



Invitation to acquire shares in MilDef Group AB



Global Coordinator and Bookrunner



Retail Distributor



IMPORTANT INFORMATION

This prospectus (the “**Prospectus**”) has been prepared in connection with the admission to trading of the shares in MilDef Group AB (a Swedish public limited company) on Nasdaq Stockholm Aktiebolag, corp. reg. no. 556420-8394 (“**Nasdaq Stockholm**”) and the offering to the public in Sweden in connection with it (the “**Offering**”). “**MilDef**” or “**the Company**” refers to MilDef Group AB corp. reg. no. 556893-5414, or, depending on the context, the group of companies in which MilDef Group AB is the Parent Company (the “**Group**”). The Group consists of MilDef Group AB and seven (7) subsidiaries (the “**Subsidiaries**”): MilDef Products AB, corp. reg. no. 556874-1317; MilDef International AB, corp. reg. no. 556422-8277; MilDef Sweden AB, corp. reg. no. 559299-9782; MilDef, Inc., corp. reg. no. 5979209; MilDef Ltd., corp. reg. no. 5756627; MilDef AS, corp. reg. no. 959 279 772; and Sysint AS, corp. reg. no. 825 838 392. The selling shareholders are Marianne Trolle, Adam Odelid, Isac Odelid, Elise Odelid, Björn Karlsson, Daniel Ljunggren, Lergöken Invest AB, Adam Mentel, Duncan Skinner and Aubrey Fenn (together the “**Selling Shareholders**”). Skandinaviska Enskilda Banken AB (“**SEB**”) is the Global Coordinator and Bookrunner for the Offering. “**Euroclear Sweden**” refers to Euroclear Sweden AB, corp. reg. no. 556112-8074. For definitions of these and other terms used in the Prospectus, refer to the “**Definitions**” section.

The Prospectus has been prepared in accordance with Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 (the “**Prospectus Regulation**”). The Offering is not intended for the general public in any country other than Sweden.

The shares in the Offering have not been registered nor will they be registered under the United States Securities Act of 1933 in its current wording (the “**U.S. Securities Act**”) or securities legislation in any state or other jurisdiction in the USA. The shares in the Offering have not been recommended, approved or rejected by any US federal or state securities or supervisory authority. Nor have any such authorities ruled on or issued a statement on the accuracy or reliability of the Prospectus. Any representation to the contrary is a criminal offense in the United States.

The Prospectus is only being distributed to and is only intended for (i) persons who are outside the United Kingdom, or (ii) professional investors falling within Article 19 (5) of the UK Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “**Order**”) or (iii) high net worth entities falling within Articles 49 (2) (a)–(d) of the Order, and other persons to whom it may lawfully be communicated (all such persons together being referred to as “**relevant persons**”). This Prospectus is only intended for relevant persons, and the information in the Prospectus must not be acted on or relied upon by persons who are not relevant persons. Any investment or investment activity to which the Prospectus relates is available only to relevant persons and will only be carried out by relevant persons.

The Offering is not directed to persons residing in the USA, Canada, Australia or Japan, nor to persons in other jurisdictions whose participation requires additional prospectuses, registration or measures other than those prescribed by Swedish law. Consequently, this Prospectus or other documents pertaining to the Offering are not permitted to be distributed in or to the named countries or to other countries or other jurisdictions where distribution or the Offering as described in the Prospectus require such actions or would in other ways be in violation of the regulations in effect. No measures have been or will be taken in any jurisdiction other than Sweden that would allow any offering of the shares to the public, or allow possession or distribution of this Prospectus or any other documents pertaining to the Company or the shares in any such jurisdiction. Applications to acquire shares in violation of the above restrictions may be deemed invalid. Persons who receive a copy of this Prospectus are required by the Company and SEB to inform themselves about and observe all such restrictions. Neither the Company nor SEB accepts any legal responsibility for any violation by any person of such restrictions, whether or not the violation is by a prospective investor or other party.

The Prospectus

The courts of Sweden have exclusive jurisdiction to settle, according to Swedish substantive law, any dispute arising in connection with the Prospectus.

The Prospectus has been approved by Finansinspektionen, (FI, Sweden’s financial supervisory authority) as the competent authority under the Prospectus Regulation. In providing approval, FI confirms only that the Prospectus meets the criteria of completeness, intelligibility and consistency as stated in the Prospectus Regulation and the approval should not be regarded as any form of support for the issuer named in the Prospectus. Nor should the approval be regarded as in any way confirming the quality of the securities to which the Prospectus pertains, and investors should make their own judgment of whether it is appropriate to invest in the securities.

The Prospectus is available at the Company’s offices and can be downloaded from the Company’s website, www.mildef.com. The Prospectus is also available from Finansinspektionen, www.fi.se.

Presentation of financial information

Except as expressly stated herein, no financial information in the Prospectus has been audited or reviewed by the Company’s auditor. Financial information relating to the Company in the Prospectus and that is not part of the information reviewed by the Company’s auditor as stated herein originates from the Group’s internal accounting and reporting systems. All financial amounts are in Swedish kronor (“**SEK**”) unless indicated otherwise. “**SEK 000**” indicates thousands of SEK, “**SEK m**” indicates millions of SEK and “**SEK bn**” indicates billion of SEK. Some financial information in the Prospectus has in some cases been rounded off. Consequently, certain columns do not necessarily add up to the totals given.

Stabilization

In connection with the Offering, SEB may execute transactions for the purpose of stabilizing, maintaining or otherwise influencing the market value of MilDef’s shares (including maintaining the market price of the share at a level higher than it might otherwise have been at in the market). Such stabilization transactions may be carried out on Nasdaq Stockholm, the OTC market or in another way, and may be carried out at any time up to 30 calendar days from the date trading in the Company’s shares commences. SEB is, however, not obliged to execute any stabilization measures and there is no guarantee that stabilization will be implemented.

Stabilization, if commenced, may be halted at any time without warning. Under no circumstances will transactions be carried out at a price that is higher than the price set in the Offering. No later than at the end of the seventh trading day after the stabilization transactions have been carried out, SEB will announce that stabilization measures have been carried out in accordance with article 5 (4) of Regulation (EU) No 596/2014 on market abuse. Within one week after the end of the stabilization period, SEB will announce whether or not stabilization was carried out, the date stabilization began, the date stabilization was last carried out, and the price range within which stabilization was carried out for each of the dates on which stabilization transactions were carried out.

Forward-looking statements

The Prospectus contains certain forward-looking statements that reflect the Company’s current view of future events as well as financial and operational results. Forward-looking statements are made in several sections of the Prospectus and can be identified by the use of terms such as “considers”, “estimates”, “anticipates”, “expects”, “assumes”, “predicts”, “intends”, “may”, “presumes”, “should” or similar expressions. This applies, in particular, to statements and opinions in this Prospectus concerning future financial results, plans and expectations of the Company’s business and management, its future growth and profitability, the general economic and regulatory environment and other matters affecting the Company.

Forward-looking statements are based on current estimates and assumptions made according to the best of the Company’s knowledge. Such forward-looking statements are subject to risks, uncertainties and other factors that could cause the actual results, including the Company’s cash flow, financial position and results, to differ materially from the results expressly or implicitly used as a basis for or described in those statements, or fail to meet expectations expressly or implicitly assumed or described in those statements, or turn out to be less favorable than the results expressly or implicitly assumed or described in those statements. Accordingly, prospective investors should not place undue reliance on the forward-looking statements herein, and are strongly advised to read the Prospectus including the following sections: “**Summary**”, “**Risk factors**”, “**Business overview**” and “**Operational and financial overview**”, which include more detailed descriptions of factors that might have an impact on the Company’s business and the market in which the Company operates. Neither the Company, the Selling Shareholders nor SEB gives any assurance regarding the future accuracy of the statements set forth herein or as to the actual occurrence of any predicted developments.

In light of the risks, uncertainties and assumptions associated with forward-looking statements, it is possible that the future events mentioned in this Prospectus may not occur. Moreover, the forward-looking estimates and forecasts derived from third-party studies referred to in this Prospectus may prove to be inaccurate. Actual results, performance or events may differ materially from those described in such statements, for example due to: changes in general economic conditions, particularly the economic conditions in the markets where the Company operates; changes that affect exchange rates; changes in levels of competition; regulatory changes; and the occurrence of accidents or systematic delivery deficiencies.

After the date of the Prospectus neither the Company nor SEB assumes any responsibility, except as required by law or the Nasdaq Nordic Main Market Rulebook for Issuers of Shares, for updating any forward-looking statements or conforming these forward-looking statements to actual events or developments.

Industry and market data

The Prospectus includes industry and market data pertaining to the Company’s business and the market in which the Company operates. Unless otherwise indicated, such information is based on the Company’s analysis of multiple sources.

Industry publications or reports generally state that the information reproduced in them has been obtained from sources assessed to be reliable, but that the accuracy and completeness of such information cannot be guaranteed. The Company has not verified the information and cannot therefore give any assurances as to the accuracy of industry and market data contained in this Prospectus that was extracted or derived from such industry publications or reports. Industry and market data is inherently predictive, subject to uncertainty and not necessarily reflective of actual market conditions. Such data is based on market research, which by nature is based on sampling and subjective judgments by both the researchers and the respondents, including judgments about what types of products and transactions should be included in the relevant market.

Information from third parties has been accurately reproduced and to the best of the Company’s knowledge and to the extent the Company can ascertain from the information published by third parties, no facts have been omitted that would render the information reproduced inaccurate or misleading.

Important information on selling shares

Please note that notification of allotment to the public in Sweden will be made by sending out a transaction note, which is expected to take place on June 4, 2021. Institutional investors are expected to receive information on allotment around June 4, 2021 in a particular order, after which transaction notes will be sent out. After payment for the allotted shares has been processed by SEB, the shares paid for will be transferred to the custody account or securities account indicated by the acquirer. Due to the time required for the payment transfer and transfer of paid shares to the acquirers of shares in the Company, the shares will not be available to the acquirers on the indicated custody account or securities account before June 8, 2021 at the earliest. Trading in the Company’s shares on Nasdaq Stockholm is expected to commence around June 4, 2021. The fact that shares will not be available on the acquirer’s securities account or custody account before June 8, 2021 at the earliest may mean that the acquirer will not be able to sell these shares in the market from the first trading day, but only once the shares are available on the securities account or custody account.

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Summary of the Offering

Price	SEK 36.50 per share
Application period for the general public	May 25 – June 2, 2021
Application period for institutional investors	May 25 – June 3, 2021
First day of trading in the Company's shares	June 4, 2021
Settlement date	June 8, 2021

Other information

Ticker	MILDEF
ISIN code	SE0016074249
LEI code	9845009F7Q0D56B38270

Financial calendar

Interim report for the period January 1 – June 30, 2021	August 4, 2021
Interim report for the period January 1 – September 30, 2021	October 27, 2021
Year-end report 2021	February 10, 2022

Summary

INTRODUCTION AND WARNINGS

Introduction and warnings	<p>This summary should be regarded as an introduction to the Prospectus. Any decision to invest in the securities should be based on consideration of the Prospectus as a whole by the investor. Investors may lose all or part of their invested capital.</p> <p>If a lawsuit is filed with a court regarding information in the Prospectus, the investor who is the plaintiff may, under national laws, be obliged to cover the cost of translating the Prospectus before the legal proceedings begin. Civil liability attaches to the persons who have presented the summary, including any translation of it, only if the summary is misleading, inaccurate or inconsistent with other parts of the Prospectus or if it does not provide, when read together with the other parts of the Prospectus, key information to aid investors when they consider whether to invest in the securities offered.</p>
About MilDef	<p>MilDef Group AB, corp. reg. no. 556893-5414, Muskötgatan 6, 254 66 Helsingborg, Sweden. The Company's LEI code: 9845009F7Q0D56B38270 The share's ticker: MILDEF The share's ISIN code: SE0016074249</p>
Information on the Selling Shareholders	<p>The Selling Shareholders offer 1,721,108 existing shares as part of the Offering. The Selling Shareholders have reserved the right to, in consultation with SEB, increase the Offering with a further maximum of 2,995,846 existing shares. If the Offering is fully exercised, the Selling Shareholders will offer a maximum of 4,716,954 existing shares. Information on the Selling Shareholders is presented below.</p> <p>Marianne Trolle, Troedsgatan 5, 254 41 Helsingborg, Sweden. Adam Odelid, Bruksgatan 14, 252 23 Helsingborg, Sweden. Isac Odelid, Bäckelidsgatan 1, 654 65 Karlstad, Sweden. Elise Odelid, Västgötagatan 13, 252 76 Helsingborg, Sweden. Björn Karlsson, Håkantorpsvägen 151, 263 91 Höganäs, Sweden. Daniel Ljunggren, Abborrgränd 41, 262 41 Ängelholm, Sweden. Lergöken Invest AB¹⁾, a limited liability company formed in Sweden. Abborrgränd 41, 262 41 Ängelholm, Sweden. LEI code: 9845009538411EBBD336. Adam Mentel, Frostgatan 112 D, 254 75, Helsingborg, Sweden. Duncan Skinner, 84 Wychwood avenue, Knowle, B93 9DQ, Solihull, West Midlands, United Kingdom. Aubrey Fenn, Awel Y Garn, Mynachlogddu, Clynderwen, Pembrokeshire, SA66 7RY, United Kingdom.</p> <p>1) By Daniel Ljunggren wholly owned company.</p>
Competent authority	<p>Finansinspektionen (FI) is the competent authority and is responsible for approval of the Prospectus. Finansinspektionen's visiting address: Brunnsgatan 3, 111 38, Stockholm, Sweden. Postal address: Box 7821, 103 97 Stockholm, Sweden. Telephone number: +46 (0)8 408 980 00 Website: www.fi.se</p> <p>The Prospectus was approved by Finansinspektionen on May 24, 2021.</p>

KEY INFORMATION ON THE ISSUER

Who is the issuer of the securities?

General information about MilDef

The issuer of the securities is MilDef Group AB, corp. reg. no. 556893-5414. The Company is domiciled in Helsingborg, Sweden. The Company is a Swedish public limited company incorporated in Sweden under Swedish law and operates in accordance with Swedish law. The Company's legal form is regulated by the Swedish Companies Act (2005:551) ("Swedish Companies Act"). The Company's LEI code is 9845009F7Q0D56B38270.

MilDef's operations

MilDef produces and delivers rugged electronics and complete hardware system for security and defense customers. MilDef currently has subsidiaries in Sweden, Norway, the UK and the USA, and the Company's products are sold directly and through a network of partners in more than 30 countries. Since the start in 1997 the Company has grown from being a distributor of rugged laptops and tablets to a product company focused on products developed in-house and related services. With organic and acquisition-driven growth, the business has expanded from Sweden to the rest of the Nordic region, the USA, the UK and through a network of partners in several other countries, with a particularly strong presence in the EU.

MilDef's head office is in Helsingborg, Sweden and all corporate departments, such as IT, HR, product development and administration, are located there. There are local offices in the USA, Norway and the UK with responsibility for sales and delivery in their respective markets. As of March 31, 2021, the Company had 147 employees, 95 of whom worked at the Company's head office in Helsingborg.

MilDef's ownership structure

The table below lists the shareholders who held at least five per cent of the shares and votes in MilDef immediately prior to the Offering. The information in the table is based on the assumption that the Offering will be fully subscribed.

Selling shareholders and other existing shareholders	Shareholding before the Offering		Shareholding after the Offering (if the Offering is not increased and the Over-Allotment Option is not exercised)		Shareholding after the Offering (if the Offering is fully increased and the Over-Allotment Option is not exercised)		Shareholding after the Offering (if the Offering is fully increased and the Over-Allotment Option is fully exercised)	
	No. of shares	Percentage, %	No. of shares	Percentage, %	No. of shares	Percentage, %	No. of shares	Percentage, %
MilDef Crete Inc. ¹⁾	7,144,020	28.97	7,144,020	20.06	7,144,020	20.06	7,144,020	19.37
Marianne Trolle	5,209,652	21.13	4,771,800	13.40	4,009,652	11.26	4,009,652	10.87
Adam Odelid	1,682,720	6.82	1,536,769	4.31	1,282,720	3.60	1,282,720	3.48
Isac Odelid	1,682,720	6.82	1,536,769	4.31	1,282,720	3.60	1,282,720	3.48
Elise Odelid	1,682,720	6.82	1,536,769	4.31	1,282,720	3.60	1,282,720	3.48
Systemintegrasjon AS	1,422,174	5.77	1,422,174	3.99	1,422,174	3.99	1,422,174	3.86
Daniel Ljunggren ²⁾	1,321,844	5.36	1,007,848	2.83	605,790	1.70	605,790	1.64
Other shareholders	4,513,168	18.30	16,661,773	46.78	18,588,126	52.19	19,856,127	53.83
Total	24,659,018	100	35,617,922	100	35,617,922	100	36,885,923	100

1) No shareholder in MilDef Crete holds 25 per cent or more of the shares in MilDef Crete. The largest shareholder in MilDef Crete holds approximately 5 per cent of the shares in the company.

2) Includes holding through Lergöken Invest AB.

Board of Directors and Group Management Team

The Board of Directors consists of Jan Andersson (Chairman), Marianne Trolle, Berndt Grundevik, Christian Hammenborn, Charlotte Darth and Lennart Pihl.

The Company's Group management team consists of Björn Karlsson (Chief Executive Officer), Daniel Ljunggren (Chief Financial Officer), Per Björnson (Chief Operating Officer), Ola Alfredsson (Chief Commercial Officer), Johan Holmqvist (Head of Investor Relations), Fredrik Persson (Chief Technology Officer), Evelina Hedskog (Chief Business Development Officer) and Karin Svalander (General Counsel).

Auditor

The Company's auditors have been Andreas Brodström and Bengt Ekenberg since 2016 (address: Mazars AB, Terminalgatan 1, 252 78 Helsingborg, Sweden). The auditors were re-elected at the 2021 Annual General Meeting for the period until the conclusion of the 2022 Annual General Meeting.

Key financial information for the issuer

Summarized
key financial
information

Selected income statement items

SEK m, unless otherwise indicated	For the financial year ended on December 31 (audited)			For the three-month period ended on March 31 (unaudited)	
	2020	2019	2018	2021	2020
Net sales	398.5	334.0	243.8	51.0	34.5
Operating profit	56.9	24.9	17.8	-22.9	-19.6
Profit for the period	42.5	19.0	12.1	-19.2	-15.7
Operating margin (EBIT) %	14.3	7.4	7.3	-44.9	-56.8
Earnings per share before and after dilution (SEK)	3.66	1.64	1.04	-1.63	-1.35

Selected balance sheet items

SEK m, unless otherwise indicated	As of December 31 (audited)			As of March 31 (unaudited)	
	2020	2019	2018	2021	2020
Total assets	367.9	285.2	178.2	368.0	205.3
Total equity	132.6	101.3	87.7	145.1	85.8

Selected cash flow items

SEK m	For the financial year ended on December 31 (audited)			For the three-month period ended on March 31 (unaudited)	
	2020	2019	2018	2021	2020
Cash flow from operating activities	61.7	-7.9	25.8	-11.1	20.8
Cash flow from investing activities	-8.6	-2.7	-3.6	-37.4	0.0
Cash flow from financing activities	-14.4	-12.0	-17.9	27.9	3.2

Specific key risks for the issuer

Material risk factors
specific to the issuer

Prior to any decision to invest it is important to carefully analyze the risk factors considered to be material for MilDef. These risks include the following industry and operational risks:

- » Up to spring 2026 the Company is the exclusive distributor in, for example, the USA and parts of Europe, of the products of major shareholder MilDef Crete. These sales accounted for around half of the Company's revenue in 2020. There is a risk that MilDef Crete will cancel or wish to renegotiate the distributor agreement or will otherwise make sales more difficult – a risk that may increase if MilDef Crete reduces its shareholding in the Company. This could have a material adverse effect on the Company's financial position and results.
- » The Company has a relatively small number of customers. The defense industry is typically made up of larger companies and customers. This impacts the Company's primary sales, which are divided between a relatively small number of customers and countries where the share of sales is not proportionately equal. If the Company were to be unsuccessful in winning new or extending existing contracts with its largest customers, this could have a material adverse effect on the Company's revenue.
- » The Company offers technology-intensive and customized products in an industry that is rapidly developing. Leading-edge research and development are therefore critical if the Company is to remain competitive. The Company's development projects are often complex, which increases the risk of delays and failures resulting in insufficient demand and a loss of trust. This could have a material adverse effect on the Company's market position and revenue.
- » The Company may be subject to complaints and product liability claims. The Company generally provides a five-year warranty for its products, which means that warranty claims may arise several years after delivery. The Company may be obliged to remedy or provide compensation for faulty products, and pay damages or compensate losses caused by such products. Complaints and product liability claims not fully covered by the Company's insurance coverage, as well as warranties not matched by sufficient provisions, may have an adverse effect on the Company's business, financial position and results.

Material risk factors specific to the issuer, cont.	» The Company may fail to comply with applicable laws and regulations. Since the Company's operations are defense related, social responsibility is even more important. Special export rules apply to certain products that can be used in both civil and military contexts. Due to the nature of the business, the Company has strict know-your-customer (KYC) rules in place. There is a risk that the Company will fail to meet its various sustainability commitments and that employees, related parties, customers and suppliers will violate laws and regulations. If the Company's various control measures prove to be insufficient, the Company may be held responsible and its reputation damaged, which would have an adverse effect on the Company's business, financial position and results.
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KEY INFORMATION ON SECURITIES

Most important characteristics of the securities

Securities offered	Shares in MilDef Group AB, corp. reg. no. 556893-5414. ISIN code: SE0016074249. The shares are denominated in SEK.
Total number of shares in the Company	As of the balance sheet day, March 31, 2021 the share capital totaled SEK 5,809,211 divided into 11,618,422 shares. As of the Prospectus date the share capital totaled SEK 6,164,754.50 divided into 24,659,018 shares. The shares are denominated in SEK and each share has a quota value of SEK 0.25. All issued shares are fully paid up.
Rights attached to the securities	<p>Each share in the Company entitles the holder to one vote at shareholders' meetings. Each shareholder is entitled to vote for the full number of shares they hold in the Company.</p> <p>If the Company, through a cash or offset issue, issues new shares, warrants or convertibles, the shareholders will as a rule have a preferential right to subscribe for these securities in proportion to the number of shares they already hold. All shares in the Company confer equal entitlement to dividends and to the Company's assets and any surplus in the event of liquidation. All shareholders recorded in the share register maintained by Euroclear Sweden on the record date decided by the shareholders' meeting are entitled to receive dividends.</p> <p>The shares in the Company are freely transferable under Swedish law. The rights associated with the shares issued by the Company, including the rights stated in the Articles of Association, may only be changed according to the provisions in the Swedish Companies Act.</p>
Dividend policy	The Company's long-term dividend policy is a dividend of 20–40 per cent of the Company's net profit, taking into account the Company's needs for long-term development, capital structure and the prevailing market conditions.

Where will the securities be traded?

Admission to trading	On May 7, 2021 Nasdaq Stockholm's Listing Committee determined that the Company meets the criteria for a listing on Nasdaq Stockholm. Nasdaq Stockholm will approve an application to admit the Company's shares for trading on Nasdaq Stockholm provided that certain requirements are met, including that the Company submits the application and meets the distribution requirements for its shares. The first day of trading in the Company's shares is expected to be June 4, 2021.
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Which key risks are specific to the securities?

Material risk factors specific to the securities	<p>The primary risk specific to the Offering and the Company's shares is:</p> <p>» The share's market price. The Company's shares have not previously been traded on a marketplace and it is difficult to predict the level of trading or the interest there will be in the shares. The share price may be impacted by numerous factors and it is not certain that admission to trading on Nasdaq Stockholm will result in there being a liquid market for the shares. The share price may be volatile in connection with the listing and if active or liquid trading does not develop or is not sustained, it may be difficult to divest the shares. The market price may also differ significantly from the share price in the Offering.</p>
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KEY INFORMATION ABOUT THE PUBLIC OFFERING OF SECURITIES AND ADMISSION TO TRADING ON A REGULATED MARKET

On what terms and when can I invest in these securities?

Type of offering and terms and conditions

General information about the Offering: The Offering consists of maximum 12,680,012 shares of which maximum 10,958,904 consist of newly issued shares and 1,721,108 existing shares offered by the Selling Shareholders as part of the Offering.

The Offering is divided into two parts:

- » The Offering to the general public in Sweden.¹⁾
- » The Offering to institutional investors in Sweden and abroad.²⁾

Increase of the Offering

The Selling Shareholders have reserved the right to, in consultation with SEB, increase the Offering with a further maximum of 2,995,846 existing shares.

Over-Allotment Option: To cover a possible over-allotment in connection with the Offering the Company has undertaken to issue up to 1,268,001 additional shares, equivalent to a maximum of ten per cent of the total number of shares in the Offering. The Over-Allotment Option can be exercised, fully or partly, during a period of 30 days from the first day of trading in the Company's shares on Nasdaq Stockholm.

Offering Price: The Offering Price has been set to SEK 36.50 per share by the Company's Board of Directors and the Selling Shareholders in consultation with SEB, based on the anticipated investor interest, the discussions that preceded the commitments made by the Cornerstone Investors, contacts with certain other institutional investors, prevailing market conditions and a comparison with the market price of other comparable listed companies and is thus based on demand and the general market situation. No brokerage fee will be payable.

Allotment: Decisions on allotment of shares are made by the Company's Board of Directors and the Selling Shareholders in consultation with SEB, the goal being to achieve solid institutional ownership and a broad distribution of shares among the public to facilitate frequent and liquid trading of the shares on Nasdaq Stockholm. Allotment is not determined by the date on which the application is submitted during the application period.

Admission to trading: Nasdaq Stockholm's Listing Committee determined on May 7, 2021 that the Company meets the current criteria for a listing on Nasdaq Stockholm providing that the usual requirements are met, including that the Company submits the application and meets the criteria for distribution of the Company's shares no later than the first day of trading in the Company's shares. Trading is expected to commence on June 4, 2021.

1) The Offering to the general public in Sweden consists of an invitation to acquire a maximum of 27,000 shares.

2) "Institutional investors" are private individuals and legal entities who apply to acquire more than 27,000 shares.

Expected schedule

Application period for the general public	May 25 – June 2, 2021
Application period for institutional investors	May 25 – June 3, 2021
First day of trading in the Company's shares	June 4, 2021
Settlement date	June 8, 2021

Offering costs

The Company's costs relating to the Offering and admission to trading of the Company's shares on Nasdaq Stockholm, including fees payable to SEB and other advisors, are estimated to be around SEK 30 million if the Offering is not increased and the Over-Allotment Option is not exercised and around SEK 35 million if the Offering is fully increased and the Over-Allotment Option is fully exercised, of which around SEK 2 million will be charged in the second quarter of 2021.

Expenses charged to the investor by the issuer or the offerer

Not applicable. No brokerage fee is payable.

Who is the offerer and the party applying for admission to trading?

The offerer of the securities and the party applying for admission to trading

MilDef Group AB, corp. reg. no. 556893-5414, with its registered office in Helsingborg, Sweden, is a public limited company incorporated in Sweden under Swedish law and operating in accordance with Swedish law. The Company's legal form is regulated by the Swedish Companies Act. The Company's LEI code is 9845009F7Q0D56B38270.

The Selling Shareholders are offering 1,721,108 existing shares as part of the Offering. The Selling Shareholders have reserved the right to, in consultation with SEB, increase the Offering with a further maximum of 2,995,846 existing shares. If the Offering is fully increased, the Selling Shareholder will offer a maximum of 4,716,954 existing shares. Information on the Selling Shareholders is presented below.

Marianne Trolle, Troedsgatan 5, 254 41 Helsingborg, Sweden.

Adam Odelid, Bruksgatan 14, 252 23 Helsingborg, Sweden.

Isac Odelid, Bäckelidsgatan 1, 654 65 Karlstad, Sweden.

Elise Odelid, Västgötagatan 13, 252 76 Helsingborg, Sweden.

Björn Karlsson, Håkantorpsvägen 151, 263 91 Höganäs, Sweden.

Daniel Ljunggren, Abborrgränd 41, 262 41 Ängelholm, Sweden.

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1) By Daniel Ljunggren wholly owned company.

Why prepare the Prospectus?

Background and reason, and use of issue proceeds

The Company sees good opportunities for future profitable growth. The main purpose of listing the Company's shares on Nasdaq Stockholm is to create the conditions for good future growth. The Offering and the listing will broaden the Company's ownership base and provide greater access to the Swedish and international capital markets, which is expected to benefit the Company's future growth and development. A listing is also expected to raise capital for the Company and make it easier to use the Company's shares as payment in future acquisitions. MilDef's Board of Director's and Management Team regard the listing as a natural and important step in the Company's development, and believe that the listing will increase awareness of the Company and its operations, and thereby strengthen the brand.

The Company will issue new shares within the framework of the Offering. The New Share Issue is expected to raise around SEK 400 million (excluding the Over-Allotment Option) for the Company before deducting costs relating to the Offering, which, are estimated to amount to around SEK 30 million if the Offering is not fully increased and the Over-Allotment Option is not exercised and around SEK 35 million if the Offering is fully increased and the Over-Allotment Option is fully exercised, of which approximately SEK 2 million will be charged in the second quarter of 2021. The Company primarily intends to use the net proceeds of around SEK 370 million to repay the credit of SEK 30 million that has been raised in connection with the acquisition of Sysint AS. The remaining funds are intended to be used to carry out acquisitions in the Company's current and other selected markets. The Company will not receive any proceeds from the sale of existing shares offered by the Selling Shareholders within the framework of the Offering.

Conflicts of interest

SEB has been engaged as the Company's financial advisor in connection with the Offering and the listing, for which the bank will receive the customary compensation. From time to time during the course of business, SEB has provided and may in future provide various banking, investment, financial, commercial and other services to MilDef for which the bank has and will receive compensation.

Risk factors

An investment in securities is associated with various types of risk. In every investment decision it is important to thoroughly analyze the risks that are presented as material. This section describes the risk factors considered material for the Company's business and future development. The risk factors relate to the Company's operations, industry and markets, and consist of operational risk, legal risk, regulatory risk, tax risk, financial risk and securities-related risk. The Company has assessed the risks based on the likelihood that the risks will materialize and the expected extent of the adverse effects, and has ranked the risks on a scale of low, moderate and high. The risk factors presented below are limited to risks that are specific to the Company and/or the securities, and risks that are deemed important to consider in order to make a sound investment decision.

The descriptions below are based on information that was available as of the date of this Prospectus. The risk factors that are currently considered the most material are presented first in each category. The risks and factors of uncertainty presented below may have a material adverse effect on the Company's operations, financial position and/or results. They may also cause the shares in the Company to decrease in value, which could lead to the Company's shareholders losing all or part of their invested capital.

Operational and industry-related risk

The Company's distribution of MilDef Crete's products may decrease or cease

The Company has a close relationship with the Taiwanese listed company MilDef Crete Inc. ("MilDef Crete") which is one of the Company's major shareholders (see also under "*Shareholders with a significant influence*"). The Company is a distributor of MilDef Crete's laptops and tablets since 1997. These sales accounted for around half of the Company's net sales in the 2020 financial year. According to an existing agreement with MilDef Crete, the Company has exclusive rights to distribute MilDef Crete's products in, among other places, the USA and parts of Europe (including the Nordic region) until April 2026. The agreement will then be extended for five years at a time unless it is cancelled. The Company is exposed to the risk of MilDef Crete cancelling the distributor agreement by 2026, wishing to renegotiate the terms of the partnership, or in another way making it more difficult for the Company to sell MilDef Crete's products. This risk may increase if MilDef Crete chooses to reduce its shareholding in the Company, which could reduce MilDef Crete's interest in an arrangement that is favorable for the Company. If any of these risks materialize this may have a material adverse effect on the Company's financial position and results.

