equipment totaled MSEK 5.4 in 2020 compared with MSEK 1.2 in 2019. During the fourth quarter of 2020, the company relocated its head office, including the production facilities, to new premises in Helsingborg. As a result, in 2020 MilDef invested in property, plant and equipment directly related to the new premises and its increased production capacity. Capitalized product development increased in 2020 to MSEK 3.5 (1.5). Two major product development projects implemented in 2020 were the drivers behind the increase.

Net working capital

Net working capital amounted to MSEK 72.7 (78.1) at year-end. Higher accounts receivable and increased volumes of stock had a negative impact on working capital. The increase is a result

of the company's growth. The negative impact from higher accounts receivable and increased volumes of stock is countered by increasing accounts payable and other current liabilities. Net working capital in relation to net sales fell by 5 percentage points, from 23% in the previous period to 18% on the balance sheet date. The increase in other current liabilities mainly consists of value added tax due to the company's high sales at the end of the year.

Liquidity and net debt

Net debt including lease liabilities amounted to MSEK -19.9 (-63.1) at year-end. The change can be explained by lower lease liabilities coupled with higher cash and cash equivalents. The lease liability is attributed to the implementation of IFRS 16 Leases in the previous year. Excluding lease liabilities, the company has net cash of MSEK 46.8 (9.1). The increase in cash and cash equivalents is mainly a result of improved operating profit. In addition, unutilized overdraft facilities totaled MSEK 27.1 (26.5) at year-end. The ratio of net debt at year-end to operating profit (EBITDA) over the past 12-month period was 0.0 (0.0) excluding the effects of IFRS 16 Leases. The net debt/equity ratio including the effects of IFRS 16 Leases would be 0.3 (1.8).

The share

The capital stock in MilDef Group AB is divided between 11,618,422 shares with a quotient value of SEK 0.5. Each share carries one vote at general meetings of shareholders. MilDef Group AB is a private limited company, i.e. the share is not listed on a regulated stock market.

Research and development

MilDef conducts extensive research and development. In our opinion, this is crucial to continued organic growth and for breaking into new markets. The reason is that customers' changing demands must be swiftly identified and translated into the best solutions for each market situation. During the year, the R&D department has been consolidated to satisfy an increasing number of projects, the majority of which are highly complex. Just over 20% of our employees work in functions related to R&D.

The Parent Company

MilDef Group AB (corp. ID no. 556893-5414), based in Helsingborg, Sweden, conducts operations mainly focused on the Group's strategic development and on Group-wide functions, such as HR, IT, and finance, etc. Furthermore, the majority of the Group's external financing is brought together in the Parent Company. The Parent Company had 29 employees at year-end. Net sales during the year totaled MSEK 50.1 (33.8) and profit for the year totaled MSEK 19.3 (7.8).

Events after year-end

During the first quarter of 2021, MilDef entered into an agreement to acquire all shares in Sysint AS. Sysint AS is a Nordic IT consultancy with a service offering targeted at Norwegian government and industrial customers. Sysint is expected to strengthen and complement MilDef's offering in hardware, software and services.

Sysint's net sales in 2020 totaled MNOK 78.4 and its operating profit (EBIT) was MNOK 4.8. Sysint had 23 employees as of December 31, 2020. The acquisition is expected to affect MilDef's financial results and position in 2021.

The acquisition was financed through a combination of newly issued own shares, cash and cash equivalents, and bank loans. On March 9, 2021, MilDef raised a bank loan of MSEK 30 to finance part of the acquisition.

Expected future development

The long-term forecast is continued good growth for the operation. Increased investment globally creates business opportunities, where a company like MilDef – with a proven track record as a supplier, mainly within the EU, NATO and USA – has a head start. Military modernization based on technology developed by the civilian sector is one of the clearest trends in defense, and MilDef is well-positioned to grow alongside its customers. Structural growth is taking place both on domestic markets and on strategically selected markets. The pace of the growth is beyond MilDef's control and is dependent on national abilities to acquire materiel for politically ordered capability enhancements. Fundamental growth conditions on the markets, combined with technological excellence that creates competitive advantages are driving factors that are deemed to provide continued strong growth. In addition, it is clear that the total defense concept means that customers, who are often the armed forces of different countries, are increasingly contributing to more critical societal functions, such as field hospitals for COVID-19 and fighting forest fires. This generates further potential for growth and value creation within the framework of the company's operations.

Financial risk management

See the supplementary disclosures for a description of the Group's financial risk management.

Uncertainties and risks in general

Exposure to risks to a lesser or greater extent is a part of the business activity. The Group's risk management involves identifying, measuring and preventing a negative outcome for these risks, while constantly striving to manage the potential risks so that they stay within the boundaries that the company management and Board can accept. The company management works to prevent potential risks from developing into damage and/or losses. Furthermore, it strives to limit the effect of damage that has already occurred. The risks to

which the Group is deemed to be exposed are strategic, operational, financial, and legal, as well as the risk of incidents that could threaten its good standing and reputation.

Financial risk management

See Note 3 Financial risk management in the section Notes to the consolidated financial statements for a description of the Group's financial risks.

Uncertainties and risks in general

Exposure to risks to a lesser or greater extent is a part of the business activity. The Group's risk management involves identifying, measuring and preventing a negative outcome for these risks, while constantly striving to manage the potential risks so that they stay within the boundaries that the company management and Board can accept. The company management works to prevent potential risks from developing into damage and/or losses. Furthermore, it strives to limit the effect of damage that has already occurred. The risks to which MilDef is judged to be exposed are strategic, operational, financial, and legal, as well as the risk of incidents that could threaten its good standing and reputation.

Dividend proposal

The Board proposes that the 2021 AGM approve a shareholder dividend of SEK 1.50 (0.75) per share for the 2020 financial year, which equates to MSEK 17.4 and 41% of net earnings for the year. This is calculated based on the number of outstanding shares on December 31, 2020, i.e. 11,618,422 (11,618,422) shares. The proposed dividend is an increase of SEK 0.75 per share, equating to a 100% increase on the previous year. It is proposed that the rest of the earnings be carried forward to a new account. Provided that the AGM approves the proposal, the dividend is expected to be paid on April 6, 2021. See the next page for the full details of the Board's proposed appropriation of the company's earnings, including the Board statement on the proposed dividend.

Forward-looking information

This report may contain forward-looking information based on the corporate management's current expectations. Although the management judges that the expectations emerging from such forward-looking information are reasonable, there is no guarantee that these expectations will turn out to be correct.

As a result, future outcomes may vary substantially from those emerging from the forward-looking information due, for example, to changes in market conditions for MilDef's products and more general changes in the economy, markets and competition, changes to regulations or other political measures, and movements in exchange rates, etc.

Proposed appropriation of profits and statement from

The following earnings are at the AGM's disposal:

	SEK
Retained earnings	16,711,925
Share premium reserve	58,070,566
Profit for the year	19,292,742
Total	94,075,233

The Board proposes that the earnings be appropriated as follows:

	SEK
Ordinary dividend of SEK 1.50 per share to the shareholders	17,427,633
To be carried forward	76,647,600
Total	94,075,233

Dividend policy

The company's Board of Directors has adopted a policy which states the intention to pay an annual dividend equating to at least 40% of the Group's net profit. However, MilDef's long-term development, capital structure, and the prevailing market conditions must be taken into account.

Proposed resolution on payment of dividend

The Board of Directors authorizes the AGM to decide on the payment date for the proposed dividend.

Statement from the Board of Directors

In the Board's opinion, the proposed dividend is justified considering the requirements which the nature, extent, and risks associated with the operations place on the size of the equity, and also taking into consideration the company and Group's need to strengthen its balance sheet, liquidity and financial position in general. The statement should be viewed in the light of the information provided by the annual report. The Board has taken

Five-year summary

Key ratios for the Group		2020	2019	2018	2017	2016
Sales and earnings						
Net sales	SEK 000	398,450	333,983	243,789	298,764	153,102
Operating profit (EBITDA)	SEK 000	68,476	35,890	24,226	44,010	10,001
Operating profit (EBITA)	SEK 000	68,476	35,890	22,398	42,182	5,889
Operating profit (EBIT)	SEK 000	56,889	24,860	17,802	35,577	5,889
Earnings after financial items (EBT)	SEK 000	55,362	25,085	19,202	32,768	7,048
Profit for the year	SEK 000	42,533	19,004	12,137	24,702	5,259
Cash flow						
Cash flow from operating activities	SEK 000	61,676	-7,925	25,777	34,989	-19,033
Cash flow from investing activities	SEK 000	-8,610	-2,713	-3,621	-4,221	-18,413
Cash flow from financing activities	SEK 000	-14,354	-12,004	-17,874	-12,602	13,024
Cash flow for the year	SEK 000	38,712	-22,642	4,282	18,166	-24,422
Capital employed and financing						
Balance sheet total	SEK 000	367,936	285,198	178,155	167,581	134,626
Capital employed	SEK 000	200,187	172,774	90,370	95,640	85,143
Net cash excl. lease liability	SEK 000	46,838	9,085	31,527	26,705	-10,127
Equity relating to Parent Company shareholders	SEK 000	132,596	101,328	87,695	85,163	61,852
Per-share data, SEK						
No. of shares	NUM-BER	11,618,422	11,618,422	11,618,422	11,020,000	11,020,000
Earnings per share	SEK	3.66	1.64	1.04	2.24	0.48

