



MilDef

Interim Report

January–March 2021

Q1



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Your number one choice for tactical IT

Interim Report January–March 2021

Sustained good growth and order intake

First quarter 2021

- Net sales increased by 48% to SEK 51.0 million (34.5).
- Gross margin was 34% (43).
- Order intake increased by 48% to SEK 79.5 million (53.6).
- Order backlog increased by 239% to SEK 497.6 million (147.0).
- Adjusted EBITDA amounted to SEK -14.8 million (-17.8) and adjusted EBITDA margin to -29.0% (-51.6).
- Operating profit (EBIT) amounted to SEK -19.2 million (-19.6) including non-recurring items of SEK -3.7 million (0.0).
- Profit after tax for the quarter amounted to SEK -19.2 million (-15.7).
- Earnings per share amounted to SEK -1.63 (-1.35).

Significant events in the first quarter

- On March 11, 2021 MilDef acquired all of the shares in the Norwegian service and software provider Sysint AS. The acquisition was financed by an acquisition credit of SEK 30 million, the transfer of 711,087 treasury shares and the Company's own cash and cash equivalents.
- On March 30, 2021 the Company held its Annual General Meeting in Helsingborg, Sweden. The AGM decided to re-elect Jan Andersson as Chairman of the Board as well as board members Marianne Trolle, Lennart Pihl, Charlotte Darth, Berndt Grundevik and Christian Hammenborn. The AGM also decided on a dividend for the 2020 financial year of SEK 1.50 per share. The dividend was paid out in the second quarter.
- In the first quarter of 2020 the process of moving the Company's head office to new, larger premises in Helsingborg was completed.

ROLLING 12 MONTHS, APRIL 2020 – MARCH 2021

NET SALES

SEK 415_mADJUSTED
OPERATING PROFIT (EBITDA)SEK 75.8_mADJUSTED
OPERATING MARGIN (EBITDA)

18.3%

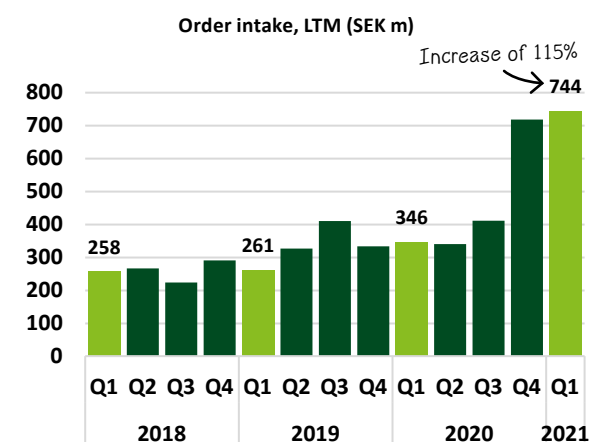
FINANCIAL SUMMARY

	Jan 1–Mar 31			Rolling 12 months	Full year	
All figures are in SEK million unless otherwise stated	2021	2020	Δ	April 2020–March 2021	2020	Δ
Order intake	79.5	53.6	48%	744.0*	718.0	4%
Order backlog	497.6*	147.0	239%	497.6*	446.3	11%
Net sales	51.0	34.5	48%	414.9	398.5	4%
Organic growth, %	28	-8	36	23	19	4
Acquisition-driven growth, %	20	-	20	2	-	2
Gross profit	17.5	14.7	19%	185.0	182.1	2%
Gross margin, %	34	43	-9	45	46	-1
Adjusted operating profit (EBITDA)	-14.8	-17.8	17%	75.8	72.8	4%
Adjusted operating margin (EBITDA), %	-29.0	-51.6	-22.5	18.3	18.3	0.0
Adjusted operating profit (EBIT)	-19.2	-19.6	2%	61.6	61.2	1%
Adjusted operating margin (EBIT), %	-37.7	-56.8	19.1	14.8	15.4	-0.6
Earnings per share, SEK	-1.63	-1.35	-21%	3.35	3.66	-8%
Operating cash flow	-20.0	20.8	-40.8	12.3	53.1	-40.8
Net debt/adjusted EBITDA incl. IFRS 16, times	-	-	-	1.1	0.3	0.8
Equity/assets ratio, %	39.4	41.8	-2.4	39.4	36.0	3.4
Return on equity, %	-	-	-	33.9	36.4	-2.5
Return on capital employed, %	-	-	-	27.3	36.0	-8.7
Full-time employees at end of period	147	106	39%	147	119	24%

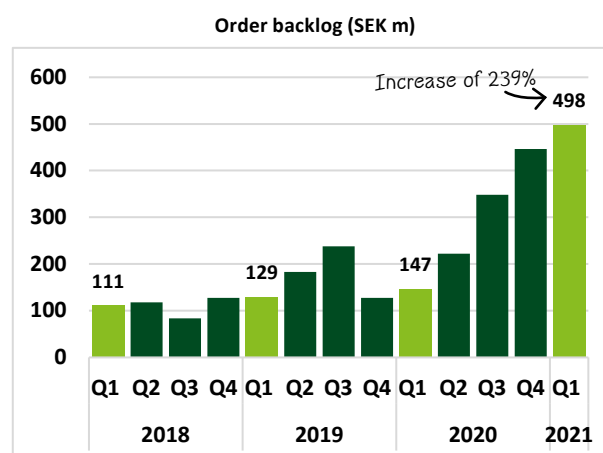
*For more information, see the section "Financial overview" on page 7 under the heading "Order situation".

MilDef's financial development

ORDER SITUATION

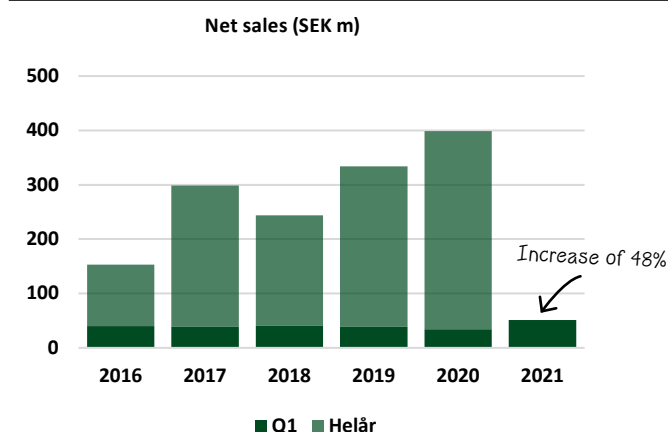


Each individual column in the diagram above shows MilDef's order intake over the past 12 months in SEK million. The order intake are the total orders received during the period in question. Deliveries may take place over a number of years. MilDef monitors order intake to analyze future revenue streams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