The Company considers the likelihood of this risk materializing as low.

The national security situation, political decisions and economic fluctuations may affect demand for the Company's products

The Company operates in several countries in Europe and in the USA and is impacted in the same way as other companies by the general economic and political climate in the world. Demand for the Company's products is mainly affected by the annual defense budgets of individual countries, which in turn are impacted by factors such as current political leadership, prolonged economic conditions, defense and security policy and the security situation nationally and globally. In times of heightened national security concerns, appropriations for the defense budgets of individual countries often increase. As an example of this, there is a proposal to increase the appropriation for the Swedish armed forces by SEK 5 billion for 2021 and an additional SEK 5 billion annually from 2022 to 2025. The rationale for this is primarily the worsened security situation in the region around Sweden and Europe, and increasingly unpredictable global trends. This is an increase of more than 40 per cent from the 2020 level (when the military defense budget was just under SEK 60 billion) up to 2025. These types of political proposals may, however, be changed and political or economic changes that result in a significant reduction in the defense budgets of individual countries may affect the investment plans of the Company's customers and thereby also demand for the Company's products. National security considerations may also lead individual countries to limit their imports in favor of domestic development and production, which could impact demand for the Company's products. At present around half of the Company's sales are in Sweden and Norway. If demand for the Company's products, in either or both of these countries in particular, were to decrease this could have a material adverse effect on the Company's revenue and profit.

The Company considers the likelihood of this risk materializing as low.

The Company is exposed to competition at both the global and local level

The Company's business is primarily defense related and there are competitors at both the global level (typically major defense companies acting as primary supplier to procuring authorities) and at the local level (often companies with a limited range of specialty products, lower volumes and a high degree of customization). The competition varies between the Company's two main product segments, i.e. portable products sold through partnerships (laptops,

tablets, handhelds), and the products developed in-house (19"/2, intelligent displays and special electronics). For the 2020 financial year the Company's net sales broke down as 50% for products developed in-house, 45 per cent for partner products and 5 per cent for third-party products. The segment exposed to the most competition is laptops and tablets. Within this segment, for example, large global hardware companies such as Dell Technologies and Panasonic Corporation target the defense market with their rugged, off-the-shelf laptops and tablets. In the same segment there are also, for example, the British company GriD and the US company Miltope, both offering fully tailored solutions with a very high degree of customization aimed mainly at the English-speaking markets. With respect to the Company's 19"/2 products, there are equivalent products in this segment too offered by both global and local actors. Examples include the US company Curtiss-Wright, the Norwegian company DataRespons and Swedish Saab.

Several customers of products developed in-house are also competitors. One example of this is Swedish Saab which also has a division that delivers products equivalent to those of MilDef.

The Company is exposed to competition through the existence of other companies that are capable of manufacturing products with similar properties, customization, price levels and delivery reliability. The competitors may have more financial resources than the Company and a greater capacity to withstand market decline, be more skilled at retaining talent and better suited to – and have greater access to – the local markets. Increased competition may lead, among other things, to the Group's customers demanding lower prices and/or longer warranties on the Company's products. The competitive situation may also require the Company to develop new products or services, which, to the extent the Company cannot or is not successful in meeting such requirements, may lead to the loss of customers or a significant increase in development costs. If any of the competition-related risks were to materialize, this could have a material adverse effect on the Company's operations, market position and results.

The Company considers the likelihood of this risk materializing as moderate.

The Company has a relatively limited number of customers

The defense industry is in general characterized by larger companies and customers. This means that the Company's primary sales are divided between a relatively limited number of customers and countries. These customers and countries do not account for the same amount of sales in proportion to their size either. During the 2020 financial year, 73 per cent of sales were to the nine largest customers, of which 24 per cent were to the Norwegian Defence Materiel Agency (FMA), 22 per cent to the Swedish Defence Materiel Administration (FMV) and 6 per cent to the Danish Ministry of Defence Acquisition and Logistics Organisation (DALO). The Company has long-term framework agree-

ments with the Norwegian FMA and Danish DALO, but not with the Swedish FMV. As there is no framework agreement or similar long-term declaration of intent with FMV, there is a greater risk – compared with FMA and DALO – that FMV will switch supplier. Several framework agreements with DALO are in effect for seven to ten years with varying end dates between 2021 and 2027. The two framework agreements with FMA (one purchase and one maintenance agreement) have a term of three years (which can be extended by two years at a time for a total term of seven years) and in their initial three-year period continue until Q2 2023. If the Company were to be unsuccessful in winning new contracts with the largest customers or if existing framework agreements with FMA and/or DALO were not to be extended, this could have a material adverse effect on the Company's revenue.

The Company considers the likelihood of this risk materializing as moderate.

The Company may not be successful in its future technology and product development

The Company delivers technology-intensive and customized products. Technology development in the hardware and software industries is advancing very rapidly, and it is critical for the Company's future organic growth and ability to enter new markets for the Company's research and development to be at the leading edge. The customers' changing demands must be quickly identified and transformed into the best solutions for every given market situation, which often involves running highly complex development projects. If the Company's expertise and the content of the product portfolio does not match, or is not adapted to, prevailing market demand and technology trends, this would result in the Company being less competitive, and having longer lead times and higher costs for customer projects.

When developing new products there is always a risk that the launch or commercialization of these products will be unsuccessful for some reason, for example if the Company has misjudged customer demand for the new products; the launch is delayed by challenges in the development process; technology trends change in the course of development; the internal sales force lack confidence in the products; there are shortcomings in the launch strategy and marketing; the Company's competitors have more successful and better timed product development; or a combination of several of these factors. If the Company cannot maintain successful technology and product development, this may materially affect the Company's market position and revenue.

The Company considers the likelihood of this risk materializing as moderate.

The company may fail to fulfill its obligations under essential customer agreements

Successful customer relationships are vital to the Company's business and growth. Maintaining strong relationships with existing customers creates conditions for repeated business,

which is of great importance to the Company. In addition to customary delivery commitments some of the Company's essential customer agreements also contain obligations for the Company, regarding for example, counter trading. For example, the industry cooperation agreement with Norwegian FMA contains obligations regarding among other things counter purchasing from Norwegian industry and the distribution agreement with RBSL (Rheinmetall BAE Systems Land) contains obligations for the Company regarding production in the UK. In the event that the Company fails to fulfill its obligations under significant customer agreements, there is a risk that the Company may be subject to sanctions and have its reputation damaged, which could affect the Company's earnings.

The Company considers the likelihood of this risk materializing as low.

The Company's suppliers may fail to meet their obligations

The Company has its own production of, for example, servers and routers in the 19"/2 segment, accounting for around half of the Company's net sales. These products consist of components and raw materials from several different suppliers. In order to sell and produce its products, the Company is dependent on external suppliers fulfilling agreed terms with respect to quantity, quality and delivery schedules. Defective, late or missing deliveries from suppliers could in turn result in the Company's deliveries being delayed or interrupted, or being defective or incorrect. This risk is connected to – and is made more material by – the current distribution problems with respect to semiconductors and other technical components due to bottlenecks in global container management. This universal logistics problem may have some impact on the Company's deliveries from suppliers with a risk of considerably extended lead times, which would need to be handled through other purchasing and stock-keeping procedures than those currently in place in the Company's supply chain.

For some of the components necessary for the Company's production, the Company currently uses just one supplier. For these components, there may be significant costs as well as transition problems and delays in the form of, for example, quality assurance and design changes if the Company is forced to use an alternative supplier. Even though the Company requires certain standards from its suppliers, including standards of conduct and business ethics, the Company does not have full insight into its suppliers' operations. The Company is therefore also exposed to the risk of the suppliers acting in a way that may damage the Company's reputation and brand.

The Company considers the likelihood of this risk materializing as moderate.

The Company may not succeed in its planned expansion into new geographical markets

The Group has operations in Sweden, Norway, the UK and the USA. The Company's business plan includes expansion into new geographical markets, among other things to meet customer demand for locally supplied and manufactured products. Offering products and services in new geographical areas where the Company wholly or partly lacks experience and where the Company does not have an established brand, often requires significant resources and expense, and takes a considerable amount of time. There is a risk that the Company will not achieve sufficient success in new geographical markets to recover the investment made within a reasonable period of time or at all. There is a risk that the Group will not successfully adapt its products and services, and the market and pricing models for them, to the local markets. The Company may also fail to predict new competitors or handle the challenges of achieving efficient operations in a new market. Moreover, a future expansion may expose the Company to risks, increased costs and difficulties relating to local tax and other rules. The protection of the Company's intellectual property and sensitive information, such as personal data, may be jeopardized in connection with cross-border activities and expansions. The above-mentioned factors may lead to the Company not achieving its expected return on investments in expansion into new markets. If the Company does not succeed in expanding into new geographical markets, this may have an adverse effect on the Company's future prospects.

The Company considers the likelihood of this risk materializing as moderate.

The Company may not succeed in its acquisition strategy or individual company acquisitions

The Company has acquired several companies in Europe and the USA and this has had a positive effect on financial development and growth. The Company still has an active acquisition strategy. Acquisitions are associated with risks relating to the acquired business. Risks associated with acquisitions may be that the acquired business's expected net sales are not achieved, the acquired business's accounting has shortcomings and/or the acquired business is subject to tax claims – or other claims – that could not have been foreseen. There is also a risk that the protection the Company has agreed on with the seller or sellers in the acquisition agreement will not fully cover any shortcomings discovered after the Company takes over the acquired business. If such risks relating to completed or future acquisitions are realized, this could have an adverse effect on the Company's operations, results and financial position. There is also a risk that integration processes may be more costly or time-consuming than expected and that anticipated synergies will not materialize or only partially materialize. Acquired companies' relationships with customers, suppliers and key individuals may be adversely affected by the acqui-

sition. An acquisition of a company that does not operate its business in a sustainable way or whose actions are not consistent with the Company's Code of Conduct may have an adverse effect on the Company's reputation. There is a risk that the Company may be unsuccessful in identifying suitable acquisition candidates or that the Company is unable to obtain the necessary financing for future potential acquisitions on acceptable terms or at all, which could slow the pace of the Company's growth and thereby have an adverse effect on the results.

The Company made its most recent acquisition in March 2021 and integration of the target company, Sysint AS, is in the initial stages. Sysint's business areas are consulting services, consultant matching and offering its in-house developed software product OneCIS, a digital integration solution for the defense sector. Accordingly, the main identified risk associated with the acquisition is the loss of human resources. The consulting business, and to an even greater extent the OneCIS project, requires qualified resources and is highly dependent on certain key individuals.

The Company considers the likelihood of this risk materializing as low.

The Company's production may cause environmental risks

The Company's in-house developed products are manufactured at the production facility in Helsingborg, Sweden. The Company does not have any environmentally harmful operations that require reporting or permits. However, the Company's operations do impact the external environment, primarily through the production of electronics, purchasing of materials and components for production, transport in connection with purchases and deliveries, and management of production waste. The Company has producer responsibility for packaging, batteries and electronics and is thus responsible for end-of-life product collection and management. The Company is also subject to – and has responsibilities under – general environmental regulations such as the RoHS Directive (implemented in Sweden through Ordinance (2012:861) on hazardous substances in electrical and electronic equipment) and the REACH regulation. If the Company fails to comply with these and other regulations, the Company may be subject to sanctions and have its reputation damaged. Amendments to laws or regulations issued by authorities involving new or stricter standards or changed requirements with respect to health, safety and the environment, and a shift toward stricter enforcement of laws and regulations by authorities, may require additional investments to be made, resulting in increased costs and other undertakings for the Company where it is subject to these regulations. If the Company does not succeed in addressing such changes in a cost-effective manner or fails to obtain or retain the necessary permits, this could have an adverse effect on the Company's operations and results.

The Company considers the likelihood of this risk materializing as low.

The Company may fail to attract or retain key individuals

The Company is highly dependent on specialist expertise in various parts of the Company's operations, such as product and technology development, and may face challenges in retaining and recruiting qualified employees. Another category of key individuals consists of those – primarily in management positions – who have many years of experience within the Company's business areas and who have long-term relationships with the Company's customers and other stakeholders. These key individuals are very important to the Company's future success and the loss of one or more of them could lead to adverse consequences for the Company's operations, especially if the key individuals choose to terminate their employment with the Company to join one of its competitors. These risks are accentuated when taking into account that the employment agreements with certain key persons in the Company run with a short notice period or lack post-termination non-competition or non-solicitation provisions.

The Company considers the likelihood of this risk materializing as low.

Legal and regulatory risks

The Company may be affected by complaints and product liability claims

The Company has taken on an extensive warranty obligation by generally providing a five-year warranty for its products (with the exception of consumables such as batteries). This warranty obligation is driven by the current standard in the industry and is in line with customer expectations.

The Company is exposed to the risk of delivered products being faulty or causing harm to humans or damage to property. The compensation liability for faulty or harmful products is regulated by the Company's contractual obligations and by law. If customer complaints are upheld, the Company is typically responsible for remedying or providing compensation for defective products, and in certain cases is liable for damages or losses for the customer due to faulty products.

An increasing number of complaints and product liability cases may have an adverse effect on the Company's operations, financial position and results if they are not fully met by the Company's insurance coverage. Due to the long warranties, a warranty claim may arise several years after delivery. There is no certainty that provisions made in the ongoing administration of warranties will be sufficient. In the event the risk is realized, this may have an adverse effect on the Company's costs and liquidity and may also damage the Company's reputation.

The Company considers the likelihood of this risk materializing as moderate.

The Company may fail to comply with applicable laws and other regulations

MilDef produces and delivers rugged electronics and complete hardware system for security and defense customers. As a result, the Company's operations are, among other things, subject to regulatory requirements with respect to exporting products and services. The Company also must comply with requirements and commitments regarding for example environmental, social responsibility, corporate governance, personal data processing and anti-corruption issues, both according to internal governing documents, in relation to its customers and according to laws and other regulations. Since the Company's operations are defense related, social responsibility is even more important. Some of the Company's products are so-called dual use products meaning they can be used for both civilian and military purposes. For such products special export rules apply. Due to the nature of the business, the Company has adopted strict internal rules regarding with whom the Company does business with, and to create customer awareness. The customer awareness process includes, among other things, an assessment of new customers, and if the transaction involves dual-use products, to identify the end customer.

The Company is exposed to the risk to fail to comply with applicable laws and other regulations, for example by executives in the Company making decisions that do not comply with the Company's strategy, policy documents and internal guidelines. Furthermore, employees and other persons close to the Company, as well as its customers and suppliers, may perform acts that are unethical, criminal (for example by violating applicable anti-corruption and anti-bribery laws) or otherwise contravene applicable laws and regulations or the Company's strategy, policy documents and internal guidelines. If the Company fails to comply with applicable laws and other regulations, for example due to insufficient control measures or deficiencies in the other measures that the Company takes to ensure that laws, rules, strategies, policy documents and internal guidelines are complied with, it may result in the Company violating commitments in financing agreements and commercial agreements, that the Company is imposed civil or criminal liability or that the Company's reputation is damaged. For example, the maximum fine for infringement of the GDPR ((EU) 2016/679) is EUR 20 million or 4 per cent of MilDef's annual global turnover – whichever is greater.

The Company considers the likelihood of this risk materializing as low.

The Company is exposed to risks relating to infringement of its own or a third party's intellectual property

The Company's success is in varying degrees dependent on trademarks and other intellectual property. The Company currently does not own any patents but has registered a number of trademarks in the EU and other parts of the world, and has processes to monitor the use of these. The monitoring process does not prevent a third party from infringing on the Company's registered rights. Such infringe-

ments have been discovered on a number of occasions and the Company is currently aware of and investigating one potential trademark infringement in Malaysia and one in the USA. As the Company manufactures its own products – which contain several components from other manufacturers – there is also a risk that the Company will be accused of infringement of intellectual property. In 2020 a settlement was reached between the Company's subsidiary MilDef Inc. and a US company that claimed the Company was guilty of a patent infringement. An increased number of infringements of the Company's intellectual property or alleged infringement of others' intellectual property could lead to financial losses for the Company and have an adverse effect on the Company's brand and reputation.

The Company has entered into licensing agreements with the Taiwanese listed company MilDef Crete, which is one of the major shareholders in the Company, regarding the Company's "MilDef" trademark, providing the licensee with the right to use the trademark for an unlimited period of time. The agreement lacks provisions regarding the scope and use of the right to use the MilDef trademark, and also the Company's possibilities to terminate the agreement. The lack of specific provisions entails a level of uncertainty as to the interpretation of MilDef Crete's right to use the MilDef trademark. There is a risk that a licensee or external party will use the Company's trademarks incorrectly, which could adversely affect the Company, for example if the party operates a business with which the Company does not wish to be associated.

Apart from intellectual property that can be registered, the Company is also dependent on protecting other business secrets and know-how. There is a risk that unauthorized dissemination or use of such information – intentional or unintentional – by, for example, competitors, consultants, employees or others may occur in a way that damages the Company's competitiveness. There is also a risk that competitors and others may independently develop equivalent know-how and business secrets. If employees, consultants, advisors or other individuals engaged by the Company were to act in noncompliance with confidentiality undertakings regarding confidential information, or if confidential information were to be disclosed in another way and used by competitors, this could have an adverse effect on the Company's future sales, results and future position in the stock market.

The Company considers the likelihood of this risk materializing as moderate.

The Company is at risk of being involved in disputes

The Company is at risk of being involved in legal or administrative procedures regarding substantial damage claims or other claims for payment, including damage claims from customers or competitors. In 2020 the Company was involved in a dispute regarding an alleged patent infringement by the Company, which ended in a settlement. Both the costs associated with the process and the settlement

payment had an adverse effect on the Company's 2020 profits.

A dispute may significantly disrupt the Company's operations and damage the Company's reputation. A dispute may also lead to high costs being incurred for the Company and the senior executives' attention being taken away from day-to-day operations to instead manage the dispute. It is difficult to foresee disputes and predict their outcomes. If the outcome of a future legal or administrative procedure is not in the Company's favor, this could also have a material adverse effect on the Company's financial position and reputation.

The Company considers the likelihood of this risk materializing as low.

Financial risks

The Company is exposed to currency risk

The Group is exposed to currency risk, which can be divided into transaction exposure and translation exposure. Transaction exposure occurs when a sale or purchase price is stated in a foreign currency. The Company is mainly exposed to changes in USD, NOK, GBP and DKK in relation to SEK. When the subsidiaries' balance sheets and income statements in local currencies are translated into SEK, a translation difference occurs. The income statement is translated using a weighted average exchange rate for the year, while the balance sheet is translated at the exchange rate at the end of the accounting period. Translation exposure constitutes the risk that the translation difference will result in a change in equity. To manage currency risk, the Company's Board of Directors has established a Finance Policy for the Company, under which it is possible to manage risk through currency hedges. The Policy also regulates the risk mandate and limits on currency management. If the steps taken by the Company to hedge or in another way manage the effects of currency movements prove to be insufficient, the Company's financial position and results may be adversely affected. Changes in foreign exchange rates may also affect the Company's competitiveness, and the suppliers' price levels, and thereby indirectly impact the Company's sales and profits. If the Swedish krona had weakened or strengthened by 10 per cent, with all other variables being the same, the restated profit after tax in the 2020 financial year would have been impacted in the amount of SEK +/-0.3 million.

The Company considers the likelihood of this risks materializing as moderate.

The Company is exposed to interest rate risk

Interest rate risk is the risk of changes in market interest rates affecting the Company's profits, future cash flows and the value of financial instruments. The Company's credit facilities carry variable interest rates and the Company is therefore exposed to changes in interest rates. Market interest rate fluctuations may lead to the Company's financial income and expense, and the value of its financial instruments, fluctuating. Interest rate risk may also lead to changes

in fair values, changes in cash flows and fluctuations in the Company's earnings. Rising market interest rates would, for example, increase the Company's net interest expense and could also have an adverse effect on the Company's cash flow.

Interest rates are impacted by a number of factors outside the Company's control, including interest-rate guidelines of governments and central banks in the geographical markets where MilDef operates. An increase in interest rates would increase the Company's interest commitments under existing credit facilities, which could have an adverse effect on the Company's operations, financial position and results. Given the Company's relatively limited external borrowing as of March 31, the risk is considered to be moderate. Calculated based on financial interest-bearing assets and liabilities carrying variable interest rates as of March 31, 2021, a one percentage point change in the market interest rate would adversely affect the Group's earnings by SEK 0.3 million. The Company may, however, in the future secure additional external financing of different types and with varying interest rate exposure.

The Company considers the likelihood of this risk materializing as low.

The Company is exposed to liquidity and financing risk

Financing and liquidity risk is the risk that refinancing of matured loans will be made more difficult or be on unfavorable terms, that financial commitments under credit or loan agreements cannot be fulfilled and that payment obligations cannot be met due to insufficient liquidity or difficulties obtaining external financing. The Company may need additional financial resources, for example to refinance loans or other financing agreements that mature and to enable the Company to acquire companies or in other ways achieve its strategic goals. There is a risk that such financial resources will not be able to be obtained at terms that are favorable for MilDef. Access to additional financing is affected by multiple factors, such as market conditions, general access to credit and the Company's creditworthiness and credit capacity. Disruptions and uncertainties in the capital and credit markets may also limit access to the capital required to operate the business. The Company's liquidity and financing risk is regarded as acceptable as the Company has historically generated sufficient cash flows from operating activities to meet all payment obligations entered into.

The Company considers the likelihood of this risk materializing as low.

The Company is exposed to credit and counterparty risk

Credit risk is the risk of the Company's counterparties not being able to meet their contractual obligations and thereby causing a loss for the Company. The Company's exposure to credit risk is mainly related to accounts receivable and expenditure for ongoing projects. The risk that the Company's customers will not meet their payment obligations relating to accounts receivable – for example due to financial

difficulties – is a customer credit risk. If the Company's actions to manage credit risk are not sufficient, this could have an adverse effect on the Company's financial position and results.

The Company considers the likelihood of this risk as low.

In this Prospectus, financial targets are presented that may deviate significantly from the Company's actual results

The financial targets presented in this Prospectus represent the Company's medium-term (3–5 year) expectations and are based on assumptions that are by nature subject to material business risk, operational and economic risk and other risks, many of which are outside the Company's control. There is a risk that the significant assumptions made by management when establishing these targets will not reflect the commercial and economic environment in which the Group operates its business. Consequently, such assumptions may be changed or not materialize at all. Moreover, unforeseen events may have an adverse effect on the Group's future results. As of consequence of this the Company's actual future results may deviate significantly from these targets.

The Company considers the likelihood of this risk materializing as low.

Tax-related risk

The Company conducts operations in multiple countries. The Company's business, including the execution of transactions between Group companies, is operated according to the Company's interpretation of applicable laws and practices with respect to taxation. The rules on accounting for taxes and the way in which these are applied are complex, and the possibility of the Company's interpretation of tax laws and practices being incorrect, or of applicable laws being changed, cannot be excluded. There is a risk that the tax authorities in the countries concerned will make decisions that deviate from the Company's interpretation. Tax authorities may have a different opinion to the Company, particularly as regards transactions between Group companies (so-called transfer pricing). Incorrect interpretations, changes in tax laws and new/changed practices with respect to, for example, corporate tax and value added tax, may adversely affect the Company's financial position and results.

The Company considers the likelihood of this risk materializing as low.

Risks relating to the Offering and the shares in the Company

The share's market price

The Company's shares have not previously been traded in a marketplace. It is therefore difficult to predict the level of trading or interest there will be for the Company's shares when they are admitted to trading on Nasdaq Stockholm. The price at which the shares are traded and the price at which investors can make their investment will be affected by numerous factors, some of which are company-specific and others tied to the stock market as a whole.

The Company's revenues are largely dependent on the orders the Company receives and these may vary from period to period during the year. Variations in the Company's revenue streams depend, among other things, on purchasing patterns in the industry, long sales cycles and large variations in order inflow. A recurring pattern is that orders are placed by the customers during the second and third quarters, while most deliveries take place in the fourth quarter. Payment normally takes place at the time of delivery, which means that the customers want to take delivery of products the same year as they place the order to coincide with their budget periods. This means that revenue varies significantly between quarters, with the fourth quarter seeing by far the largest net sales and strongest operating profit. The fact that many individual contracts are of substantial value increases the volatility of the Company's revenue flows. Due to the Company's volatile revenue there is a risk of volatility in the Company's share price as well. If this risk materializes, it could result in shareholders experiencing losses when selling their shares.

It is not certain that admission to trading on Nasdaq Stockholm will result in there being a liquid market for the shares. There is also a risk of the share price being volatile in connection with the listing, and if active or liquid trading does not develop or is not sustained, it may be difficult for shareholders to divest the shares. There is also a risk of the market price differing significantly from the share price in the Offering.

The Company considers the likelihood of this risk materializing as low.

Existing shareholders' selling of shares

The market price of the Company's shares could fall if there a substantial sell-off of the Company's shares and particularly if the Company's Board of Directors, senior executives and major shareholders sell shares, or if a large number of shares are sold in another way. The Selling Shareholders and the Company's Board and senior executives have, with some exceptions, undertaken not to – during a predetermined period – sell their shares or enter into transactions with a similar effect without first obtaining SEB's consent. After the end of the established lock-up period, the shareholders will be permitted to sell their shares in the Company. A possible sell-off of a large number of the Company's shares in the market by the major shareholders or certain members of the Company's Board and senior executives, or a perception that such a sell-off could take place, may cause a fall in the Company's share price.

The Company considers the likelihood of this risk materializing as moderate.

Shareholders with a significant influence over the Company may have interests that differ from those of other shareholders

Major shareholders (i.e. shareholders who individually own more than 20% of the shares in the Company) have a significant influence over the outcome of matters referred to the

Company's shareholders for decisions, including election of board members, possible mergers, consolidation or sale of all or a significant portion of the Company's assets. After the completion of the Offering, two individual shareholders will each have a significant influence over the Company's senior executives and the Company's operations: MilDef Crete will hold the equivalent of approximately 20 per cent of the shares and votes in the Company and Marianne Trolle will hold the equivalent of approximately 11 per cent of the shares and votes in the Company. The major shareholders' interests may deviate significantly from, or compete with, the Company's interests or the interests of other shareholders, and the major shareholders may exercise their influence over the Company in a way that is not consistent with the interests of other shareholders. For example, there may be a conflict between the interests of major shareholders on the one hand and the Company or its other shareholders on the other in terms of dividend decisions. .

The Company considers the likelihood of this risk materializing as low.

Future issuance of shares or other securities in the Company may dilute the ownership and affect the share price

The Company may issue new shares in connection with future company acquisitions to fully or partially finance such acquisitions with treasury shares. The Annual General Meeting on March 30, 2021 decided to authorize the Board, within the framework of the current Articles of Association, on one or several occasions up to the next Annual General Meeting, to decide to issue new shares for cash, in-kind or offset payment and thereby be able to deviate from the shareholders' preferential rights. The total number of shares that could be issued based on this authorization may not exceed ten (10) per cent of the total number of outstanding shares on the date the authorization is exercised.

If the Company chooses to raise capital or purchase all or part of another company through a directed issue, the holdings of shareholders without subscription rights will be diluted. If the Company chooses to obtain additional capital through a new share issue with preferential rights for existing shareholders, shareholders who choose not to exercise their subscription rights in a rights issue of this type will see their shareholding in the Company proportionately reduced.

The Company considers the likelihood of this risk materializing as high.

The Company's ability to attract capital may be affected by its defense-related activities

The fact that the Company's business is defense-related may affect the ability and willingness of certain investors to invest in the Company. The Company is exposed to the risk that institutional investors' internal or external rules regarding social responsibility (part of ESG regulations) will be more stringent in the future, for example by all defense-related activity in such a context being equated with the production

of munitions. There is also a risk that the Company will not succeed in upholding its internal sustainability rules – for example with respect to the know your customer principle and with whom the Company does business – or will in another way act in violation of applicable laws and rules, or the Company's strategy, policy documents and internal guidelines in a way that damages the Company's reputation. If any of these risks were to materialize, this could make it more difficult for the Company to attract capital in the future. A development of this kind could also have an adverse effect on the share price.

The Company considers the likelihood of this risk materializing as moderate.

The Company's ability to provide dividends to shareholders may be limited

The Company's long-term dividend policy is to pay a dividend amounting to 20–40 per cent of the Company's net profit, taking into account the Company's need for long-term development, capital structure requirements and the prevailing market conditions. There is a risk that the Company may not have sufficient distributable funds to pay dividends at all or to the extent that the shareholders expect. In the event that no dividend is paid, investors' possible returns will depend on the future development of the share price.

The Company considers the likelihood of this risk materializing as low.

The Cornerstone Investors' undertaking is not secured

Svolder, Carnegie Fonder, Grenspecialisten, LMK Venture Partners and a consortium of Erik Syrén, Martin Bjäringer, Tedde Jeansson and Carl Rosvall (together the "**Cornerstone Investors**") have undertaken to acquire shares within the framework of the Offering. The Cornerstone Investors have undertaken to acquire shares in the Offering equivalent to around 48 per cent of the Offering if the Offering is fully increased and around 22 per cent of the shares in the Company after the Offering (provided that the Over-Allotment Option is fully exercised). The Cornerstone Investors' undertaking is not secured by a bank guarantee, blocked funds, pledge or similar arrangement. There is thus a risk that the Cornerstone Investors will not pay for shares and that the shares cannot be delivered in connection with the completion of the Offering as planned, which could have a material adverse effect on the implementation of the Offering. Moreover, the Cornerstone Investors' undertaking is not subject to any lock-up commitment, which means that the Cornerstone Investors can at any time divest all or parts of their shareholding. The sell-off of a significant number of shares could cause the share price to fall (see also the section "*Existing shareholders' selling of shares*" above). .

The Company considers the likelihood of this risk materializing as low.

1) Assuming that the Offering is fully subscribed (if the Over-Allotment Option is not exercised).

Invitation to acquire shares in MilDef Group AB

The Company has decided to expand its ownership to promote MilDef's growth and continued development. On May 7, 2021 Nasdaq Stockholm's Listing Committee determined that the Company meets the current criteria for a listing on Nasdaq Stockholm. Nasdaq Stockholm will approve the application to admit the Company's shares for trading on Nasdaq Stockholm provided that the usual requirements are met, including that the Company submits the application and meets the requirements for distribution of the Company's shares. The first day of trading is expected to be June 4, 2021.

According to the terms and instructions in this Prospectus, investors are invited to subscribe for and acquire a total maximum of 12,680,012 shares in MilDef, of which the Selling Shareholders are offering a maximum of 1,721,108 existing shares as part of the Offering and the Company is offering a maximum of 10,958,904 newly issued shares (excluding any shares offered in accordance with the over-allotment option). The Selling Shareholders have reserved the right to, in consultation with SEB, increase the Offering with a further maximum of 2,995,846 existing shares. If the Offering is fully increased, the Selling Shareholders will offer a maximum of 4,716,954 existing shares. Board members and employees will only be allotted existing shares sold by the Selling Shareholders.

The price per share in the Offering (the "**Offering Price**") has been set to SEK 36.50 per share by the Company's Board of Directors and the Selling Shareholders in consultation with SEB, based on the anticipated investor interest, the discussions that preceded the commitments made by the Cornerstone Investors, contacts with certain other institutional investors, prevailing market conditions and a comparison with the market price of other comparable listed companies and is thus based on demand and the general market situation.

Based on authorization from the Company's extraordinary shareholders' meeting, held on April 29, 2021, the Company's Board of Directors intends to decide on a new issue of shares (the "**New Share Issue**"). The New Share Issue comprises 10,958,904 shares and is expected to raise around SEK 400 million before costs relating to the Offering¹⁾ and the excluding over-allotment option.