Definitions of alternative performance measures not defined in IFRS

Alternative performance measures	Definition	Reason for use
Return on equity	Earnings for the period divided by average equity attributable to the Parent Company shareholders. The average is calculated using the average of the opening balance and closing balance for the period in question.	The measure shows the return generated on shareholder capital invested in the company.
Return on capital employed	Earnings before financial expenses divided by average capital employed. The average is calculated using the average of the opening balance and closing balance for the period in question.	The measure shows the return generated on capital employed and is used by MilDef to track the operations' profitability as the measure refers to capital efficiency.
Gross profit	Net sales less cost of goods sold.	This measure shows the efficiency of MilDef's operations and, together with EBIT, provides a complete picture of the ongoing profit generation and cost picture.
Gross margin	Gross profit as a percentage of net sales.	This measure is used to analyze efficiency and value creation
EBITDA	Earnings before interest, tax, depreciation and amortization.	MilDef considers EBITDA to be a useful indicator of the earnings generated in the ordinary course of business and a good measure of cash flow from operating activities.
Interest-bearing net debt	Interest-bearing net debt.	MilDef considers interest-bearing net debt to be a useful indicator of the company's total interest-bearing loan financing.
Interest-bearing net debt/adjusted EBITDA ratio	Interest-bearing net debt as a proportion of adjusted EBITDA.	MilDef deems this measure to be helpful in showing financial risk and deems it useful in tracking the company's level of indebtedness.
Adjusted EBITDA	EBITDA adjusted for items affecting comparability. To reconcile adjusted EBITDA to earnings for the period.	MilDef considers adjusted EBITDA to be a useful indicator of earnings generated in the ordinary course of business adjusted for non-recurring items, and it mainly uses adjusted EBITDA to calculate the company's operating cash flow and cash generation.
Adjusted EBITDA-margin	Adjusted EBITDA as a percentage of net sales	MilDef considers the adjusted EBITDA margin to be a useful indicator of earnings generated in the ordinary course of business.
Adjusted operating margin (EBIT)	Adjusted operating profit (EBIT) as a percentage of net sales.	MilDef considers adjusted operating profit (EBIT) to be a useful indicator of earnings generated in the ordinary course of business after adjustment for non-recurring items.
Items affecting comparability	Items affecting comparability are significant items that are recognized separately due to their size or frequency, e.g. restructuring costs, impairment, disposals, and acquisition costs.	MilDef assesses that adjustments for items affecting comparability improve the scope for comparison over time by excluding items that are irregular regarding frequency or size. The aim here is to create a fairer picture of the underlying operating profit.
Cash generation	Operating cash flow divided by adjusted EBITDA.	MilDef uses cash generation as a measure of how efficiently allocated working capital is utilized.
Order intake	The sum of the orders received during the period.	MilDef uses order intake to analyze future revenue streams and to validate future forecasts.
Order book	The value of orders received that will be delivered and remaining revenue in ongoing production.	MilDef uses order book to analyze future revenue streams.
Operating cash flow	Adjusted EBITDA plus/minus changes in working capital and minus investments.	MilDef uses operating cash flow to track the operations' development.
Working capital	Current assets (excluding cash and cash equivalents and current tax assets) less interest-free current liabilities (excluding current tax liabilities).	This measure shows how much working capital is restricted in the operations, and can be set in relation to sales to understand how effectively restricted working capital is used.
Operating margin (EBIT)	Operating profit (EBIT) as a percentage of net sales.	MilDef considers operating margin, together with sales growth and adjusted working capital, to be a useful measure to track value creation in the operations.
Operating profit (EBIT)	Earnings before interest and taxes.	MilDef considers EBIT to be a useful measure of earnings generated in the ordinary course of business.
Capital employed	Equity plus interest-bearing net debt.	Capital employed is used by MilDef as a measure of the Group's overall capital efficiency.
Organic growth	Annual growth in net sales (excluding acquisition-related net sales) calculated as an increase in net sales (excluding acquisition-related net sales) compared with the previous year. Expressed as a percentage.	MilDef considers organic growth to be a useful indicator for tracking the company's development using comparison figures that exclude acquired revenue during the comparison periods.

Consolidated income statement

SEK 000	Note 1–4	2020	2019
Net sales	5	398,450	333,983
Cost of goods sold		-216,389	-209,161
Gross profit		182,060	124,822
Selling expenses		-56,402	-53,930
Administrative expenses		-35,963	-20,418
Research and development costs		-33,088	-25,972
Other operating income	6	281	1,223
Other operating expenses		0	-865
Operating profit	7, 8, 9, 10, 11	56,889	24,860
Financial income	12	127	1,116
Financial expenses	12	-1,654	-891
Earnings after financial items		55,362	25,085
Tax on profit for the year	13	-12,829	-6,081
Profit for the year		42,533	19,004
Other comprehensive income			
Items that may later be reclassified as profit			
Change in the translation reserve for the year		-2,550	437
Total comprehensive income for the year		39,982	19,441
Profit for the year attributable to:			
Parent Company shareholders		42,533	19,004
Non-controlling interest		-	-
Profit for the year		42,533	19,004
Comprehensive income for the year attributable to:			
Parent Company shareholders		39,982	19,441
Non-controlling interest		-	-
Profit for the year		39,982	19,441
Average number of shares		11,618,422	11,618,422
Earnings per share (SEK)		3.66	1.64

No financial instruments or agreements are in place at year-end that could have a dilutive effect.

Consolidated balance sheet

SEK 000	Note 1–4	12/31/2020	12/31/2019
Non-current assets			
Intangible assets			
	14		
Capitalized product development		8,007	6,067
Other intangible assets		2,659	7,851
Total intangible assets		10,667	13,918
Property, plant and equipment			
	15		
Costs incurred on leased real estate		103	96
Equipment, tools, fixtures and fittings		2,486	1,966
Construction in progress		4,024	-
Right-of-use assets		66,502	71,364
Total property, plant and equipment		73,115	73,426
Financial assets			
Other long-term receivables	16	352	525
Total financial assets		352	525
Deferred tax assets	13	4,979	3,985
Total non-current assets		89,112	91,854
Current assets			
Inventories etc.			
Products in progress		230	178
Finished products and goods for resale		53,748	43,800
Advanced payment to supplier		3,345	2,758
Total inventories		57,324	46,736
Short-term receivables			
Accounts receivable	17	161,375	125,774
Tax assets		0	3,445
Other receivables		2,647	3,195
Contract assets	17	4,049	577
Prepaid expenses and accrued income	18	6,592	4,532
Total short-term receivables		174,662	137,523
Cash and cash equivalents		46,838	9,085
Total current assets		278,824	193,344
TOTAL ASSETS		367,936	285,198

Consolidated balance sheet

SEK 000	Note	12/31/2020	12/31/2019
	1–4		
Equity and liabilities			
Equity			
<i>Equity relating to Parent Company shareholders</i>			
Capital stock		5,809	5,809
Other capital supplied		58,070	58,070
Translation reserve		-2,060	491
Retained earnings		28,244	17,954
Profit for the year		42,533	19,004
Total equity relating to Parent Company shareholders		132,596	101,328
Total equity		132,596	101,328
Non-current liabilities			
Deferred tax liabilities	13	9,408	5,598
Lease liabilities for right-of-use assets	3	58,794	66,413
Total non-current liabilities		68,202	72,011
Current liabilities			
Lease liabilities for right-of-use assets	3	7,902	5,033
Bank overdraft facility	19, 20	0	754
Provision for guarantee commitments	21	894	608
Contract liabilities	22	2,285	8,537
Accounts payable		62,827	43,591
Tax liabilities		3,711	3,895
Other liabilities		52,748	23,028
Accrued expenses and deferred income	23	36,770	26,413
Total current liabilities		167,138	111,859
Total equity and liabilities		367,936	285,198

Consolidated statement of changes in equi-

SEK 000	Capital stock	Other capital supplied	Translation reserve	Retained earnings incl. profit for the year	Total equity relating to Parent Company shareholders	Non-controlling interest	Group
Opening balance, January 1, 2019	5,809	58,070	53	23,763	87,695	0	87,695
Comprehensive income for the year			438	19,004	19,442		19,442
<i>Transactions with owners in their capacity as owners</i>							
Dividend to shareholders				-5,809	-5,809		-5,809
Closing balance, December 31, 2019	5,809	58,070	491	36,958	101,328	0	101,328
Opening balance, January 1, 2020	5,809	58,071	491	36,957	101,328	0	101,328
Comprehensive income for the year			-2,550	42,533	39,982		39,982
<i>Transactions with owners in their capacity as owners</i>							
Dividend to shareholders				-8,714	-8,714		-8,714
Closing balance, December 31, 2020	5,809	58,071	-2,060	70,776	132,596	0	132,596