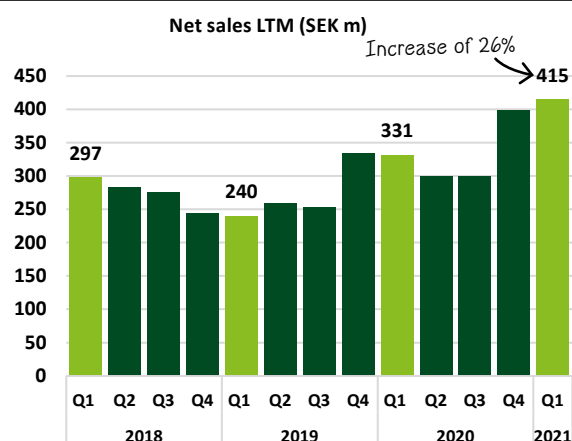


The columns in the diagram above show MilDef's current order backlog at the end of each calendar quarter in SEK million. The order backlog represents the total value of orders received. Deliveries may take place over a number of years. The Group's order backlog is measured to assess and calculate future revenue streams and cash flows.

NET SALES

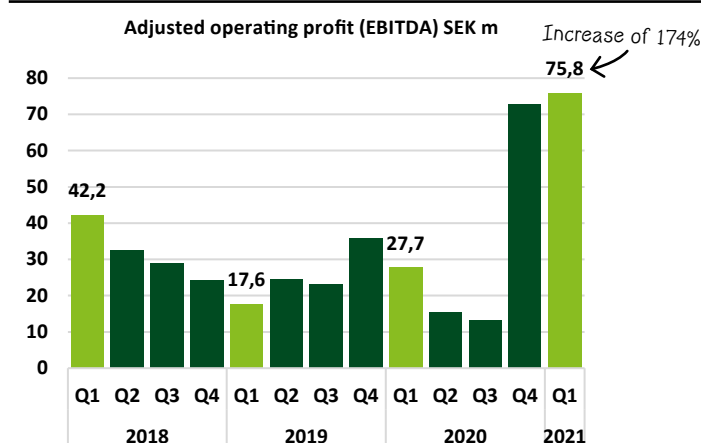


The columns above show MilDef's net sales for full year 2016–2020 and for Q1 2016–2021. The diagram shows the clear seasonal variation in MilDef's net sales.

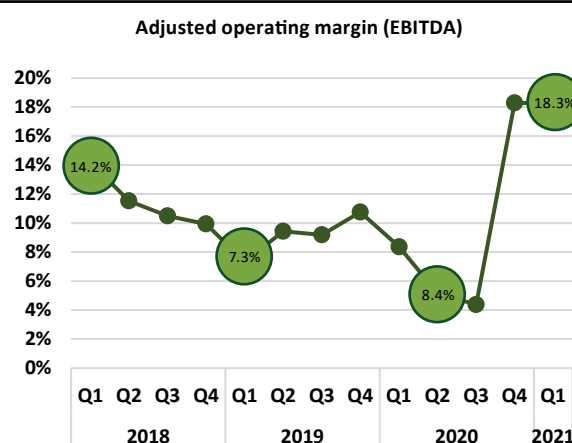


The diagram's columns show MilDef's net sales over the past 12 months in SEK million. The columns show the data excluding seasonal variations during the year.

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



Each column in the diagram above shows MilDef's operating profit (EBITDA) over the past 12 months in SEK million, adjusted for non-recurring items. The non-recurring items are specified in detail on page 17 in Note 3. The purpose is to assess the Group's profits that are generated in operating activities.



The diagram above shows MilDef's operating margin (EBITDA) over the past 12 months as a percentage, adjusted for non-recurring items. The non-recurring items are specified in detail on page 17 in Note 3. The adjusted EBITDA margin is stated as a percentage of net sales. MilDef considers the adjusted EBITDA margin to be a useful indicator to measure the Group's operational efficiency.

COMMENTS BY CEO BJÖRN KARLSSON

Strong growth and strategic acquisitions set the tone for 2021



The Norwegian service and software provider Sysint AS was acquired on March 11. The acquisition is expected to strengthen MilDef's position in the growing Norwegian market and offer good opportunities for additional sales internationally. In the first quarter of 2021, both MilDef's sales and order intake increased by 48% compared with the same period the previous year.

Acquisition of Sysint AS

The acquisition of Sysint AS (Sysint) was implemented as part of an increased focus on M&A activities. Sysint holds a strong position in the Norwegian market, delivering services and software in the tactical IT segment. Its customers include the Norwegian Defence Materiel Administration (FMA), other government agencies and industrial

Organic growth

The organization grew both organically and through acquisitions in the first quarter. The workforce at the end of the period consisted of 147 employees globally. Apart from the resources added by Sysint, recruitment during the period focused on R&D, sales and production-related positions.

Financial development

Sales were a full 48% higher than the same period the previous year, and order intake amounted to SEK 79.5 million (53.6). The order backlog as of March 31, 2021 amounted to around SEK 497.6 million, equivalent to SEK 147.0 million on March 31, 2020. It is worth noting that the 10-year agreement in the UK had a positive effect on the order backlog equivalent to around SEK 275 million. The

“The acquisition of Sysint AS was implemented as part of the increased focus on M&A activities. Sysint holds a strong position in the Norwegian market.”

actors. The acquisition contributed around SEK 7 million to the Group's net sales in the first quarter.

Geographical overview

The US market showed signs of improvement and the UK operations continued to win additional business after record orders last year. Several orders were received in MilDef's strong markets in the Nordic region (Sweden, Norway, Denmark). Some were linked to existing framework agreements and others to new modernization projects.

Expanded offering

The product portfolio continues to expand as a result of development projects carried out in close cooperation with customers. Several new products were launched, primarily in the network products category. Services and software were primarily delivered in the Nordic markets. Several future-oriented concepts have been produced with new technology to supplement the offering.

business volume in the UK was 52% higher than the same period the previous year. The combination of improved order intake and a strong order backlog creates stability for upcoming periods.

Summary of the quarter

To summarize the quarter, MilDef delivered strong key ratios for the quarter compared with the previous year. Order intake and sales were significantly higher than in the previous period. A strategic acquisition expanded the customer offering, mainly within services and software. Based on the outcome and positive signals from the market, this year is expected to offer excellent opportunities for continued growth.

Björn Karlsson, CEO, MilDef Group

MilDef in brief

Digitalization of operations and functions that are crucial for society is increasing and there is therefore a demand for tactical IT in demanding environments. MilDef is taking an active role in this development. The goal is to be the most credible and reliable partner in the industry. MilDef adds value through industry-leading quality and high delivery precision.