To cover a possible over-allotment in connection with the Offering, the Company has in addition undertaken, at the request of SEB, to issue up to an additional 1,268,001 of shares corresponding to a maximum of 10 per cent of the total number of shares in the Offering at a price corresponding to the Offering (the "**Over-Allotment Option**"). The Over-Allotment Option may be exercised, in whole or in part, for a period of 30 days from the first day of trading of the Company's shares on Nasdaq Stockholm. Based on full affiliation in the Offering, and that the Over-Allotment Option is fully exercised, the Company will raise approximately SEK 446 million before costs related to the Offering.¹⁾

If the Offering is fully increased, the Offering will consist of a maximum of 15,675,858 shares, equivalent to approximately 42 per cent of the total number of shares and votes in the Company after the completion of the Offering. If the Offering is fully increased and the Over-Allotment Option is fully exercised, the Offering will consist of a maximum of 16,943,859 shares, equivalent to approximately 46 per cent of the total number of shares and votes in the Company after completion of the Offering.

1) The Company's Offering-related costs are expected to be a maximum of around SEK 35 million.

The Cornerstone Investors have undertaken, on the same terms as other investors, to acquire shares in the Offering equivalent to around 48 per cent of the Offering provided that the Offering is fully increased and around 22 per cent of the shares in the Company after the Offering (provided that the Over-Allotment Option is fully exercised). The Cornerstone Investors will be prioritized in the allotment of shares in the Offering and will receive their full allocation according to their respective undertaking. These undertakings do not confer entitlement to compensation of any kind.

The total value of the Offering amounts to around SEK 463 million if the Over-Allotment Option is not exercised, around SEK 509 million if the Over-Allotment Option is fully exercised and around SEK 618 million if the Offering is fully increased and the Over-Allotment Option is fully exercised.

For further information, refer to the full Prospectus which has been prepared by MilDef's Board of Directors based on the Offering to the public to acquire shares in MilDef and admission to trading of the MilDef shares on Nasdaq Stockholm. MilDef's Board of Directors is responsible for the information in the Prospectus and, to the best of the Board's knowledge, the information provided in the Prospectus is factually accurate and nothing has been omitted that could affect its import.

Helsingborg, May 23, 2021

MilDef Group AB

Board of Directors

The Board of Directors of MilDef Group AB is solely responsible for the content of the Prospectus. The Selling Shareholders do, however, confirm the binding nature of the terms of the Offering in accordance with the information in the "Terms and instructions" section.

Selling Shareholders

Background and reasons

MilDef produces and delivers rugged electronics and complete hardware systems to security and defense customers. MilDef currently has subsidiaries in Sweden, Norway, the United Kingdom and the United States, and the Company's products are sold directly and through partner networks in more than 30 countries. MilDef's largest geographical markets are the Nordic region (68% of net sales in 2020), Europe (excluding the Nordic region) (12% of net sales in 2020) and North America (17% of net sales in 2020). Other countries represented 3% of net sales. An important aspect of the Company's strategy is to grow the business further in prioritized markets, including the Nordic region and the USA, both organically and through acquisitions. The Company's product portfolio mainly consists of rugged electronics and complete hardware systems with a growth strategy to increase the software and services offering.

MilDef was founded in 1997 in Helsingborg and has shown good growth since then. In the 2020 financial year the Company had sales of SEK 398 million and an adjusted EBITDA of SEK 72.8 million, equivalent to an adjusted EBITDA margin of 18.3%.

MilDef sees good opportunities for future profitable growth and the main purpose of listing the Company's shares on Nasdaq Stockholm is to create the conditions for continued good growth. The Offering and listing will expand the Company's ownership and provide greater access to the Swedish and international capital markets, which is expected to promote the Company's future growth and development. The listing is also expected to raise capital for the Company and also allow the Company to use shares as payment in future acquisitions. MilDef's Board of Directors and management regard the listing as a natural and important step in the Company's development, and have made the assessment that it will increase awareness of the Company and its operations, and thereby strengthen its brand.

Use of issue proceeds

The Company will issue new shares within the framework of the Offering. The New Share Issue is expected to raise around SEK 400 million (excluding the Over-Allotment Option) for the Company before deducting costs relating to the Offering, which is estimated to amount to around SEK 30 million if the Offering is not increased and the Over-Allotment Option is not exercised and around SEK 35 million if the Offering is fully increased and the Over-Allotment Option is fully exercised. The Company primarily intends to use the net proceeds of around SEK 370 million to repay the credit of SEK 30 million that has been raised in connection with the acquisition of Sysint AS. The remaining funds are intended to be used to carry out acquisitions in the Company's current and other selected markets. The Company will not receive any proceeds from the sale of existing shares offered by the Selling Shareholders within the framework of the Offering.

Helsingborg, May 23, 2021

MilDef Group AB
Board of Directors

Terms and instructions

The Offering

The Offering consists of a maximum of 12,680,012 shares of which a maximum of 10,958,904 consist of newly issued shares and 1,721,108 existing shares offered by the Selling Shareholders as part of the Offering.

The Offering is divided into two parts:

- » Offering to the public in Sweden.¹⁾
- » The Offering to institutional investors in Sweden and abroad.²⁾

The outcome of the Offering is expected to be published in a press release that will be available on the Company's website (www.mildef.com) around June 4, 2021.

Increase of the Offering

Selling Shareholders have reserved the right to, in consultation with SEB, increase the Offering with a further maximum of 2,995,846 existing shares. If the Offering is fully increased, the Selling Shareholders will offer a maximum of 4,716,954 existing shares.

Over-Allotment Option

To cover a possible over-allotment in connection with the Offering the Company has undertaken to issue up to an additional 1,268,001 shares, equivalent to a maximum of 10 per cent of the total number of shares in the Offering. The Over-Allotment Option can be exercised, fully or partly, for a period of 30 days from the first day of trading in the Company's shares on Nasdaq Stockholm.

Allocation of the shares

The allocation of the shares between the two parts of the Offering will be based on demand. Number of shares allocated will be set by the Company's Board of Directors and the Selling Shareholders in consultation with SEB.

The Offering Price

The Offering Price has been set to SEK 36.50 per share by the Company's Board of Directors and the Selling Shareholders in consultation with SEB, based on the anticipated investor interest, the discussions that preceded the commitments made by the Cornerstone Investors, contacts with certain other institutional investors, prevailing market conditions

and a comparison with the market price of other comparable listed companies and is thus based on demand and the general market situation. No brokerage fee will be payable.

Application

The Offering to the public in Sweden

Applications to acquire shares may be submitted by the public from May 25, 2021 to June 2, 2021³⁾ and be for no fewer than 200 shares and no more than 27,000 shares⁴⁾ in the blocks of 100 shares. The Company's Board of Directors and the Selling Shareholders retain the right to shorten or extend the application period. Any shortening or extension will be announced in a press release. Only one application per investor is permitted. If multiple applications are submitted, the Company reserves the right to only consider the first one received. Applications are binding.

Applying through SEB

Any investor wishing to apply to acquire shares through SEB must have a securities account or an investment savings account ("ISA") (Sw. *investeringssparkonto, ISK*) with SEB. Individuals without a securities account or ISA with SEB must open such account before applying to acquire shares. Please note that it may take some time to open a securities account or an ISA. When acquiring shares that are required to be registered on an ISA, the shares must always be paid for using funds available on the ISA.

The balance on a securities account or ISA with SEB indicated must, for the period beginning at 00:00 hours on June 3, 2021 and ending at 23:59 hours on June 8, 2021, be no less than the amount indicated in the application. This means that the account holder undertakes to keep the necessary funds available on the designated securities account or ISA during the above-mentioned period, and that the account holder is aware that shares may not be allocated if there are insufficient funds on the account during this period. Please note that the account holder cannot access these funds during the stated period. The funds will be freely available to those not being allotted any shares as soon as possible after the allotment has taken place. Interest will accrue on the funds that are not available during the stated period according to the terms of the securities account or ISA indicated in the application.

1) The Offering to the public in Sweden consists of an invitation to acquire a maximum of 27,000 shares.

2) "Institutional investors" are private individuals and legal entities who apply to acquire more than 27,000 shares.

3) If the application period is shortened or extended, the announcement on the outcome of the Offering, the first day of trading and the date of allocation and payment will be adjusted accordingly.

4) Any investor wishing to acquire more than 27,000 shares is to contact SEB in accordance with the information provided under the heading "The Offering to institutional investors" below.

To participate in the Offering through SEB the application to acquire shares must be submitted through SEB's Internet Bank using Digipass, BankID or Mobile BankID (more detailed instructions are available on SEB's website www.seb.se). Applications submitted through SEB's Internet Bank must be received by SEB no later than 23:59 on June 2, 2021. NOTE! If you are a customer of SEB Private Banking you should not subscribe via SEB's internet bank, but instead subscribe via your stock broker or private banker.

Applying through Avanza

Any investor wishing to apply to acquire shares through Avanza must have a securities account or an investment savings account ("ISA") (Sw. *investeringssparkonto*, *ISK*) with Avanza. Individuals without a securities account or ISA with Avanza must open such account before applying to acquire shares. Opening a securities account or ISK at Avanza is free of charge and takes about three minutes.

Customers with a securities account or ISA with Avanza may apply to acquire shares through Avanza's online services from May 25, 2021 until 23:59 hours on June 2, 2021. In order not to forfeit the right to allotment, securities account customers with Avanza must have sufficient liquid funds on the securities account or ISA during the period from the end of the application period until and including the settlement date, which is estimated to be the period from and including 23:59 hours on June 2, 2021 until 23:59 hours on June 8, 2021. More information on the application process through Avanza is available at www.avanza.se.

The Offering to institutional investors

The application period for institutional investors in Sweden and abroad will be May 25 – June 3, 2021. Applications by institutional investors in Sweden and abroad are to register their interest with SEB (according to specific instructions). The Company and the Selling Shareholders, in consultation with SEB, reserve the right to shorten or extend the application period in the offer to institutional investors. Any shortening or extension will be announced by the Company through a press release.

Company employees

MilDef employees wishing to acquire shares are to follow specific instructions issued by the Company.

Important information on LEI and NCI

According to Directive 2014/65/EU of the European Parliament and of the Council of May 15, 2014 on markets in financial instruments ("MiFID II"), all investors are required to have a global Legal Entity Identifier (LEI) in order to carry out securities transactions. According to these requirements all legal entities need to register for an LEI and all natural

persons need to find out what their National ID or National Client Identifier (NCI) number is in order to subscribe for shares in the Offering. Please note the legal status of the share subscriber is what determines whether they need an LEI or NCI and that SEB may be prevented from executing the transaction for the entity/person if an LEI or NCI (as applicable) is not provided. Legal entities that need an LEI may obtain one from an issuing organization in the market. Instructions on the global LEI system are available at www.gleif.org/en/about-lei/how-to-get-an-lei-find-lei-issuing-organizations. For natural persons who only have Swedish citizenship, the NCI number consists of "SE" followed by the person's civil identity number. If the person in question has more than one citizenship or is a citizen of a country other than Sweden the NCI number may be a different type of number. Those intending to apply to subscribe for shares within the framework of the Offering are encouraged to apply for an LEI (legal entities) or find out what their NCI number is (natural persons) as soon as possible, as this information must be included in the application.

Allotment

Decisions on allotment of shares within the framework of the Offering are made by the Company's Board of Directors and the Selling Shareholders in consultation with SEB, the goal being to achieve sound institutional ownership and a broad distribution of shares among the public to facilitate frequent and liquid trading of the shares on Nasdaq Stockholm. Allotment is not determined by date on which applications are submitted during the application period.

Certain related parties of the Company and of the Selling Shareholders, including certain board members and employees of the Company and certain other related parties, as well as customers of SEB, may be given special consideration in the allotment. Board members and employees will only be allotted existing shares sold by the Selling Shareholders. Allotment to employees of MilDef in Sweden and Norway will encompass shares with a maximum value of SEK 30,000 per employee, corresponding to a maximum of 821 shares. In addition, certain board members of MilDef may be allotted shares at a higher value. Employees of SEB may also receive an allotment, although they will not be given priority. In these cases, allotment will take place in accordance with the rules issued by the Swedish Securities Markets Association and the Swedish Financial Supervisory Authority (Sw. *Finansinspektionen*).

Allotment to the public in Sweden

In the event of over-subscription, there may be no allotment or a smaller number of shares may be allotted than applied for, and in such a case, allotment will take place fully or partially at random. Allotment to individuals obtaining shares

within the framework of the Offering will primarily take place so that a certain number of shares will be allotted per application.

Allotment to institutional investors

Decisions on allotment of shares within the framework of the Offering to institutional investors in Sweden and abroad will, as mentioned above, be made for the purpose of achieving sound and strong institutional ownership. Allotment to institutions that submit an indication of interest will be on a discretionary basis.

However, the Cornerstone Investors, who have undertaken to acquire shares within the framework of the Offering, will be given preferential rights over other investors up to the total number of shares in the Offering that they have undertaken to acquire.

Information on allotment and payment

The Offering to the public in Sweden

Allotment is expected to take place around June 4, 2021. As soon as possible after allotment, a transaction slip will be sent to those allotted shares within the framework of the Offering. No notification will be provided to those not being allotted shares.

Notification of allotment is expected to be available around 09:00 hours on June 4, 2021 through the respective bank's online service.

For those who have applied for the acquisition of shares at SEB, payment for allotted shares will be drawn from the specified securities account or ISA on June 8, 2021. If there are insufficient funds on the designated securities account or ISA on the settlement date, June 8, 2021, or if full payment has not been made at the proper time, the allotted shares may be transferred and sold to another party. If the selling price at the time of the transfer is less than the Offering Price, the entity/person who was initially allotted the shares in the Offering will be responsible for the difference. If the wrong amount was paid in, any surplus funds will be repaid. No interest on the surplus funds will be paid out.

For those who have applied for the acquisition of shares via Avanza's internet service, payment for allotted shares will be drawn no later than the settlement date on June 8, 2021. In order not to forfeit any right to allotment, securities account customers with Avanza must have sufficient liquid funds on the securities account or ISA from the end of the application period until and including the settlement date, which is estimated to be the period from and including 23:59 hours on June 2, 2021 until 23:59 hours on June 8, 2021.

For ISAs with SEB and Avanza the following applies: If the application results in allotment, the respective bank will acquire the corresponding number of shares in the Offering to sell on to the ISA holder at the Offering Price.

The Offering to institutional investors

Institutional investors are expected to receive information on allotment around June 4, 2021 in a particular order, after which transaction slips will be sent out. Full payment for the allotted shares is to be made in cash no later than June 8, 2021 in accordance with the instructions on the transaction slip. Please note that if payment is not made in full at the proper time, the allotted shares may be transferred and sold to another party. If the price at the time of the transfer is less than the Offering Price, the entity/person who was initially allotted the shares in the Offering will be responsible for the difference.

Registration and reporting of allotted shares

The estimated date of registration of the allotted shares with Euroclear Sweden – for both institutional investors and the Swedish public – is around June 8, 2021, after which Euroclear Sweden will send out a statement indicating the number of shares registered on the recipient's account (Sw. *VP-avi*). Shareholders whose holding is nominee-registered will be notified according to the routines of the respective nominee.

Listing on Nasdaq Stockholm

On May 7, 2021 Nasdaq Stockholm's Listing Committee determined that the Company meets the current criteria for a listing on Nasdaq Stockholm. Nasdaq Stockholm will approve the application to admit the Company's shares for trading on Nasdaq Stockholm providing that the usual requirements are met, including that the Company submits the application and meets the requirements for distribution of the Company's shares no later than the first day of trading in the Company's shares. Trading is expected to commence on June 4, 2021. The Nasdaq Stockholm ticker for the Company's shares will be MILDEF.

Important information on the possibility of selling allotted shares

Notification of allotment is expected to take place around June 4, 2021. After the payment for the allotted shares has been processed by SEB the shares paid for will be transferred to the account indicated by the acquirer. Due to the time required for the payment transfer and transfer of paid shares to the acquirer to take place, the shares will not be available on the designated securities account or ISA before around June 8, 2021. Trading in the Company's shares on Nasdaq Stockholm is expected to begin on June 4, 2021. The fact that shares will not be available on the acquirer's account before around June 8, 2021 at the earliest, may mean that the acquirer will not be able to sell these shares on Nasdaq Stockholm from the first trading day, but only once the shares are available on the account.

Stabilization

In connection with the Offering, SEB may, where permitted under Swedish law, execute transactions for the purpose of stabilizing, maintaining or otherwise supporting the market price of the Company's shares for a period of up to 30 days from the date trading in the Company's shares commences on Nasdaq Stockholm. For further information on stabilization, see the section "*Legal considerations and supplementary information – Stabilization*".

Publication of the outcome of the Offering

The final outcome of the Offering will be published in a press release that will be available on the Company's website (www.mildef.com) around June 4, 2021.

Right to dividends

Shares in the Offering confer the right to dividends for the first time on the record date for the first dividend distribution after the shares have been listed. Resolutions regarding dividends are proposed by the Board of Directors and voted on at the shareholders' meeting. Payment of dividends is handled by Euroclear Sweden or, for nominee-registered shareholdings, according to the respective nominee's routines. For information on Swedish withholding tax, see the section "*Certain tax considerations in Sweden*". See also the section "*Business overview – Financial targets and dividend policy*".

Terms and conditions for completion of the Offering

The Offering is contingent upon the Company, the Selling Shareholders and SEB entering into a Placing Agreement, on certain conditions in the Placing Agreement being met and the Agreement not being cancelled. SEB's undertaking under the Placing Agreement to find buyers for, or if this is not possible, to purchase the shares itself, is contingent, among other things, on the absence of certain force majeure events, no significant negative changes in the Company's operations taking place and certain other customary requirements being met. SEB may cancel the Placing Agreement up to the settlement date, June 8, 2021, if, for example, any significant negative event occurs or if any other terms in the Placing Agreement are not met, at which point the Offering would be stopped and no delivery of or payment for shares under the Offering would take place. Trading in the Company's shares will thus be conditional for the first two trading days. For further information, see the section "*Legal considerations and supplementary information – Agreement on placement of shares*".

Other information

Information on the investors

SEB does not regard an applicant in the Offering (the "**investor**") as automatically being a customer of the bank. The Investor is regarded as a customer for the Offering by SEB if SEB has provided advice to the Investor about the Offering or has otherwise contacted the Investor individually regarding the Offering, or if the Investor has applied at an SEB branch or on SEB's Internet Bank. Due to the fact that SEB does not regard the investor as a customer in connection with the Offering, the rules protecting investors under the Swedish Securities Market Act (SFS 2007:528) will not apply to the investment. This means, among other things, that neither so-called customer categorization nor a so-called suitability assessment will take place in respect of this investment. Investors are thus responsible for ensuring that they have sufficient experience and knowledge to understand the risks associated with the investment.

Information for distributors

Taking into account the product governance requirements under: (a) MiFID II, (b) articles 9 and 10 of the Commission Delegated Directive (EU) 2017/593 of 7 April 2016 supplementing MiFID II, and (c) chapter 8 sections 13 and 14 of the Swedish Securities Market Act and chapter 5 section 5 of Finansinspektionen's regulations regarding investment services and activities, FFFS 2017:2, (combined with the "**MiFID II product governance requirements**"), and without compensation liability for damages that may be payable by a "producer" in accordance with the MiFID II product governance requirements, the shares in the Company have been subject to a product approval process, where the target markets for the shares in the Company are (i) non-professional customers and (ii) investors who meet the criteria of a professional customer and an eligible counterparty, each individually a "**Target Market**" in accordance with MiFID II.

In view only of the product governance requirements in Regulation (EU) No 600/2014 as included in national law in accordance with European Union (Withdrawal) Act 2018 ("**UK MiFIR**"), and without compensation liability, according to tort law, contract law or on other grounds, that may otherwise rest with a "producer" (according to UK MiFIR), the shares in the Offering have been subject to a product approval process by SEB through which it has been determined that the shares (i) are compatible with a Target Market consisting of non-professional customers according to the definition in Article 2 item 8 of the Commission Delegated Regulation (EU) 2017/565 as included in national law according to the European Union (Withdrawal) Act 2018 and acceptable counterparties according to the definition in the FCA Handbook, Conduct of Business Sourcebook and professional customers in UK MiFIR; and (ii) can be distrib-

uted through all channels permitted under UK MiFIR. Parties who subsequently offer, sell or recommend shares in the Offering (a “**distributor**”) are to observe the target market assessment. A distributor subject to the FCA Handbook, Conduct of Business Sourcebook is, however, obliged to conduct its own target market assessment for the shares in the Offering (either using or refining the above-named target market assessment) and decide on suitable distribution channels.

The target market assessment notwithstanding, the distributors must note that: the value of the shares in the Company may decrease and there is no guarantee that an investor will recover all or part of the invested capital; shares in the Company offer no guaranteed income or capital protection; and an investment in the Company’s shares is only appropriate for an investor who does not need a guaranteed income or capital protection, and who (either alone or with a suitable financial or other advisor) is capable of evaluating the benefits and risks of such an investment, and who has sufficient financial means to carry losses that may arise from it. The target market assessment does affect the criteria in any contractual, legal or regulatory selling restrictions in connection with the Offering. The target market assessment is not to be considered (a) a suitability test according to MiFID II or UK MiFIR, or (b) a recommendation to an investor or group of investors to invest in, acquire or take any steps with respect to shares in the Company. Each individual distributor is responsible for conducting its own target market assessment with respect to shares in the Company and for establishing suitable distribution channels.

Information concerning the processing of personal data

Any investor acquiring shares in the Offering will submit personal data to SEB or Avanza. Personal data submitted to SEB or Avanza will be processed in computer systems to the extent required to provide services and for administration of customer arrangements. Personal data obtained from sources other than the customer may also be processed. Personal data may also be processed in computer systems of companies or organizations with which SEB or Avanza collaborates. Information on personal data processing is provided by SEB’s or Avanza’s branch/office, which also accepts requests for rectification of personal data. Address information may be obtained from SEB or Avanza through an automatic process provided by Euroclear Sweden.

Market overview



Market overview

This section and other sections of the Prospectus contain certain statistics, data and industry information regarding MilDef's operations and the markets in which MilDef operates. Such information has been accurately reproduced and to the best of MilDef's knowledge and to the extent MilDef can ascertain from the information from these sources, no circumstances have been omitted that would render the information reproduced inaccurate or misleading. Unless otherwise stated, information relating to the market and the industry is based on the Company's understanding from information from multiple sources, such as the annual reports of competitors and official statistics, as well as a market report compiled by Arthur D. Little in 2021 at the request of MilDef. Forecasts and forward-looking statements in this section are not guarantees of future outcomes, and actual events and circumstances may differ significantly from current expectations.

Introduction to MilDef's prioritized markets

MilDef produces and delivers rugged electronics and complete hardware systems to security and defense customers. MilDef currently has subsidiaries in Sweden, Norway, the United Kingdom and the United States, and the Company's products are sold directly and through partner networks in more than 30 countries. MilDef's largest geographical markets are the Nordic region (68 per cent of net sales in 2020), Europe excluding the Nordic region (12 per cent of net sales in 2020) and North America (17 per cent of net sales in 2020).¹⁾ Other countries represented 3 per cent of net sales in 2020. Additional information on MilDef's operations in the various markets is available in the "Business overview" section.

MilDef delivers products and systems that meet high standards for IT in demanding environments within which MilDef's security and defense customers are active. The hardware used in these environments is called rugged electronics and the complete systems are called tactical IT²⁾. MilDef is active in the growing rugged electronics segment which is aimed at the safety and defense sector.

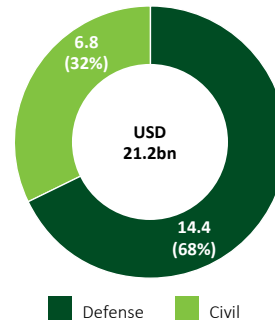


- 1) In 2019 and 2018, net sales were distributed as follows: Nordic region 60 per cent and 57 per cent, respectively; Europe excluding the Nordic region 17 per cent; North America 22 per cent and 23 per cent, respectively and other countries 2 per cent and 4 per cent, respectively.
- 2) Tactical IT is the Company's own term for hardware, software and services that can handle more demanding environments.

Rugged electronics market overview

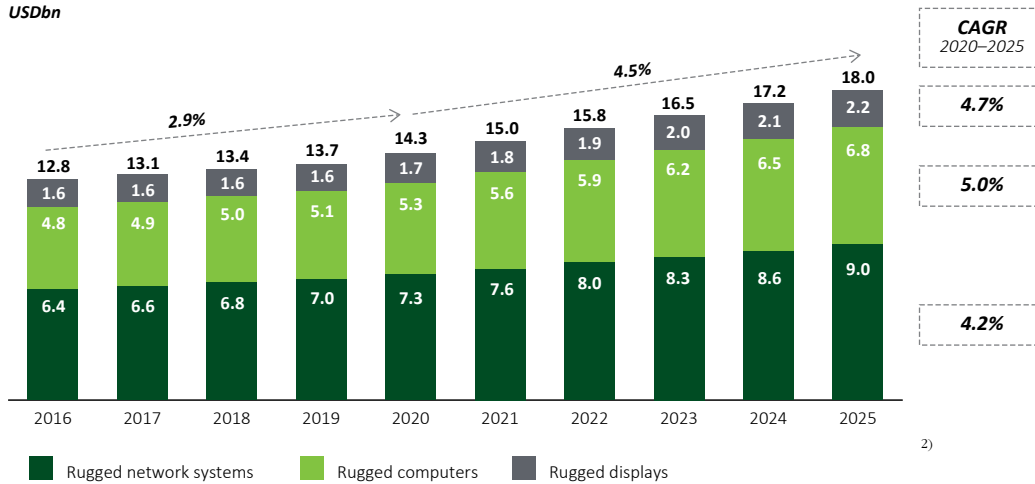
The global market for rugged electronics consists of two general end-markets – security and defense (68 per cent of the global market in 2020) and civil applications (32 per cent of the global market in 2020). In 2020 rugged computers and rugged network systems accounted for 88 per cent¹⁾ of the rugged defense electronics market, while rugged displays accounted for the remaining 12 per cent.

Global market size for rugged electronics 2020A
USDbn



Global rugged defense electronic equipment market

USDbn



The global market for rugged defense electronics in 2020 amounted to around USD 14 billion (equivalent to around SEK 120 billion).³⁾ The uncertain political situation around the world has resulted in more countries in recent years reviewing their defense capabilities to protect critical assets, operations and areas from physical attacks and cyber threats. This has been a driver in the rugged defense electronics market. During the period 2016–2020, the average annual market growth was 2.9 per cent. Despite the good growth in the past, the market is expected to grow further going forward by an average of 4.5 per cent a year from 2020 to 2025. In the Company’s assessment, the market growth within EU and NATO, especially the Nordic region, should be even higher.

Several macro trends are expected to drive market growth for rugged defense electronics in the years ahead, with development of tactical IT being driven primarily by increased digitalization and continued IoT (Internet of Things) penetration. Based on increased defense appropriations, countries

are financing their modernization programs aiming to replace old systems with new IT systems that are also dimensioned for new technologies, such as sensor systems, autonomous and remote-controlled vessels, and AI (artificial intelligence). MilDef is also seeing a trend toward countries increasingly focusing on defending their borders and territories, which is in turn increasing the significance of total defense. This, in addition to the primary purpose of defense, includes other activities of importance for society. This in turn is driving further change and improved market conditions.

Defense appropriations

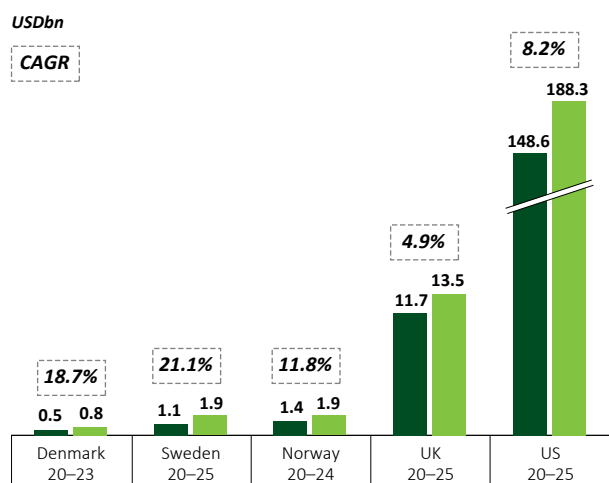
The rugged electronics market is impacted by the size and development of national defense appropriations. Defense appropriations in several NATO and EU nations are expected to increase in the years ahead. At NATO’s 2014 Wales Summit it was decided that all member nations would have a goal of increasing their defense appropriations toward the allocation guideline of at least 2 per cent of GDP for defense by 2024. To ensure that NATO member nations invest in

1) Source: Arthur D. Little, Rugged electronics market study 2021.
 2) Source: Arthur D. Little, Rugged electronics market study 2021.
 3) Source: Arthur D. Little, Rugged electronics market study 2021.

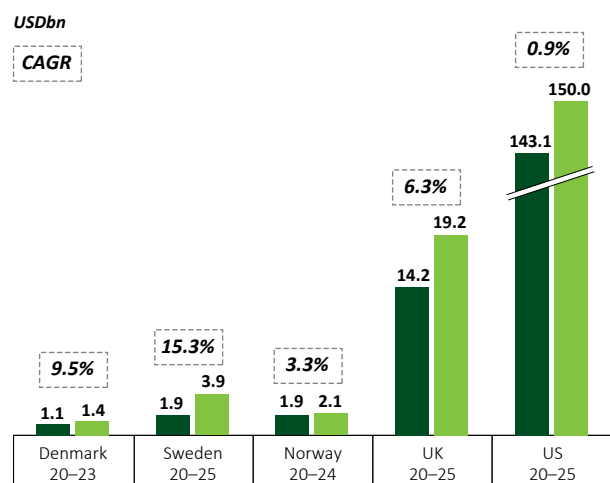
modernization, an additional goal was presented of all members spending at least 20 per cent of their defense appropriation on new equipment. In addition to this, the EU countries agreed to allocate the equivalent of around SEK 80 billion in the years 2021–2027 to the European Defence Fund to strengthen the European defense, technology and industrial base¹⁾.

USA is the single largest market for defense related materiel with the 2019 defense appropriation equivalent to around SEK 6,053 billion²⁾. In 2018 the USA accounted for almost 38 per cent of global defense appropriations³⁾. Sweden has been and still is MilDef’s largest single market. Maintaining good relationships with Swedish decision-makers, civil and military customers, and public agencies is therefore important for the Group. Sweden accounted for 27 per cent of MilDef’s net sales in 2020. Sweden’s defense materiel spending is expected to increase by around 15 per cent between 2020 and 2025.

Historical equipment spend



Planned equipment spend



4)

Product properties for rugged electronics

Typical of rugged electronics is their ability to handle heat, cold, moisture, vibration, shock and other environmental impacts. Their ability to withstand, handle and minimize electromagnetic radiation is also vital in preventing interference or interception. “Ultra-rugged” is the name for products that are extremely durable, with functionality and performance that is guaranteed to withstand tough conditions over long periods. MilDef’s products are considered to be in this category. The rugged defense electronics segment is divided into rugged computers, rugged network systems and rugged displays. MilDef’s portfolio addresses all of these.

Entry barriers

There are several entry barriers to establishing a presence in the market where the Company operates and these limit competition.

Technical requirements

Information and communication technology are penetrating more and more dimensions of society today. Processes and products at various levels in society are being digitalized and are increasingly connected, which also increases vulnerability and drives increases in defense appropriations aimed at defense-related electronics. Defense customers demand high standards from suppliers of defense-related electronics, and expect them to keep pace with the rapid technology developments taking place in society. At the same time, the requirements with respect to defense applications are significantly tougher and more complex than for commercial applications. The Company benefits from having many years of experience meeting the strict technical requirements that defense customers place on the Company. This is a factor that limits the ability of new actors from markets with lower technical requirements to compete.