Consolidated cash flow statement

SEK 000	Note 1–4	2020	2019
Operations			
Operating profit		56,889	24,860
Adjustments for items not included in cash flow:			
Depreciation/amortization and impairment that burden this profit		11,587	11,030
Other	24	4,021	97
Total		15,608	11,127
Interest received		127	1,116
Interest paid		-1,654	-891
Tax paid		-18,894	-8,484
Cash flow from operating activities before change in working capital		52,076	27,728
Increase (-) / decrease (+) in inventories		-11,295	-11,746
Increase (-) / decrease (+) in operating receivables		-35,295	-46,035
Increase (+) / decrease (-) in operating payables		56,189	22,128
Change in working capital		9,600	-35,653
Cash flow from operating activities		61,676	-7,925
Investing activities			
Investments in intangible assets	14	-3,539	-1,498
Investments in property, plant and equipment	15	-5,394	-1,235
Change in other long-term receivables	16	323	20
Cash flow from investing activities		-8,610	-2,713
OPERATING CASH FLOW		53,066	-10,638
Financing activities			
Dividend to shareholders		-8,714	-5,809
Change in bank overdraft facility		-746	754
Repayment of liabilities to credit institutions	25	0	-2,675
Repayment of lease liabilities	25	-4,894	-4,274
Cash flow from financing activities		-14,354	-12,004
Cash flow for the year		38,712	-22,642
Change in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		9,085	31,527
Exchange difference in cash and cash equivalents		-958	200
Change in cash and cash equivalents		38,712	-22,642
Cash and cash equivalents at year-end		46,839	9,085

Notes to the consolidated financial state-

Note 1. General information

MilDef Group AB is a Swedish limited company based in Helsingborg, registered in Sweden with corp. ID no. 556893-5414, and is the Parent Company of the MilDef Group. In addition to the Parent Company, the MilDef Group consists of the subsidiaries MilDef AB, MilDef Products AB, MilDef Ltd, MilDef Inc., and MilDef AS. Its address is Muskötgatan 6, Box 22079, SE-250 22 Helsingborg, Sweden. On March 16, 2021 the Board of Directors approved this annual report and the consolidated financial statements for publication.

The Group's operations

The Group's operations are primarily in the field of defense both in Sweden and abroad. The products consist of both standard products, and products developed to customers' specifications. There are also services linked to the products. The most common type of product is computers (notebooks, tablet PCs and PDAs) and communication equipment (switches, routers, fiber converters, etc.). A form factor has been developed, 19"/2, which enables modular integration of different data and communication systems. Sales are both direct and via partners and distributors. The Group also has OEM sales.

The Parent Company's operations

The Parent Company's operations mainly consist of providing corporate management and administrative services for the Group's operating companies and other general corporate management issues.

Note 2. Accounting concepts

Compliance with standards and legislation

The consolidated financial statements have been prepared in accordance with the Swedish Annual Accounts Act and the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as well as interpretations from the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the EU. The consolidated accounts have also been prepared in accordance with the Swedish Financial Reporting Board's recommendation RFR 1, Supplementary Accounting Rules for Groups, which includes certain other disclosure requirements for Swedish consolidated accounts prepared in accordance with IFRS.

Conditions during the preparation of the consolidated statements

The Group's functional currency is the Swedish krona (SEK), which is also the presentation currency for the Parent Company and Group. Financial statements are always presented in SEK, unless otherwise stated. All amounts, unless otherwise stated, are rounded to the nearest thousand.

Assets and liabilities are recognized at historical cost, except for some financial assets and liabilities which are measured at fair value. The balance sheet items classified as current assets and current liabilities are expected to be recovered or paid within 12 months. All other balance sheet items are expected to be recovered or paid later.

Preparation of the financial statements in accordance with IFRS requires the Board of Directors and corporate management to make assessments and assumptions that affect the application of the accounting concepts and the carrying amounts of assets, liabilities, income, and expenses. These assessments and assumptions are based on historical experience and knowledge of the industry in which MilDef operates, and in which the prevailing circumstances appear to be reasonable. The results of the assessments and assumptions are then used to determine the carrying amounts of assets and liabilities that would otherwise not be clear from other sources. The actual outcome may differ from these assessments and assumptions. The assessments and assumptions are regularly reviewed and the effect of changes in assessments is recognized in the income statement. Assessments made by the Board and the corporate management regarding the application of accounting concepts in accordance with IFRS that may have a significant effect on the financial statements, and assessments that may entail material adjustments to the following year's financial statements, are described in more detail in Note 4. The accounting concepts specified below for the Group have been applied consistently for all periods presented in the consolidated financial statements, unless otherwise stated below.

New and changed standards applied by the Group

No standards applied by the Group for the first time on January 1, 2020 have had or are expected to have any effect on the consolidated accounts.

New standards and interpretations yet to be applied by the Group

A number of new standards and interpretations come into force for financial years commencing after January 1, 2020, and these have not been applied during the preparation of this annual report. The new standards and interpretations that have not yet come into force are not expected to have an impact on the consolidated financial statements.

Principles of consolidation

Affiliated companies

Subsidiaries are all companies over which the Group has a controlling interest. The Group controls a company when it is exposed to or is entitled to a variable return from its holding in the company and is able to affect the return through its influence in the company. Subsidiaries are included in the consolidated accounts from the date the controlling interest is transferred to the Group. They are excluded from the consolidated accounts from the date the controlling interest ceases.

The acquisition method is used to recognize the Group's business combinations. The consideration for the acquisition of a subsidiary is the fair value incurred by the Group of the assets and liabilities transferred to the former owners of the acquired company and the shares issued by the Group. The

consideration also includes the fair value of all assets and liabilities resulting from a contingent consideration agreement. Identifiable acquired assets and assumed liabilities in a business combination are initially measured at fair value on the acquisition date. Acquisition-related costs are expensed as they arise.

Intra-Group transactions, balance sheet items, and unrealized profits and losses on transactions between affiliated companies are eliminated. The accounting concepts for subsidiaries have been changed where appropriate to guarantee the consistent application of the Group's concepts.

Translation of operations and transactions, and assets and liabilities in foreign currencies

Functional currency and presentation currency

Items included in the financial statements of the various units in the Group are measured in the currency used in the economic environment in which each company primarily operates (functional currency). The consolidated financial statements use the Swedish krona (SEK), the Group's presentation currency.

The Group applies the current method, which means that assets and liabilities in operations with a functional currency other than the SEK are translated at the closing day rates, and the income statements are translated at average exchange rates for the period. The arising translation differences are entered directly as other comprehensive income. The amount is recognized separately in reserves under equity.

If an operation with a functional currency other than the SEK is divested, the accumulated translation differences attributable to the divested operation are reclassified from equity to profit for the year.

Transactions and balance sheet items

Transactions in foreign currencies are translated into the functional currency using the exchange rates in force on the transaction date or the date the items are revalued. Exchange gains and losses arising from payments for such transactions and from translating monetary assets and liabilities in foreign currencies at the closing day rate, are recognized in the income statement.

Exchange gains and losses relating to loans and cash and cash equivalents are recognized in the income statement as financial income or expenses. All other exchange gains and losses are recognized net in the income statement under other operating income or other operating expenses.

Non-controlling interest

Transactions with owners with a non-controlling interest that do not result in loss of control are recognized as transactions in equity, i.e. as transactions with the owners in their role as owner. A change in the participating interest is recognized through an adjustment to the carrying amounts for the controlling and non-controlling interests to reflect the change in their relative holdings in the subsidiary.

For acquisitions from owners with a non-controlling interest, the difference between the fair value of the consideration paid and the actual acquired share of the carrying amount of the subsidiary's net assets is recognized in equity. Gains and losses on divestments to owners with a non-controlling interest are also recognized in equity.

Intangible assets

Research and development

Expenditure on development, where research results or other knowledge are applied to bring about new or improved products or processes, is recognized as an asset in the statement of financial position from the date the assessment is made that the product or process is expected to be technically and commercially viable in the future. The Group has sufficient resources to complete the development in order to then use or sell the intangible asset, and the product or process will generate probable future economic benefits. The carrying amount includes expenditure on materials, direct expenditure for wages and, if applicable, other expenditure deemed to be directly attributable to the asset. Other expenditure on development is recognized in the income statement as a cost as it arises. In the statement of financial position, the recognized development expenditure is entered at cost less accumulated amortization and any impairment. Customer-financed research and development is not capitalized, but is recognized under cost of goods sold.

Other intangible assets

Other intangible assets, which for example include acquired assets such as brands, exclusivity agreements, and customer relationships, are recognized at cost less accumulated amortization and any impairment.

Amortization

Amortization is recognized in the income statement and calculated based on the useful life of the intangible asset. Amortization is carried out on a straight-line basis.

The estimated useful lives and amortization methods are:

- Technology rights: 5 years
- Capitalized research and development costs: 5 years
- Exclusivity agreements: 5 years
- Customer relationships: 5 years

The useful period is reviewed annually and incomplete development work is tested at least once a year for impairment, whether or not there is any indication of a decrease in value.

Property, plant and equipment

Property, plant and equipment is recognized as an asset if it is probable that future economic benefits will accrue to the Group and the cost of the asset can be calculated reliably. Property, plant and equipment is recognized at cost less accumulated depreciation and any impairment. The cost includes the purchase price and expenditure directly attributable to bringing the asset to the location and condition necessary for it to be capable of being utilized in the manner intended. Examples of directly attributable expenditure included in the cost are expenditure on delivery and handling, installation, and any consultancy services.