Since the start in 1997, MilDef has delivered products and services designed to protect functions that are critical for society. As a specialist in the global tactical IT niche area, the Company meets the unique product requirements for demanding environments. MilDef produces and delivers rugged electronic products and complete hardware systems to security and defense customers. With operations in four countries and a network of partners in more than 30 countries, MilDef currently has 147 full-time employees.

MilDef holds a strong position in the Nordic region and has solid relationships with customers built up over many years based on the Company's credibility and delivery reliability.

MilDef's products have been developed to withstand heat, cold, moisture, vibration, shock and other environmental impacts. The product portfolio encompasses all the components in an IT system – from servers and client computers to network equipment and intelligent displays.

Many of the core functions are managed from the head office in Helsingborg, where the Swedish production facility is also located.



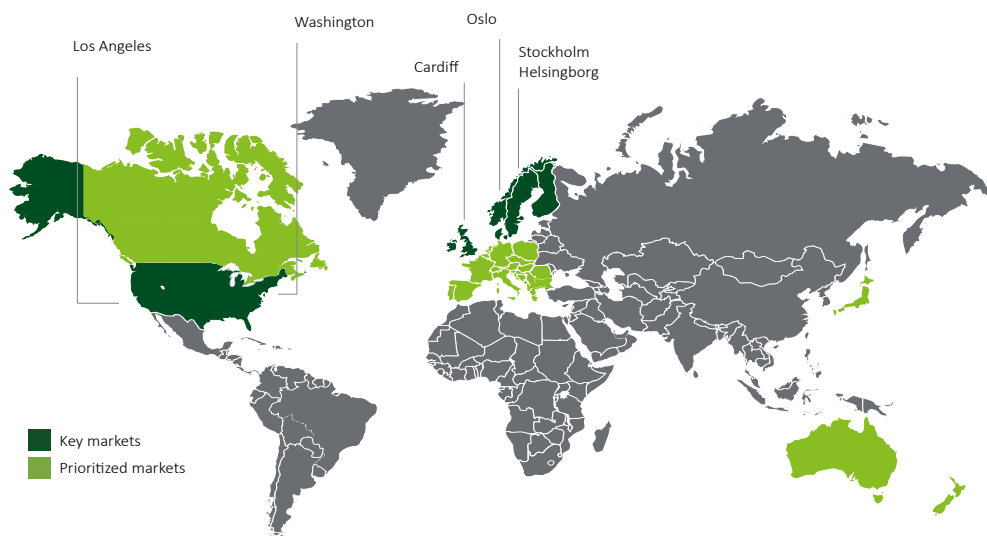
Vision

Your number one choice for tactical IT.

Employees

The employees are MilDef's most important asset, and offering a working environment that has a pleasant atmosphere and challenges them is a top priority. MilDef is committed to diversity and aims for a workforce with a wide variety of talents. The Company maintains high ethical and moral standards that are applied in all its communication activities. MilDef has adopted a Code of Conduct, which describes the Company's values, leadership philosophy, social responsibility, working environment and other significant dimensions. Regulatory compliance, ethics and cultural attitudes are all extremely important.

Offices/Markets



Financial targets

The Board of Directors of MilDef has established the following financial targets:

Growth

MilDef's target is to grow sales over time by at least 15%, including acquisitions.

Profitability

MilDef's target is an operating margin (EBITDA) over time of at least 10%.

Capital structure

MilDef's target is for interesting-bearing net debt not to exceed 2.5 times operating profit (EBITDA), other than temporarily.

Dividend policy

MilDef's target is to pay out an annual dividend of 20–40% of profit after tax. However, MilDef's long-term development, capital structure and the prevailing market conditions are to be taken into account.

Sustainability at MilDef

MilDef aims to maintain a good balance between business, environmental and social sustainability. This is considered crucial in order to meet current needs without jeopardizing the ability of future generations to meet their needs.

MilDef complies with mandatory requirements, such as those in laws and regulations, applicable organization and industry standards, contractual obligations and codes of conduct. MilDef strives to maintain a sustainable strategy to ensure that investments are made responsibly.

To assist in these efforts, MilDef has chosen to be certified to ISO 9001:2015 (quality) and to ISO 14001:2015 (environment).

A framework for KYC (know your customer) is used to ensure that the actors MilDef chooses to do business with live up to both regulatory and ethical standards.

Policy portfolio



- Code of Conduct
- Anti-Bribery and Anti-Corruption Policy
- Anti-Trust and Fair Competition Policy
- Internal and external training



Regulatory compliance



- ISO 9001:2015 quality certification
- ISO 14001:2015 environmental certification
- ISO 45001; the process of obtaining occupational health and safety certification is under way
- Council Regulation (EC) No 428/2009 on dual-use products (subset of the products)

Corporate culture and values



- We have chosen to be selective in terms of which countries we do business with
- Companies and government agencies within the EU
- Companies and government agencies in selected NATO countries
- No business transactions with countries on which the EU or UN has imposed sanctions
- A corporate culture based on trust, professionalism and integrity
- We train our employees in ethical business practices from their very first day

Financial overview

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

First quarter: January–March 2021

Order situation

Order intake increased by 48% to SEK 79.5 million (53.6). The order backlog increased by 239% to SEK 497.6 million (147.0). The increase in both order intake and order backlog were exclusively organic in nature in the first quarter of 2021.

The Company won a significant customer contract in the fourth quarter of 2020. The total value of the contract is around SEK 275 million. The contract spans 10 years and serial delivery is not expected to start until 2023. MilDef is expecting planned deliveries to proceed according to the contract, in terms of both schedule and volume. However, the risk of changes or reduction in scope cannot be excluded.

Net sales

Net sales in the first quarter of 2021 amounted to SEK 51.0 million (34.5), representing growth of 48%. Acquisition-driven growth amounted to SEK 7.1 million in the quarter, and is fully attributable to the acquisition of Sysint AS in Norway. Of the 48% growth in the first quarter, 28% was organic and 20% was acquisition-driven.

Gross profit

Gross profit improved to SEK 17.5 million (14.7), making a gross margin of 34% (43).

Operating expenses

Selling expenses amounted to SEK 16.9 million (13.3) and administrative expenses to SEK 14.6 million (8.7). The increase in expenses is explained by resources added to the organization and higher consultancy expenses – both related to the Company's increased internationalization and the listing process. The operating profit was charged with increased operating expenses of SEK 2.9 million relating to the acquisition of Sysint AS. The total operating expenses amounted to SEK 41.6 million (28.9), equivalent to 82% (84) of sales.

Operating profit (EBIT)

Operating profit (EBIT) in the first quarter of 2021 amounted to SEK -22.9 million (-19.6). The operating

margin for the quarter was -45% (-57). Adjusted for non-recurring items, operating profit for the quarter amounted to SEK 19.2 million, (-19.6) corresponding to an operating margin of -37.7% (-56.8). The Company's negative operating profit is explained by normal seasonal variations with first quarter results that are generally weak. The Company has experienced similar seasonal patterns in previous years.