1) Source: Arthur D. Little, Rugged electronics market study 2021.
 2) Source: SIPRI Military Expenditure Database. Converted to SEK where USD 1 equals SEK 8.28.
 3) Source: SIPRI Military Expenditure Database.
 4) Source: Arthur D. Little, Rugged electronics market study 2021.

Proven products and references

Defense programs often take many years to develop, and the systems are then used for long periods. Defense customers therefore tend to partner with reliable, long-term and strategic suppliers who can both deliver existing products and develop new solutions. Customer loyalty in the defense market is therefore high, and the Company’s strong reputation and qualifications as a quality supplier ensure high customer retention and satisfaction. New actors in the market need to build up this kind of trust and references over time.

Local presence

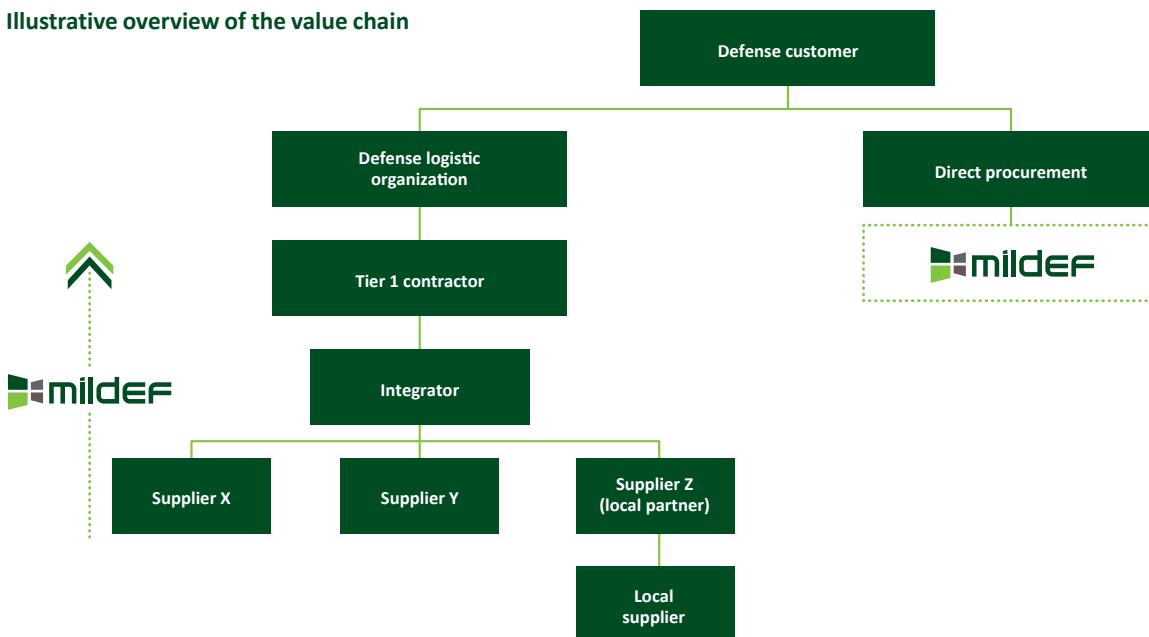
More and more countries are requiring industrial partnerships in connection with defense materiel procurement. These partnerships may involve technology and knowledge transfer, research partnerships or assistance in building up local production capacity. The purpose of these partnerships is to maintain and expand defense systems. This requires defense companies to increase their local presence and the ability to meet the demand for cooperation and technology transfer. In recent years MilDef has increased its local presence in the Company’s key markets. MilDef’s products and systems are characterized by high interoperability, i.e. an ability among the various markets to benefit from MilDef’s know-how and product development. This enables the Company to meet these demands. Having employees present in local markets also deepens MilDef’s knowledge of how the market and local procurement processes work.

Value chain

Products and systems in the defense market are characterized by varying degrees of complexity and volumes – from products with low complexity and significant repetition, manufactured in long series to highly complex products produced in relatively small volumes. The value chain for large complex products, platforms and systems in the defense market mainly consists of a number of sub-suppliers supplying partial systems and components to a main supplier that manufactures, delivers and is responsible for the end-products delivered to end-customers. Suppliers of complex systems and products are often well-established, large, multinational tier 1 companies that are diversified in terms of products and geographical presence and have close business relationships with national defense procurement agencies. Public sector customers use both direct contracts and acquire products through logistics organizations, such as the Swedish Defence Materiel Administration, FMV¹⁾. As the business volume and complexity grow, so too does the supplier chain. In an international scenario there may be local and global sub-suppliers delivering products and services to one or more integrators, who in turn deliver to a contracted supplier with overall responsibility for a project or program. The relationship between tier 1 suppliers, integrators and sub-suppliers is typically a commercial business-to-business relationship involving private procurement and purchasing contracts.

In smaller, complex transactions, contracts may be signed directly by the acquiring agency, such as the Armed Forces in Sweden.

Illustrative overview of the value chain



1) FMV is a Swedish government agency acting under the Ministry of Defence, tasked with procuring, maintaining, destroying and disposing of materiel and consumables for the Swedish Armed Forces. FMV also assists the Armed Forces with long-term materiel supply planning and materiel systems know-how.

In general, the higher up the value chain, the higher the profit margin. Having a more direct relationship between customer and supplier, combined with more complete solutions, generates a higher margin. There is also consolidation of government agency supplier portfolios taking place, with fewer suppliers being expected to deliver a larger portion of the total products and services. In the Company's assessment, this shortens lead times and reduces integration costs.

MilDef's position in the value chain is usually as a supplier with a direct contract with an authority, as a sub-supplier to an integrator and in certain cases as an integrator. The Company's ambition is to be able to deliver from more levels in the value chain by expanding its portfolio based on hardware, services and in the near future, software as well.

Market trends and growth factors

There are multiple market trends affecting development in the defense industry. MilDef has evaluated and identified a number of what the Company considers to be leading growth trends in the rugged defense electronics market¹⁾.

1. Digitalization and IoT

Digitalization and connectivity in society as a whole are also having a critical impact on safety and defense. This trend is driving demand for increasingly high-performing IT systems to efficiently handle the data volumes and computing power requirements.

2. Increased defense appropriations in most countries

Defense appropriations are increasing in most countries – a development underpinned by security policy commitments and higher security ambitions nationally, regionally and globally.

3. Modernization programs

There is a substantial need for modernization to meet the raised ambition levels. Older materiel is being replaced by systems that better meet the criteria for a modern and digitalized system, incorporating aspects such as secure and effective communication.

4. New technologies

New technologies are having a significant impact on rugged defense electronics. Technologies such as sensor systems and remote-controlled vessels are being launched and require more of the IT systems that process the information flows.

5. The significance of total defense

Today's defense has been transformed and, in addition to military defense, is increasingly being used to secure critical functions in society. Armed forces are increasingly deployed in crisis management situations. This may involve building and manning field hospitals to treat Covid-19 patients, providing support in connection with natural disasters such as wildfires, and stepping in in other demanding crisis situations. This trend justifies an increase in appropriations for the defense sector as it achieves a greater positive impact in terms of protecting all of society.

In the rugged defense electronics segment in particular, the same rapid development is taking place as for other electronics to meet the need for increased performance and security. Applications such as AI require greater computing power, more storage and higher bandwidth than before, and this is increasing the pace of renewal of rugged defense electronics.



1) Source: Arthur D. Little, Rugged electronics market study 2021.



Competition and market dynamics

The Company has various competitors within the rugged computer, rugged network system and rugged display segments.

Rugged computers

The rugged computer segment consists of laptops, tablets and hand-held devices. This segment includes a number of global competitors that typically have a combination of civil, industrial and defense-related product portfolios¹⁾. Examples of competitors in this segment are Panasonic Corporation and Dell Technologies. There are also local competitors such as Grid in the UK and Miltope in the USA. Competition in this segment is characterized by price pressure, with the global suppliers offering larger volumes and lower margins, but often also lower flexibility and durability.

Rugged network systems

Rugged network systems consist of complete IT systems with a power supply, servers, computers and network equipment. Several of the Company's customers in this area in the form of system integrators are also potential competitors. One example is Swedish company Saab, which has a division²⁾ that delivers products equivalent to those of MilDef. The market dynamics are such that this type of competitor usually exposes its own internal suppliers to competition in order to achieve the best possible solution. This gives MilDef, with its specialized products, a competitive edge.

The Company's competitors also include industrial companies aiming to enter the security and defense segment. Examples include Data Respons which is headquartered in Norway.

In the highly fragmented North American market there are a number of competitors offering products with similar properties to those of MilDef. These competitors often operate either at the national or state level. Examples of such companies are PacStar (recently acquired by Curtiss-Wright), DTECH Labs and Crystal Group.

Rugged displays

The rugged displays segment is a relatively new one for the Company. There are several competitors in the market. One distinctive property of the Company's products is that the displays can be adapted both in terms of computing power (so-called intelligent displays) and equipment, such as integrated tactile keyboards.

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

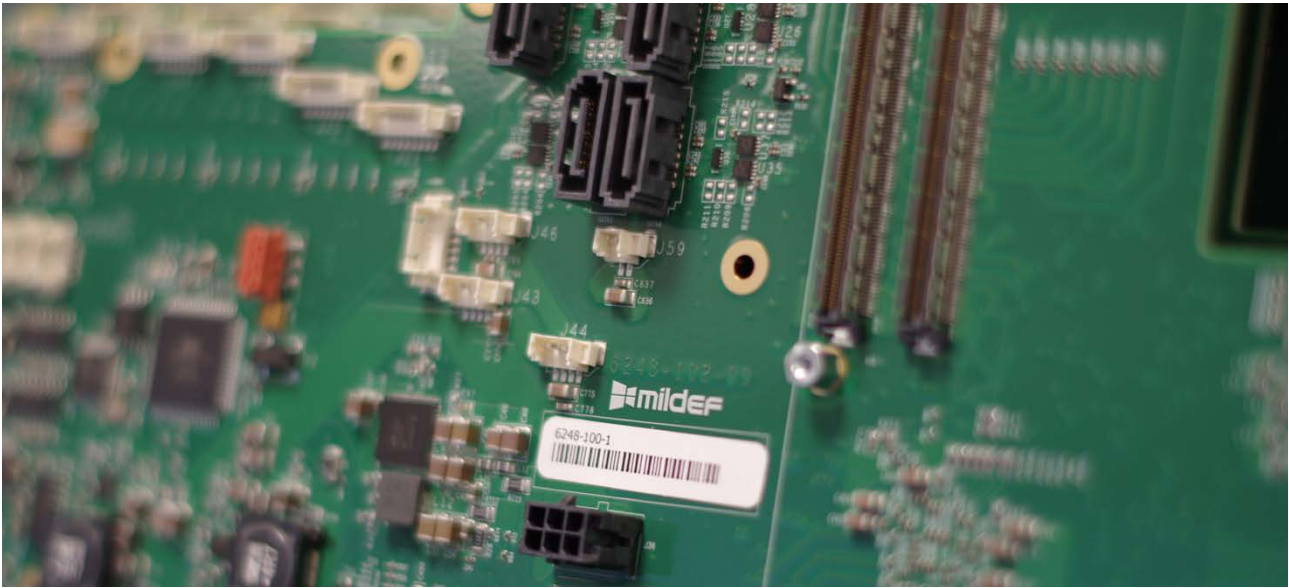
Consolidation of a fragmented market

There are hundreds³⁾ of actors in the rugged defense electronics market. Large system integrators, platform manufacturers and smaller actors are all in the process of consolidating the market. An example of a substantial merger over the past few years is L3 Technologies and Harris, which together formed L3Harris. PacStar, one of MilDef's competitors in the USA, was acquired by Curtiss-Wright in 2020. MilDef has implemented three acquisitions over the past five years. The most recent acquisition was Norwegian company Sysint, which took place in 2021.

1) Source: Arthur D. Little, Rugged electronics market study 2021.

2) Source: Saab – Annual and Sustainability Report 2019.

3) Source: Arthur D. Little, Rugged electronics market study 2021.



MilDef's market position

In the Company's assessment MilDef holds a strong position in the Nordic countries of Sweden¹⁾, Norway²⁾ and Denmark³⁾. In Finland the Company currently has no significant presence, although this is considered an important future market. The Company has had a market presence and a strong customer network for many years in the UK and USA, while internationally the Company holds a niche position through partners and distributors.

The combination of MilDef's market positions and capacity to leverage its domain knowledge and product development between the different markets leads to cost-effective technology transfer. This is difficult for the Company's local competitors to achieve. The Company's relatively small size also offers advantages in terms of being flexible and agile – important parameters to compete with larger international actors competing for the same projects.

Alternative markets and segments

The Company considers that most companies with similar products but primarily industrial applications are not direct competitors of MilDef. The reason for this is that MilDef's products have specific properties that security and defense customers require. Examples of companies operating in adjacent market segments are JLT Mobile Computers and Handheld Group – both Swedish companies.

The Company also believes that it would be possible for the Company to address additional segments. There are, for example, potential customers in the healthcare sector where applications used in the field may require the level of durability that MilDef's products offer. The aerospace sector is another fast-growing market considered to be an important one for the Company in the future. These types of applications require higher product performance, and this is in line with the Company's aim to deliver premium products with maximum durability.

1) Strategic suppliers in partnership since 1997.

2) Two framework agreements for the Company's entire product portfolio with a term of seven years starting in 2020.

3) Four active framework agreements for large parts of the Company's product portfolio.

A soldier in camouflage gear is operating a laptop and a scanner in a military vehicle. The soldier is holding a handheld scanner with a blue light. The laptop screen displays a map. There are several maps on a table in front of the soldier. The vehicle's interior is visible, including a large bag of gear and a coiled cable.

Business overview

Business overview

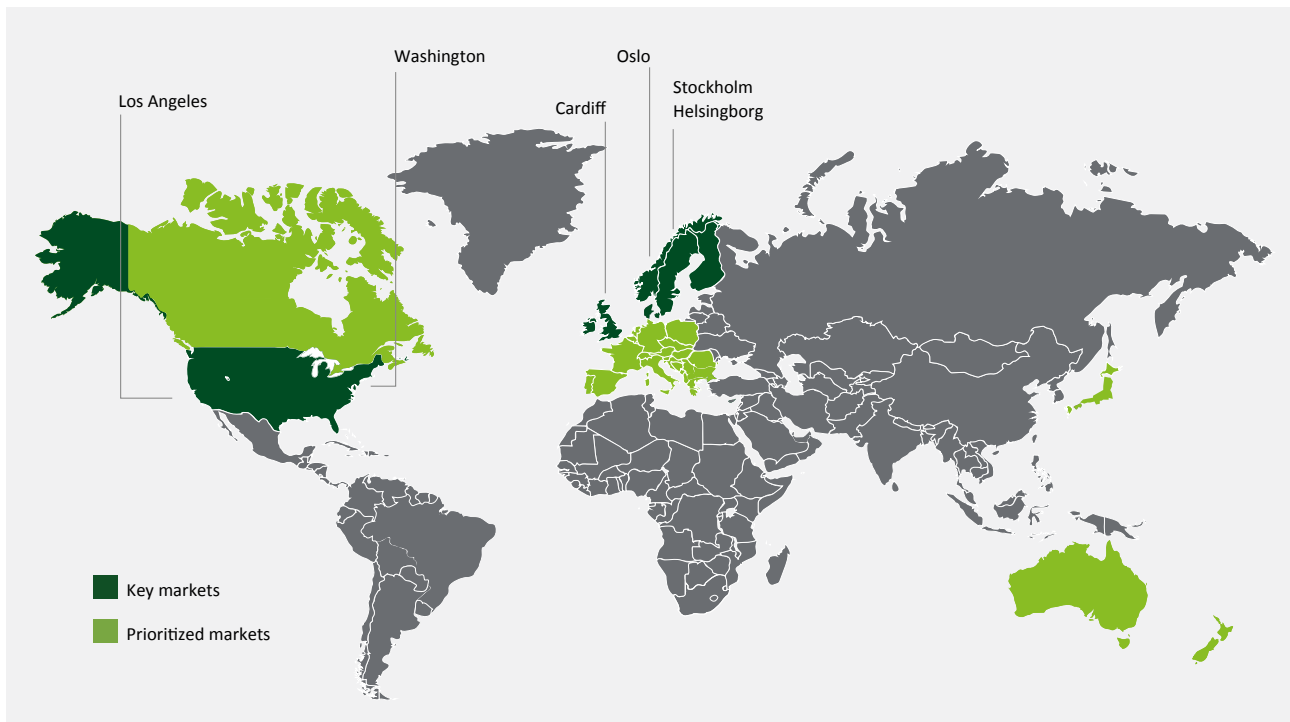
Introduction to MilDef

MilDef produces and delivers rugged electronic products and complete hardware systems to security and defense customers. MilDef currently has subsidiaries in Sweden, Norway, the United Kingdom and the United States, and the Company's products are sold in more than 30 countries directly and through partner networks. MilDef's largest geographical markets are the Nordic region (68 per cent of net sales in 2020), Europe excluding the Nordic region (12 per cent of net sales in 2020) and North America (17 per cent of net sales in 2020). Other countries represented 3 per cent of net sales in 2020.¹⁾

Since the start in 1997 the Company has grown from being a distributor of rugged laptops and tablets to a product company focused on products developed in-house and related services. With organic and acquisition-driven growth, the business has expanded from Sweden to the rest of the Nordic region, the USA, the UK and through a network of partners in several other countries, mainly in the EU.

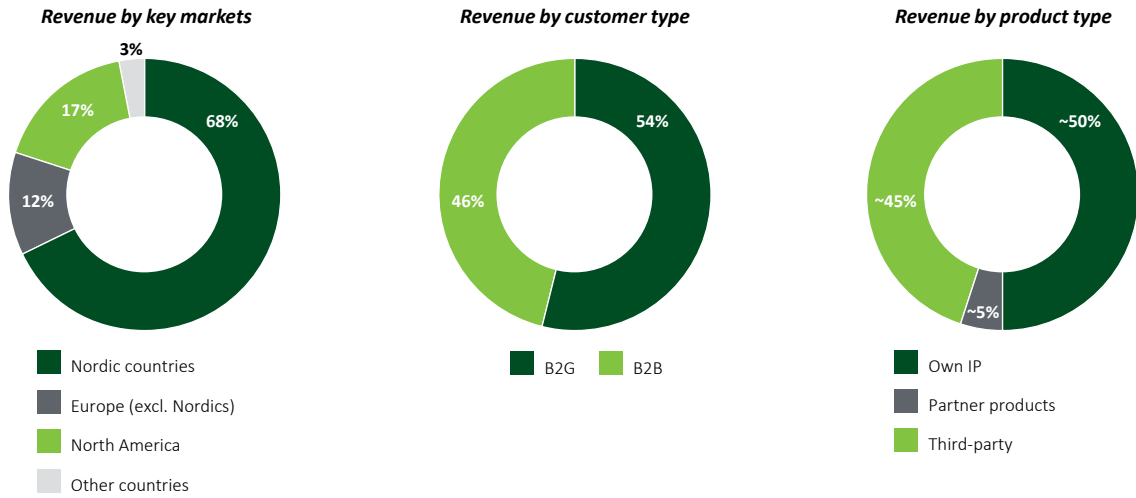
The customers are mainly in defense-related segments, but there is also growth in areas such as health (medical applications in demanding environments, industrial (drone control) and critical infrastructure (police, security service, etc.). The customers share a common need for tactical IT to conduct modern operations in environments where the products are exposed to tough conditions.

Current footprint and addressable markets



1) In 2019 and 2018, net sales were distributed as follows: Nordic region 60 per cent and 57 per cent, respectively; Europe excluding the Nordic region 17 per cent; North America 22 per cent and 23 per cent, respectively and other countries 2 per cent and 4 per cent, respectively.

Sales split by key markets, customers and product type 2020A



In the 2020 financial year the products developed in-house accounted for around 50 per cent of the Company’s net sales. Products from partners (MilDef Crete) that supplement the offering accounted for around 45 per cent, while third-party products made up around 5 per cent.¹⁾ The gross profit margin for the products developed in-house is marginally higher than for other products.

The number of public-sector customers has grown in recent years and accounted for around 54 per cent of the Company’s total revenue in 2020. Examples include FMV in Sweden, FMA in Norway and DALO in Denmark. In 2020 industrial customers accounted for around 46 per cent and include companies such as BAE Systems, RBSL (Rheinmetall BAE Systems Land), Saab, Bittium and Kongsberg, among others.²⁾

Based on its legacy MilDef holds a strong position in the Swedish domestic market, and has strong relationships with customers built up over many years and based on credibility and delivery reliability.

MilDef’s products have been developed to withstand heat, cold, moisture, vibration, shock and other environmental impacts. Their ability to withstand, handle and minimize electromagnetic radiation is also vital in preventing interference or interception. MilDef’s products are characterized by

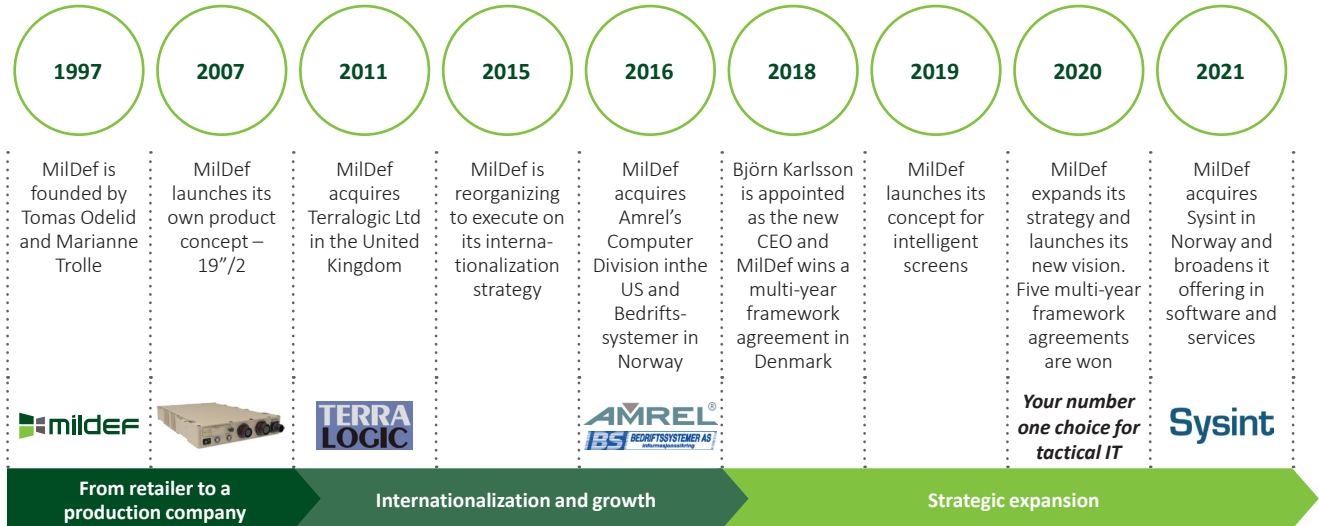
the highest durability – also called “ultra-rugged” products – with functionality and performance assured to withstand tough conditions for long periods. The product portfolio encompasses all components of an IT system – from servers and client computers to network equipment and intelligent displays.

At the beginning of 2021 the Company had around 120 employees globally. Many of the core functions are managed from the head office in Helsingborg, where the Swedish production facility is also located. In 2020 the Company moved into new premises providing the capacity to significantly increase production and recruitment. The previous year the Swedish operations produced and delivered more than 5,000 units. The relatively high complexity of the products and the technical and logistical management of a broad portfolio of in-house developed products requires a long-term approach and high standards for talent management. Research and development are a prioritized area and a core competency of MilDef. An ongoing and close dialogue with the Company’s customers and partners drives technology and product development forward. In 2020 R&D expenses were equivalent to 8.3 per cent of the Company’s revenue.³⁾ Just over 20 per cent of the employees work in R&D.

1) Retrieved from the Company’s internal accounting system.
 2) Retrieved from the Company’s internal accounting system.
 3) Retrieved from the Company’s audited consolidated financial statements for 2020.

History

Historically important events



The early years

MilDef was founded in 1997 by Tomas Odelid and Marianne Trolle. The combination of an engineer and entrepreneur, and an administrator and strategist, laid the foundation for a successful business launch in the Swedish market. The basic idea was to deliver rugged electronic products to defense customers. At the beginning the business consisted of a product portfolio of laptops from a partner in Taiwan, Crete Systems Inc. (now MilDef Crete).

With a primary focus on meeting customer needs and delivering modern technology customized to meet customer requirements, MilDef developed its first important relationship, with the Swedish Defence Materiel Administration (FMV), in 1998.

Becoming a product company

Right from the early stages MilDef had an ambition to be a product company that would be self-sufficient in respect of technology, expertise and resources. In the early years, while developing customized solutions, service and accessories such as docking stations, the Company was also focusing on conceptual development of its own product concept called 19"/2.

The name comes from the format of the rack for mounting IT equipment with a width of 19" (inches). Using a small form factor that is half the width, and in some cases half the depth, MilDef was able to build modern IT systems with significantly smaller volume. The products were designed to

be customized to customer-specific requirements. By retaining intellectual property from product development for its customers, the Company was able to expand its offering and resource bank of reusable design in electronics, mechanics and software.

Unlike the third-party products, the portfolio of products developed in-house enabled MilDef to deliver complete IT systems. This created opportunities for additional sales and gave the Company more clearly defined overall responsibility for the customers' tactical IT environments.

Internationalization through acquisitions and a network of partners

MilDef saw significant opportunities to roll out both its own products and those of partners in markets outside Sweden. The first strategy for establishing a presence in additional geographical markets was to build up a network of partners. With long sales cycles and complex technology, this proved to be an effective strategy but with a relatively long time horizon. MilDef therefore supplemented the strategy with an acquisition agenda, mainly aimed at market entry.

In 2011 MilDef implemented its first acquisition, of Terralogic Ltd in the UK. In 2016 two additional acquisitions took place, Bedriftssystemer AS in Norway and Amrels Computer Division in the USA. All the acquisitions have generated growth and profitability, and key individuals have remained within MilDef. In March 2021 the acquisition of Sysint in Norway was completed.

Accelerated growth

With growth resulting from underlying market factors¹⁾, stronger distribution channels through partners and acquisitions, the Company succeeded in winning major contracts and framework agreements, which led to strong growth between 2017 and 2020.

From this platform the Company believes that the growth potential of the technology portfolio can be realized through future strategies that will be implemented after the first stages in MilDef's development journey are complete.

Growth strategies

The Company has a growth strategy that combines organic and acquisition-driven growth. Over the past decade four acquisitions were made aimed at market entry in the UK, Norway and the USA. MilDef intends to expand its customer offering – which today is mainly focused on hardware – to include services and software. The Company believes that these three areas – hardware, services and software – have the potential to be divisions of equal strength, allowing the Company to advance up the value chain and to address the consolidation happening in the market.

The most recent acquisition, of Sysint, is in line with the expansion plans in both services and software. For two decades Sysint has delivered IT services to defense actors, government agencies and sectors critical for society, such as health and energy. Its software product development includes the NATO-compliant system OneCIS for fast and secure roll out of IT systems, which complements MilDef's hardware offering and creates a strong comprehensive offering for the Company's customers. (For more information, see the section "*Business overview – Growth strategies – Acquisition of Sysint in March 2021*").

The Company has growth strategies aimed at expanding the Company both geographically and by adding products and services in new and existing areas. These growth strategies are being pursued through both organic and acquisition-driven agendas.

To put this in context, in its strategy MilDef has defined three equally strong domains – hardware, services and software – each with its own individual opportunities and agendas for growth.

In the 2020 financial year hardware accounted for around 95% of the Company's net sales, services for 5% and software for 0%. Through the Sysint acquisition the Company is broadening its offering by adding further revenue streams from services and software.

Hardware

The growth strategies in the hardware segment are divided into three areas. Hardware has been the Company's primary revenue stream throughout its history and it intends to grow this segment further based on the following:

- 1) **Organic growth.** The business plans of the sales companies in existing markets include the ambition of increasing the share of long-term contracts and framework agreements. Through its long-term market presence, the Company also has the opportunity of additional sales (such as product upgrades and replacement of earlier versions) based on past transactions, which generates repeat revenue in areas where the Company is in a strong position to win new business.
- 2) **Partner activities.** Based on success factors that the Company has gained knowledge about over many years, a partner program has been designed to lower the thresholds to success for local suppliers of services and software – in the form of distribution integrators. This in turn generates growth and identifies potential acquisitions for the Company's acquisition agenda.
- 3) **Acquisitions.** The Company has implemented a structured acquisition strategy to support market entry and add complementary technologies to its portfolio, where the Company's strong international distribution channels can be reused for new products.

Services

The services the Company intends to deliver range from strategic IT (digitalization and overall design) to program-related services (product design, project management) and implementation (installation of prototypes and pre-series, service) and aftermarket services.

Service offering development is carried out by a separate department within the Company that works in cooperation with selected customers in Sweden, Norway and Denmark. These services are increasingly being delivered to a number of important projects taking place in these markets.

Furthermore, the Company's acquisition strategy includes a specific channel for service company acquisitions, an area where the Company has identified a good supply of successful, domestically strong businesses that can become positive additions to the organization.

Software

The Company has identified good opportunities in so-called infrastructural software, i.e. in operating systems, communications, security, deployment, sensor systems, etc. Infrastructural software is closely connected to the hardware portfolio, which enables distribution channels to be reused and provides a more complete offering.

1) MilDef saw 2.9 per cent growth per year from 2016 to 2020 and predicts 4.5 per cent growth per year from 2020 to 2025. Source: Arthur D. Little, Rugged electronics market study 2021.

This prioritized growth area is exclusively within the framework of the acquisition strategy, as organic growth is considered too time consuming.

In March 2021 the acquisition of Sysint – a company that provides services and produces software – was completed. The NATO-compliant integration software OneCIS was developed with and is used by the Norwegian Armed Forces and has good growth potential – both through further development locally and being exported to other markets. (For more information, see the section “Business overview – Growth strategies – Acquisition of Sysint in March 2021”.

Acquisition strategy

Based on past acquisitions, the Company has created a structured model to identify potential acquisition candidates, address and evaluate these, and for post-acquisition integration.

In 2020 a structured acquisition process was launched in which the Company is actively evaluating and cultivating a list of potential acquisitions. The list is being managed systematically to initiate a handful of active discussions aimed at generating acquisition transactions. Combined with an integration model focused on positive synergies and soft integration, the necessary conditions are being created to pick up the pace of acquisitions.

The strategy includes several selection criteria focused on selecting acquisition candidates where key individuals are interested in remaining in their positions. By allowing acquired entities to continue to pursue their own development agendas and seeking out positive synergies rather than cost savings, a modern network of collaborating organizations is created to maximize potential and allow time and joint successes to drive integration initiatives.

One of the strengths of the Company’s soft integration model is that the frequency of acquisitions can be maintained over time without a significant need for additional resources.

The Company evaluates acquisition opportunities continuously. Among the Company’s ongoing evaluations at the time of the Prospectus is a concrete ongoing acquisition process that pertains to a niche technology company, with an offer of integrated rugged computer solutions sold primarily in the North American market, and which also has a presence in the Nordics with total sales in 2020 of just over SEK 110 million. There is no guarantee that this potential acquisition or other acquisition opportunities will actually be completed.