Additional expenditure

Additional expenditure is added to the cost only if it is probable that the future economic benefits associated with the additional expenditure will accrue to the Group, and the cost can be calculated reliably. All other additional expenditure is recognized as a cost in the period in which it arises. Repairs are expensed on an ongoing basis.

Depreciation

Depreciation is carried out on a straight-line basis based on the cost and useful life of the asset.

Estimated useful lives:

- Plant and machinery: 5 years
- Installation in leased real estate: 5 years
- Right-of-use assets: 1–10 years

Impairment

Intangible assets that are not ready for use are not amortized, but are tested annually or if there is any indication of a decrease in value, to determine whether any write-down is necessary. Assets that are amortized are assessed for a decrease in value whenever events and altered circumstances indicate that a carrying amount may not be recoverable. The asset is written down to its recoverable amount. The recoverable amount is the higher of (a) the asset's fair value less selling expenses, and (b) its value in use. When calculating value in use, the estimated future cash flows are discounted to present value using a discount rate before tax that reflects the current market assessment of money's time value and the risks associated with the asset. When assessing the write-down requirement, assets are grouped at the lowest levels for which there are largely independent cash flows (cash-generating units). For assets that have previously been written down, a test is carried out on each balance sheet date to determine whether a reversal should be carried out. Impairment losses for goodwill are not reversed.

Inventories

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs for completion and for making the sale. Cost is calculated using the first-in first-out principle (FIFO) and includes costs incurred during the acquisition of the inventory assets and the costs incurred in bringing them to their present location and condition. For semi-finished and finished goods produced in house, the cost consists of direct manufacturing costs and a reasonable proportion of indirect manufacturing costs.

Financial assets

The Group classifies and measures its financial assets based on the business model that manages the assets' contractual cash flows and on the characteristics of the asset. Financial assets are classified in one of the following categories: financial assets measured at amortized cost, financial assets measured at value through other comprehensive income, and financial assets measured through profit or loss. The Group currently only has financial assets that are not normally sold outside of the Group and where the aim of the holding is to collect contractual cash flows.

Financial assets measured at amortized cost

All financial assets are classified as financial assets measured at amortized cost using the effective interest method.

When acquiring financial assets, expected credit losses are recognized on an ongoing basis during the holding period, usually taking into account the credit loss risk in the next 12 months. If the credit risk has increased significantly, provisions are made for the credit losses that are expected to occur over the full lifetime of the asset. MilDef applies the simplified method for calculating credit losses, which is based on historical data regarding the counterparty's payment patterns and solvency. Based on historical data, the expected credit losses are judged to be extremely limited.

Cash and cash equivalents

Cash and cash equivalents include, both in the balance sheet and the cash flow statement, cash, bank balances, and other investments in securities etc. due within three months of the acquisition date.

Equity**Capital stock**

Common stock is classified as capital stock.

Other capital supplied

The amount above the quotient value paid during stock/option issues.

Issue costs

Transaction costs that can be directly attributed to the issue of common stock or options are recognized net after tax in equity as a deduction from the proceeds of the issue.

Retained earnings

All historical earnings after tax, excluding non-controlling interests, less dividends.

Non-controlling interest

The proportion of equity belonging to owners without a controlling interest (minority owners). This may occur in subsidiaries.

Translation reserve

The net of the currency translation difference relating to foreign subsidiaries.

Dividends

The dividend proposed by the Board of Directors reduces the distributable earnings and is only recognized as a liability once the AGM has approved the dividend.

Financial liabilities

Financial liabilities measured at amortized cost The Group only has financial liabilities that are classified and measured at amortized cost using the effective interest method. Initial recognition is at fair value, net after transaction costs.

Provisions

Provisions are recognized for legal or constructive obligations that are attributable to the financial year or previous financial years and, on the balance sheet date, are certain or probable to occur but the amount or timing is uncertain.

Contingent liabilities

A contingent liability exists if there is a possible obligation deriving from past events and the occurrence of which is confirmed only by one or more uncertain future events, and when there is an obligation not recognized as a liability or provision because it is not probable that an outflow of resources will be required, or the size of the obligation cannot be calculated with sufficient reliability. Contingent liabilities are disclosed unless the possibility of an outflow of economic resources is remote.

Income tax

Reporting of income tax includes current tax and deferred tax. Tax is recognized in the income statement, except where it refers to items recognized directly in equity. In such cases, the tax is also recognized in equity. Deferred tax is recognized using the balance sheet approach for all material temporary differences. A temporary difference exists when the book value of an asset or liability differs from its tax base. Deferred tax is calculated by applying the tax rate that has been decided on or announced on the balance sheet date and is expected to apply when the relevant tax asset is realized or tax liability is settled. Deferred tax assets are recognized to the extent it is probable that future tax surpluses will arise, against which the temporary differences can be used.

Revenue from agreements with customers

Revenue from agreements with customers is recognized when the performance obligation has been met and control over a good or service is transferred to the customer. This assessment should be considered from the customer's perspective taking into account indications of a transfer of ownership and risks, customer acceptance, physical access, and the right to invoice. An assessment must also be made as to whether control is transferred at a specific point in time or over time.

Standard products and services

Standard products and services are viewed as separate and distinct performance obligations. Revenue is recognized at a specific point in time when control of the good or service is transferred to the customer. The contractual terms may vary but the transition, and therefore the revenue recognition, usually takes place in connection with delivery or, when the contract also includes installation, once installation is complete at the customer site.

Customized products and services

Some products and services are made up of customized solutions. This type of contract is often binding for the customer and the obligations for both parties are clearly defined for the term of the contract. Revenue for customized products is recognized over time if the degree of completion can be measured reliably and binding rights to payment exist for the term of the contract. The degree of completion is calculated based on work completed to date. If the criteria for revenue recognition are not met over time, the revenue is recognized using the same method as for standard products and services. Transaction prices regarding these contracts are represented by payments based on degree of completion or invoice dates defined in the contract. If invoicing is carried out on certain agreed invoice dates, contract assets or liabilities arise. Contract assets also arise if the work has been carried out and there is an unconditional right to payment, but invoicing has not yet taken place.

Signed customer agreements where the performance obligation has not yet been met

MilDef does not have any customer agreements with a term of more than one year, which is why the simplification rule is applied, which means disclosures are not required on the scope of signed agreements that have not yet been met.

Leases

On signing a new lease, a right-of-use asset and lease liability are recognized in the balance sheet. The cost consists of the discounted remaining lease fees for non-terminable lease periods. Possible extension periods are included if the Group is reasonably certain that they will be exercised. Lease payments are discounted at the rate of interest implicit in the lease. If that interest rate cannot readily be determined, which is often the case for the Group's leases, the lessee's incremental borrowing rate shall be used (2.5% in 2020), which is the rate the individual lessee would have to pay to borrow the funds necessary to purchase an asset of a similar value to the right-of-use asset in a similar economic environment with similar terms and security.

The lease may be changed during the lease period, whereby the lease liability and right-of-use asset are reevaluated.

Lease fees are divided between repayment of the lease liability and interest payments. The Group's significant leases are leases to hire real estate relating to operations. The company applies the exemptions for leases where the underlying asset is low value and for short-term leases. These leases are recognized as a cost in the period the asset is utilized.

Remuneration to employees

Liabilities for pay and remuneration, and paid leave, which are expected to be settled within 12 months of the close of the financial year, are recognized as current liabilities at the amount that is expected to be paid when the liabilities are settled, without considering discounting. The cost is recognized as the services are carried out by employees.

Defined contribution plans

The Group's pension plans for post-employment remuneration consist only of defined contribution plans. With defined contribution plans, the company pays set fees to a separate legal entity. Once the fee has been paid, the company has no further obligations. Remuneration to employees, such as pay and pension, is recognized during the period the employees carried out the services to which the remuneration relates.

Remuneration upon termination of employment

A provision is only recognized in connection with termination of employment if the company is obliged to terminate employment before the normal point in time. In such a case, the entire amount is charged directly to the income statement.

Financial income and expenses

Financial income and expenses consist of interest income and borrowing costs, as well as any exchange differences not relating to operations. Furthermore, realized divestments of financial assets as well as impairment/reversals of previous impairment of such financial assets are also included. Borrowing costs directly attributable to the purchase, construction or production of qualifying assets are recognized as part of the asset's cost. Qualifying assets are assets that require a substantial period to get ready for their intended use or sale. Capitalization ceases once all activities required to get the asset ready for its use or sale are substantially complete. All other borrowing costs are expensed as they arise. The Group has no capitalized borrowing costs.

Cash flow statement

The cash flow statement has been prepared in accordance with the indirect method, which entails adjusting net profit for transactions that have not involved any incoming or outgoing payments during the period, and for any revenue and costs attributable to the investing activities' or financing activities' cash flows. Cash and cash equivalents include cash and bank balances that are immediately available.

Operating segments

The business consists of a single operating segment as the products and services offered by the company are not subject to risks and opportunities that are significantly different. The products and services are also similar in nature. Similar here means for example that the character of the product itself, the production process, and the distribution channels are similar.

Geographical areas

Production takes place mainly in Sweden. Furthermore, the Group purchases products from external suppliers. Geographical sales are shown in Note 5.