Adjusted operating profit (EBITDA)

Adjusted EBITDA amounted to SEK -14.9 million (-17.8). The adjusted EBITDA margin amounted to -29.2% (-51.7). The adjusted operating profit does not include non-recurring items of SEK -3.7 million (0.0). These items are specified in Note 3 Non-recurring items.

Financial items

Financial items for the fourth quarter amounted SEK -1.4 million (0.2) net.

Tax

The tax effect in the first quarter had a positive impact on net profit in the amount of SEK 5.1 million (3.7) and the full amount is a deferred tax asset based on tax loss carryforwards in the first quarter of 2021.

Net profit for the quarter

Profit after tax amounted to SEK -19.2 million (-15.7). Earnings per share amounted to SEK -1.63 (-1.35).

Cash flow

The cash flow reported for the quarter totaled SEK -20.6 million (24.0) and most of the decrease comes from negative operating profit and the acquisition of Sysint AS. The operating cash flow amounted to SEK -20.0 million (20.8).

Cash flow from operating activities amounted to SEK -11.1 (20.8). Cash flow from changes in working capital amounted to SEK -26.6 (-21.1). An increase in inventories and accounts receivable negatively impacted working capital by SEK 14.1 million and SEK 26.2 million respectively, but this was offset by a positive effect from increased accounts payable during the quarter totaling SEK 9.2 million. The higher level of accounts receivable is mainly attributable to an increased share of deliveries during the latter part of the quarter.

Cash flow from investing activities amounted to SEK -37.4 million (0.0). The change is mainly explained by the

acquisition of Sysint AS and its negative effect of SEK -28.5 million on cash flow from investing activities. Cash flow from investments in property, plant and equipment and intangible assets amounted to SEK -8.9 million (0.0), and relates largely to investments in MilDef's new production facility and head office. The investments are mainly aimed at increasing the Company's production capacity.

Cash flow from financing activities amounted to SEK 27.9 million (3.2). The change compared with the previous year is mainly explained by the quarter being charged with the acquisition credit taken out of SEK 30 million.

Net working capital

Net working capital amounted to SEK 42.5 million (34.9) at the end of the period. Higher accounts receivable and an increase in inventory volumes have had a negative impact on working capital. The increase is a consequence of the Company's growth. The negative impact from increased accounts receivable and inventory volumes was offset by increased accounts payable and other current liabilities. Net operating capital in relation to net sales decreased from 11% in the previous period to 10% as of the closing day.

(SEK m)	March 31 2021	Dec. 31 2020	March 31 2020
Inventories	67.4	57.3	53.3
Accounts receivable	40.4	161.4	14.2
Other current receivables	16.3	13.3	9.5
Accounts payable	-28.3	-62.8	-19.1
Other current liabilities	-53.3	-96.4	-23.0
Net working capital	42.5	72.7	34.9
<i>relative to net sales (%)</i>	<i>10%</i>	<i>18%</i>	<i>11%</i>

Net debt and cash and cash equivalents

The net debt including lease liabilities amounted to SEK -86.0 million (-19.9) at the end of the period. The change is explained by increased interest-bearing liabilities, all of which are related to the acquisition of Sysint AS. The decrease in cash and cash equivalents is mainly the result of negative operating profit. At the end of the period there was also an unutilized overdraft facility of SEK 27.2 million (27.2). The net debt at the end of the period in relation to the operating profit (EBITDA) over the past 12 month-period, including the effects of IFRS 16, amounted to SEK 1.1 (0.3).

(SEK m)	March 31 2021	Dec. 31 2020
Current liabilities to credit institutions	-30.0	-
Other current interest-bearing liabilities	-18.7	-
Lease liabilities	-65.9	-66.7
Cash and cash equivalents	28.5	46.8
Net debt incl. IFRS 16	-86.0	-19.9
<i>relative to adjusted operating profit (EBITDA) LTM, times</i>	<i>1.1</i>	<i>0.3</i>

Equity

The Group's equity amounted to SEK 145.1 million (85.8) at the end of the year. The equity-assets ratio as of March 31, 2021 was SEK 39.4% (41.8).



Other information

Parent Company

The operations of MilDef Group AB (corp. reg. no. 556893-5414), registered office in Helsingborg, Sweden, are primarily focused on the Group's strategic development and group-wide functions such as HR, IT, finance, etc. Furthermore, most of the Group's external financing is held within the Parent Company. As of the end of the period the Company had 32 employees.

Acquisition of Sysint AS

On March 11, 2021 MilDef acquired 100% of the shares in the Norwegian service and software provider Sysint AS (Sysint).

Sysint is an IT company with a service offering aimed at Norwegian public-sector and industrial customers. For two decades Sysint has delivered IT services to defense actors, government agencies and sectors critical for society, such as health and energy. Product development in software includes the NATO-compliant system OneCIS for fast and secure rollout of IT systems, which complements MilDef's hardware offering and creates a strong, comprehensive offering for MilDef's customers and good potential for both further development locally and exports to other markets.

Sysint's head office is in Oslo and the company had 23 employees as of December 31, 2020. Sysint's net sales amounted to NOK 78.4 million in 2020 (equivalent to SEK 75.3 million). Sysint's operating profit (EBIT) amounted to NOK 5.0 million in 2020 (equivalent to SEK 4.8 million).

Purchase consideration on March 11, 2021

The total purchase consideration consisted of 711,087 newly issued shares in MilDef and a cash portion of NOK 48 million, excluding any contingent consideration on a cash- and debt-free basis. The contingent consideration is based on anticipated sales and profits in 2021 and 2022. The maximum contingent consideration for the whole period amounts to NOK 22 million. The acquisition is financed by an acquisition credit of SEK 30 million, the transfer of 711,087 newly issued shares in MilDef and Company's own cash and cash equivalents. The transfer of shares to the seller of Sysint is subject to a lock-up period of 36 months. MilDef's transaction costs relating to the acquisition amounted to SEK 0.4 million, which is charged to the first quarter of 2021.

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

(SEK m)	
Cash payment	49.3
Acquisition credit taken out	-30.0
Less: Sysint's cash and cash equivalents	-20.7
Effect of the acquisition on the Groups' cash and cash equivalents	-1.4

Acquisition balance as of March 11, 2021

Sysint was consolidated into MilDef Group's accounts as of March 11, 2021. The acquisition balance as of March 11, 2021 was as follows:

(SEK m)	Fair value
Other non-current receivables	0.4
Accounts receivable	16.1
Current receivables	0.5
Cash and cash equivalents	20.7
Total assets	37.7
Equity	-0.1
Accounts payable	7.8
Other current liabilities	30.0
Total equity and liabilities	37.7

The acquisition has generated a consolidation surplus of SEK 115.1 million, before deferred tax and includes an estimated contingent consideration of SEK 18.7 million. The entire surplus has been temporarily allocated to goodwill. Reallocation of the surplus will take place in the second quarter of 2021.