Structured acquisition and integration processes



Completed and integrated acquisitions

 April 2011 	 July 2016 	 September 2016 	 March 2021
<ul style="list-style-type: none"> MilDef acquired a local distributor of laptops and tablets A total rebuild of the organization led to focused operations and dramatically improved margins In 2020, MilDef won a very prestigious 10-year vehicle contract 	<ul style="list-style-type: none"> MilDef acquired its long-term partner Bedriftssystemer in July 2016 Reseller into defense, government and industry 	<ul style="list-style-type: none"> MilDef acquired Amrel’s rugged division in September 2016 Distributor of laptops and tablets Key personnel from acquisition now in executive positions 	<ul style="list-style-type: none"> MilDef acquired Norway-based Sysint in February 2021 Sysint provide project management, consulting, integration and development of tailored digital solutions

Acquisition of Sysint in March 2021

In March 2021 the Company acquired Sysint AS (“Sysint”), a Norwegian 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 the Company’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 posted net sales of NOK 78.4 million in 2020 and NOK 71.5 million in 2019 (equivalent to SEK 75.3 million and SEK 76.5 million respectively). Sysint’s operating profit (EBIT) amounted to NOK 4.8 million in 2020 and NOK 3.8 million in 2019 (equivalent to SEK 4.6 million and SEK 4.1 million respectively), and an operating margin of 6.1 per cent in 2020 and 5.3 per cent in 2019.¹⁾

Vision, mission and values

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 an urgent need for tactical IT systems for critical activities in society – systems that are robust, fit for purpose and produce the desired effect. MilDef provides unique solutions to meet those needs with high quality, speed, and accuracy.

Core values

MilDef achieves its goals by meeting the unique challenges that exist in tactical environments. Quality and durability are critical for the success of MilDef and its customers. MilDef’s relationships are based on trust and the business is to be operated in an open, honest, respectful and transparent way. Integrity must always be maintained. MilDef’s brand is based on quality and the Company’s commitment to meet and exceed expectations – both MilDef’s own and those of its customers.

Operational and financial targets

Operational targets

The Company is certified to ISO 9001:2015 (quality) and ISO 14001:2015 (environment). Linked to this is a management system with four operational targets that guide business planning and execution:

- » To be a leading supplier of tactical IT for critical functions in society in the Company’s prioritized markets.
- » To maintain high standards of service to customers and partners.
- » To provide and promote a stimulating and pleasant working environment that challenges the employees.
- » To meet the Company’s growth and profit targets while reducing volatility.

Financial targets

MilDef’s Board of Directors has adopted the following financial targets for the medium term:

Growth

Net sales shall over time grow by 15 per cent a year including acquisitions.

Profitability

The operating margin (EBITDA) over time is to be at least 10 per cent.

Capital structure

The interest-bearing net debt is not to exceed 2.5 times the operating profit (EBITDA), other than temporarily.

Dividend policy

The Company’s long-term dividend policy is a dividend of 20–40 per cent of the Company’s net profit, taking into account the Company’s long-term development needs, capital structure and the prevailing market conditions.

Historically the Company’s dividend has amounted to SEK 0.50/share, totaling SEK 5,809,211 for the 2018 financial year, SEK 0.75/share, totaling SEK 8,713,816.50 for the 2019 financial year and SEK 1.50/share, totaling SEK 17,427,633 for the 2020 financial year.

1) The 2020 and 2019 financial information for Sysint is taken from Sysint’s audited 2020 Annual Report, which is available on MilDef’s website (www.mildef.com). Translated to SEK at a rate of NOK 1 = SEK 0.96 for 2020 and NOK 1 = SEK 1.07 for 2019.

Strengths and competitive advantages

MilDef has a number of strengths that are expected to continue to generate growth and profitability.

Adaptability

The products are designed by the Company's research and development department from a foundation in electronics, mechanics and software. By integrating the possibility of future adaptations and modifications, products are created that have a long lifecycle and can easily be customized for specific customer requirements. These types of modifications – which can be difficult for other suppliers to make – account for a large percentage of the Company's sales.

Speed

The reusable design that is continually being developed is protected by the Company retaining the intellectual property, including when developing customer-specific units. This creates a resource bank and enables development projects to move more quickly than if everything had to be designed from scratch. With the market increasingly demanding fast delivery, this is an important competitive advantage.

Durability

The Company's products are built to handle the most demanding environments. With verification according to standards such as MIL-STD 461¹⁾ (EMC) and MIL-STD 810²⁾ (environment), MilDef can target actors with the most exacting standards. The Company's products can therefore be applied in the broadest possible spectrum of user scenarios.

International references

With more than 20 years of industry experience, MilDef has succeeded in building a portfolio of customer references. Examples include FMV in Sweden, FMA in Norway, L3Harris in the USA and RBSL (Rheinmetall BAE Systems Land) in the UK. It is common for proof of a supplier's past capacity for successful delivery to be a deciding factor in decision processes.

Complete portfolio

MilDef offers products that can easily be combined to form complete IT systems and create comprehensive solutions that make it easier for customers to get compatible products with low integration costs. Examples are servers, client computers, network products, power supply, intelligent displays and accessories.

Low lifecycle costs

MilDef typically provides a five-year warranty on its products. There are many examples of products in use for up to ten years, which creates benefits for customers in terms of lifecycle costs – both directly and indirectly, for example through simplified logistics and lower maintenance require-

ments. The long lifecycle compensates for the relatively high purchase price. Also, future products are delivered in a compatible format, which further reduces lifecycle costs.

Broad customer base

MilDef has around 160 customers consisting of government agencies and industrial actors. By leveraging MilDef's broad customer base and established business relationships, the Company is able to expand and generate additional sales within its existing customer base, which is a significantly faster and less costly process than acquiring new customers.

Specialization

MilDef is one of the few companies that specialize in only providing tactical IT. This focus creates an organization in which expertise is concentrated to a few areas, thereby increasing the Company's efficiency. Competitors with a broader focus, for example those also offering less rugged industrial products, find it hard to invest sufficient resources in the unique challenges associated with developing fully ruggedized solutions.

Brand with Nordic connection

The Company's strength in three Nordic countries (Sweden, Norway and Denmark) is a contributing factor to the international strength of the brand. The combination of a non-aligned Sweden, two NATO countries and two EU countries, and the Company's well-known reputation for efficiency and innovation, ensures the strength of the MilDef brand internationally.

Talent and experience

The Company has succeeded in attracting and retaining employees who are specialists in the niche in which MilDef operates. Diverse backgrounds from the military, industry and academia are combined to meet the customers' unique tactical IT needs.

Geographical markets

The Company has offices in Sweden, Norway, the UK and the USA. These prioritized markets are of strategic importance for MilDef because they represent important revenue streams and also generate references of international value. The UK and the USA are very substantial markets with significant growth potential. These countries are also prominent NATO members and success in these markets can be repeated in additional markets. Denmark and Finland are also included in the strategic markets addressed by the Swedish sales company MilDef International AB.

The Company is represented in a number of additional markets through its network of partners. The Company is focusing on EU countries and selected NATO nations. There is also a distributing partner in Japan (Nacelle).

1) A standard providing direction on design, testing and validation with respect to electromagnetic radiation.

2) A standard providing direction on design, testing and validation with respect to environmental factors such as high and low temperatures, shock, vibration, etc.

In the 2020 financial year the Company's net sales broke down as follows: Nordic region (68 per cent), Europe (excluding the Nordic region) (12 per cent), North America (17 per cent) and other countries (3 per cent).

Customers

The Company has around 160 customers in more than 30 countries, directly or through partners. There are three distinct categories of customers: defense customers, government agency customers and industrial customers. In the 2020 financial year defense and government agencies combined accounted for around 54 per cent of the Company's net sales, while industrial customers accounted for around 46 per cent.

The government agency customer group often includes logistics organizations linked to the country's armed forces. In the Nordic region the Company holds a strong position in three countries: Sweden, Norway and Denmark. The Company has multi-year framework agreements in both Norway and Denmark. In the 2020 financial year framework agreements accounted for around 30 per cent of the Company's net sales.

One important customer group in the defense industry category consists of platform manufacturers. These are companies that deliver various types of platforms, such as aircraft, naval vessels and land vehicles. Examples of platform customers are Saab and BAE Systems in Sweden and RBSL (Rheinmetall BAE Systems Land) in the UK.

Relationships with customers often last for many years. An example is MilDef's first Swedish customer, FMV, which through the years has been a partner in developing products that it has been possible to reuse in other markets, and vice versa.

There is a certain concentration of customers with the nine largest ones in 2020 accounting for 73 per cent of net sales. Due to the periodic nature of purchasing patterns, there is year-on-year variation in which customers are the Company's largest ones. This is considered one of the Company's strengths.

Partnership and collaboration

In addition to the above-mentioned partnerships with selected customers, the Company has three other categories of collaboration:

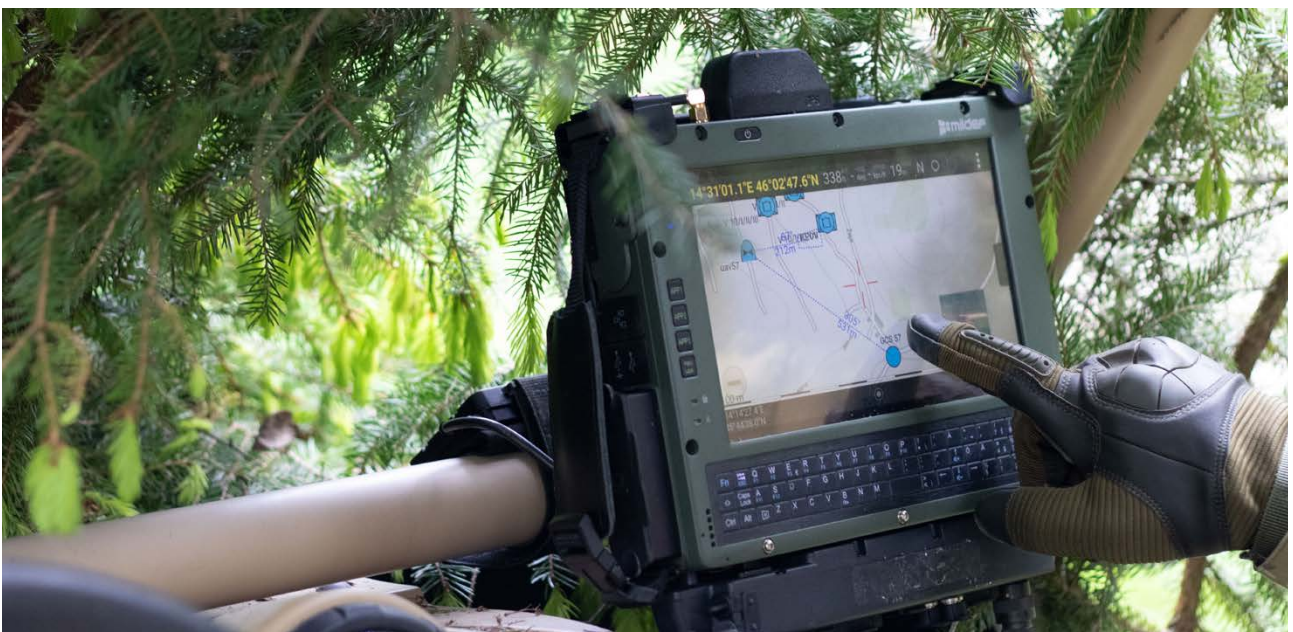
- 1) Partner sales of the Company's products
- 2) Technical collaboration
- 3) Distribution of partner products/third-party products

Partner sales

MilDef has a number of distribution partners in selected markets, primarily within Europe but also in Canada and Japan.

Some partners have exclusivity for one or more markets. Roda Computer in Germany has exclusive rights to distribute MilDef's own products in Germany, Switzerland, Austria and the Netherlands. Decisive in Canada has exclusive rights to distribute MilDef's own products in Canada. Akermann in the Czech Republic has exclusive rights to distribute MilDef's own products in the Czech Republic and Slovakia. Nacelle in Japan has exclusive rights to distribute MilDef's own products in Japan.

Sales administration is carried out by one of the Company's sales companies, MilDef International AB, which handles markets where the Company has no representation of its own.



One of MilDef's growth strategies involves structuring partnership activities and, by providing effective support to selected partners, making it easier for partners to achieve success based on the Company's portfolio. Examples of these are the ability to easily showcase the Company's product portfolio on a partner's website and providing partner-specific training in products and effective sales techniques.

Technical collaboration

As a tactical IT supplier MilDef is dependent on access to modern technology. The Company's partnerships with actors such as Cisco in network projects are therefore key.

The Company has an important technical collaboration with its partner and shareholder MilDef Crete involving an ongoing dialogue on product development and portfolio content.

Distributor

MilDef is an exclusive distributor for MilDef Crete's products in selected markets, such as the USA and parts of Europe (including the Nordic region). This arrangement has been in place ever since the Company was launched, and in 2020 around 45 per cent of the Company's revenue came from distribution of these products.¹⁾ For more information on the distribution agreement, see the section "*Legal considerations and supplementary information*".

MilDef can also act as distributor for other third-party products if the customer so wishes. This is done as needed to complete a transaction and deliver the comprehensive solution the customer requires. Sales of these other third-party products represented around 5 per cent of the Company's net sales in 2020.²⁾ The remaining 50 per cent of the Company's net sales represented sales of products developed in-house by MilDef for which it owns the intellectual property.

Sales and marketing

Sales

The Company applies a hybrid sales model involving direct sales and selling through partners. In locations where the Company has its own representation, the sales organization handles the local market contacts. A structured sales model is used that includes digital support throughout the sales process.

At the early stages of a customer inquiry a concept is created by the Company's system architects. The concept includes an overall design of a product that meets the customer's requirements, visualizes the product, indicates a timeframe for the development project, and sets the price of the project and the units.

In order to have the best possible chance of winning profitable deals, the Company uses a two-step pricing model. First the product company (MilDef Products AB) calculates the cost and adds a pre-determined margin. MilDef's sales companies (MilDef International AB, MilDef Sweden AB, MilDef AS, Sysint AS, MilDef Ltd. and MilDef Inc.) then set the price for the customer based on customer-perceived value. This combination of a cost model and customer value analysis enables the Company to create a competitive price profile.

The Company has a structured process to monitor business transactions and customer interactions using tools that provide a data-based picture of both historical analysis and trends, and a forecast for the future.

Marketing

Marketing activities are largely digital. The Company's website has a large number of visits and LinkedIn is another channel used to communicate with the market.

Most of those visiting the website are primarily interested in technical product information. The focus is on providing fast and accurate information while guiding prospective customers to learn about the Company's concept and obtain all the information they need to decide on a customized solution. More than 10,000 unique visitors³⁾ per month visit mildef.com.

LinkedIn is a platform of growing importance in the Company's marketing activities. Customers and partners help to spread the message and take an active part in everything from the launch of new products to official visits to the Company. The Company sees an increasing need for these types of interactions, but has chosen not to engage in social media exchanges that are less professional in nature. The Company's corporate page on LinkedIn has more than 3,000 followers⁴⁾.

Trade fairs are an important marketing tool and the Company participates in the major defense trade fairs in Europe and the USA. At these events the Company exhibits and presents its own products and engages in outreach activities. In 2020 trade fairs were cancelled due to Covid-19 and the Company instead focused its efforts on a greater number of digital initiatives.

Another type of indirect marketing is through the Company's engagement in its local markets. Many employees have a background that allows them to frequently represent the Company in various contexts as speakers and domain experts. This is a prioritized brand-building activity.

The absolute largest and most important aspect of marketing is maintaining a direct dialogue with customers and partners. The Company's representatives maximize their direct relationships to deliver the best possible service and value to the customer.

1) Retrieved from the Company's internal accounting system.

2) Retrieved from the Company's internal accounting system.

3) Source: The Company's data is based on Google Analytics.

4) Source: LinkedIn.

Products and technology

General information

The Company’s product portfolio consists of similar products to those in traditional IT systems but with the difference that they can be used in far more demanding environments. The major technical differences are that the products have lower electromagnetic radiation and can tolerate cold, heat,

vibration and other environmental impacts, and they have a longer life. Given the environments in which MilDef’s products are used, tactical IT has few or no moving parts, which means there are technical challenges in terms of, for example, thermal management. The image below shows an example of an environment in which MilDef’s products are used.

Illustration of in-field environment for MilDef’s tactical IT equipment



Number 1 in the image shows a laptop that can handle moisture, being dropped on the ground and numerous other impacts that would break a normal laptop. It is made from milled aluminum, does not require a fan or other moving parts and has a very small electromagnetic signature which, among other things, means that it does not disrupt sensitive equipment such as radios.

Number 2 in the image shows products that are normally found in a server room. These are products such as a power supply, UPS, servers, routers, switches, network storage and other equipment. These products can be combined in many different ways to configure customized functionality where the products work together in one system.

Number 3 in the image shows a robotic controller which is also rugged and can be used for remote control of drones and other equipment.

Number 4 in the image shows an intelligent display. One of the differences compared with normal displays is that this display can be equipped with tactile keys (for use in the dark), touchscreens and an integrated computer. Like the other equipment it has special properties so that it can function in the most demanding environments.

Number 5 in the image shows that in situations where there is no traditional communication (network, 3G/4G/5G), there is tracking equipment that communicates via satellite for both data and location.

Finally, **number 6** in the image shows that the Company offers the accessories needed to connect and use the equipment – everything from cables to media converters, keyboards, etc.

The product categories in the portfolio are described in more detail below.

Laptops

The portfolio includes a wide range of rugged computers for mobile use – everything from laptops of various sizes and performance levels, all customizable for various requirements, to tablets and smaller handhelds.

Characteristic of all models is that there are multiple options for adaptation through configuration and that they can be further customized. The range of tablets in various sizes and designs provides added mobility and enables them to be installed in restricted spaces within vehicles.

19"/2 (small form factor)

The broadest and most complete part of the product portfolio consists of the products developed in-house called 19"/2. The name comes from the standardized mounting rack for IT equipment that is 19" (inches) wide. The Company's form factor is half the width, and in some cases half the depth, which allows for higher density in IT systems. This miniaturization is key for the many applications where there is an increasing need for IT performance with a volume that is as small as possible.

The products are designed for customization and their signals, electrical connectors, performance, etc. can be quickly modified. MilDef offers a complete IT environment – from servers to network equipment, UPS power supply, storage and more.

There are examples where, in a modernization project, a selection of the Company's products work together to replace earlier solutions that were five times larger and heavier with significantly improved performance.

With the right configuration and choice of products, customers are able to create functional systems that solve a large number of technical problems with low integration costs.

An example of a common installation for 19"/2 is an IT system in a vehicle. One example is the Boxer vehicle in the UK, where key components of the vehicle's IT are based on products from MilDef. Each vehicle is equipped with three computers for users, a server for data processing and four switches to connect sensors and other systems in the vehicle's internal network.

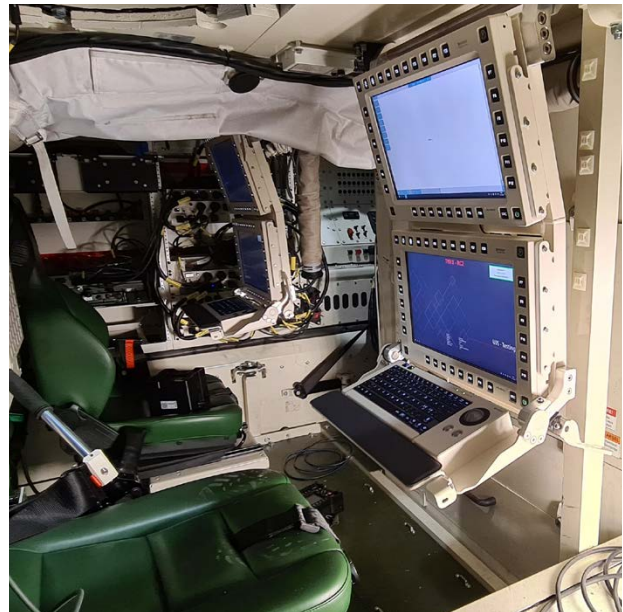
Special electronics

Apart from more typical IT products in the portfolio, MilDef also produces specialized solutions for specific tasks. For example, the Company designs and builds rugged controllers for remote control of drones and other types of craft. Docking a robot controller to one of the Company's tablets provides a complete solution for remote control in tactical environments.

Another example is a customized computer with an integrated battery for operation, detachable hard disc and multiple interfaces to connect to communication equipment and sensors.

Intelligent displays

The same modular approach found throughout the product portfolio is also applied to the concept for intelligent displays. By separating the actual display from the box containing the chosen level of computing power, customers get a solution in which upgrades and modifications can be made throughout the product's lifecycle, without the need to replace the whole unit. With full support for adapting displays by adding, for example, tactile keys, MilDef's intelligent displays are highly suited for demanding tasks.

**Tracking**

The product portfolio includes a partner product consisting of hardware and software used for tracking and friendly force tracking to locate personnel and vehicles for safety and logistics purposes.

With the help of satellite communication, location information and text messages are shared through an encrypted link. The system is used by several government agencies.

Accessories

The Company provides a number of accessories necessary to connect, integrate and operate tactical IT equipment in variable environments.

The portfolio includes keyboards of various designs, specially adapted cables, media converters that translate between different types of networks, and much more.

Research and development

The Company conducts extensive research and development. Although the majority of the development projects are financed by customers, the Company uses its own resources to increase the level of adaptability and reusability. More than 20% of the employees work within research and development.

The research and development (R&D) department is activated early on in the sales process. As soon as an inquiry is received from a customer a concept is created that identifies the requirements and describes in general terms how the Company intends to realize the product. A concept may describe small changes to existing products, so-called variants, or brand new products developed from scratch.

Both the concept department and later on the project organization are helped by access to the Company's resource bank of reusable technology, such as electronics, mechanics and software. This phase lays the foundations for one of the Company's largest competitive advantages – the ability to rapidly and cost-effectively produce customized products.

It is not normally possible to patent the technology, but by retaining the intellectual property, future product projects can benefit from past development, which also benefits the customers in the form of guaranteed quality, short delivery times and cost-efficiency.

When a project is ordered a structured project model is initiated where the concept is refined into development specifications. Based on these specifications, development is carried out by one of the project teams the Company has at its disposal.

The main areas of expertise in the project teams are electronics, mechanics, software, system architecture, project management and technical documentation.

Prototypes are built by the R&D department in a lab where experts verify both functionality and environmental requirements. The Company has extensive testing equipment to ensure that the products meet the requirements.

The overall process consists of the following stages (activities in *italics* are carried out by other departments):

- 1) *Inquiry from customer*
- 2) *Concept created (part of the sales process)*
- 3) Concept turned into development specifications
- 4) Product development begins
- 5) Materials and critical components are purchased (in cooperation with the supply chain department)
- 6) A prototype is built in a lab (in cooperation with the production department)
- 7) Verification in the lab (functionality, compatibility, heat, cold, moisture, signal integrity, electromagnetic radiation)
- 8) Industrialization and pre-series manufacturing (in cooperation with the development department)
- 9) *Series production*

Production, purchasing and logistics

The production department is responsible for assembling products in pre-series and volume production, and for quality assurance of all units. The entire production process is backed up digitally. The product components are traceable. The entire history of the product is saved – from who built it to which tests were carried out and what the results were. This information is saved uniquely for each unit.

After assembly the process of quality assurance begins to verify functionality and compliance with environmental standards. These tests are carried out with system support where parts of the test are automated and all manual steps are logged.

The Company's purchasing and logistics activities are the responsibility of the supply chain department. The supply of components is of utmost importance to keep lead times down and offer competitive prices. Few finished products are warehoused. Instead there is a small inventory of components. Adding to the inventory and production only take place once an order is placed. This requires a highly dynamic supply chain. For critical components there is a process of dual sourcing, where at least two options exist for delivery of components.

The supply chain includes component suppliers as well as suppliers in circuit board manufacturing, mechanical processing, surface treatment and other more complex assignments. The supply chain department works constantly with the suppliers to maintain high capacity and availability. The suppliers are also evaluated to verify quality, delivery precision, competitiveness, etc.

The logistics department manages goods receiving, warehousing and product dispatch. The department also handles receiving inspection and assists with everything from packaging of products to stock-taking and picking components from the warehouse for assembly.

Organization and employees

Organization

The Company’s head office is in Helsingborg, Sweden. The Company consists of eight companies and the Parent Company, MilDef Group AB, owns 100% of all the subsidiaries.

The Parent Company (MilDef Group AB) has corporate management and Group-wide functions such as finance, quality assurance, IT and HR. The CTO office, a department within the Parent Company, is responsible for the product portfolio and for concept development. The CEOs of the sales companies (MilDef AS, MilDef Ltd, MilDef Inc., MilDef Sweden AB and MilDef International AB) report to the CCO (Chief Commercial Officer) of MilDef Group. Others report to the CEO of MilDef Group.

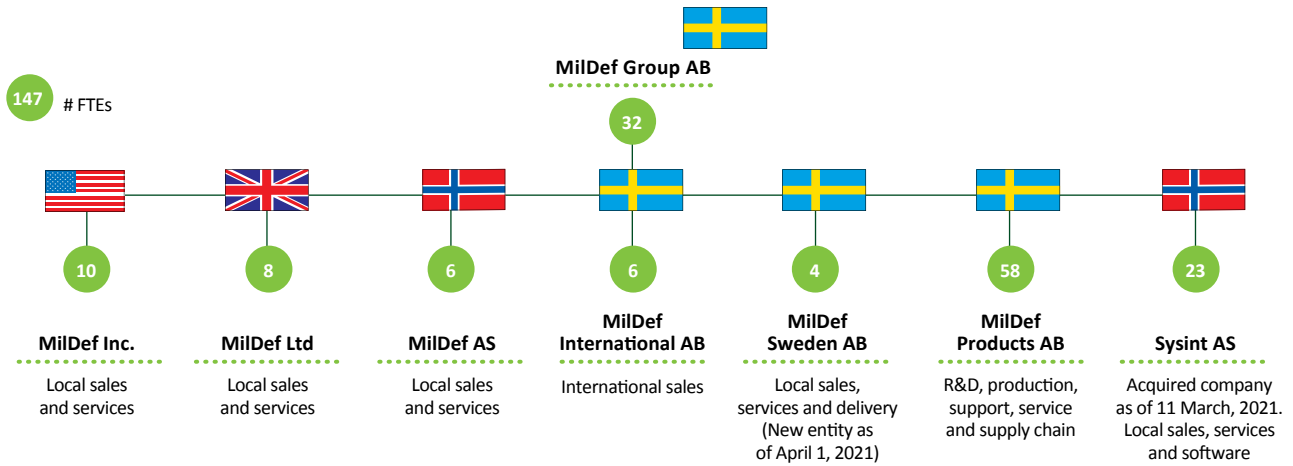
The subsidiaries in the USA, (MilDef Inc.), Norway (MilDef AS) and the UK (MilDef Ltd) are responsible for sales and delivery in their respective local markets. The Swedish subsidiary in Stockholm, MilDef Sweden AB which was founded on February 3, 2021, is responsible for sales and delivery to the Swedish market.

The Swedish sales company in Helsingborg (MilDef International AB) is responsible for sales in other markets where the Company has no representation of its own.

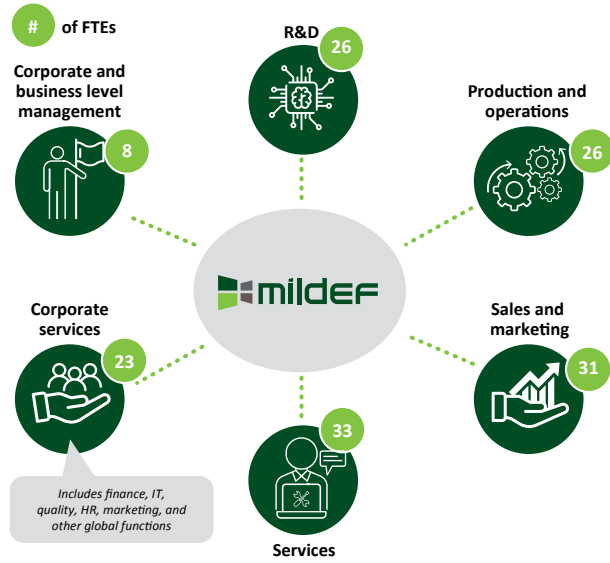
The product company (MilDef Products AB) has resources for development and production, including supply chain and services.

The service and product company Sysint AS in Norway has resources for consulting and software development.

Group structure and corporate offices as per 2021-03-31



Personnel by function 2021-03-31



Employees

The employees are the Company’s most important asset, and offering a working environment that has a positive atmosphere and challenges them is a top priority. Career paths are created within the Company to give the employees opportunities to develop within MilDef, and to move between departments and the Company’s various operations. There are many examples of promotions and employees voluntarily moving between departments and even countries.

As the Company grows the workforce has also increased.

As of December 31, 2018, the Company had 86 employees, 61 of whom were employed at the Company’s head office in Helsingborg.

As of December 31, 2019, the Company had 93 employees, 69 of whom were employed at the Company’s head office in Helsingborg.

As of December 31, 2020, the Company had 119 employees, 90 of whom were employed at the Company’s head office in Helsingborg.

As of March 31, 2021, the Company had 147 employees, 95 of whom were employed at the Company’s head office in Helsingborg.

As of March 31, 2021, around 18 per cent of the employees were working in research and development.

The Company is committed to diversity and aims for a workforce with a wide variety of talents. As of March 31, 2021, around 24 per cent of the employees were women. Women make up 33 per cent of the Company’s Board of Directors and 25 per cent of the Company’s Management Team.

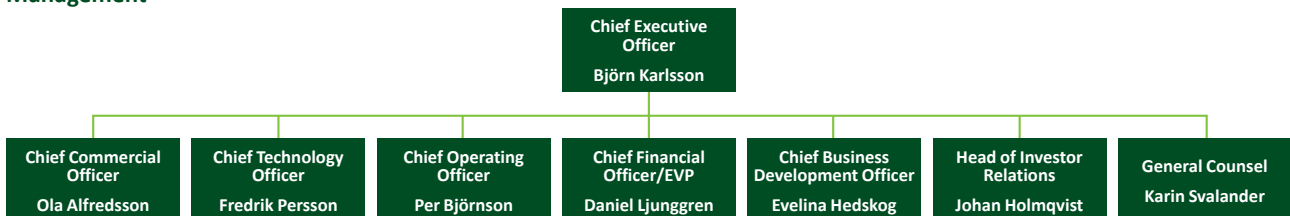
Management

The Company’s Management Team consists of eight individuals. The Management Team’s primary responsibilities include overall corporate management, commercial management, technology and product portfolio, the product company, finance, business development, investor relations and legal issues.

Management Team members have backgrounds that include many years of experience in senior positions and deep skills in their respective areas.

In addition to the Management Team there is also an internal management group that handles Group-wide functions. This group works on ensuring efficiency, quality and value-creating standardization, but also offers services to the various companies and operations within the Company. The group is headed by the CFO and encompasses IT, HR, finance and quality assurance.

Management



Sustainability

General information

The Company 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. In April 2021, MilDef received an opinion from Sustainalytics regarding the Company’s ESG profile (i.e. the environmental, social, and corporate governance profile) which was considered to be of low risk.

The Company emphasizes compliance with mandatory requirements, such as those in laws and regulations, applicable organization and industry standards, contractual obligations and any codes of conduct. The Company strives to maintain a sustainable strategy to ensure responsible investments.

To assist in these efforts, the Company 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 those the Company chooses to do business with live up to both regulatory and ethical standards.



Business sustainability

The overall aim is to achieve long-term business sustainability by focusing on achieving stable and profitable progress over time and through good business practice. The Company values ethics and morals, and employees at all levels within the organization are required to treat one another with the utmost respect. Customers and other stakeholders are also to be treated with the utmost respect and provided with the highest standards of service.

Having long-term relationships with customers and suppliers creates the conditions for spreading the Company's sustainability agenda to others.