Operating expenses

The income statement is divided according to function. The functions are as follows:

- Cost of goods sold includes costs for goods management and production costs including pay and materials costs, purchased services, premises costs, and impairment of intangible assets and property, plant and equipment.
- Administrative expenses mainly refer to costs for management of the company. Common costs include Board fees, attorneys' fees, audit fees and payroll expenses for administrative personnel.
- Selling expenses encompass costs for MilDef's own marketing and sales organization, as well as external marketing and sales expenses.
- Research and development costs are recognized separately and include the self-financed new and further development of products, such as materials for prototypes as well as payroll expenses.
- Other operating income and expenses refer to secondary activities, such as exchange differences on items relating to operations, royalties received, and sales of administrative services to other companies in the same community.

Note 3. Financial risk management

The Board of Directors of MilDef Group AB has established an overall risk management policy that describes how the financial risks in the Group's operations are managed. The aim is to identify and actively manage the financial risks so as to reduce negative impact on the Group's earnings, competitiveness, and financial maneuverability.

The financial risks are defined as:

- Currency risk
- Interest rate risk
- Liquidity and financing risk
- Credit and counterparty risk

Currency risk

Definition

Currency risk is the risk that changes in exchange rates have a negative effect on profitability and the Group's financial position.

A significant proportion of the Group's sales and purchases are in currencies other than the SEK. Forward cover is not normally used, but it is sometimes used at subsidiary level. The risk is primarily limited through contract wording (exchange clauses) or by submitting a quote in the same currency as the costs. Major risk exposure is assessed on a case-by-case basis and forward cover may then be relevant.

Exchange gains and losses relating to operations are recognized net in the income statement under other operating income or other operating expenses.

If the Swedish krona had weakened or strengthened by 10% with all other variables remaining constant, the translated profit after tax on December 31, 2020 would have been SEK 333,000 lower (SEK 1,189,000 higher) as a result of gains and losses from translating short-term receivables and current liabilities. The corresponding effect on the Parent Company would have been SEK 77,000 higher (SEK 81,000 lower).

Interest rate risk

Definition

Interest rate risk is the risk that changes in the current level of interest have a negative effect on the Group's profitability and financial position.

Interest rate risk exists when the cost of the company's borrowing changes due to fluctuations in market rates. The company's management continuously monitors market developments. The terms of borrowing do not currently contain any restrictive financial clauses linked to key ratios. Pledged assets relating to borrowing are described in Note 19. If surplus liquidity arises, it is mainly invested in short-term interest-bearing securities with an extremely low risk. The short-term interest-bearing securities usually have a term of 3–12 months.

Based on the financial interest-bearing assets and liabilities with variable interest on December 31, 2020, a change in the market rate of one percentage point would affect Group earnings by SEK 199,000 (SEK 631,000). The corresponding effect on the Parent Company would be SEK -70,000 (SEK 8,000).

Liquidity and financing risk

Definition

Liquidity and financing risk refers to the risk of not being able to meet payment obligations as a result of insufficient liquidity or difficulties raising external loans on acceptable terms. The liquidity and financing risk is currently deemed to be at an acceptable level. On the balance sheet date, financial liabilities amounted to MSEK 135.7 (122.3).

Credit and counterparty risk

Definition

The credit risk in a transaction is the risk that a counterparty fails to meet its obligations from a financial perspective. MilDef's operating activities are exposed to credit risks from transactions with counterparties, mainly customers. Maximum exposure to credit risks relating to financial assets amounted to SEK 215,835,000 (139,926,000) on December 31, 2020. Liquid funds are only invested in cash accounts or similar, and the Group only uses credit institutions with a high credit rating to minimize its credit risk.

Accounts receivable and contract assets

The risk of losses refers to the risk that the customer is unable to pay for delivered products due to their financial position. MilDef sells to a limited number of customers with good solvency, which reduces the risks significantly, and the risk of bad debt losses is currently deemed to be low. MilDef conducts systematic credit assessments before entering into commercial relations with new customers. With exports we often require advance payment, or in some cases bank guarantees.

Fair value

Carrying amounts are the same as fair value for all of the Group's financial assets and liabilities. The financial assets in the Group are classified as financial assets measured at amortized cost, and the financial liabilities as financial liabilities measured at amortized cost.

Breakdown for each category:

Financial assets measured at amortized cost	Group 2020	Group, 2019
Accounts receivable	161,375	125,774
Contract assets and accrued income	4,976	1,872
Other receivables	2,647	3,195
Cash and cash equivalents	46,838	9,085
Total financial assets	215,835	139,926

Financial liabilities measured at amortized cost	Group 2020	Group, 2019
Bank overdraft facility	0	754
Lease liabilities	66,696	71,446
Accounts payable	62,827	43,591
Other liabilities	650	355
Accrued expenses	5,479	6,165
Total financial liabilities	135,651	122,311

Maturity analysis of contractual payments for financial liabilities (nominal values):

Group as of December 31, 2020 Due for payment	Within 3 months	3–12 months	1–5 years	After 1–5 years	Total
Lease liabilities	2,290	6,640	30,470	35,843	75,242
Accounts payable	62,827	-	-	-	62,827
Other liabilities	650	-	-	-	650
Accrued expenses	5,479	-	-	-	5,479
Total	71,245	6,640	30,470	35,843	144,198

Group as of December 31, 2019 Due for payment	Within 3 months	3–12 months	1–5 years	After 1–5 years	Total
Liabilities to credit institutions	754	-	-	-	754
Lease liabilities	1,120	5,623	39,269	32,805	78,817
Accounts payable	43,591	-	-	-	43,591
Other liabilities	355	-	-	-	355
Accrued expenses	6,165	-	-	-	6,165
Total	51,985	5,623	39,269	32,805	129,682

Capital risk

The Group's goal regarding capital structure is to safeguard the Group's ability to continue its operations in order to generate returns for shareholders and benefit for other stakeholders, and to have an optimal capital structure with respect to the cost of capital. Shareholder dividends, the issuing of new shares, and the sale of assets are examples of measures the Group can take to adjust the capital structure. MilDef defines capital as total adjusted equity as recognized in the balance sheet.

Note 4. Uncertainties in accounting estimates

Accounting estimates are continuously evaluated and based on historical experience and other factors, such as expectations of future events that are deemed reasonable in the prevailing circumstances. The company management makes estimates and assumptions about the future that affect carrying amounts. As a result, it is only in exceptional cases that carrying amounts will correspond to the actual amounts. The estimates and assumptions that entail a significant risk of material adjustments to carrying amounts in future financial years are outlined below.

Recovery of the value of development expenditure

The Group invests large sums in research and development. Recognition of development expenditure as an asset in the balance sheet requires that assessments are made and that the product being capitalized is expected to be technically and commercially viable in the future, and that future economic benefits are probable. A new assessment is carried out every quarter to determine whether already capitalized development expenditure is still commercially viable and can continue to generate economic benefits; if not a write-down will be carried out.

Deferred tax asset

Every year the company management examines whether there is a write-down requirement for deferred tax assets attributable to tax loss-carry-forwards and positive temporary differences. The deferred tax asset is only reported in cases where it is probable that future tax surpluses will be available, against which the temporary differences can be used.

Obsolescence assessment, stock

Stock is inspected every month to determine any write-down requirement. An impairment loss is reported in the cost of good sold for the amount of stock which, after careful evaluation, is deemed to be obsolete. If actual obsolescence differs from the calculations or if the company management makes future adjustments to the assumptions made, changes in the valuation may affect earnings for the period and the financial position. An obsolescence scale has been consistently applied by the Group. The scale means that all stock items older than 2 years are valued at 0% of the cost.

Guarantee provisions

Sales terms and conditions usually contain guarantee commitments should the product be faulty. Although the Group takes extensive quality assurance measures to minimize the risk of product faults, a quality problem with the products could adversely affect the Group's reputation, earnings, and financial position. On average, guarantees are provided for 16 months. The guarantee risk reserve is calculated based on the cost history of these commitments. Based on the historical costs of the guarantee commitment, the company management has decided to set aside 0.4% of the Group's sales of proprietary products every year for a guarantee risk reserve. On the balance sheet date, the Group's total guarantee risk reserve totaled SEK 894,000. The actual guarantee costs during the 2020 financial year are lower than the provision amount.

Note 5. Revenue

	2020	2019
Net sales		
Sweden	106,958	89,985
Rest of Nordics (excl. Sweden)	164,108	108,884
Europe (excl. Nordics)	49,545	55,375
North America	67,519	71,974
Other countries	10,320	7,765
Total	398,450	333,983

The Group has two customers that each account for more than 10% of the Group's sales. In 2020, sales for these customers amounted to MSEK 95.9 and MSEK 88.9 respectively.