Seasonal variations

MilDef's sales and profits are affected by seasonal variations. Year-on-year comparisons between quarters can be made. The Group's strongest quarter in terms of sales and profits is normally Q4. Most of the seasonal variations are in the Nordic market.

Unevenly divided between order inflow and sales

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

Significant events after the end of the period

The dividend decided on at the Annual General Meeting on March 30, 2021 of SEK 1.50 per share was paid out to the shareholders on April 6, 2021. The new share issue, which had not been registered as of March 31, 2021, was registered with the Swedish Companies Registration Office on April 14, 2021.

Employees

The number of employees in the Group, recalculated to full-time equivalents (FTEs), was 147 (106) at the end of the period. 112 (77) of the employees were men and 35 were women (29). The average number of FTEs amounted to 132 during the period compared with 101 in the corresponding period the previous year.

Research and development

MilDef conducts extensive research and development. This is considered a critical factor for continued organic growth and for breaking into new markets. It is important to identify the customers' changing demands and transform them through R&D into the best solutions for every given market situation. In the first quarter of 2021 resources were added to the R&D department to handle an increasing number of projects, many of which are highly complex. Around 20% of MilDef's employees work in R&D-related positions.

Significant risks and factors of uncertainty

MilDef's operations and results are affected by a number of external and internal factors. A constant process is under way to identify all the risks that occur and to assess how to manage each risk. MilDef's risks can be divided into market-related, operational and financial risk. For a more detailed description of financial risks, see pages 32–33 in the Company's 2020 Annual Report. No other material risks, other than those described there, have occurred.

Shares, share capital and shareholders

The number of registered shares in MilDef Group AB as of March 31, 2021 was 11,618,422, equivalent to share capital of SEK 5,809,211. The Company's ongoing new share issue of 711,087 shares has been submitted to the Swedish Companies Registration Office. Once registration is complete the number of shares will be 12,329,509 and the share capital SEK 6,164,755. The number of shareholders as of March 31, 2021 was 49. All shares are of the same class and confer entitlement to one vote at shareholders' meetings.

Annual General Meeting 2021

The Annual General Meeting on March 30, 2021 decided to re-elect Jan Andersson as Chairman of the Board as well as board members Marianne Trolle, Lennart Pihl, Charlotte Darth, Berndt Grundevik and Christian Hammenborn.

The AGM also decided to authorize the Board, on one or several occasions up to the 2022 AGM, to decide on issuing new shares for cash, in-kind or offset payment and, in doing so, be able to deviate from the shareholders' preferential rights. This authorization is limited to a maximum of 10% of the total number of shares in the Company at the time the authorization is exercised. The purpose of the authorization and the reason for the deviation from the shareholders' preferential rights is to enable the Company to issue shares to finance acquisitions of companies or operations, or part thereof.

The 2021 AGM voted in favor of the Board's proposal to pay a dividend to the shareholders of SEK 1.50 per share (0.75) for the 2020 financial year, equivalent to SEK 17.4 million and 41% of the 2020 net profit. This is calculated on the number of outstanding shares as of December 31, 2020, amounting to 11,618,422 (11,618,422). The dividend was paid out on April 6, 2021.

Transactions with related parties

There were no transactions of significant scope with related parties during the period or the comparison period.

Contingent liabilities

There have been no changes in the Group's contingent liabilities described in detail on page 55 in Note 20 of the 2020 Annual Report.

Forward-looking statements

This report may contain forward-looking statements based on the Management Team's current expectations. Even though management determines that the expectations expressed in such forward-looking statements are reasonable, there can be no guarantee that these expectations will prove to be correct. Consequently, future outcomes may vary significantly compared with those expressed in forward-looking statements, depending on factors such as changed conditions in the market for MilDef's products and more general changes in, for example, the economy, markets and competition, legal requirements and other political measures, and fluctuations in exchange rates.

Condensed consolidated income statement

(SEK 000)	Note	Jan. 1–Mar. 31		Rolling 12 months	Full year
		2021	2020	April 2020– March 2021	2020
Net sales	2	51,002	34,516	414,936	398,450
Cost of goods sold		-33,457	-19,858	-229,988	-216,389
Gross profit		17,545	14,658	184,948	182,061
Selling expenses		-16,872	-13,298	-59,976	-56,402
Administrative expenses		-14,564	-8,699	-41,828	-35,963
Research and development expenses		-10,196	-6,857	-36,427	-33,088
Other operating income/expenses		1,188	-5,416	6,885	281
Operating profit		-22,899	-19,612	53,602	56,889
Net financial items		-1,378	156	-3,061	-1,527
Profit after financial items		-24,277	-19,456	50,541	55,362
Income tax		5,096	3,745	-11,478	-12,829
Net profit for the period		-19,181	-15,711	39,063	42,533

Other comprehensive income for the Group

(SEK 000)	Jan. 1–Mar. 31		Rolling 12 months	Full year
	2021	2020	April 2020– March 2021	2020
Net profit for the period	-19,181	-15,711	39,063	42,533
Other comprehensive income				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Translation differences	3,978	229	1,208	-2,550
Other comprehensive income for the period	3,978	229	1,208	-2,550
Comprehensive income for the period	-15,203	-15,482	40,271	39,983

Earnings per share

	Jan. 1–Mar. 31		Rolling 12 months	Full year
	2021	2020	April 2020– March 2021	2020
Number of shares at end of period	12,329,509	11,618,422	12,329,509	11,618,422
Weighted average number of shares in the period	11,784,342	11,618,422	11,659,334	11,618,422
Earnings per share (SEK)	-1.63	-1.35	3.35	3.66