With a restrictive approach to exporting technical products to countries outside the Company's prioritized markets, it is possible to maintain business sustainability that reaches into other important areas of society. The Company has chosen not to do business with countries on which the EU or UN has imposed sanctions, even where these sanctions do not include regulatory restrictions on exports.

Environmental sustainability

The overall aim for environmental sustainability is to protect the environment by actively attempting to reduce the Company's and its customers' environmental impact and to reduce resource use, both in the Company's own operations and those of its suppliers. The Company is committed to protecting the environment, preventing pollution and complying with legal and other requirements.

The Company's operations can affect the environment, and the Company has implemented a solution that is incorporated into the management system to visualize and manage environmental aspects. Depending on local circumstances, every MilDef company manages its own environmental aspects and impacts. Every aspect is evaluated according to a model that takes into consideration the environmental impact. The aspects that rank the highest are called material aspects. All material aspects are analyzed to determine which steps to take to eliminate or reduce the impact. Depending on how serious the aspect is, focus areas are identified and targets established. The list of aspects and their impacts is always reviewed in the event of significant changes and on an annual basis at both Company and Group level.

The Company produces and sells electronic products. Environmental sustainability is in focus throughout the lifecycle of the products the Company supplies. The Company seeks to ensure a long life for its products, and products at the end of their life can easily be dismantled for reuse or recycling.

To reduce the impact from product transportation the Company aims to optimize transport routes and space by coordinating delivery days and using compact packaging.

The Company has strict routines for handling chemicals and endeavors to only use environmentally sound options. If this is not possible, only chemicals classified as having a low risk for the environment are used.

The Company's essential suppliers are evaluated and monitored on a regular basis to ensure that the Company's high environmental standards are met by suppliers as well. The Company has produced a Supplier Code of Conduct that its suppliers are expected to follow and that sets out the Company's business, social and environmental standards.

Social sustainability

The Company is committed to continually improving the working environment and social sustainability. The Company promotes a positive health and safety culture.

The overall aim in social sustainability is to promote a better society by acting as a responsible and respectful employer and helping to further social progress at the locations where the Company is active based on the Code of Conduct.

Every year the Company allocates one per cent of the Group's operating profit (EBIT) to assist financially and socially vulnerable groups via the MilDef Charity Foundation. This has historically been in the form of local initiatives around the Company's head office location, but the future aim is for initiatives to be shared and implemented internationally.

Examples of the Company's community engagement include providing funding for sports activities for young people with functional variations, for Victim Support Sweden and for student tutoring, and providing equipment to agencies working with the homeless and soccer equipment for young unaccompanied refugees.

Regulatory requirements

The Company complies with all regulatory requirements with respect to exporting products and services. The rules addressing products with dual applications¹⁾ apply to the Company's products with these technical specifications.

The Company has chosen to voluntarily comply with the sanctions issued by the EU and the UN, even where these do not specifically apply to or restrict export of the Company's products.

The ISP (Inspectorate of Strategic Products) in Sweden is the supervisory authority overseeing and issuing licenses for exports from Sweden to international markets. For the Company as a supplier of technology, the PDA regulation (products with dual applications) is applicable in certain cases.

There are several regulations for exports to the USA and for the Company's subsidiary in the USA. The Federal Acquisition Regulation (FAR) and the Defense Federal Acquisition Regulation Supplement (DFARS) govern all federal purchasing. DFARS is a supplement specifically for products and services in the defense segment. The International Traffic in Arms Regulations (ITAR) regulate U.S. exports and purchasing of goods and services for military use, with the Department of State as the responsible authority. The American Export Administration Regulations (EAR) address classification of products and restrictions on export and re-export. The Bureau of Industry and Security (BIS), under the Department of Commerce, is the regulatory authority.



1) Council Regulation (EC) No 428/2009.



Selected financial
information

Selected financial information

This section presents selected financial information for the Group for the 2020, 2019 and 2018 financial years and interim information for the period January 1 – March 31, 2021 with comparative figures for the corresponding period of 2020. Unless otherwise stated, the financial information for the 2020, 2019 and 2018 financial years is taken from the Company's audited consolidated financial statements, which have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the EU. The Company's financial statements including consolidated financial statements for the relevant years have been audited by independent authorized public accountants Bengt Ekenberg and Andreas Brodström of the public accounting firm Mazars AB. The interim information for the period January 1 – March 31, 2021, with comparative figures for the corresponding period of 2020, has been taken from the Company's reviewed interim report for the period January 1 – March 31, 2021 and has been prepared in accordance with IAS 34. Information in this section should be read in conjunction with the sections "Operational and financial overview", "Capitalization, indebtedness and other financial information" and "Historical financial information".

Consolidated income statement

SEK m, unless otherwise stated	January 1 – March 31 Unaudited		January 1 – December 31 Audited		
	2021	2020	2020	2019	2018
Operating income					
Net sales	51.0	34.5	398.5	334.0	243.8
Cost of goods sold	-33.5	-19.9	-216.4	-209.2	-152.1
Gross profit	17.5	14.7	182.1	124.8	91.7
Selling expenses	-16.9	-13.3	-56.4	-53.9	-37.9
Administrative expenses	-14.6	-8.7	-36.0	-20.4	-18.5
Research and development expenses	-10.2	-6.9	-33.1	-26.0	-17.7
Other operating income	1.2	1.0	0.3	1.2	0.8
Other operating expenses	-	-6.4	-	-0.9	-0.5
Operating profit	-22.9	-19.6	56.9	24.9	17.8
Financial income	-	1.0	0.1	1.1	5.2
Financial expense	-1.4	-0.8	-1.7	-0.9	-3.8
Profit after financial items	-24.3	-19.5	55.4	25.1	19.2
Tax	5.1	3.7	-12.8	-6.1	-7.1
Profit for the period	-19.2	-15.7	42.5	19.0	12.1
Other comprehensive income					
Items that have been reclassified or may be reclassified to profit or loss for the period					
Translation differences for the period on translation of foreign operations	4.0	0.2	-2.5	0.4	0.6
Other comprehensive income for the period	-15.2	-15.5	40.0	19.4	12.7
Profit for the period attributable to:					
Owners of the parent	-19.2	-15.7	42.5	19.0	12.1
Non-controlling interests	-	-	-	-	-
Profit for the period	-19.2	-15.7	42.5	19.0	12.1
Comprehensive income for the period attributable to:					
Owners of the parent	-15.2	-15.5	40.0	19.4	12.7
Non-controlling interests	-	-	-	-	-
Comprehensive income for the period	-15.2	-15.5	40.0	19.4	12.7
Average number of shares	11,784,342	11,618,422	11,618,422	11,618,422	11,618,422
Earnings per share before and after dilution, SEK	-1.63	-1.35	3.66	1.64	1.04

Consolidated balance sheet

SEK m, unless otherwise stated	March 31 Unaudited		December 31 Audited		
	2021	2020	2020	2019	2018
ASSETS					
Non-current assets					
Capitalized product development	7.4	5.7	8.0	6.1	5.5
Other intangible assets	116.8	6.9	2.7	7.9	12.2
Right-of-use assets	65.5	70.3	66.5	71.4	–
Leasehold improvements	7.4	0.1	0.1	0.1	0.2
Equipment, fixtures and fittings	7.0	1.9	2.5	2.0	1.4
Construction in progress	0.6	–	4.0	–	–
Deferred tax assets	10.3	9.9	5.0	4.0	3.2
Other financial non-current assets	0.7	0.5	0.4	0.5	0.6
Total non-current assets	215.9	95.2	89.1	91.9	23.1
Current assets					
Inventories	67.4	53.3	57.3	46.7	34.8
Accounts receivable	40.4	14.2	161.4	125.8	82.8
Tax assets	1.2	0.6	–	3.4	–
Contract assets	4.7	2.3	4.0	0.6	2.0
Other current receivables	1.3	1.5	2.6	3.2	0.1
Prepaid expenses and accrued income	8.7	5.1	6.6	4.5	3.9
Cash and cash equivalents	28.5	33.1	46.8	9.1	31.5
Total current assets	152.2	110.1	278.8	193.3	155.0
TOTAL ASSETS	368.0	205.3	367.9	285.2	178.2
EQUITY AND LIABILITIES					
Share capital	6.2	5.8	5.8	5.8	5.8
Total restricted equity	6.2	5.8	5.8	5.8	5.8
Unrestricted equity					
Share premium reserve	102.9	58.1	58.1	58.1	58.1
Retained earnings	55.2	37.6	26.2	18.4	11.7
Profit for the period	–19.2	–15.7	42.5	19.0	12.2
Total unrestricted equity	138.9	80.0	126.8	95.5	81.9
Total equity	145.1	85.8	132.6	101.3	87.7
Non-current liabilities					
Lease liabilities	57.1	64.6	58.8	66.4	–
Non-current interest-bearing liabilities	9.0	–	–	–	–
Deferred tax liabilities	9.3	7.1	9.4	5.6	7.6
Total non-current liabilities	75.4	71.6	68.2	72.0	7.6
Current liabilities					
Current interest-bearing liabilities	39.7	–	–	–	2.7
Lease liabilities	8.8	5.8	7.9	5.0	–
Overdraft facility	–	–	–	0.8	–
Provisions for warranties	0.9	0.6	0.9	0.6	0.6
Contract liabilities	8.9	4.0	2.3	8.5	33.6
Accounts payable	28.3	19.1	62.8	43.6	16.1
Tax liabilities	–	0.5	3.7	3.9	0.3
Other current liabilities	25.8	1.1	52.7	23.0	13.7
Accrued expenses and deferred income	35.1	16.7	36.8	26.4	15.8
Total current liabilities	147.5	47.8	167.1	111.9	82.9
TOTAL EQUITY AND LIABILITIES	368.0	205.3	367.9	285.2	178.2

Consolidated cash flow statement

SEK m, unless otherwise stated	January 1 – March 31 Unaudited		January 1 – December 31 Audited		
	2021	2020	2020	2019	2018
Operating activities					
Operating profit	-22.9	-19.6	56.9	24.9	17.8
Reversal of depreciation, amortization and impairments	4.4	2.3	11.6	11.0	6.4
Other non-cash items	-0.4	1.1	4.0	0.1	-1.9
Net interest income/expense	-1.4	0.2	-1.5	0.2	1.4
Income taxes paid	-6.3	-5.1	-18.9	-8.5	-8.5
Cash flow from operating activities before change in working capital	-26.6	-21.1	52.1	27.7	15.3
Change in working capital					
Increase (-) / decrease (+) in inventories	-9.9	-6.3	-11.3	-11.7	-1.6
Increase (-) / decrease (+) in operating receivables	137.5	113.6	-35.3	-46.0	-1.4
Increase (-) / decrease (+) in operating liabilities	-112.1	-65.4	56.2	22.0	13.5
Cash flow from operating activities	-11.1	20.8	61.7	-7.9	25.8
Investing activities					
Investments in intangible assets	-	-	-3.5	-1.5	-2.9
Investments in property, plant and equipment	-8.9	0.0	-5.4	-1.2	-0.2
Acquisition of subsidiaries after deduction of acquired cash and cash equivalents	-28.5	-	-	-	-
Change in other non-current receivables	0.0	0.0	0.3	-	-0.5
Cash flow from investing activities	-37.4	0.0	-8.6	-2.7	-3.6
Financing activities					
Dividend to shareholders	-	-	-8.7	-5.8	-14.2
Change in overdraft facility	-0.1	-0.8	-0.7	0.8	-
Repayment of loans issued by credit institutions	30.0	-	-	-2.7	-3.7
Repayment of lease liabilities	-2.0	3.9	-4.9	-4.3	-
Cash flow from financing activities	-27.9	3.2	-14.4	-12.0	-17.9
Cash flow for the period	-20.6	24.0	38.7	-22.6	4.3
Cash and cash equivalents at beginning of period	46.8	9.1	9.1	31.5	26.7
Exchange rate difference in cash and cash equivalents	2.3	0.0	-1.0	0.2	0.5
Cash and cash equivalents at end of period	28.5	33.1	46.8	9.1	31.5

Selected key performance indicators

This section presents certain alternative financial and operational key performance indicators (KPI) that are not defined under IFRS. Some of the KPIs below are, however, defined under IFRS. The Management Team uses these KPIs to track the underlying trends in the Company's operations and considers that they help investors understand the Company's development from period to period and facilitate comparisons with similar companies. Since not all companies calculate these and other KPIs in the same way, the method the Company has chosen for calculating the alternative KPIs presented in the Prospectus may mean that these KPIs are not comparable with similar metrics presented by other companies. Alternative KPIs should therefore not be considered separately from, or as a substitute for, MilDef's financial information that is prepared in accordance with IFRS. Some of the KPIs are based on information that has been taken from the Company's accounting records as well as internal accounting and operational systems. See "Definitions" below for definitions and explanations of the use of the alternative KPIs presented below.

SEK m (unless otherwise stated)	January 1 – March 31 Unaudited		January 1 – December 31 Audited		
	2021	2020	2020	2019	2018
Net sales, order bookings and order backlog					
Net sales	51.0	34.5	398.5	334.0	243.8
Increase in net sales (%)	47.8%	-7.5%	19.3 %	37.0 %	-
<i>Of which organic (%)</i>	27.5%	-7.5%	19.3 %	37.0 %	-
<i>Of which via acquisitions (%)</i>	20.3%	0.0%	0.0 %	0.0 %	-
Order bookings	79.5	53.6	718.0	333.7	290.5
Increase in order bookings (%)	48.3%	31.1%	115.2 %	14.9 %	-
Order backlog	497.6	147.0	446.3	127.4	127.5
Increase in order backlog (%)	238.5%	14.0%	250.3 %	-0.1 %	-
Profitability					
Gross profit	17.5	14.7	182.1	124.8	91.7
Gross margin (%)	34.3%	42.6%	45.7 %	37.4 %	37.6 %
Operating profit (EBITDA)	-18.5	-17.8	68.5	35.9	24.2
Operating margin (EBITDA) (%)	-36.3%	-51.6%	17.2 %	10.7 %	9.9 %
Adjusted operating profit (EBITDA)	-14.8	-17.8	72.8	35.9	24.2
Adjusted operating margin (EBITDA) (%)	-29.0%	-51.6%	18.3 %	10.7 %	9.9 %
Operating profit (EBIT)	-22.9	-19.6	56.9	24.9	17.8
Operating margin (EBIT) (%)	-44.9%	-56.8%	14.3 %	7.4 %	7.3 %
Adjusted operating profit (EBIT)	-19.2	-19.6	61.2	24.9	17.8
Adjusted operating margin EBIT (%)	-37.7%	-56.8%	15.4 %	7.4 %	7.3 %
Cash flows					
Operational cash flow	-20.0	20.8	53.1	-10.6	22.2
Cash generation (%)	108.1%	-116.9%	72.9%	-29.5%	91.7%
Capital structure					
Average capital employed	177.1	80.4	158.4	111.7	63.9
Average equity	115.5	81.5	117.0	94.5	88.5
Interest-bearing net debt	86.0	37.3	19.9	63.1	-28.8
Interest-bearing net debt/adjusted EBITDA, RTM (times)	1.1	1.3	0.3	1.8	-1.2
Equity/assets ratio (%)	39.4%	41.8%	36.0%	35.5%	49.2%
Return					
Return on capital employed, RTM (%)	29.8%	60.7%	36.0%	23.3%	36.0%
Return on equity, RTM (%)	33.9%	46.4%	36.4%	20.1%	13.7%
Employees					
Full-time employees at end of period	147	106	119	93	86

Reconciliation tables

The tables below show how the alternative KPIs are calculated by using the Group's IFRS-based items and reversing and/or adjusting a number of items. The tables and calculations are unaudited unless otherwise stated. For definitions of the alternative KPIs that have not been calculated under IFRS, see the section "Definitions of alternative key performance indicators not defined under IFRS" below.

Gross profit and gross margin

SEK 000	January 1 – March 31		January 1 – December 31		
	2021	2020	2020	2019	2018
Net sales	51.0	34.5	398.5	334.0	243.8
Cost of goods sold	-33.5	-19.9	-216.4	-209.2	-152.1
Gross profit	17.5	14.7	182.1	124.8	91.7
<i>Gross margin (%)</i>	<i>34.3%</i>	<i>42.6%</i>	<i>45.7%</i>	<i>37.4%</i>	<i>37.6%</i>

Operating profit (EBIT), adjusted operating profit (EBIT) and adjusted operating margin (EBIT margin)

SEK 000	January 1 – March 31		January 1 – December 31		
	2021	2020	2020	2019	2018
Profit for the period	-19.2	-15.7	42.5	19.0	12.1
Income tax	-5.1	-3.7	12.8	6.1	7.1
Financial expense	-	-1.0	1.7	0.9	3.8
Financial income	1.4	0.8	-0.1	-1.1	-5.2
Operating profit (EBIT)	-22.9	-19.6	56.9	24.9	17.8
Net sales	51.0	34.5	398.5	334.0	243.8
Operating margin (EBIT),%	-44.9%	-56.8%	14.3%	7.4%	7.3%
Adjustments:					
Listing expenses	3.3	-	4.3	-	-
Acquisition-related costs	0.4	-	-	-	-
Adjusted operating profit (EBIT)	-19.2	-19.6	61.2	24.9	17.8
Net sales	51.0	34.5	398.5	334.0	243.8
Adjusted EBIT margin (%)	-37.7%	-56.8%	15.4%	7.4%	7.3%

EBITDA, adjusted EBITDA and adjusted EBITDA margin

SEK 000	January 1 – March 31		January 1 – December 31		
	2021	2020	2020	2019	2018
Operating profit (EBIT)	-22.9	-19.6	56.9	24.9	17.8
Depreciation and impairment of property, plant and equipment	2.7	0.2	5.7	5.2	0.7
Amortization and impairment of intangible assets	1.7	1.6	5.9	5.8	5.7
Operating profit EBITDA	-18.5	-17.8	68.5	35.9	24.2
Net sales	51.0	34.5	398.5	334.0	243.8
Operating margin EBITDA (%)	-36.3%	-51.6%	17.2%	10.7%	9.9%
Adjustments:					
Listing expenses	3.3	-	4.3	-	-
Acquisition-related costs	0.4	-	-	-	-
Adjusted operating profit EBITDA	-14.8	-17.8	72.8	35.9	24.2
Net sales	51.0	34.5	398.5	334.0	243.8
Adjusted operating margin EBITDA (%)	-29.0%	-51.6%	18.3%	10.7%	9.9%

Operational cash flow and cash generation

SEK 000	January 1 – March 31		January 1 – December 31		
	2021	2020	2020	2019	2018
Adjusted operating profit (EBITDA)	-14.8	-17.8	72.8	35.9	24.2
Cash flow from operating activities	-11.1	20.8	61.7	-7.9	25.8
Cash flow from investing activities	-37.4	0.0	-8.6	-2.7	-3.6
Adjustment of acquisitions	28.5	-	0.0	-	-
Operational cash flow	-20.0	20.8	53.1	-10.6	22.2
Cash generation (%)	108.1%	-116.9%	72.9%	-29.5%	91.7%

Interest-bearing net debt

SEK 000	January 1 – March 31		January 1 – December 31		
	2021	2020	2020	2019	2018
Non-current lease liabilities	57.1	64.6	58.8	66.4	-
Non-current interest-bearing liabilities	9.0	-	-	-	-
Current lease liabilities	8.7	5.8	7.9	5.0	-
Current interest-bearing liabilities	39.7	-	-	-	2.7
Overdraft facility, utilized	-	-	-	0.8	-
Cash and cash equivalents	-28.5	-33.1	-46.8	-9.1	-31.5
Interest-bearing net debt	86.0	37.3	19.9	63.1	-28.8
Adjusted EBITDA, RTM	75.8	27.7	72.8	35.9	24.2
Interest-bearing net debt/EBITDA, RTM (times)	1.1	1.3	0.3	1.8	-1.2

Return on capital employed and equity

SEK 000	January 1 – March 31		January 1 – December 31		
	2021	2020	2020	2019	2018
Interest-bearing net debt, average	61.6	-1.1	41.5	17.2	-24.6
Average equity	115.5	81.5	117.0	94.5	88.5
Average capital employed	177.1	80.4	158.4	111.7	63.9
Profit after financial items, RTM	50.5	16.2	55.4	25.1	19.2
Financial expense, RTM	2.3	0.8	1.7	0.9	3.8
Profit before financial expense, RTM	52.8	17.0	57.1	26.0	23.0
Return on capital employed, RTM (%)	29.8%	21.1%	36.0%	23.3%	36.0%
Net profit for the period, RTM	39.1	14.3	42.5	19.0	12.1
Return on equity, RTM (%)	33.9%	17.5%	36.4%	20.1%	13.7%

Equity/assets ratio

SEK 000	January 1 – March 31		January 1 – December 31		
	2021	2020	2020	2019	2018
Equity attributable to owners of the parent	145.1	85.8	132.6	101.3	87.7
Total assets	368.0	205.3	367.9	285.2	178.2
Equity/assets ratio (%)	39.4%	41.8%	36.0%	35.5%	49.2%

Definitions of alternative key performance indicators not defined under IFRS

Alternative performance measure	Definition	Reason for use
Return on equity	Net profit for the period divided by average equity in the last 12-month period 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.	This performance measure is used to show the Company's profit before the impact of costs such as marketing and administrative expenses and research and development expenditure.
Gross margin	Gross margin as a percentage of net sales.	This performance measure is used to show the Company's margin before the impact of costs such as marketing and administrative expenses and research & development expenditure.
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 they are not considered part of the ongoing operations, 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 not part of the ongoing operations. 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 bookings	The total of the orders received during the period.	MilDef uses order bookings 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.
Operational cash flow	Cash flow from operating activities and cash flow from investing activities excluding acquisitions and divestments of intangible and tangible assets.	MilDef uses operational 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.

Alternative performance measure	Definition	Reason for use
Operating profit (EBIT)	Profit before interest and tax.	MilDef considers operating profit (EBIT) a useful metric to show the profit generated by operating activities.
Equity/assets ratio	Equity divided by total assets.	MilDef considers the equity/assets ratio a useful metric to show that the Company is a going concern.
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	Percentage change in net sales adjusted for acquisitions and divestments in the period compared with the same period of the previous year. Not adjusted for exchange rate fluctuations.	MilDef considers organic growth a useful metric for tracking the Company's development using comparative figures that exclude revenues acquired during the comparison periods.

Operational and financial overview

The information below should be read in conjunction with the section “*Selected financial information*” and the Group’s audited consolidated full-year financial statements for the financial years ending on December 31, 2020, 2019 and 2018, and also the interim financial statements in the unaudited reviewed interim report for Q1 2021. These have been prepared in accordance with the International Financial Reporting Standards (“**IFRS**”), as adopted by the EU. The full-year financial statements have been audited by the Group’s independent auditors, Mazars AB, as specified in the accompanying audit report. The Group’s audited year-end financial statements and interim financial statements mentioned above and the audit report are included in the section “*Historical financial information*”. This Operational and financial overview is intended to facilitate an understanding and evaluation of trends and fluctuations in the Group’s financial results. The historical results included in this Operational and financial overview do not constitute an indication of the Group’s future financial results. The following review contains forward-looking statements that are subject to various risks and uncertainties. The Group’s actual results may differ materially from the predictions in the forward-looking information as a result of many different factors, including but not limited to what is stated in the Prospectus, including those specified in the section “*Risk factors*” and elsewhere in the Prospectus.

Overview

MilDef supplies rugged electronics within tactical IT for challenging environments. The Company was founded in 1997 and today its products are sold to more than 160 customers in the Company’s addressable markets. Based on the Company’s assessment, MilDef is one of the market leaders within its niche in the Nordic region and occupies a strong position on its key markets. In the 2020 financial year, the Company posted net sales of SEK 398.5 million, operating profit (EBITDA) of SEK 68.5 million and adjusted operating profit (adjusted EBITDA) of SEK 72.8 million, corresponding to an operating margin (adjusted EBITDA) of 18.3%.

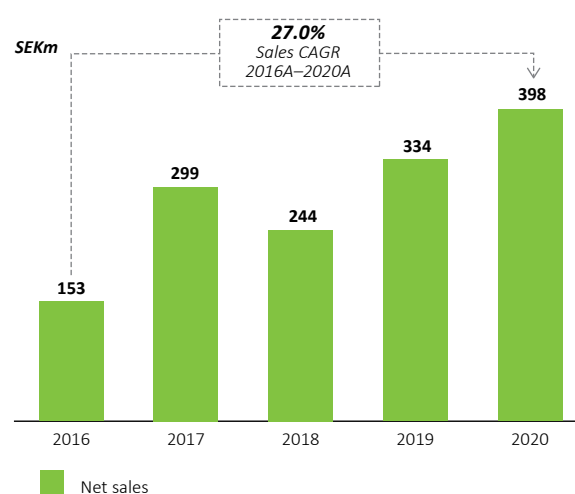
See the sections “*Selected financial information – Reconciliation tables*” and “*Selected financial information – Definitions of alternative key performance indicators*” for definitions, explanations and reconciliations of adjusted operating margin (adjusted EBITDA margin).

MilDef considers the Company’s financial profile to be characterized by:

Growth

MilDef has seen its net sales grow from SEK 153.1 million in the 2016 financial year to SEK 398.5 million in the 2020 financial year, equivalent to a CAGR of 27.0%.

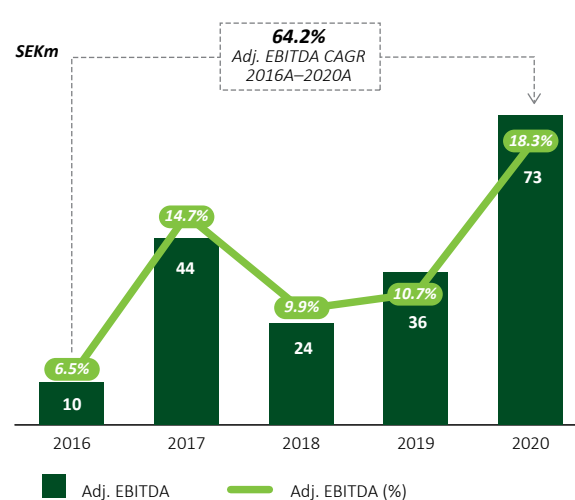
Strong growth¹⁾



Profitability

With a strong brand, a high level of market confidence and high-quality products, MilDef has been able to report attractive profitability. MilDef’s operating margin (adjusted EBITDA margin) increased from 10.7% in 2019 to 18.3% in the 2020 financial year.

Attractive margins²⁾



1) The Company’s Annual Report for the 2020 financial year.

2) The Company’s Annual Report for the 2020 financial year.

High return on capital employed and equity

Over the past five years, MilDef has consistently posted double-digit returns on both equity and capital employed. For 2020, the return on equity was 36.4% and the return on capital employed 36.0%. This has been achieved despite an equity/assets ratio of 36.0%.

Business model with low tied-up capital and low investment requirement

MilDef has a small investment requirement, averaging 1.5% of net sales in the 2020, 2019 and 2018 financial years. The majority of the investments relate to new product development.

Significant factors that impact MilDef's operating profit, cash flow and financial position

MilDef's operating profit (EBIT), cash flow and financial position have been impacted, and will continue to be impacted, by a number of factors, some of which are beyond the Group's control. The main factors considered by MilDef to impact the Group's operating profit (EBIT), cash flow and financial position are described below.

- » General market conditions and trends relating to demand within the industry in which the Company operates
- » Maintaining the Company's credibility
- » The Company's marketing activities, procurements and order bookings
- » The Company's sales volume, pricing, and product and customer mix
- » The Company's operational efficiency
- » Regulatory changes that may impact imports and exports
- » Managing seasonal variations in demand
- » Managing exchange rate fluctuations
- » Ability to complete and integrate acquisitions
- » The Company's investments and net working capital
- » Managing the effective tax rate

General market conditions and trends relating to demand within the industry in which the Company operates

MilDef sells rugged electronic products, primarily intended for the defense industry, which is supported by a number of long-term, structural growth factors:

- » Increased digitalization within the defense sector
- » Higher appropriations for investments in defense materiel in several EU countries
- » Modernization of the armed forces in several countries
- » Rapid developments in new technology

These factors increase the demand for rugged electronics, and an ever increasing share of total defense budgets is being spent on defense materiel. MilDef's operations are positioned to take advantage of these underlying trends and supply increased volumes of its products. MilDef's products are largely dependent on macroeconomic factors. Changes

in macroeconomic factors and security policy may lead to cuts in defense budgets, which may lead to reduced demand for MilDef's products.

Maintaining the Company's credibility

The market for rugged electronics is exposed to competition on the Group's main geographical markets, with various success factors determining the Group's ability to remain relevant to the customer. In order to generate and capitalize on the demand for rugged electronics, MilDef must maintain the quality of its products, the breadth of its range, the strength of its brand and its customer relationships. MilDef invests continuously in growth by expanding into new markets with a view to increasing the penetration of MilDef's products. MilDef's ability to maintain and uphold key relationships with current customers and its ability to acquire new customers in new markets may impact the Group's profits.

The Company's marketing activities, procurements and order bookings

MilDef's order backlog as of December 31, 2020 totaled SEK 446.3 million, which was 1.1 times MilDef's sales revenue for full-year 2020. Strong order bookings and a large order backlog are important indicators in ensuring MilDef's growth and sales revenue. MilDef's order bookings are largely dependent on the timing and occurrence of major procurements and orders, which by extension may impact MilDef's results.

The Company's sales volume, pricing, and product and customer mix

MilDef's operations involve both shorter and longer customer contracts, which is in line with MilDef's business plan. Converting the order backlog into sales revenue is therefore an important factor that impacts MilDef's profits. Changes in conditions affecting contracts, e.g., delays, as well as the ability to manage and deliver on commitments such as technology transfer, may also impact MilDef's profits. MilDef is also impacted by its product and customer mix. The product mix is impacted in turn by which contracts MilDef wins and whether these are largely for partner products or self-developed products, where earnings may vary between the different products. MilDef has a relatively high customer concentration, which is why the dependence and terms associated with certain large individual customers may impact MilDef's profits.

The Company's operational efficiency

There is a growing need for new and modernized defense materiel at the same time as defense appropriations are limited. This drives the demand for advanced products with lower purchase prices that are cost-efficient to use and maintain. Rationalizing and optimizing operations on an ongoing basis is important for MilDef to increase its competitiveness and its results in the longer term. In the period 2018 to 2020,

MilDef initiated a number of efficiency measures, including increased market efficiency and restructuring of the sales organization. MilDef's ability to implement efficiency measures in the long term may impact MilDef's profits.

Regulatory changes that may impact imports and exports

The Company sells its products on a global market, and operations are dependent on relatively free flows of goods across national borders in terms of both imports and exports. The Company's operations may thus be negatively impacted as a result of e.g., changes in customs and trade rules, introduction of import or export restrictions, and trade blockades. The risk of trade restrictions is particularly relevant, given that the Company's operations are defense-related. Specifically, the willingness of different countries to import defense-related goods and services may be impacted by internal security policy considerations in favor of developing and manufacturing products within the country. Moreover, certain of the Company's products have "dual applications", which means that the products can be used for both civilian and military purposes. Such products are subject to special export rules.

Since the Company's operations are adapted in line with existing regulatory requirements – and as the Company's prioritized sales markets are primarily EU countries and selected NATO nations such as the US, UK and Canada – none of the above currently restrict the Company's ability to produce and sell its products and services in the geographical target markets. The possibility of regulatory changes being introduced that would alter the Company's ability to import and export its goods and services globally cannot, of course, be precluded. However, given the countries with which the Company does – and wishes to do – business, the risk of regulatory trade restrictions being introduced, and with it the risk of negative economic effects from this, is considered limited.