On December 31, 2020 the Group's intangible assets and property, plant and equipment are located as follows:

Sweden	MSEK 78.3
Norway	MSEK 1.9
USA	MSEK 3.6

Note 6. Other operating income

	2020	2019
Exchange gain on operating receivables/payables	124	0
Exchange loss on operating receivables/payables	0	-7
Fee and commission income	0	467
Income from royalties	0	564
Other	157	199
Total	281	1,223

Note 7. Breakdown of costs by type

	2020	2019
Cost of materials	-200,646	-190,988
Other costs	-30,153	-28,266
Employee benefit expenses	-99,175	-78,839
Depreciation/amortization	-11,587	-11,030
Total	-341,561	-309,123

Note 8. Audit fees

	2020	2019
Mazars:		
Audit engagement	956	490
Audit business in addition to audit engagement	0	0
Tax consultancy	204	254
Other services	62	222
LST Revisjon AS – audit engagement	0	85
Total	1,221	1,051

Audit engagement refers to the review of the annual report and accounts and of the Board's administration, other work tasks that the company's auditor is required to conduct in order to submit an auditor's report, as well as advice or other assistance prompted by observations during such a review or the implementation of such other work tasks.

Note 9. Depreciation/amortization and impairment

	2020	2019
Right-of-use assets	-4,856	-4,355
Capitalized product development	-1,599	-979
Exclusivity agreements:	-1,676	-1,892
Customer relationships	-2,635	-2,961
Costs incurred on leased real estate	-80	-136
Equipment, tools, fixtures and fittings	-741	-707
Total	-11,587	-11,030

Note 10. Leases

The following amounts are recognized as relating to right-of-use assets in the income statement:

Amount recognized in earnings	2020	2019
Amortization – Cost of good sold	388	348
Amortization – Administrative expenses	923	827
Amortization – Selling expenses	2,719	2,439
Amortization – Research and development costs	826	741
Interest expenses for lease liabilities (included in financial expenses)	383	206
Costs attributable to low-value leases	1,350	1,300
Revenue from subleasing right-of-use assets	-13	-62
Total	6,576	5,799

Note 11. Employees and employee benefit expenses etc.

Number of employees 2020	Sweden	Norway	UK	USA	Total
Average number of employees	75	4	8	10	97
percentage of men	77	75	63	70	75
Number of employees on 12/31	94	6	8	11	119
percentage of men	77	83	63	64	75

Number of employees 2019	Sweden	Norway	UK	USA	Total
Average number of employees	65	3	9	8	85
percentage of men	78	67	67	63	73
Number of employees on 12/31	72	4	9	8	93
percentage of men	76	75	56	63	73

Gender breakdown in company management	2020	2019
Board of Directors	6	4
percentage of men	67	75
Management team	8	3
percentage of men	75	67

Pay and remuneration	2020	2019
Board of Directors and CEO	2,487	2,078
Other employees	69,870	32,470
Total	72,358	34,548

Social security expenses

All employees	22,724	18,301
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Of which pension costs

Board of Directors and CEO	96	95
Other employees	5,763	2,322
Total	5,859	2,417

Note 12. Net financial income/expense

	2020	2019
Exchange gain, not relating to operations	0	165
Interest income	127	951
Financial income	127	1,116
Exchange loss, not relating to operations	0	-349
Interest expenses	-1,654	-542
Financial expenses	-1,654	-891

Note 13. Tax

Tax recognized in the income statement	2020	2019
Current tax for the year	-10,483	-8,665
Deferred tax	-2,347	2,584
Total	-12,829	-6,081

Deferred tax expense/income for the year	2020	2019
Tax attributable to change in loss-carry-forwards	-899	-629
Tax relating to change in temporary differences	581	1,790
Tax in appropriations	-2,029	1,043
Change in rate of corporate income tax	0	380
Total	-2,347	2,584

Tax on profit for the year	2020	2019
Profit before tax according to income statement	55,362	37,157
Tax according to current tax rate for Parent Company (21.4%)	-11,847	-7,952

Reconciliation of recognized tax		
Non-taxable revenue	0	2,830
Non-deductible costs	-262	-2,176
Utilization of tax losses	0	-210
Effect of change in temporary differences	0	2,298
Effect of standard income on opening tax allocation reserves	-29	-35
Effect of change in rate of corporate income tax	-27	380
Difference in tax rates between countries within the Group	235	-1,300
Recognized tax expense	-12,829	-6,081

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Deferred tax asset/liability 2020	Deferred tax asset	Deferred tax liability	Net
Intangible assets	2,528	-1,785	744
Property, plant and equipment	6		6
Current assets	2,124		2,124
Current liabilities	321		321
Untaxed reserves		-7,624	-7,624
Total	4,979	-9,408	-4,429

Deferred tax asset/liability 2019	Deferred tax asset	Deferred tax liability	Net
Temporary differences	2,994		2,994
Intangible assets		-1,339	-1,339
Tax losses	991		991
Untaxed reserves		-4,259	-4,259
Total	3,985	-5,598	-1,613

Reconciliation of deferred net liability	2020	Net
Net liability at beginning of year	-1,613	-4,342
Translation difference from translation of foreign subsidiaries	-470	145
Recognized over the income statement	-2,347	2,584
Net liability at year-end	-4,429	-1,613

As of December 31, 2020, there is a total tax loss of MSEK 7.2. No deferred tax asset has been posted, even though a right to loss-carry-forwards exists.

Note 14. Intangible assets

	2020	2019
<i>Capitalized product development</i>		
Cost		
Opening balance, January 1	37,960	36,462
Purchases for the year	3,539	1,498
Closing balance, December 31	41,499	37,960
Amortization and impairment		
Opening balance, January 1	-31,893	-30,914
Amortization for the year	-1,599	-979
Closing balance, December 31	-33,492	-31,893
Carrying amount, December 31	8,007	6,067
<i>Exclusivity agreements:</i>		
Cost		
Opening balance, January 1	9,440	8,980
Translation difference	-1,263	460
Closing balance, December 31	8,177	9,440
Amortization and impairment		
Opening balance, January 1	-6,293	-4,191
Amortization for the year	-1,676	-1,888
Translation difference	882	-214
Closing balance, December 31	-7,087	-6,293
Carrying amount, December 31	1,090	3,147
<i>Customer relationships</i>		
Cost		
Opening balance, January 1	14,634	14,124
Translation difference	-1,671	510
Closing balance, December 31	12,963	14,634
Amortization and impairment		
Opening balance, January 1	-9,930	-6,763
Amortization for the year	-2,635	-2,927
Translation difference	1,171	-240
Closing balance, December 31	-11,394	-9,930
Carrying amount, December 31	1,569	4,704

Note 14 contd. Intangible assets

	2020	2019
<i>Other intangible assets</i>		
Cost		
Opening balance, January 1	594	594
Closing balance, December 31	594	594
Amortization and impairment		
Opening balance, January 1	-594	-594
Closing balance, December 31	-594	-594
Carrying amount, December 31	0	0
Comprehensive income includes amortization as specified below:		
Cost of good sold	2,315	2,280
Selling expenses	2,635	2,927
Research and development costs	960	587
Total	5,910	5,794

Note 15. Property, plant and equipment

	2020	2019
<i>Costs incurred on leased real estate</i>		
Cost		
Opening balance, January 1	490	454
Purchases for the year	99	-
Translation difference	-53	36
Closing balance, December 31	536	490
Depreciation and impairment		
Opening balance, January 1	-394	-279
Depreciation for the year	-80	-92
Translation difference	41	-23
Closing balance, December 31	-433	-394
Carrying amount, December 31	103	96
<i>Equipment, tools, fixtures and fittings</i>		
Cost		
Opening balance, January 1	7,664	6,438
Purchases for the year	1,271	1,235
Depreciation for the year	-118	-44
Translation difference	-67	35
Closing balance, December 31	8,750	7,664
Depreciation and impairment		
Depreciation for the year	-734	-664
Translation difference	54	-24
Closing balance, December 31	-6,265	-5,698
Carrying amount, December 31	2,486	1,966
<i>Construction in progress</i>		
Cost		
Opening balance, January 1	-	-
Purchases for the year	4,024	-
Closing balance, December 31	4,024	-
Carrying amount, December 31	4,024	-

Note 15 contd. Property, plant and equipment

	2020	2019
<i>Right-of-use assets (real estate relating to operations)</i>		
Cost		
Opening balance, January 1	75,719	10,718
Additional right-of-use assets	229	64,796
Terminated contracts	-4,800	-
Translation differences	-741	205
Closing balance, December 31	70,406	75,719
Depreciation and impairment		
Opening balance, January 1	-4,355	-
Depreciation for the year	-4,862	-4,286
Terminated contracts	4,800	-
Translation differences	512	-69
Closing balance, December 31	-3,905	-4,355
Carrying amount, December 31	66,502	71,364

It is primarily a significant rental contract that was signed in 2019 and extends over 10 years that generates the major asset. The size of the contract on December 31, 2020 is MSEK 63.8.

Note 16. Other long-term receivables

	2020	2019
Opening balance, January 1	525	591
Customs bond	0	26
Receivable, employees	-106	-122
Translation difference	-67	30
Closing balance, December 31	352	525

Note 17. Accounts receivable and contract assets

	2020	2019
Accounts receivable and contract assets	165,424	126,351
Total	165,424	126,351
Accounts receivable and contract assets aging		
Accounts receivable and contract assets not overdue	141,771	96,683
Overdue accounts receivable, 1–30 days	19,833	29,397
Overdue accounts receivable, 31–90 days	2,341	271
Overdue accounts receivable, >90 days	1,479	-
Total	165,424	126,351

MilDef applies the simplified method for calculating credit losses, which is based on historical data regarding the counterparty's payment patterns and solvency. Based on historical data, the expected credit losses are judged to be extremely limited. The Group has not posted any credit losses during the year. As of December 31, 2020, MSEK 23.7 of accounts receivable were overdue within the Group and no write-down requirement was deemed to exist. The maximum exposure to credit risks on the balance sheet date is the fair value of accounts receivable and contract assets, which corresponds to the carrying amount. There is no collateral pledged as security for recognized receivables. Of the overdue accounts receivable and contract assets on December 31, 2020, MSEK 20.9 was settled in 2021 before this annual report was approved by the Board of Directors.