Condensed consolidated balance sheet

(SEK 000)	Mar. 31, 2021	Mar. 31, 2020	Dec. 31, 2020
ASSETS			
Non-current assets			
Capitalized product development expenses	7,431	5,667	8,007
Acquisition-related intangible assets	116,843	6,908	2,659
Right-of-use assets	65,489	70,275	66,502
Other property, plant and equipment	15,015	1,930	6,613
Deferred tax assets	10,337	9,920	4,979
Other financial non-current assets	738	526	352
Total non-current assets	215,853	95,226	89,112
Inventories	67,381	53,334	57,324
Accounts receivable	40,377	14,224	161,375
Other current receivables	15,867	9,453	13,287
Cash and cash equivalents	28,542	33,065	46,838
Total current assets	152,167	110,076	278,824
TOTAL ASSETS	368,020	205,302	367,936
EQUITY AND LIABILITIES			
Equity	145,137	85,844	132,596
Non-current liabilities			
Lease liabilities	57,119	64,559	58,794
Non-current interest-bearing liabilities	8,980	-	-
Provisions for taxes	9,270	7,059	9,408
Total non-current liabilities	75,369	71,618	68,202
Current liabilities			
Current interest-bearing liabilities	39,699	-	-
Lease liabilities	8,753	5,802	7,902
Accounts payable	28,324	19,085	62,827
Other current liabilities	70,737	22,953	96,409
Total current liabilities	147,513	47,840	167,138
TOTAL EQUITY AND LIABILITIES	368,020	205,302	367,936

Condensed consolidated statement of changes in equity

(SEK 000)	Mar. 31, 2021	Mar. 31, 2020	Dec. 31, 2020
Equity, opening balance	132,596	101,327	101,327
Comprehensive income for the period after tax	-15,203	-15,483	39,983
New share issue authorized but not yet registered as of March 31, 2021	45,172	-	-
Dividend	-17,428	-	-8,714
Equity, closing balance	145,137	85,844	132,596

Condensed consolidated cash flow statement

	Jan. 1–Mar. 31		Rolling 12 months	Full year
(SEK 000)	2021	2020	April 2020– March 2021	2020
Cash flow from operating activities				
Operating profit	-22,899	-19,613	53,603	56,889
Reversal of depreciation, amortization and impairments	4,354	2,343	13,598	11,587
Other non-cash items	-394	1,080	2,547	4,021
Net interest income/expense	-1,378	156	-3,061	-1,527
Income taxes paid	-6,330	-5,074	-20,150	-18,894
Change in working capital	15,589	41,935	-16,746	9,600
Cash flow from operating activities	-11,058	20,827	29,791	61,676
Cash flow from investing activities				
Investments in intangible assets	-	-	-3,539	-3,539
Investments in property, plant and equipment	-8,894	9	-14,297	-5,394
Acquisition of subsidiaries, net of acquired cash and cash equivalents	-28,545	-	-28,545	-
Change in other non-current receivables	-2	-1	322	323
Cash flow from investing activities	-37,441	8	-46,059	-8,610
Cash flow from financing activities				
Dividend	-	-	-8,714	-8,714
Change in overdraft facilities	-85	-754	77	-746
Change in liabilities to credit institutions	30,000	-	30,000	-
Repayment of lease liabilities	-1,966	3,948	-10,808	-4,894
Cash flow from financing activities	27,949	3,194	10,555	-14,354
Total cash flow for the period	-20,550	24,029	-5,713	38,712
Change in cash and cash equivalents				
Cash and cash equivalents at beginning of period	46,839	9,085	33,065	9,085
Translation differences	2,253	-49	1,344	-958
Change in cash and cash equivalents	-20,550	24,029	-5,713	38,712
Cash and cash equivalents at end of period	28,542	33,065	34,409	46,839

Quarterly overview for the Group

	2021	2020				2019			
(SEK m)	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net sales	51.0	257.7	55.2	51.0	34.5	158.9	55.5	82.3	37.3
Cost of goods sold	-33.5	-131.1	-30.8	-34.6	-19.9	-98.7	-34.8	-48.6	-27.1
Gross profit	17.5	126.6	24.4	16.4	14.6	60.2	20.7	33.7	10.2
Operating expenses	-40.4	-49.5	-23.7	-21.4	-34.2	-38.8	-17.2	-22.5	-21.4
Operating profit	-22.9	77.1	0.7	-5.0	-19.6	21.4	3.5	11.2	-11.2
Net financial items	-1.4	-0.7	-0.3	-0.5	0.2	-1.5	1.0	0.1	0.6
Profit before tax	-24.3	76.4	0.4	-5.5	-19.4	19.9	4.5	11.3	-10.6
Income tax on profit for the period	5.1	-13.6	0.2	0.3	3.7	-5.3	-0.3	-0.1	-0.4
Net profit for the period	-19.2	62.8	0.6	-5.2	-15.7	14.6	4.2	11.2	-11.0

Multi-year overview for the Group

	2020	2019	2018	2017	2016	2015	2014	2013
Net sales, SEK m	398.5	334.0	243.8	298.8	153.1	146.0	135.5	180.3
Gross margin	46%	37%	38%	34%	34%	29%	30%	34%
Operating margin (EBITDA)	17%	10.7%	9.9%	15%	7%	7%	12%	23%
Operating margin (EBIT)	14%	7.4%	7.3%	12%	4%	5%	9%	10%
Profit margin	14%	8%	8%	11%	5%	5%	9%	10%
Earnings per share for the period, SEK	3.66	1.64	1.04	2.24	0.48	0.55	0.83	1.26
Net cash, SEK m	46.8	9.1	31.5	26.7	-10.1	34.9	38.7	57.0
Cash flow from operating activities, SEK m	61.7	-7.9	25.8	35.0	-19.0	2.3	-1.9	55.8
Total assets, SEK m	367.9	285.2	178.2	167.6	134.6	89.0	96.9	102.2
Equity, SEK m	132.6	101.3	87.7	85.2	61.9	59.4	61.2	66.4
Equity/assets ratio	36%	36%	49%	51%	46%	67%	63%	65%
Return on capital employed	36%	20%	25%	36%	10%	12%	19%	30%
Return on equity	36%	20%	14%	34%	9%	10%	14%	23%
Equity per share, SEK	11.41	8.72	7.55	8.10	5.61	5.41	5.58	6.04
Dividend per share, SEK	1.50	0.75	0.50	1.22	0.00	0.18	0.44	1.25
Average number of employees	97	85	81	75	64	54	50	46
Number of employees at end of period	119	93	86	76	69	57	51	51

Condensed Parent Company income statement

	Jan. 1–Mar. 31		Rolling 12 months	Full year
(SEK 000)	2021	2020	April 2020– March 2021	2020
Net sales	15,543	11,444	54,161	50,062
Selling expenses	-5,198	-3,567	-18,106	-16,475
Administrative expenses	-9,460	-3,855	-28,514	-22,909
Research and development expenses	-4,111	-2,617	-14,272	-12,778
Other operating income/expenses	1,195	-142	-1,859	-3,196
Operating profit	-2,031	1,263	-8,590	-5,296
Net financial items	-496	331	-6,085	-5,258
Profit after financial items	-2,527	1,594	-14,675	-10,554
Year-end appropriations	-	-	37,160	37,160
Profit before tax	-2,527	1,594	22,485	26,606
Income tax	520	-341	-6,452	-7,313
Net profit for the period	-2,007	1,253	16,033	19,293