Managing seasonal variations in demand

Sales of rugged electronics primarily within the defense sector are subject to seasonal variations. This is because many customers' purchasing is governed by budgets, and the budget period usually coincides with the calendar year. The main financial impact on MilDef of the seasonal variations is a build-up of working capital, usually during the second half of the year. In normal circumstances, a significant amount of invoicing takes place in the fourth quarter because of invoices being issued before year-end, which means a strong cash flow in January and February. Net sales and operating profit tend to be strongest in the fourth quarter, when public-sector customers in particular are trying to match their budgets for defense materiel during the year. Seasonal variations in demand and the Company's net sales also lead to seasonal variations in the Company's operating profit.

Managing exchange rate fluctuations

The Group generates revenue in foreign currencies and is therefore exposed to exchange rate fluctuations against the Group's reporting currency (SEK). The key currencies are USD, EUR, GBP, NOK and DKK. The Group's results are therefore impacted by movements in these currencies relative to SEK.

Ability to complete and integrate acquisitions

As well as growing organically, part of MilDef's business plan involves creating acquisition-driven growth. Since 2010, MilDef has carried out four acquisitions. These acquisitions have resulted in MilDef expanding its operations to Norway, the UK and the USA, and growing the Company's product and service offering. MilDef has an explicit strategy of continuing to supplement the Group's organic growth with acquisition-driven growth. MilDef's ability to continue to identify potential acquisition candidates, carry out frequent acquisitions at attractive valuation multiples and integrate acquired companies has a positive impact on the Group's sales, operating profit and cash flow.

The Company's investments and net working capital

MilDef's profits are impacted by how much MilDef chooses to reinvest in the business. Among other things, MilDef makes significant investments in research and development as well as other investments in production capacity, which in the long term also contribute to MilDef's competitiveness and ability to generate sales revenue. Moreover, MilDef's results are impacted by whether the investments are expensed in the income statement or capitalized in the balance sheet. For more information, see below under "*MilDef's net working capital*" and "*Investments*".

Managing the effective tax rate

MilDef pays tax in Sweden, the USA, the UK and Norway. The Group is exposed to the risk of increased tax expenses in these countries, or other countries where the Company may pay tax in the future, which may impact the Group's profits and cash flow.

Accounting for the Sysint acquisition

The acquisition method is used when accounting for the Group's business combinations. The purchase consideration for the acquisition of a subsidiary constitutes the fair value of the assets acquired and liabilities assumed by the Group from the previous owner of the acquired company and the shares issued by the Group. The purchase consideration also includes the fair value of all assets or liabilities arising from an agreed contingent consideration. Identifiable assets acquired or liabilities assumed in a business combination are initially measured at fair value on the acquisition date. Acquisition-related costs are expensed as they arise.

Acquisitions

MilDef carried out one acquisition in Q1 2021. In March 2021, the Company acquired Sysint, which is a Norwegian IT consultancy with a service offering aimed at Norwegian public-sector and industrial customers. Sysint had 23 employees as of December 31, 2020, and is expected to strengthen and complement MilDef's offering within hardware, software and services. Sysint posted net sales of NOK 78.4 million in 2020 and NOK 71.5 million in 2019 (equivalent to SEK 75.3 million and SEK 76.5 million respectively). Sysint's operating profit (EBIT) amounted to NOK 4.8 million in 2020 and NOK 3.8 million in 2019 (equivalent to SEK 4.6 million and SEK 4.1 million respectively), giving an operating margin (EBIT) of 6.1% in 2020 and 5.3% in 2019.¹⁾ The acquisition is expected to partially impact MilDef's financial results and position in 2021. The purchase consideration for the acquisition was 711,087 newly issued shares in the Company and a cash payment of around NOK 48 million. For more information on the acquisition agreement, see the section "*Legal considerations and supplementary information*".

MilDef did not carry out any acquisitions in 2018, 2019 or 2020.

Description of key items in the income statement

Net sales

Net sales is defined as the realizable value after deductions for discounts, commission, value-added tax and other taxes. Net sales are recognized when the economic risk is transferred to the buyer.

Cost of goods sold

Cost of goods sold primarily consists of costs relating to purchased components and finished goods, costs for handling goods and manufacturing costs, including labor costs, transport costs and the cost of premises, and depreciation/amortization and impairment of property, plant and equipment and intangible assets.

Selling expenses

Selling expenses primarily consist of costs attributable to sales and marketing measures, including personnel costs and costs attributable to marketing activities, trade fairs and other events, and consultancy fees attributable to sales and marketing activities. Selling expenses also consist of fixed and variable salaries for sales personnel, rent for sales offices and sales-related IT costs. The expenses are allocated to the respective function using a predetermined allocation table. All the operating costs are allocated using the above-mentioned allocation table.

Administrative expenses

The administrative expenses consist of costs attributable to administration of the Company's operations, e.g., expenses for the Company's Board of Directors, Management Team, IT, Finance, HR and other office administration. Also included are costs for audit, banking and legal fees, as well as insurance premiums.

Research and development expenses

Research and development expenses are reported separately and include both self- and customer-financed new and further development of products such as materials for prototypes, as well as payroll expenses. Costs for development work are expensed as they arise, unless these activities meet certain criteria for capitalization. More information can be found in the section "*Operational and financial overview – Liquidity and capital resources – Research and development*".

Other operating income and operating expenses

Other operating income and operating expenses are income and expenses that cannot be attributed to administrative, marketing or research and development expenses. This includes capital gains and capital losses, as well as exchange rate differences on receivables and payables that are denominated in foreign currencies and remeasured at the exchange rate on the closing day.

Financial items

Financial income includes interest income on bank balances and exchange rate gains attributable to financial assets and liabilities. Financial expense includes interest expenses and fixed fees attributable to loans and other liabilities, such as penalty interest on accounts payable and exchange rate losses attributable to financial assets and liabilities.

Tax

The tax expense for the period consists of current and deferred tax. Current tax is calculated based on applicable tax provisions on the closing day in the countries where the parent and its subsidiaries are active and generate taxable income. Current tax also includes adjustments to current tax reported in previous periods. Deferred tax is calculated based on temporary differences between the fair value and tax base of assets and liabilities and for loss carryforwards, to the extent that it is likely these can be offset against future taxable income.

1) The 2020 and 2019 financial information for Sysint is taken from Sysint's audited Annual Report 2020, which is available on MilDef's website (www.mildef.com). Translated to SEK at a rate of NOK 1 = SEK 0.96 for 2020 and NOK 1 = SEK 1.07 for 2019.

Comparison between January 1 – March 31, 2021 and January 1 – March 31, 2020

SEK m	Jan 1 – Mar 31, 2021	Jan 1 – Mar 31, 2020	Change %
Net sales	51.0	34.5	48%
Cost of goods sold	-33.5	-19.9	68%
Gross profit	17.5	14.7	19%
Selling expenses	-16.9	-13.3	27%
Administrative expenses	-14.6	-8.7	68%
Research and development expenses	-10.2	-6.9	48%
Other operating income	1.2	1.0	20%
Other operating expenses	-	-6.4	100%
Operating profit	-22.9	-19.6	17%
Financial income	-	1.0	-100%
Financial expense	-1.4	-0.8	75%
Profit after financial items	-24.3	-19.5	25%
Tax	5.1	3.7	38%
Profit for the period	-19.2	-15.7	22%

Net sales

Net sales increased by 47.8% to SEK 51.0 million, up from SEK 34.5 million. The organic growth amounted to 27.5% and acquisition-driven growth amounted to 20.3%. Europe excluding the Nordic region represented the geographic market with the highest growth and increased by SEK 7.0 million, from SEK 5.6 million in Q1 2020 to SEK 12.6 million in Q1 2021. The Nordic region also continued to develop in a positive direction.

Geographical markets

The development in net sales differs by geographical market. In Sweden, net sales amounted to SEK 10.0 million for Q1 2021, an increase of 58.7% or SEK 3.7 million compared with SEK 6.3 million for Q1 2020. The development was primarily driven by the strong market development and increased defense appropriations. In the rest of the Nordic region, net sales for Q1 2021 amounted to SEK 14.7 million, an increase of 81.5% or SEK 6.6 million compared with SEK 8.1 million for Q1 2020. The positive trend was primarily driven by the acquisition of Sysint AS. In Europe, excluding the Nordic region, net sales amounted to SEK 12.6 million for Q1 2021, an increase of 125.0% or SEK 7.0 million compared with SEK 5.6 million for Q1 2020. The trend was primarily driven by the UK market as well as a single major delivery to the Czech Republic. In North America, net sales amounted to SEK 13.4 million for Q1 2021, compared with SEK 13.9 million for Q1 2020. Net sales in other countries amounted to SEK 0.3 million for Q1 2021, compared with SEK 0.6 million for Q1 2020.

Gross profit

Gross profit improved from SEK 14.7 million to SEK 17.5 million, corresponding to a gross margin of 34.3% for Q1 2021, compared with 42.6% for Q1 2020. Factors such as total business volumes, product mix and customer mix affect the gross margin in individual quarters. The Company's clear seasonal variations in net sales is a factor that can lead to the gross margin fluctuating in individual quarters. Against this background, changes in the gross margin should primarily be evaluated on a full-year basis.

Operating expenses

Selling expenses increased by SEK 3.6 million, from SEK 13.3 million for Q1 2020 to SEK 16.9 million Q1 2021. Administrative expenses increased to SEK 14.6 million for Q1 2021, compared with SEK 8.7 million for Q1 2020. The increase in administrative expenses is explained by a strengthened internal organization and higher consultancy expenses, both related to the Company's increased level of internationalization and the listing process. The Company has continued to invest in product development, leading to an increase in research and development expenses to SEK 10.2 million for Q1 2021, compared with SEK 6.9 million for Q1 2020. Total operating expenses for Q1 2021 amounted to SEK 41.7 million, corresponding to 82.0% of net sales, compared with SEK 28.9 million for Q1 2020, corresponding to 84.0% of net sales for Q1 2020. Total operating expenses increased to SEK 2.9 million, as a result of the acquisition of Sysint AS in March 2021.

Operating profit (EBIT) and operating margin (EBIT margin)

Operating profit (EBIT) amounted to SEK –22.9 million for Q1 2021, compared with SEK –19.6 million for Q1 2020. The operating margin was –44.9% for Q1 2021, compared with –56.8% for Q1 2020. Adjusted for non-recurring items, operating profit amounted to SEK –19.2 million for Q1 2021, corresponding to an operating margin of –37.7%. For Q1 2020, the adjusted and reported operating margins were the same, at –56.8%.

Adjusted operating profit (EBITDA) and adjusted EBITDA margin

Operating profit (EBITDA) increased to SEK –18.5 million for Q1 2021, compared with SEK –17.8 million for Q1 2020. The operating margin was –36.3% for Q1 2021, compared with –51.6% for Q1 2020. The adjusted operating profit (EBITDA) improved for Q1 2021 compared with Q1 2020. The adjusted operating profit (EBITDA) for Q1 2021 was SEK –14.8 million, compared with SEK –17.8 million for Q1 2020, which was an improvement of SEK 3.0 million or 16.9%. The adjusted

operating profit (EBITDA) gave an adjusted operating margin of –29.0% for Q1 2021, compared with –51.6% for Q1 2020. The increase is mainly a result of an improved net sales.

Financial income/expense

Net financial income amounted to SEK –1.4 million for Q1 2021 (0.2). The increase can be attributed to higher interest expenses linked to the Company making greater use of its existing overdraft facility in Q1 2021 compared with Q1 2020.

Tax

Tax amounted to SEK 5.1 million for Q1 2021 and refers in its entirety to deferred tax assets due to tax deficits during Q1 2021. The corresponding tax receivable for Q1 was SEK 3.7 million.

Net profit for the year

Profit after tax for Q1 2021 amounted to SEK –19.2 million, compared with SEK –15.7 for Q1 2020. Earnings per share for Q1 2021 amounted to SEK –1.63 and SEK –1.35 for Q1 2020.

Comparison between full-year 2020 and full-year 2019

SEK m	Jan 1 – Dec 31, 2020	Jan 1 – Dec 31, 2019	Change %
Net sales	398.5	334.0	19%
Cost of goods sold	–216.4	–209.2	3%
Gross profit	182.1	124.8	46%
Selling expenses	–56.4	–53.9	5%
Administrative expenses	–36.0	–20.4	76%
Research and development expenses	–33.1	–26.0	27%
Other operating income	0.3	1.2	–75%
Other operating expenses	0	–0.9	–100%
Operating profit	56.9	24.9	129%
Financial income	0.1	1.1	–90%
Financial expense	–1.7	–0.9	89%
Profit after financial items	55.4	25.1	121%
Tax	–12.8	–6.1	110%
Net profit for the year	42.5	19.0	124%

Covid-19

Although the Company experienced logistical challenges in 2020, growth continued at a faster rate than for the rest of the market, with MilDef's revenue up 19.3% during the year. Thanks to its financially strong end-customers in the form of government authorities, the Company's assessment is that the market will remain resistant to pandemic effects.

Net sales

Sales increased by 19.3% to SEK 398.5 million, up from SEK 334.0 million. The increase was purely organic, and it was predominantly the Nordic market that contributed to the increase in net sales. A stronger Swedish krona contributed negatively to net sales for full-year 2020.

Geographical markets

The development in net sales differs by geographical market. In Sweden, net sales in 2020 amounted to SEK 107.0 million, an increase of 18.9% or SEK 17.0 million compare with the 2019 figure of SEK 90.0 million. The development was primarily driven by the strong market development and increased defense appropriations. In the rest of the Nordic region, net sales in 2020 amounted to SEK 164.1 million, an increase of 50.7% or SEK 55.2 million compared with the 2019 figure of SEK 108.9 million. The trend was primarily driven by strong development in the Norwegian market. In Europe, excluding the Nordic region, net sales in 2020 amounted to SEK 49.5 million, a decrease of 10.6% or SEK 5.9 million compared with the 2019 figure of SEK 55.4

million. In North America, net sales in 2020 amounted to SEK 67.5 million, a decrease of 6.3% or SEK 4.5 million compared with the 2019 figure of SEK 72.0 million. Net sales in other countries in 2020 amounted to SEK 10.3 million, an increase of 32.1% or SEK 2.5 million compared with SEK 7.8 million for full-year 2019.

Gross profit

Gross profit improved from SEK 124.8 million to SEK 182.1 million, corresponding to a gross margin of 45.7% for full-year 2020, compared with 37.4% for full-year 2019. The main reason for the increase in gross margin is higher transaction volumes, a more favorable product mix and a weaker US dollar in the latter part of the year. A higher proportion of direct sales to public authorities in 2020 also had a positive impact on the gross margin.

Operating expenses

Selling expenses increased by SEK 2.5 million, from SEK 53.9 million for full-year 2019 to SEK 56.4 million for full-year 2020. Administrative expenses increased to SEK 36.0 million for full-year 2020, compared with SEK 20.4 million for full-year 2019. The increase in administrative expenses for full-year 2020 is explained by a strengthened internal organization and higher consultancy expenses, both related to the Company's increased level of internationalization and the listing process. The Company has continued to invest in product development, leading to an increase in research and development expenses to SEK 33.1 million for full-year 2020, compared with SEK 26.0 million for full-year 2019. Total operating expenses for full-year 2020 amounted to SEK 125.5 million, corresponding to 31.5% of full-year net sales. Total operating expenses for full-year 2019 were SEK 100.3 million, corresponding to 30.0% of full-year net sales.

Operating profit (EBIT) and operating margin (EBIT margin)

Operating profit (EBIT) for full-year 2020 increased to SEK 56.9 million, representing profit growth of 128.5% compared with the previous year. The operating margin for full-year 2020 was 14.3%, compared with 7.4% for full-year 2019. Adjusted for non-recurring items, operating profit for full-year 2020 amounted to SEK 61.2 million, corresponding to an operating margin of 15.4%. For full-year 2019, the adjusted and reported operating margins were the same, at 7.4%.

Adjusted operating profit (EBITDA) and adjusted EBITDA margin

Operating profit (EBITDA) for full-year 2020 increased to SEK 68.5 million, representing profit growth of 90.8%, compared with the previous year. The operating margin for full-year 2020 was 17.2%, compared with 10.7% for full-year 2019. The adjusted operating profit (EBITDA) improved significantly for full-year 2020. The adjusted operating profit (EBITDA) for full-year 2019 was SEK 35.9 million, increasing to SEK 72.8 million for full-year 2020, an increase of 102.8%. The adjusted operating profit (EBITDA) gave an adjusted operating margin of 18.3% for full-year 2020 and 10.7% for full-year 2019. The increase is a result of higher transaction volumes combined with an improved gross margin.

Financial income/expense

Net financial income amounted to SEK -1.5 million for full-year 2020 (0.2). The increase can be attributed to higher interest expense linked to the Company making greater use of its existing overdraft facility in full-year 2020 compared with full-year 2019.

Tax

Tax for full-year 2020 amounted to SEK 12.8 million. The corresponding figure for full-year 2019 was SEK 6.1 million. Tax for full-year 2020 was equivalent to an effective tax rate of 23.1%, compared with 24.3% for full-year 2019.

Net profit for the year

Profit after tax for full-year 2020 increased by SEK 23.5 million, equivalent to profit growth of 123.8% compared with full-year 2019. Earnings per share for full-year 2020 amounted to SEK 3.66 and SEK 1.64 for full-year 2019.

Comparison between full-year 2019 and full-year 2018

SEK m	Jan 1 – Dec 31, 2019	Jan 1 – Dec 31, 2018	Change %
Net sales	334.0	243.8	37%
Cost of goods sold	-209.2	-152.1	38%
Gross profit	124.8	91.7	36%
Selling expenses	-53.9	-37.9	42%
Administrative expenses	-20.4	-18.5	10%
Research and development expenses	-26.0	-17.7	47%
Other operating income	1.2	0.8	54%
Other operating expenses	-0.9	-0.5	80%
Operating profit	24.9	17.8	40%
Financial income	1.1	5.2	-79%
Financial expense	-0.9	-3.8	-76%
Profit after financial items	25.1	19.2	31%
Tax	-6.1	-7.1	-14%
Net profit for the year	19.0	12.1	57%

Net sales

Net sales increased by 37.0% to SEK 334.0 million, up from SEK 243.8 million. The increase was purely organic, and it was predominantly the Nordic market that contributed to the increase in net sales. A weaker Swedish krona contributed positively to net sales for full-year 2019.

Geographical markets

The development in net sales differs by geographical market. In Sweden, net sales in 2019 amounted to SEK 90.0 million, an increase of 20.0% or SEK 15.0 million compared with the 2018 figure of SEK 75.0 million. The development was primarily driven by the strong market development and increased defense appropriations. In the rest of the Nordic region, net sales in 2019 amounted to SEK 108.9 million, an increase of 71.8% or SEK 45.5 million compared with the 2018 figure of SEK 63.4 million. The trend was primarily driven by strong development in the Norwegian market. In Europe, excluding the Nordic region, net sales in 2019 amounted to SEK 55.4 million, an increase of 37.1% or SEK 15.0 million compared with the 2018 figure of SEK 40.4 million. In North America, net sales in 2019 amounted to SEK 72.0 million, an increase of 29.3% or SEK 16.3 million compared with the 2018 figure of SEK 55.7 million. Net sales in other countries in 2019 amounted to SEK 7.8 million, which was a decrease of 16.1% or SEK 1.5 million compared with SEK 9.3 million for full-year 2018.

Gross profit

Gross profit improved from SEK 91.7 million to SEK 124.8 million, an increase of 36.1%. The gross margin was largely identical for full-years 2019 and 2018, at 37.4% in 2019 and 37.6% in 2018.

Operating expenses

Selling expenses increased by SEK 16.0 million, from SEK 37.9 million for full-year 2018 to SEK 53.9 million for full-year 2019. The increase in selling expenses for full-year 2019 is mainly explained by a strengthened sales organization and higher selling expenses, both related to the Company's increased growth ambitions. Administrative expenses increased to SEK 20.4 million for full-year 2019, compared with SEK 18.5 million for full-year 2018. The Company has continued to invest in product development, leading to an increase in research and development expenses to SEK 26.0 million for full-year 2019, compared with SEK 17.7 million for full-year 2018. Total operating expenses for full-year 2019 amounted to SEK 100.3 million, corresponding to 30.0% of full-year net sales. Total operating expenses for full-year 2018 were SEK 74.2 million, corresponding to 30.4% of full-year net sales.

Operating profit (EBIT) and operating margin (EBIT margin)

Operating profit (EBIT) for full-year 2019 increased to SEK 24.9 million, representing profit growth of 39.9% compared with the previous year. The operating margin for full-year 2019 was 7.4%, which was the same as full-year 2018.

Adjusted operating profit (EBITDA) and adjusted EBITDA margin

Operating profit (EBITDA) improved significantly in full-year 2019. For full-year 2019 the operating profit increased to SEK 35.9 million, representing profit growth of 48.3% compared with the previous year. The operating margin for full-year 2019 was 10.7%, which was the same as full-year 2018 (9.9%). The adjusted operating profit (EBITDA) was the same as reported for 2018 and 2019. The increase is a result of higher transaction volumes.

Financial income/expense

Net financial income amounted to SEK 0.2 million for full-year 2019, compared with SEK 1.4 million for full-year 2018. The decline in net financial income from 2018 to 2019 is directly attributable to the Company posting significant exchange rate gains not related to operations for full-year 2018.

Tax

Tax for full-year 2019 amounted to SEK 6.1 million. The corresponding figure for full-year 2018 was SEK 7.1 million. Tax for full-year 2019 was equivalent to an effective tax rate of 24.3%, compared with 37.0% for full-year 2018.

Net profit for the year

Profit after tax for full-year 2019 increased by SEK 6.9 million, equivalent to profit growth of 57.0% compared with full-year 2018. Earnings per share for full-year 2019 were SEK 1.64 and SEK 1.04 for full-year 2018.

Liquidity and capital resources

MilDef's liquidity requirements mainly arise as a consequence of the need to finance working capital and investments in property, plant and equipment and intangible assets, but also business acquisitions. The main sources of liquidity have historically been the cash flow from operating

activities and the overdraft facility. After the Offering, MilDef expects to be able to rely on the cash flow from operating activities and utilizing the overdraft facility to obtain sufficient funds for its operations (see the section "*Capitalization, indebtedness and other financial information*").

Cash flow

SEK m	January 1 – March 31 Unaudited		January 1 – December 31 Audited		
	2021	2020	2020	2019	2018
Cash flow from operating activities	-11.1	20.8	61.7	-7.9	25.8
Cash flow from investing activities	-37.4	0.0	-8.6	-2.7	-3.6
Cash flow from financing activities	27.9	3.2	-14.4	-12.0	-17.9
Cash flow for the period	-20.6	24.0	38.7	-22.6	4.3

Comparison between January–March 2021 and January–March 2020**Cash flow from operating activities**

Cash flow from operating activities for Q1 2021 amounted to SEK 11.1 million compared with SEK 20.8 million for the same period in 2020. The cashflow from changes in the working capital amounted to 15.6 (41.9). The increase in inventories and accounts receivable had a negative effect on working capital of SEK 14.1 million and SEK 26.2 million, respectively, but was offset by a positive effect from an increase in accounts payable during the quarter of a total of SEK 9.2 million. The higher level of accounts receivable is mainly attributable to a high proportion of deliveries during the latter part of the quarter.

Cash flow from investing activities

Cash outflow from investing activities was SEK -37.4 million (0.0). The decrease was primarily a result of the acquisition of Sysint AS, which caused net cash outflows of SEK -28.5 million. The cash outflow from investing activities

regarding property, plant and equipment and intangible assets, amounted to SEK -8.9 million (0.0), and largely refers to investments in MilDef's new production facility and head office.

Cash flow from financing activities

Cash outflow from financing activities was SEK 27.9 million (3.2). The change from the previous year is primarily a result of the acquisition credit of SEK 30 million obtained during the quarter.

Comparison between the 2020 and 2019 financial years**Cash flow from operating activities**

Cash flow from operating activities in 2020 amounted to SEK 61.7 million, an increase of SEK 69.6 million compared with SEK -7.9 million in 2019. The increase was primarily driven by a positive impact from changes in working capital, but the significantly improved operating profit (EBIT) also contributed materially. The SEK 11.3 million increase in inventories partly offset the improved cash flow from operating activities.

Cash flow from investing activities

Cash outflow from investing activities in 2020 was SEK –8.6 million, a decrease of SEK –5.9 million compared with SEK –2.7 million in 2019. Investments in property, plant and equipment and intangible assets caused net cash outflows of SEK –5.4 million and SEK –3.5 million respectively in 2020, and SEK –1.2 million and SEK –1.5 million respectively in 2019. The increase in property, plant and equipment is predominantly linked to the Company's move to new premises in Helsingborg and investments in increased production capacity at the new premises. The cash outflow from investing activities regarding intangible assets mainly relates to new product development.

Cash flow from financing activities

Cash outflow from financing activities in 2020 was SEK –14.4 million, a decrease of SEK –2.4 million compared with SEK –12.0 million in 2019. The cash outflow in 2020 mainly consisted of dividend to shareholders and repayment of lease liabilities.

Comparison between the 2019 and 2018 financial years**Cash flow from operating activities**

Cash flow from operating activities in 2019 amounted to SEK –7.9 million, a decrease of SEK 33.7 million compared with SEK 25.8 million in 2018. The decrease was primarily a

result of changes in working capital, which had a significant negative impact. The main reason for the negative change in working capital was strong invoicing in the latter part of 2019, pushing accounts receivable to historically high levels. Moreover, a SEK 11.7 million increase in inventories contributed to the decrease in cash flow from operating activities. The decrease was partly offset by a SEK 7.1 million increase in operating profit (EBIT) for full-year 2019 compared with full-year 2018.

Cash flow from investing activities

Cash outflow from investing activities in 2019 was SEK –2.7 million, a decrease of SEK 0.9 million compared with SEK –3.6 million in 2018. Investments in property, plant and equipment and intangible assets caused net cash outflows of SEK –1.2 million and SEK –1.5 million respectively in 2019, and SEK –0.2 million and SEK –2.9 million in 2018.

Cash flow from financing activities

Cash outflow from financing activities in 2019 was SEK –12.0 million, a decrease of SEK 5.9 million compared with SEK –17.9 million in 2018. The decrease was mainly a result of a reduced dividend to shareholders in 2019 compared with 2018. The cash outflow in 2019 mainly consisted of dividend to shareholders and repayment of lease liabilities.

MilDef's net working capital requirements

The table below summarizes MilDef's net working capital requirements for the 2018, 2019 and 2020 financial years and for the January–March period in 2020 and in 2021.

SEK m	January 1 – March 31		January 1 – December 31		
	2021	2020	2020	2019	2018
Inventories	67.4	53.3	57.3	46.7	34.8
Accounts receivable	40.4	14.2	161.4	125.8	82.8
Other current receivables	15.9	9.5	13.3	11.7	5.9
Working capital, assets	123.7	77.0	232.0	184.3	123.5
Accounts payable	–28.3	–19.1	–62.8	–43.6	–16.1
Other current liabilities	–70.7	–23.0	–96.4	–62.5	–64.1
Working capital, liabilities	–99.0	–42.1	–159.2	–106.1	–80.2
Net working capital	24.7	34.9	72.8	78.2	43.3
<i>relative to net sales RTM (%)</i>	<i>6.0%</i>	<i>10.5%</i>	<i>18.3%</i>	<i>23.4%</i>	<i>17.8%</i>

Comparison between January–March 2021 and January–March 2020

The Company's tied-up capital in inventories increased from SEK 53.3 million on March 31, 2020 to SEK 67.4 million on March 31, 2021. The increase of SEK 14.1 million is equivalent to 26.5%. Inventories as a percentage of net sales for the last 12 months was 16.2% on March 31, 2021, which was the same as on March 31, 2020. Accounts receivable were significantly higher on March 31, 2021 compared with March 31, 2020, which is a result of the Company's continued growth. Total working capital assets as of March 31, 2021 were SEK

123.7 million, compared with SEK 77.0 million as of March 31, 2020. The increase in accounts payable and other current liabilities from SEK 42.1 million on March 31, 2020 to SEK 99.0 million on March 31, 2021 offsets the negative effect of higher working capital assets. Overall, the Company's net working capital increased from SEK 34.9 million on March 31, 2020 to SEK 24.7 million on March 31, 2021. The Company's net working capital as a percentage of net sales for the last 12 months fell to 6.0% on March 31, 2021 from 10.5% on March 31, 2020.

Comparison between the 2020 and 2019 financial years

The Company's tied-up capital in inventories increased from SEK 46.7 million on December 31, 2019 to SEK 57.3 million on December 31, 2020. The increase of SEK 10.6 million is equivalent to 22.7%. Inventories as a percentage of net sales was 14.4% in 2020, which was the same as in 2019. Accounts receivable were at historically high levels on December 31, 2020, which is a result of a high share of invoicing taking place in Q4. This is in line with the seasonal pattern that the Company has experienced in the past. Total working capital assets as of December 31, 2020 were SEK 232.0 million, compared with SEK 184.3 million as of December 31, 2019. The increase in accounts payable and other current liabilities from SEK 106.1 million in 2019 to SEK 159.2 million in 2020 offsets the negative effect of higher working capital assets. Overall, the Company's net working capital decreased from SEK 78.2 million on December 31, 2019 to SEK 72.8 million on December 31, 2020. The Company's net working capital as a percentage of net sales for the year fell to 18.3% in 2020 from 23.4% in 2019.

Comparison between the 2019 and 2018 financial years

The Company's tied-up capital in inventories increased from SEK 34.8 million on December 31, 2018 to SEK 46.7 million on December 31, 2019. The increase of SEK 11.9 million is equivalent to 34.2%. Inventories as a percentage of net sales was 14.0% in 2019, which was the same as in 2018. Accounts receivable were significantly higher as of December 31, 2019 than December 31, 2018. This is a result of a high share of invoicing taking place in Q4, which in itself is in line with the Company's historical seasonal pattern. Total working capital assets as of December 31, 2019 were SEK 184.3 million, compared with SEK 123.5 million as of December 31, 2018. The increase in accounts payable and other current liabilities from SEK 80.2 million in 2018 to SEK 106.1 million in 2019 offsets the negative effect of higher working capital assets.

Overall, the Company's net working capital increased from SEK 43.3 million on December 31, 2018 to SEK 78.2 million on December 31, 2019. The Company's net working capital as a percentage of net sales increased to 23.4% in 2019 from 17.8% in 2018.

Property, plant and equipment

At March 31, 2021, MilDef's property, plant and equipment totaled SEK 15.0 million and mainly consisted of testing and verification equipment, production-related assets, and non-current assets related to the Company's rented real estate used for business operations in Helsingborg. MilDef had no pledged assets relating to property, plant and equipment as of March 31, 2021.

Intangible assets

At March 31, 2021, MilDef had intangible assets attributable to acquisitions, which amounted to SEK 124.2 million and capitalized product development with a carrying amount of SEK 7.4 million.

Research and development

The table below shows MilDef's research and development expenses for the 2018, 2019 and 2020 financial years and for the January–March period in 2020 and in 2021. Expenditure for development activities is expensed as it arises, unless the development activities meet the capitalization criteria, i.e.:

- » the product being developed is assessed to be technically and commercially viable, and
- » the Group intends and is able to complete and sell the product, and
- » development is taking place at the Group's own risk and is being fully financed by the Group, i.e., customer-financed development is not capitalized.

SEK m	January 1 – March 31		January 1 – December 31		
	2021	2020	2020	2019	2018
Research and development expenses, net	10.2	6.9	33.1	26.0	17.7
Capitalized product development	–	–	3.5	1.5	2.9
Research and development expenses, gross	10.2	6.9	36.6	27.5	20.6
Net sales	51.0	34.5	398.5	334.0	243.8
Research and development expenses, gross, as a percentage of net sales	20.0%	20.0%	9.2%	8.2%	8.4%

Investments

MilDef invests in property, plant and equipment and intangible assets on an ongoing basis. The need for investments in property, plant and equipment is moderate because most of the Group's production consists of assembly, which does not require substantial investments in production equipment. MilDef did not carry out any acquisitions in the period 2018–2020. The Norwegian company Sysint AS was acquired in Q1 2021.