Note 18. Prepaid expenses and accrued income

	2020	2019
Prepaid rent	2,123	1,015
Prepaid car leasing	70	121
Prepaid insurance	519	296
Other items	3,879	3,100
Total	6,592	4,532

Note 19. Pledged assets

	2020	2019
Pledged assets for liabilities to credit institutions		
Chattel mortgages	30,000	30,000
Total pledged assets	30,000	30,000

Note 20. Bank overdraft facility

	2020	2019
The bank overdraft facility granted amounts to	27,074	27,279
Utilized credit on balance sheet date	0	-754
Unutilized credit on balance sheet date	27,074	26,525

Note 21. Provision for guarantee commitments

	2020	2019
Opening balance, January 1	608	620
Change for the year	297	-23
Translation difference	-11	10
Closing balance, December 31	894	608

Note 22. Contract liabilities

Of the amount recognized as contract liabilities on December 31, 2019, SEK 6,416,000 (33,587,000) was recognized as revenue in 2020.

Note 23. Accrued expenses and deferred income

	2020	2019
Accrued payroll expenses	16,303	12,124
Accrued social security expenses	8,078	5,083
Other items	12,389	9,206
Total	36,770	26,413

Note 24. Other items

	2020	2019
Change in the guarantee reserve for the year	297	-22
Capital gain from sale of property, plant and equipment	5	0
Translation difference, internal transactions	3,719	119
Total	4,021	97

Note 25. Change in liabilities from financing activities

	2020	2019
Opening balance, January 1	71,446	0
Additional liabilities	229	75,720
Repayment	-4,894	-4,274
Translation difference	-85	0
Closing balance, December 31	66,696	71,446

Note 26. Related-party transactions

The Group enjoys close collaboration with an owner company, MilDef Crete Inc in Taiwan. See the following summary:

	Sale of goods and services to a related party	Purchase of goods from a related party	Liability to related party on Dec 31	Receivable from related party on Dec 31
MilDef Crete Inc	689	96,592	38,962	948

Parent Company income state-

SEK 000	Note 1–2	2020	2019
Net sales	3, 4	50,062	33,792
Selling expenses		-16,475	-12,908
Administrative expenses		-22,909	-12,549
Research and development costs		-12,778	-6,855
Other operating expenses	8	-3,196	-365
Operating profit	3, 4, 5, 6, 9	-5,296	1,115
Profit/loss from participations in affiliated companies	10	-6,500	6,700
Financial income	10	2,419	4,014
Financial expenses	10	-1,177	-1,303
Earnings after financial items		-10,554	10,526
Appropriations	11	37,160	-2,160
Profit before tax		26,606	8,366
Tax on profit for the year	12	-7,313	-545
Profit for the year		19,293	7,821
Parent Company statement of comprehensive income			
Profit for the year		19,293	7,821
Other comprehensive income		0	0
Comprehensive income for the year		19,293	7,821

Parent Company balance sheet

SEK 000	Note 1–2	12/31/2020	12/31/2019
Non-current assets			
Property, plant and equipment	13		
Equipment, tools, fixtures and fittings		629	602
Construction in progress		3,947	0
Total property, plant and equipment		4,576	602
Financial assets			
Participations in affiliated companies	14	65,231	71,731
Total financial assets		65,231	71,731
Total non-current assets		69,807	72,333
Current assets			
Short-term receivables			
Receivables from affiliated companies		94,800	37,646
Tax assets		0	3,869
Accounts receivable		767	0
Other receivables		444	887
Prepaid expenses and accrued income	15	3,966	1,576
Total short-term receivables		99,976	43,978
Cash and bank balances		6,977	0
Total current assets		106,953	43,978
TOTAL ASSETS		176,760	116,311
EQUITY AND LIABILITIES			
Equity	16		
Restricted equity			
Capital stock		5,809	5,809
Total restricted equity		5,809	5,809
Non-restricted equity			
Share premium reserve		58,071	58,071
Accumulated profit or loss		16,712	17,605
Profit for the year		19,293	7,821
Total non-restricted equity		94,075	83,497
Total equity		99,884	89,306
Untaxed reserves	17	23,750	14,910
Current liabilities			
Bank overdraft facility		0	754
Accounts payable		3,758	1,302
Liabilities to affiliated companies		25,554	2,655
Tax liabilities		2,984	-
Other current liabilities		7,230	1,467
Accrued expenses and deferred income	18	13,601	5,917
Total current liabilities		53,126	12,095
TOTAL EQUITY AND LIABILITIES		176,760	116,311

Change in equity for the Parent Company

SEK 000	Capital stock	Share premium reserve	Retained earnings incl. profit for the year	Total equity
Opening balance, January 1, 2019	5,809	58,071	23,414	87,294
Comprehensive income for the year			7,821	7,821
<i>Transactions with owners in their capacity as owners</i>				
Dividend to shareholders				-5,809
Closing balance, December 31, 2019	5,809	58,071	25,426	89,306
Opening balance, January 1, 2020	5,809	58,071	25,426	89,306
Comprehensive income for the year			19,293	19,293
<i>Transactions with owners in their capacity as owners</i>				
Dividend to shareholders			-8,714	-8,714
Closing balance, December 31, 2020	5,809	58,071	36,005	99,884

Parent Company cash flow state-

SEK 000	Note	2020	2019
Operations			
Operating profit		-5,296	1,115
Adjustments for items not included in cash flow:			
Depreciation/amortization and impairment that burden this		227	23
Total		227	23
Interest received		2,419	2,249
Interest paid		-1,177	-318
Tax paid		-461	-4,665
Cash flow from operating activities before change in working capital		-4,287	-1,596
Increase (-) / decrease (+) in operating receivables		11,818	22,980
Increase (+) / decrease (-) in operating payables		22,821	853
Change in working capital		34,639	23,833
Cash flow from operating activities		30,352	22,237
Investing activities			
Investments in property, plant and equipment		-4,201	-570
Group contributions from subsidiaries		1,200	-
Change in long-term receivables		-25,687	-23,384
Cash flow from investing activities		-28,688	-23,954
Financing activities			
Dividend to shareholders		-8,714	-5,809
Group contributions to subsidiaries		-10,000	-
Change in bank overdraft facility		24,027	754
Cash flow from financing activities		5,313	-5,055
Cash flow for the year		6,977	-6,772
Change in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		0	6,772
Change in cash and cash equivalents		6,977	-6,772
Cash and cash equivalents at year-end		6,977	0
Agreed credit, not utilized		25,000	24,246
Available liquidity		31,977	24,246

Notes to the Parent Company financial state-

Note 1. Accounting concepts

Parent Company accounting concepts

The Parent Company has prepared its annual report in accordance with the Swedish Annual Accounts Act and RFR 2 Accounting for Legal Entities. The differences between the accounting concepts applied by the Parent Company and the Group stem from restrictions in the ability to apply IFRS in the Parent Company as a result of the Annual Accounts Act and, in some cases, due to prevailing tax rules. The Parent Company follows the same accounting concepts as the Group with the following exceptions:

Significant differences between the Group and Parent Company's accounting concepts

Intangible assets

Expenditure on product development is capitalized in the Group only, in accordance with IAS 38 – Intangible Assets. This expenditure is expensed in both the Parent Company and in the individual subsidiaries.

Shares and participations in affiliated companies

Participations in affiliated companies are recognized at cost less any impairment. The cost includes acquisition-related costs and any additional purchase prices. When there is an indication that the participations in affiliated companies have decreased in value, the recoverable amount is assessed. If the recoverable amount is lower than the carrying amount, a write-down is carried out. The impairment is recognized under profit/loss from participations in affiliated companies.

Leases

The Parent Company uses the exception regarding the application of IFRS 16 Leases, which means that all leases are recognized as a cost on a straight-line basis over the term of the lease.

Untaxed reserves

The amounts set aside for untaxed reserves constitute taxable temporary differences. In the Parent Company, the deferred tax asset is recognized as part of the untaxed reserves due to the link between recognition and taxation.

Group contributions and shareholder contributions

Shareholder contributions are entered directly against equity at the recipient and capitalized in shares and participations at the donor, to the extent that write-down is not required. Group contributions to subsidiaries are viewed as shareholder contributions. The Group contribution, taking into account the tax effect, is recognized as an increase in shares in the subsidiary, after which the value is tested to determine whether a write-down is required. Group contributions from subsidiaries are recognized as an appropriation in the income statement.

Financial instruments

In the Parent Company, the exception in IFRS 9 Financial Instruments is applied. This means, for example, that financial instruments are measured based on their cost, but that the same method is applied as the method the Group uses to calculate a reserve for credit losses.