Other comprehensive income for the Parent Company				
	Jan. 1–Mar. 31		Rolling 12 months	Full year
(SEK 000)	2021	2020	April 2020– March 2021	2020
Net profit for the period	-2,007	1,253	16,033	19,293
Other comprehensive income				
<i>Items that may be reclassified subsequently to profit or loss</i>	-	-	-	-
Other comprehensive income for the period	-	-	-	-
Comprehensive income for the period	-2,007	1,253	16,033	19,293

Condensed Parent Company balance sheet

(SEK 000)	Mar. 31, 2021	Mar. 31, 2020	Dec. 31, 2020
ASSETS			
Non-current assets			
Property, plant and equipment	10,801	602	4,576
Financial non-current assets	178,383	71,731	65,231
Total non-current assets	189,184	72,333	69,807
Current receivables from Group companies	56,615	11,681	94,800
Other current receivables	6,360	7,649	5,177
Cash and cash equivalents	2,235	20,829	6,977
Total current assets	65,210	40,159	106,954
TOTAL ASSETS	254,394	112,492	176,761
EQUITY AND LIABILITIES			
Equity	125,622	90,559	99,885
Untaxed reserves	23,750	14,910	23,750
Non-current liabilities			
Non-current interest-bearing liabilities	8,980	-	-
Total non-current liabilities	8,980	-	-
Current liabilities			
Current interest-bearing liabilities	39,699	-	-
Current liabilities to Group companies	23,620	270	25,554
Accounts payable	2,335	2,069	3,758
Other current liabilities	30,388	4,685	23,814
Total current liabilities	96,042	7,024	53,126
TOTAL EQUITY AND LIABILITIES	254,394	112,493	176,761

Condensed Parent Company statement of changes in equity

(SEK 000)	Mar. 31, 2021	Mar. 31, 2020	Dec. 31, 2020
Equity, opening balance	99,885	89,306	89,306
Comprehensive income for the period after tax	-2,007	1,253	19,293
New share issue authorized but not yet registered as of March 31, 2021	45,172	-	-
Dividend	-17,428	-	-8,714
Equity, closing balance	125,622	90,559	99,885

Notes

Note 1. Accounting principles

These interim financial statements have been prepared in accordance with IFRS, applying IAS 34 Interim Financial Reporting. The accounting principles and measurement basis applied are the same as in the latest annual report.

The interim financial statements for the Parent Company have been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2, Accounting for Legal Entities.

The IASB has published additions to standards that are effective for financial years beginning on or after January 1, 2021. These additions have had no material impact on MilDef's financial statements.

Note 2. Net sales by geographic area

(SEK m)	Q1 2021	Q1 2020	April 2020– March 2021	Full year 2020
Nordics	24.7	14.4	281.4	271.1
Europe (excl. Nordics)	12.6	5.6	56.6	49.6
North America	13.4	13.9	67.0	67.5
Other countries	0.3	0.6	9.9	10.3
Total revenue	51.0	34.5	414.9	398.5

Note 3. Non-recurring items

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

Non-recurring items (SEK m)	Q1 2021	Q1 2020	April 2020– March 2021	Full year 2020
Listing expenses	-3.3	-	-7.6	-4.3
Acquisition-related expenses	-0.4	-	-0.4	-
Total non-recurring items	-3.7	-	-8.0	-4.3

Additional performance measures

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

Operating profit (EBIT), SEK m	Q1 2021	Q1 2020	April 2020– March 2021	Full year 2020
Operating profit (EBIT)	-22.9	-19.6	53.6	56.9
Listing expenses	3.3	-	7.6	4.3
Acquisition-related expenses	0.4	-	0.4	-
Adjusted operating profit (EBIT)	-19.2	-19.6	61.6	61.2
Adjusted operating profit (EBIT)	-19.2	-19.6	61.6	61.2
Net sales	51.0	34.5	414.9	398.5
Adjusted operating margin (EBIT), %	-37.7%	-56.8%	14.8%	15.4%
Operating profit (EBITA), SEK m				
Operating profit (EBIT)	-22.9	-19.6	53.6	56.9
Amortization of intangible assets	1.7	1.6	6.0	5.9
Operating profit (EBITA)	-21.2	-18.0	59.6	62.8
Adjusted operating profit (EBITA), SEK m				
Operating profit (EBITA)	-21.2	-18.0	59.6	62.8
Listing expenses	3.3	-	7.6	4.3
Acquisition-related expenses	0.4	-	0.4	0.0
Adjusted operating profit (EBITA)	-17.5	-18.0	67.6	67.1
Adjusted operating profit (EBITA)	-17.5	-18.0	67.6	67.1
Net sales	51.0	34.5	414.9	398.5
Adjusted operating margin (EBITA), %	-34.3%	-52.2%	16.3%	16.8%
Operating profit (EBITDA), SEK m				
Operating profit (EBIT)	-22.9	-19.6	53.6	56.9
Depreciation/amortization	4.4	1.8	14.2	11.6
Operating profit (EBITDA)	-18.5	-17.8	67.8	68.5
Adjusted operating profit (EBITDA), SEK m				
Operating profit (EBITDA)	-18.5	-17.8	67.8	68.5
Listing expenses	3.3	-	7.6	4.3
Acquisition-related expenses	0.4	-	0.4	-
Adjusted operating profit (EBITDA)	-14.8	-17.8	75.8	72.8
Adjusted operating profit (EBITDA)	-14.8	-17.8	75.8	72.8
Net sales	51.0	34.5	414.9	398.5
Adjusted operating margin (EBITDA), %	-29.0%	-51.6%	18.3%	18.3%

Available cash and cash equivalents

(SEK m)	Mar. 31, 2021	Mar. 31, 2020	Dec. 31, 2020
Cash and bank balances	28.5	33.1	46.8
Unutilized overdraft facilities	27.2	27.2	27.1
Available cash and cash equivalents	55.7	60.3	73.9

Working capital including cash and bank balances

SEK m	Mar. 31, 2021	Dec. 31, 2020	Dec. 31, 2019
Total current assets	124.1	232.0	184.2
Cash and bank balances	28.5	46.8	9.1
Current liabilities, non-interest-bearing	-99.1	-159.2	-106.1
Working capital including cash and bank balances	53.5	119.6	87.2
Net sales last 12 months	414.9	398.5	334.0
Working capital including cash and bank balances in relation to net sales, %	12.9%	30.0%	26.1%

Working capital excluding cash and bank balances

SEK m	Mar. 31, 2021	Dec. 31, 2020	Dec. 31, 2019
Inventories	67.4	57.3	46.7
Current receivables	56.7	174.7	137.5
Current liabilities, non-interest-bearing	-99.1	-159.2	-106.1
Working capital excluding cash and bank balances	25.0	72.8	78.1
Net sales last 12 months	414.9	398.5	334.0
Working capital excluding cash and bank balances in relation to net sales, %	6.0%	18.3%	23.4%

Return on capital employed

(SEK m)	Mar. 31, 2021	Dec. 31, 2020	Dec. 31, 2019
Profit after financial items, last 12 months	50.5	55.4	25.1
Financial expense, last 12 months	2.3	1.7	0.9
Profit before financial expense, last 12 months	52.8	57.1	26.0
Capital employed at beginning of period	123.1	164.4	58.9
Capital employed at end of period	231.1	152.5	164.4
Average capital employed	177.1	158.4	111.7
Return on capital employed, %	29.8%	36.0%	23.3%

Return on equity

(SEK m)	Mar. 31, 2021	Dec. 31, 2020	Dec. 31, 2019
Profit after tax, last 12 months	39.1	42.5	19.0
Equity at beginning of period	85.8	101.3	87.7
Equity at end of period	145.1	132.6	101.3
Average equity	115.5	117.0	94.5
Return on equity, %	33.9%	36.4%	20.1%

Net debt/EBITDA

SEK m	Mar. 31, 2021	Dec. 31, 2020	Dec. 31, 2019
Non-current liabilities, interest-bearing	66.1	58.8	66.4
Current liabilities, interest-bearing	48.4	7.9	5.8
Cash and bank balances	-28.5	-46.8	-9.1
Net debt incl. IFRS 16	86.0	19.9	63.1
Operating profit, last 12 months	53.6	56.9	24.9
Depreciation, amortization and impairment, last 12 months	14.2	11.6	11.0
Non-recurring items	8.0	4.3	-
EBITDA	75.8	72.8	35.9
Net debt/EBITDA, multiple	1.1	0.3	1.8

Auditors' Review Report

**To the Board of Directors of MilDef Group AB
Corp. ID no. 556893-5414**

Introduction

We have reviewed the condensed financial interim information (interim report) of MilDef Group AB as of March 31, 2021 and the three-month period then ended. The Board of Directors and the Chief Executive Officer are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope and focus of the review

We conducted our review in accordance with International Standard on Review Engagements ISRE 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA) and other generally accepted auditing standards,

and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information has not been prepared, in all material respects, in accordance with IAS 34 and the Annual Accounts Act in the case of the consolidated financial statements and in accordance with the Annual Accounts Act in the case of the Parent Company.

Helsingborg, April 20, 2021

Bengt Ekenberg

Authorized Public Accountant
Public Accountant

Andreas Brodström

Authorized

Definitions of alternative performance measures not defined under IFRS

Alternative performance measure	Definition	Reason for use
Return on equity	Net profit for the period divided by average equity attributable to owners of the parent. Average equity is calculated as the average of the opening and closing balances for the respective period.	This metric shows the return generated on the shareholders' capital invested in the Company.
Return on capital employed	Profit before financial expense divided by average capital employed. Average capital employed is calculated as the average of the opening and closing balances for the respective period.	This metric shows the return generated on capital employed and is used by MilDef to track the profitability of the business, as it measures capital efficiency.
Gross profit	Net sales less cost of goods sold.	Shows the efficiency of MilDef's operations and together with EBIT provides an overall picture of ongoing profit generation and costs.
Gross margin	Gross margin as a percentage of net sales.	This performance measure is used to analyze efficiency and value creation.
EBITDA	Profit before interest, tax, depreciation, amortization and impairments.	MilDef considers EBITDA a useful metric to show the profit generated by operating activities and a good measure of cash flow from operating activities.
Interest-bearing net debt	Interest-bearing net debt.	MilDef considers interest-bearing net debt a useful metric to show the Company's total interest-bearing loan financing.
Interest-bearing net debt in relation to adjusted EBITDA	Interest-bearing net debt as a percentage of adjusted EBITDA.	MilDef considers this metric helpful in showing financial risk and useful in tracking the Company's level of indebtedness.
Adjusted EBITDA	EBITDA adjusted for non-recurring items. This reconciles adjusted EBITDA with net profit for the period.	MilDef considers adjusted EBITDA a useful metric to show the profit generated by operating activities adjusted for non-recurring items, and primarily uses adjusted EBITDA in calculating 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 a useful metric to show the profit generated by operating activities.
Adjusted operating margin (EBIT)	Adjusted operating profit (EBIT) as a percentage of net sales.	MilDef considers the adjusted operating margin (EBIT) a useful metric to show the profit generated by operating activities after adjusting for non-recurring items.
Non-recurring items	Non-recurring items are special material items that are reported separately because of their size or frequency, e.g., restructuring costs, impairments, divestments and acquisition costs.	MilDef considers that adjusting for non-recurring items improves comparability over time by excluding items that are irregular in frequency or size. This gives a fairer presentation of the underlying operating profit.
Cash generation	Operating cash flow divided by adjusted EBITDA.	MilDef uses cash generation to measure how efficiently allocated working capital is being used.
Order intake	The total of the orders received during the period.	MilDef uses order intake to analyze future revenue streams and to validate forecasts.
Order backlog	The value of orders received that will be delivered and outstanding revenues in ongoing production.	MilDef uses the order backlog to analyze future revenue streams.
Operating cash flow	Cash flow from operating activities and cash flow from investing activities excluding acquisitions and divestments of intangible assets and of property, plant and equipment.	MilDef uses operating cash flow to track the development of the business.
Working capital	Current assets, excluding cash and cash equivalents and current tax assets, minus interest-free current liabilities, excluding current tax liabilities.	This metric shows how much working capital is tied up in the business and can be viewed in relation to sales to understand how efficiently tied-up working capital is being used.
Operating margin (EBIT)	Operating profit (EBIT) as a percentage of net sales.	MilDef considers the operating margin in combination with sales growth and adjusted working capital to be a useful metric for tracking value creation in the business.
Operating profit (EBIT)	Profit before interest and tax.	MilDef considers operating profit (EBIT) a useful metric to show the profit generated by operating activities.
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 increase in net sales excluding acquisition-related net sales compared with the previous year, expressed as a percentage.	MilDef considers organic growth a useful metric for tracking the Company's development using comparative figures that exclude revenues acquired during the comparison periods.

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

Helsingborg, April 20, 2021

Jan Andersson
Chairman

Marianne Trolle
Board member

Lennart Pihl
Board member

Charlotte Darth
Board member

Berndt Grundevik
Board member

Christian Hammenborn
Board member

Björn Karlsson
CEO

Financial calendar:

Interim Report Q2 2021	August 4, 2021
Interim Report Q3 2021	October 27, 2021
Year-End Report 2021	February 10, 2022

For further information contact:

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