Format of the balance sheet

The Parent Company complies with the formats for the income statement and balance sheet as set out in the Annual Accounts Act, which means, for example, a different format for equity.

Note 2. Accounting estimates

MilDef applies the simplified method for calculating credit losses, which is based on historical data regarding the counterparty's payment patterns and solvency. Based on historical data, the expected credit losses are judged to be extremely limited. The Parent Company has not posted any credit losses during the year, neither for accounts receivable nor for receivables from affiliated companies, and no loss risk reserve is deemed necessary for these receivables.

Note 3. Revenue

	2020	2019
Net sales		
Sales within the EU	38,100	29,056
Sales outside of the EU	11,962	4,736
Total	50,062	33,792

Note 4. Purchases and sales within the Group

	2020	2019
Percentage of sales relating to affiliated companies	100%	100%
Percentage of purchases relating to affiliated companies	0%	0%

Note 5. Lease fees

	2020	2019
Operating leases		
Cost of lease fees for the year	4,334	3,394
Outstanding lease fees fall due for payment as outlined below:		
Within 1 year:	8,674	4,287
Later than 1 year but within 5 years	32,275	29,730
Later than 5 years	38,243	41,918
Total	79,192	75,935

The most important leases refer to leased real estate.

Note 6. Breakdown of costs by type

	2020	2019
Other costs	-22,710	-14,382
Employee benefit expenses	-32,420	-18,273
Depreciation/amortization and impairment	-227	-23
Total	-55,358	-32,677

Note 7. Audit fees

	2020	2019
Mazars AB:		
Audit engagement	233	265
Tax consultancy	15	48
Other services	22	37
Total	270	350

Audit engagement refers to the review of the annual report and accounts and of the Board's administration, other work tasks that the company's auditor is required to conduct in order to submit an auditor's report, as well as advice or other assistance prompted by observations during such a review or the implementation of such other work tasks.

Note 8. Other operating expenses

	2020	2019
Funds donated to MilDef Charity Foundation	650	320
Exchange gains, relating to operations	-5,371	-730
Exchange loss, relating to operations	7,917	775
Total	3,196	365

At the AGM of MilDef Group AB on April 4, 2013, the decision was made to create a charity foundation. Every year 1% of the Group's operating profit is donated to the foundation. The aim of the foundation is, via donated funds, to improve conditions for financially or socially vulnerable groups. The foundation was registered with Skåne county administrative board on July 9, 2014. Registered number 802478-1604.

Note 9. Employees and employee benefit expenses

	2020	2019
Average number of employees	21	15
percentage of men	52	50
Number of employees on 12/31	29	18
percentage of men	55	56

Gender breakdown in company management	2020	2019
Board of Directors	6	4
percentage of men	67	75
Management team	8	3
percentage of men	75	67

Pay and remuneration	2020	2019
Board of Directors and CEO	2,487	2,078
Other employees	19,287	9,814
Total	21,774	11,892

Social security expenses

All employees	9,048	5,025
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Of which pension costs

Board of Directors and CEO	96	95
Other employees	2,120	952
Total	2,216	1,047

Note 10. Net financial income/expense

	2020	2019
Dividend from subsidiaries	0	13,200
Impairment of participations in subsidiaries	-6,500	-6,500
Profit/loss from participations in affiliated companies	-6,500	6,700
Exchange gain, not relating to operations	0	1,765
Interest income	2,419	2,249
Financial income	2,419	4,014
Exchange loss, not relating to operations	0	-985
Interest expenses	-1,177	-318
Financial expenses	-1,177	-1,303

Note 11. Appropriations

	2020	2019
Group contributions paid	0	-10,000
Group contributions received	46,000	1,200
Mandatory reversal of tax allocation reserve	3,600	7,500
Transfer to tax allocation reserve	-11,300	-700
Change in excess depreciation	-1,140	-160
Total	37,160	-2,160

Note 12. Tax on profit for the year

	2020	2019
Current tax expense (-)/tax income (+)		
Current tax for the year	-7,313	-461
Deferred tax	0	-84
Total	-7,313	-545
Tax on profit for the year		
Profit before tax according to income statement	26,606	8,366
Tax according to current tax rate for Parent Company (21.4%)	-5,694	-1,790
Reconciliation of recognized tax		
Standard income on opening tax allocation reserves	-16	-24
Non-taxable revenue	0	2,830
Non-deductible costs	-1,581	-1,513
Revaluation from reversal of tax allocation reserve	-23	-48
Recognized tax expense	-7,313	-545

Note 13. Property, plant and equipment

	2020	2019
Equipment, tools, fixtures and fittings		
Cost		
Opening balance, January 1	625	55
Purchases for the year	254	570
Closing balance, December 31	879	625
Depreciation and impairment		
Opening balance, January 1	-23	0
Depreciation for the year	-227	-23
Closing balance, December 31	-250	-23
Carrying amount, December 31	629	602
Construction in progress		
Cost		
Opening balance, January 1	0	0
Purchases for the year	3,947	0
Closing balance, December 31	3,947	0
Carrying amount, December 31	3,947	0

Note 14. Participations in affiliated companies

	2020	2019
Cost		
Opening balance, January 1	71,731	78,231
Impairment for the year	-6,500	-6,500
Closing balance, December 31	65,231	71,731
Carrying amount, December 31	65,231	71,731

Specification of participations in affiliated companies

Affiliated company / Corp. ID no. / Reg. office	Number of participations	Participating interest in %	Carrying amount
MilDef AB, 556422-8277, Helsingborg, Sweden	5,350	100	49,919
MilDef Products AB, 556874-1317, Helsingborg, Sweden	10,000	100	11,096
MilDef Ltd, 5756627, Cardiff, UK	340,000	100	2,092
MilDef, Inc., 5979209, Delaware, USA	120,000	100	999
MilDef AS, 959 279 772, Oslo, Norway	1,016	100	1,125
Total			65,231

All subsidiaries are consolidated in the Group. The share of votes in the subsidiaries directly owned by the Parent Company is the same as the share of equity.

Note 15. Prepaid expenses and accrued income

	2020	2019
Prepaid rent	2,010	703
Prepaid car leasing	24	48
Prepaid insurance	257	82
Other items	1,675	743
Total	3,966	1,576

Note 16. Equity

One share in MilDef Group AB has a quotient value of SEK 0.50. The number of shares amounts to 11,618,422 and the capital stock amounts to SEK

Note 17. Untaxed reserves

	2020	2019
Tax allocation reserves	22,450	14,750
Excess depreciation	1,300	160
Total	23,750	14,910

Note 18. Accrued expenses and deferred income

	2020	2019
Accrued payroll expenses	7,310	3,643
Accrued social security expenses	3,243	1,723
Other items	3,049	551
Total	13,601	5,917

Note 19. Related-party transactions

On the balance sheet date, the Parent Company has a receivable from a subsidiary of MSEK 94.8 and a liability to a subsidiary of MSEK 25.6.

The Parent Company enjoys close collaboration with an owner company, MilDef Crete Inc in Taiwan. See the following summary:

	Sale of goods and services to a related party	Purchase of goods from a related party	Liability to related party on Dec 31	Receivable from related party on Dec 31
MilDef Crete Inc	767	0	0	767

OTHER DISCLOSURES**Note 20. Pledged assets and contingent liabilities**

	2020	2019
Contingent liabilities		
Guarantee commitments for liabilities in subsidiaries	2,074	2,279

During the 2020 financial year, MilDef Group AB issued a comfort letter to the subsidiary MilDef Ltd to guarantee its capital requirements. The comfort letter was signed on October 5, 2020 with a term of 16 months and is for an unlimited amount. Furthermore, the Parent Company intends to issue a comfort letter to the subsidiary MilDef Inc in 2021. This comfort letter will also be for an unlimited amount.

Helsingborg, March 16, 2021

Jan Andersson
Chairman of the Board

Christian Hammenborn
Board member

Marianne Trolle
Board member

Berndt Grundevik
Board member

Björn Karlsson
CEO

Lennart Pihl
Board member

Charlotte Darth
Board member

Our auditor's report was submitted on March 16, 2021.

Bengt Ekenberg
Authorized public

Andreas Brodström
Authorized public



*MilDef was founded in 1997. It is a Swedish high-tech company producing **tactical IT** products and services for demanding conditions and areas vital to society. Its head office is in Helsingborg, Sweden and the Group has subsidiaries in the USA, UK and Norway.*

In addition to representation and sales, the company has a partner network within the EU and selected NATO countries.

The products are primarily robust computers, network equipment and displays with related IT and digitalization services.

MilDef is certified to ISO 9001:2015 (quality) and ISO 14001:15 (environment).

Financial calendar:

2021 Annual General Meeting	March 30, 2021
Interim Report Q1 2021	April 13, 2021
Interim Report Q2 2021	July 28, 2021
Interim Report Q3 2021	October 27, 2021
Year-End Report 2021	February 10, 2022

For further information, contact:

MilDef Group AB

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

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

Johan Holmqvist, Head of Investor Relations | johan.holmqvist@mildef.com | +46 70 87 66 77



MilDef Group AB
Muskötgatan 6
SE-254 66
Helsingborg
Sweden

Tel: +46 42 25 00 00
Email: infomildef@mildef.com
<https://mildef.com>
Corp. ID no. 556893-5414