The table below summarizes MilDef's total investments for the 2018, 2019 and 2020 financial years and for the January–March period in 2020 and in 2021.

SEK m	January 1 – March 31		January 1 – December 31		
	2021	2020	2020	2019	2018
Acquisition of subsidiaries	-113.6	–	–	–	–
Capitalized product development	–	–	-3.5	-1.5	-2.9
Other intangible assets	–	–	–	–	–
Investments in property, plant and equipment	-8.9	0.0	-5.4	-1.2	-0.2
Total investments	103.4	0.0	-8.9	-2.7	-3.1

Comparison between January–March 2021 and January–March 2020

In Q1, 2021, MilDef completed the acquisition of the Norwegian company Sysint AS. In Q1 2020, no acquisitions were made. The Company's investments in tangible assets amounted to SEK 8.9 million in Q1 2021, compared with SEK 0.0 million during the same period the previous year. In Q4 2020, the Company moved its head office and production facility to new premises in Helsingborg. In 2021, MilDef invested in property, plant and equipment directly attributable to the new premises and the increased production capacity there.

Comparison between the 2020 and 2019 financial years

The Company's investments in property, plant and equipment in 2020 amounted to SEK 5.4 million, compared with SEK 1.2 million in the 2019 financial year. In Q4 2020, the Company moved its head office and production facility to new premises in Helsingborg. In 2020, MilDef invested in property, plant and equipment directly attributable to the new premises and the increased production capacity there. Capitalized product development increased to SEK 3.5 million in 2020 from SEK 1.5 million in 2019. Two significant product development projects carried out in 2020 were the driving force behind the increase.

Comparison between the 2019 and 2018 financial years

The Company's investments in property, plant and equipment in 2019 amounted to SEK 1.2 million, compared with SEK 0.2 million in the 2018 financial year. Development expenses capitalized in the balance sheet decreased from SEK 2.9 million in 2018 to SEK 1.5 million in 2019.

Ongoing and future investments

The Company has no significant ongoing investments, nor any commitments regarding significant future investments, beyond continuous product development within the framework of the operating activities.

Significant changes since March 31, 2021

There have been no significant changes in the Company's financial position or results since March 31, 2021.

Financial exposure and risk management

MilDef's operations are exposed to currency risk, credit risk, liquidity and financing risk, and interest rate risk. To prepare MilDef for becoming a listed company, an in-depth analysis has been carried out aimed at identifying the Group's financial risks, and policies have been drawn up and adopted by the Board of Directors, all with a view to improving the Group's financial risk management. MilDef's financial activities are centralized to provide economies of scale, ensure good internal control and facilitate risk monitoring. The following section contains a concise description of the Group's exposure to financial risk and its policies for risk management.

Currency exposure

MilDef is active in various geographical markets and conducts transactions denominated in foreign currencies, which entails exposure to exchange rate movements. Currency exposure and, with it, currency risk arise in connection with payments in foreign currency (transaction exposure) and translation of balance sheets and income statements of foreign subsidiaries to SEK (translation exposure). These two types of exposure are explained separately below.

Transaction exposure

Transaction exposure primarily arises when MilDef's products are sold in other countries and in other currencies. Sales on each individual market mainly take place in local currencies. These payment streams give rise to currency exposure, which can impact the Group's profits in the event of exchange rate fluctuations. The most important currencies for full-year 2020, measured by impact on the Group's operating profit, were USD, NOK, DKK and GBP. In the ordinary course of business, a net surplus or net deficit arises in a certain currency. The values of the net positions fluctuate as a result of changes in the exchange rates, giving rise to transaction exposure.

The Group's policy seeks to reduce exposure by matching inflows and outflows in the same currency. Based on the assumption that currency hedging has no material impact on the Group's results in the long term, the policy recommends that transaction exposure is not hedged on an ongoing basis. However, hedging may be justified in the case of long contracts where there is no possibility of changing the contract price or the costs associated with the contract, or in the case of larger individual transactions where the size of the customer's commitment deviates markedly from normal amounts in the course of business.

Translation exposure – income statement

Currency exposure arises when translating the results of foreign subsidiaries to SEK, which impacts the Group's results if the exchange rates fluctuate.

Translation exposure – balance sheet

This type of currency exposure arises when translating net assets in foreign subsidiaries to SEK, which can impact MilDef's other comprehensive income. The net exposure in each currency corresponds to the net amount of assets and liabilities denominated in the currency. The Group's general policy for managing translation exposure is that it should be reduced by matching assets and liabilities in the same currency.

Interest rate exposure

Interest rate risk relates to changes in market interest rates that impact the Group's net interest income. How quickly the interest rate change impacts net interest income depends on the loan's fixed-interest period. The Group's Finance Policy states that the Company is to be vigilant in monitoring market interest rate development and act if it can be expected to have a negative impact on the Group's operating profit.

Liquidity and financing risk

Liquidity and financing risk refers to the risk of the Company not being able to meet its payment obligations as a result of insufficient liquidity or difficulties raising external loans at acceptable terms. The Group works actively to have effective liquidity management systems in place that aim to minimize the risk of liquidity shortfalls.

Credit and counterparty risk

The Company's financial transactions give rise to credit risk in relation to financial counterparties. Credit or counterparty risk refers to the risk of losses if the counterparty fails to meet their obligations. MilDef's Finance Policy states that the credit risk is to be limited by accepting only counterparties with good creditworthiness and by imposing preset limits. The Group's liquidity is invested as bank deposits with negligible credit risk. Commercial credit risk is limited by a customer base with good creditworthiness. Provisions are to be made for accounts receivable that are considered doubtful, which impacts the Group's operating profit. At December 31, 2020, there were no provisions for doubtful receivables.

Capitalization, indebtedness and other financial information

The tables in this section show MilDef's capitalization and net indebtedness as of March 31, 2021, i.e. the last reporting date before the Offering. The following information should be read in conjunction with the sections "*Operational and financial overview*" and "*Share capital and ownership structure*", and the Company's consolidated financial statements with notes, which can be found elsewhere in the Prospectus.

Capitalization

The table below shows the Company's capitalization as of March 31, 2021 and after completion of the Offering, assuming that the Offering is fully subscribed, (excluding the Over-Allotment Option and that the Offering is not increased) after costs relating to the Offering. The table includes only interest-bearing liabilities.

SEK m	As of March 31, 2021	New share issue	As of March 31, after completion of the Offering
Current liabilities			
Guaranteed	–	–	–
Secured	–	–	–
Not guaranteed//secured	48.5	–	48.5
Total current liabilities	48.5	–	48.5
Non-current liabilities			
Guaranteed	–	–	–
Secured	–	–	–
Not guaranteed//secured	66.1	–	66.1
Total non-current liabilities	66.1	–	66.1
Equity			
Share capital	6.2	2.7	8.9
Reserve fund(s)	–	–	–
Other reserves	123.7	367.2	490.9
Total	129.9	370.0	499.9

Net indebtedness

The table below shows the Company's net indebtedness as of March 31, 2021 and after completion of the Offering, assuming that the Offering is fully subscribed, (excluding the

Over-Allotment Option and that the Offering is not increased) after costs relating to the Offering. The table includes only interest-bearing liabilities. The Company had no contingent liabilities or indirect debts as of March 31, 2021.

SEK m	As of March 31, 2021	New share issue	As of March 31, after completion of the Offering
(A) Cash and bank	28.5	370.0	398.5
(B) Other cash equivalents	–	–	–
(C) Other financial assets	–	–	–
(D) Total liquidity (A + B + C)	28.5	370.0	398.5
(E) Current financial liabilities	48.5	–	48.5
(F) Current share of non-current financial liabilities	–	–	–
(G) Current financial indebtedness (E + F)	48.5	–	48.5
(H) Current financial indebtedness net (G – D)	20.0	–370.0	–350.0
(I) Non-current financial liabilities	66.1	–	–
(J) Debt instrument	–	–	–
(K) Accounts payable and other liabilities	–	–	–
(L) Non-current financial indebtedness (I + J + K)	66.1	–	–
(M) Total financial indebtedness	86.1	–370.0	–283.9

Financial liabilities

Financial liabilities in the above report include leasing liabilities. As of March 31, 2021, current lease liabilities amounted to SEK 8.8 million and non-current lease liabilities to SEK 57.1 million. Total financial indebtedness as of March 31, 2021 excluding lease liabilities amounted to SEK 20.2 million.

Statement on working capital

The Company considers the existing working capital sufficient to meet the Company's needs over the 12-month period starting on the Prospectus date (that is, before the implementation of the New Issue). "Working capital" here refers to the Company's ability to access cash and cash equivalents to meet its payment obligations as and when they fall due.

Financing agreements

Credit facility agreement with Handelsbanken

The Company has entered into a credit facility agreement for a revolving Group-wide credit facility that can be utilized by the Company and the Subsidiaries. The loan facility consists of a cash pool of SEK 50 million provided by Handelsbanken and matures on December 31, 2021. The bank has committed to extend the credit to December 31, 2022. The Company and Subsidiaries have provided security to the bank for their obligations. The security mainly consists of guarantee commitments from the Company for the Subsidiaries' obligations to the bank and chattel mortgages. As of March 31, 2021, SEK 0 of the credit facility had been utilized.

The Company pays contract interest of 0.40% on the maximum amount of the facility and interest on outstanding credit amounts based on the relevant reference interest rate plus a margin. The bank has set as a condition for the granting of credit that the Company shall make certain commitments regarding equity/assets ratio and EBITDA. The agreement has otherwise been entered into on the bank's general terms. The agreement contains customary guarantees and commitments, and there are no restrictions on dividends.

Credit agreement with SEB

On March 9, 2021 the Company entered into a credit agreement with SEB for credit of SEK 30 million to fund the acquisition of Sysint AS. The repayment period is seven months, with the option to extend by one month. However, under a separate covenant with the bank, the Company must repay the credit no later than 30 days after the IPO is completed or earlier if the bank so requests. Repayment is intended to be made using the issue proceeds. The credit interest rate at the disbursement date is 1.75% but may be changed, including if there is a change in the bank's costs for capital cover. The credit agreement contains customary promises, commitments, disclosure requirements and grounds for termination. It also restricts the Company's ability to raise debt, provide security, divest assets and modify the business. The above-mentioned loan facility with Handelsbanken with associated chattel mortgages as security is disregarded in this respect.

Pension obligations

The Company contributes to defined-contribution pension plans for all personnel. The Company does not have any defined-benefit pension plans. For further information, see Note 8.

Off-balance sheet items

The Group is not party to any off-balance sheet arrangements that have or may reasonably be expected to have a material current or future impact on the Group's financial position, revenues or expenses, profit, liquidity, capital expenditure or financial resources.

Board of Directors, senior executives and auditor

Board of Directors

The Company's Board of Directors consists of six (6) ordinary members, including the Chairman, without deputy members. All the board members have been elected for the period until the end of the 2022 Annual General Meeting. Pursuant to the Swedish Corporate Governance Code (the "Code"), more than half of the board members elected at the Annual General Meeting are to be independent of the Company and its management. At least two of the board members elected at the Annual General Meeting who are independent in relation to the Company and its management must also be independent of the Company's major shareholders. The table below shows the members of the Board, when they were first elected to the Board, and whether they are independent of the Company and Management Team and/or the major shareholders.

Name	Position	Board member since	Independent of the Company and Management Team	Independent of major shareholders
Jan Andersson	Chairman	2015–2017, 2018	Yes	Yes
Marianne Trolle	Board member	1998	No	No
Berndt Grundevik	Board member	2018	No	Yes
Christian Hammenborn	Board member	2017	Yes	No
Charlotte Darth	Board member	2020	Yes	Yes
Lennart Pihl	Board member	2020	Yes	Yes

The following pages present more detailed information on the board members, including their education, experience, current and previous positions, and holding in the Company.¹⁾

1) The holding is stated as of the Prospectus date and includes, where appropriate, holdings of related parties, both natural persons and legal entities.



Jan Andersson

born 1959, Chairman of the Board 2015–2017 and since 2018.

Education: Master of Science (MSc) Computer Science, Institute of Technology at Linköping University.

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

Previous positions (past five years): Chairman of the Board of Fast2 Affärssystem AB.

Holding in the Company: 549,000 shares.



Marianne Trolle

born 1956, board member since 1998.

Education: Studies in economics, law and leadership in Helsingborg.

Other current positions: Trolle Management AB.

Previous positions (past five years): Board member of MilDef Products AB, MilDef International AB, MilDef AS, MilDef Ltd and MilDef Inc.

Holding in the Company: 5,209,652 shares.



Berndt Grundevik

born 1956, board member since 2018.

Education: Swedish Defence University.

Other current positions: Board member and CEO of Top level AB and member of SBB's advisory board.

Previous positions (past five years): –

Holding in the Company: –



Christian Hammenborn

born 1965, board member since 2017.

Education: Master of Laws (LL.M.), Lund University.

Other current positions: Board member of Hammenborn Advokatbyrå AB.

Previous positions (past five years): Partner, Advokatfirman Lindahl Kommanditbolag.

Holding in the Company: –



Charlotte Darth

born 1968, board member since 2020.

Education: MSc Business Administration & Economics, Stockholm University.

Other current positions: CEO of Binero Group AB (publ) and board member of Intervalor AB.

Previous positions (past five years): CEO of Affecto Sweden AB and Readsoft Sverige AB, and board member of Binero Group AB (publ).

Holding in the Company: –



Lennart Pihl

born 1950, board member since 2020.

Education: MSc Business Administration & Economics, Lund University.

Other current positions: Board member of Midway Holding AB, Myloc Holding AB, Bertex Mail AB, ALG Holding AB and Nordic Vehicle AB.

Previous positions (past five years): Chairman of the Board of Green Cargo AB, Nordic Room Improvement Holding AB, INGAPÉ AB and HXH International AB. Board member of Advenica AB, Avega Group AB and Poolia AB.

Holding in the Company: –

The following pages present more detailed information on the Company's senior executives, including their education, experience, current and previous positions, and holding in the Company.¹⁾

Senior executives



Björn Karlsson

born 1973. CEO since 2018.

Education: Technical college graduate.

Other current positions: Chairman of the Board of MilDef Products AB, Sysint AS and MilDef Sweden AB.

Previous positions (past five years): CEO and Chairman of the Board of MilDef International AB.

Holding in the Company: 1,161,844 shares and 274,500 call options²⁾.



Daniel Ljunggren

born 1980. Chief Financial Officer since 2011.

Education: Master of Business Administration, Kristianstad University.

Other current positions: Chairman of the Board of MilDef International AB and MilDef AS, and board member of MilDef Products AB, MilDef Ltd, Sysint AS, MilDef Sweden AB, MilDef Inc and Lergöken Invest AB.

Previous positions (past five years): –

Holding in the Company: 1,321,844 shares³⁾.



Fredrik Persson

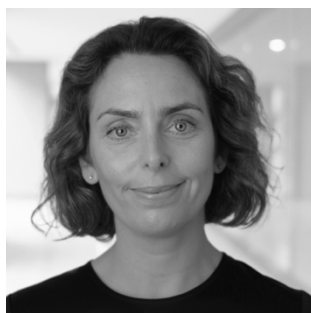
born 1981. Chief Technology Officer since 2020.

Education: MSc Radioelectronics and Electromagnetic Field Theory, Faculty of Engineering at Lund University.

Other current positions: Board member of MilDef Products AB.

Previous positions (past five years): Deputy Managing Director and Head of Development at MilDef Products AB.

Holding in the Company: 8,000 shares and 440,800 call options⁴⁾.



Karin Svalander

born 1978. General Counsel since 2020.

Education: Master of Laws (LL.M.), Uppsala University.

Other current positions: Board member of MilDef International AB, MilDef Sweden AB, MilDef Products AB, MilDef AS, Sysint AS and MilDef Inc.

Previous positions (past five years): Deputy board member of Invono Fund AB, CLO at Invono AB and lawyer at LRF Konsult.

Holding in the Company: –



Ola Alfredsson

born 1964. Chief Commercial Officer, VP Strategic Projects since 2021.

Education: Marinens Officerhögskola (Swedish naval officer academy).

Other current positions: : Chairman of the Board of MilDef Inc., and board member of MilDef International AB, MilDef Ltd., MilDef Sweden AB and PrimeKey Solutions AB.

Previous positions (past five years): Counselor, Embassy of Sweden in Washington, D.C., USA.

Holding in the Company: –



Per Björnson

born 1978. Chief Operating Officer since 2021.

Education: Officerhögskola/Krigshögskola (Swedish army officer academy), IMD Business School.

Other current positions: CEO of MilDef Products AB.

Previous positions (past five years): Chief Business Support Officer, Helsingborgs Hamn AB; External signatory for Helsingborgs Hamn Aktiebolag.

Holding in the Company: 6,500 shares.

1) The holding is stated as of the Prospectus date and includes, where appropriate, holdings of related parties, both natural persons and legal entities.

2) For information on transfer of shares from MilDef Crete and the call options, see "Share capital and ownership structure".

3) For information on transfer of shares from MilDef Crete, see "Share capital and ownership structure".

4) For information on the call options, see "Share capital and ownership structure".



Johan Holmqvist

born 1972. Head of Investor Relations since 2020.

Education: MSc Business Administration & Economics, Lund University.

Other current positions: –

Previous positions (past five years): Global Transformation Communication Manager at Ingka Group AB, Head of Investor Relations and Corporate Communications at Boozt AB (publ), Vice President Corporate Communications for ReadSoft AB (publ) and Head of Investor Relations for Lime Technologies AB (publ).

Holding in the Company: –



Evelina Hedskog

born 1981. Chief Business Development Officer since 2021.

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

Other current positions: CEO of MilDef Sweden AB, board member of MW Group AB and Naval Reserve Officer (Lt Cdr).

Previous positions (past five years): Head of Products & Strategy at Saab AB, Combat Systems and C4I Solutions Business Unit.

Holding in the Company: –

Other disclosures regarding the Board of Directors and senior executives

There are no family ties between any of the board members or senior executives. There are no conflicts of interest or potential conflicts of interest between the board members' and senior executives' commitments to the Company and their private interests and/or other commitments. However, as stated above, several board members and senior executives have financial interests in MilDef in the form of shareholdings and, in some cases, call options.

In the past five years, no board member or senior executive has (i) been convicted in a fraud-related case, (ii) represented a company that has been declared bankrupt or gone into liquidation or administration, (iii) been subject to prosecution and/or sanctions by a statutory or regulatory authority (including approved professional associations) or (iv) been banned by a court from serving as a member of a company's executive, management or supervisory body or from holding senior or administrative positions in a company.

There are no separate agreements regarding remuneration for board members or senior executives after their appointment or employment ends. The Company does not have provisions or accrued amounts for pensions or similar benefits after board members or senior executives have stepped down from their position or appointment.

All board members and senior executives may be reached at the Company's head office at Muskötgatan 6, 254 66 Helsingborg, Sweden.

Advisory Board

The Company has appointed an Advisory Board consisting of former military officers in countries considered to be prioritized markets. The Chairman is Berndt Grundevik, board member of the Company and former Army Commander in the Swedish Armed Forces. The other members are Odin Johannesen in Norway, Arto Rätty in Finland, Agner Rokos in Denmark, Lee Price in the USA and Sir Nicholas Pope in the United Kingdom. Remuneration is paid with USD 10,000 per year to each member of the advisory board.

Members meet quarterly to discuss trends with the Company's operating management. As well as advice and insights based on their long experience of defense-related issues, the members of the Advisory Board have extensive networks of contacts, which helps the Company to come into contact with potential customers.

Auditors

Since 2016 the Company's independent external auditors have been Andreas Brodström (born 1973) and Bengt Ekenberg (born 1960), who were re-elected at the 2021 Annual General Meeting for the period until the end of the 2022 Annual General Meeting. Both Andreas Brodström and Bengt Ekenberg are authorized public accountants and members of FAR, Sweden's professional organization for authorized public accountants. Andreas Brodström and Bengt Ekenberg have been the auditors throughout the period covered by the historical financial information in the Prospectus. The auditors' office address is Mazars, Terminalgatan 1, 252 78 Helsingborg, Sweden.

Corporate governance

Corporate governance

The Company is a Swedish public limited company. As of the Prospectus date the Company's corporate governance is based on Swedish law, internal regulations and provisions. When the Company's shares have been admitted for trading on Nasdaq Stockholm, the Company will also follow the Nordic Main Market Rulebook for Issuers of Shares and the Swedish Code of Corporate Governance (the Code). The Code is applicable to all Swedish companies whose shares are listed on a regulated market in Sweden. The Company does not need to follow all the rules in the Code, as the Code in itself permits deviation from the rules, provided that any such deviations and the alternative solution chosen are described and the reasons for this are explained in the corporate governance report (in accordance with the "comply or explain principle").

The Company will apply the Code from the date the Company's shares are listed on Nasdaq Stockholm. Any deviations from the Code will be reported in the Company's Corporate Governance Report, which will be prepared for the first time for the 2021 financial year. In its first Corporate Governance Report the Company does not, however, need to explain deviations arising from failure to follow rules that were not applicable during the period covered by the Corporate Governance Report. The Company does not currently expect to report any deviations from the Code in the Corporate Governance Report.

Shareholders' meeting

Under the Swedish Companies Act, the shareholders' meeting is the Company's highest decision-making body. At the shareholders' meeting the shareholders exercise their voting right on key issues, such as adoption of the income statement and balance sheet, allocation of the Company's profits, discharging the board members and the CEO from liability, electing board members and auditors, and voting on fees for the Board of Directors and auditors.

The Annual General Meeting must be held within six months of the end of the financial year. As well as the Annual General Meeting, the shareholders may be summoned to extraordinary shareholders' meetings. According to the Articles of Association, notice of shareholders' meetings is to be published in Post- och Inrikes Tidningar (Sweden's official gazette) and on the Company's website www.mildef.com. The notice of the meeting is also advertised in the Swedish newspaper Dagens Industri.

Right to participate in shareholders' meetings

Shareholders who wish to participate in the proceedings at shareholders' meetings must be registered in the register of shareholders maintained by Euroclear Sweden six banking days prior to the meeting. They must also register with the Company to attend the shareholders' meeting no later than the date indicated in the meeting notice. As well as notifying the Company of their intention to attend the shareholders' meeting, shareholders whose shares have been registered in the name of a nominee, via a bank or other nominee, must request temporary registration in their own name in the register of shareholders maintained by Euroclear Sweden AB to be entitled to participate in the shareholders' meeting. Shareholders may attend shareholders' meetings in person or by proxy and may also be assisted by up to two individuals. There are usually several different ways for shareholders to register to attend a shareholders' meeting, which is specified in detail in the meeting notice. Shareholders are entitled to vote for the full number of shares that they hold.

Initiatives from shareholders

Shareholders who wish to have a matter discussed at the shareholders' meeting must submit a written request to the Board of Directors. The request must normally be received by the Board of Directors no later than seven weeks before the shareholders' meeting.

Nomination Committee

Companies that follow the Code must appoint a Nomination Committee. According to the Code the shareholders' meeting is to appoint the members of the Nomination Committee or indicate how the members are to be appointed. The Code states that the Nomination Committee is to consist of at least three members, one of whom is to be appointed chairman. The majority of the Nomination Committee's members must be independent of the Company and Management Team. At least one member of the Nomination Committee must also be independent of the shareholder with the largest number of votes or the group of shareholders who cooperate on the administration of the Company.

At the Annual General Meeting held on March 30, 2021, a resolution was passed that the Nomination Committee would consist of four members, one of whom would be the Chairman of the Board of Directors. As soon as possible after the end of the third quarter the Chairman of the Board is to contact the three shareholders with the largest number of votes registered by name in the share register maintained by Euroclear Sweden as of August 31, taking into account any other circumstances known to the Chairman of the Board,

and encourage them to appoint their member to the Nomination Committee for the next Annual General Meeting as soon as possible. If any shareholder waives the right to participate in the Nomination Committee, the next largest shareholder is to be given the opportunity to appoint a member to the Nomination Committee. The chairman of the Nomination Committee is to be the member appointed by the shareholder with the largest number of votes, unless the Nomination Committee decides otherwise. Neither the Chairman of the Board nor another board member may be the chairman of the Nomination Committee. The composition of the Nomination Committee is to be announced no later than six months before the next Annual General Meeting by posting details on the Company's website of the names of the members of the Nomination Committee, stating whether the member has been appointed by a certain shareholder.

The Nomination Committee is to prepare and submit proposals to the shareholders at the shareholders' meeting concerning the meeting chairman, number of board members, election of board members and Chairman, election of auditors, directors' and auditors' fees, any changes to the instructions for the Nomination Committee and other issues that may fall to a Nomination Committee in accordance with the Code.

In order to start preparations for the next Annual General Meeting, the Chairman of the Board is to convene a first meeting of the Nomination Committee following election during September or October.

If, more than three months before the Annual General Meeting, a shareholder who has appointed a member to the Nomination Committee is no longer one of the three largest shareholders by number of votes, the member appointed by this shareholder must relinquish their place, and the shareholder who has become one of the three largest by number of votes will be entitled to appoint a member. If there have been only marginal changes in the number of votes, or the change takes place later than three months before the Annual General Meeting, the composition of the Nomination Committee is not changed unless there are particular reasons to do so.

If a member leaves the Nomination Committee before the member's work is complete and the Nomination Committee finds it desirable to appoint a replacement, the shareholder who appointed the outgoing member is to appoint a successor. If the shareholder in question is no longer one of the three largest by number of votes, the shareholder next in line by number of votes is to be given the opportunity to appoint a successor. Any change to the composition of the Nomination Committee is to be announced immediately as specified above. Members of the Nomination Committee do not receive any remuneration. However, the Nomination Committee is entitled to charge any necessary expenses to the Company, for example for recruitment consultants, if this

is considered necessary to find a suitable selection of candidates for the Board. The instructions for the Nomination Committee remain valid until a future shareholders' meeting decides to amend them.

The Board of Directors

The Board of Directors is the Company's highest decision-making body after the shareholders' meeting. According to the Swedish Companies Act the Board of Directors is responsible for the Company's administration and organization, which means the Board is responsible for – among other things – establishing goals and strategies, ensuring that there are routines and systems in place to evaluate performance in relation to established goals, evaluating the Company's results and financial position on an ongoing basis, and evaluating the operational management. The Board of Directors is also responsible for the Company's internal control. In addition, the Board is responsible for ensuring that the annual report and interim reports are prepared in good time. The Board also appoints the Company's CEO.

The Board members are normally elected by the Annual General Meeting for the period until the end of the following Annual General Meeting. According to the Company's Articles of Association the Board, to the extent it is elected by the shareholders' meeting, is to consist of no fewer than three (3) and no more than eight (8) members with no deputy members. According to the Code the Chairman of the Board is to be elected by the Annual General Meeting and have special responsibility for overseeing the work of the Board and for ensuring that the Board's work is well organized and performed efficiently.

The Board follows written rules of procedure which is revised annually and adopted at the statutory board meeting every year. Among other things, the work plan stipulates board practices, functions and the distribution of duties among the Board members and the CEO. At the first board meeting following its election, the Board also adopts instructions for the Board committees, the CEO and financial reporting.

The Board meets according to a schedule established on an annual basis. In addition to these board meetings, further meetings may be convened to discuss issues that cannot be deferred until an ordinary board meeting takes place. In addition to attending board meetings, the Chairman and the CEO conduct an ongoing dialogue concerning management of the Company.

The Company's Board of Directors currently consists of six (6) members elected by the shareholders' meeting, who are presented in the section "*Board of Directors, senior executives and auditors*".

The Board has established two working committees: the Remuneration Committee and the Audit Committee.

The Remuneration Committee

The Company has a Remuneration Committee with two members: Jan Andersson (chairman) and Lennart Pihl. The duties of the Remuneration Committee are set out in its procedural rules which are established each year. The Remuneration Committee is to prepare proposals for principles for remuneration, forms of remuneration and other terms of employment for the Company's senior executives. The Remuneration Committee is also tasked with monitoring and evaluating the Company's ongoing program for remuneration of senior executives and the program completed during the year, together with application of the guidelines for remuneration of senior executives which must by law be decided by the shareholders' meeting, as well as relevant remuneration structures and levels in the Company.

Audit Committee

The Company has an Audit Committee with three members: Lennart Pihl (chairman), Charlotte Darth and Christian Hammenborn. The duties of the Audit Committee are set out in its procedural rules which are established each year. Among other things, and without affecting the other responsibilities and duties of the Board of Directors, the Audit Committee is to supervise the Company's financial reporting, monitor the effectiveness of the Company's internal control, internal audit and risk management, keep itself informed about the audit of the annual accounts and consolidated financial statements, monitor the handling of related party transactions, scrutinize and monitor the auditor's impartiality and independence, and in so doing draw particular attention to non-audit services that the auditor provides to the Company, and assist in drawing up proposals for election of auditor at the shareholders' meeting.

The Chief Executive Officer and other senior executives

The CEO reports to the Board of Directors and is responsible for the ongoing administration of the Company and its day-to-day operations. The distribution of duties between the Board and the CEO is stipulated in the Board's rules of procedure and in the instructions for the CEO. The CEO is

also responsible for preparing reports and compiling information from the Management Team in preparation for board meetings and is to present this material at the board meetings.

According to the instructions for financial reporting, the CEO is responsible for the Company's financial reporting and consequently must ensure that the Board of Directors receives sufficient information to be able to evaluate the Company's financial position on an ongoing basis.

The CEO is to keep the Board continually informed of the performance of the Company's operations, sales development, the Company's earnings and financial position, liquidity and credit situation, important business events and all other events, circumstances or situations that can be assumed to be of material significance to the Company's shareholders.

The CEO and other senior executives are presented in the section "*Board of Directors, senior executives and auditor*".

Remuneration for board members, the CEO and senior executives

Remuneration for board members

Fees and other remuneration for board members, including the Chairman, are set by the shareholders' meeting. Fees of SEK 350,000 for the Chairman of the Board and SEK 175,000 for all other board members who are not employees of MilDef were approved at the Annual General Meeting on March 30, 2021. The chairman and members of the Audit Committee receive additional fees of SEK 60,000 and SEK 30,000 respectively. The chairman and members of the Remuneration Committee receive additional fees of SEK 25,000 and SEK 20,000 respectively. Board members have no entitlement to any benefits after their assignment as board members has finished.

Board fees in the 2020 financial year

The table below shows remuneration for board work and other remuneration paid to the Chairman and other board members in the 2020 financial year.

Name	Director's fee	Salary/ consulting fee	Variable remuneration	Pension expense	Other benefits	Total
Jan Andersson	141,900	–	–	–	–	141,900
Marianne Trolle	–	–	–	–	–	–
Berndt Grundevik	94,600	125,221 ¹⁾	–	–	–	219,821
Christian Hammenborn	94,600	147,392 ²⁾	–	–	–	241,992
Lennart Pihl	–	–	–	–	–	–
Charlotte Darth	–	–	–	–	–	–
Total	331,100	272,613	–	–	–	603,713

1) For more information on Berndt Grundevik's consulting assignment, see "*Legal considerations and supplementary information – Transactions with related parties*".

2) For more information on Christian Hammenborn's consulting assignment, see "*Legal considerations and supplementary information – Transactions with related parties*".

Guidelines for remuneration to senior executives

In accordance with the Swedish Companies Act and the Code, the shareholders' meeting of a public limited company whose shares are admitted for trading on a regulated market is to adopt guidelines for remuneration to senior executives. At the Annual General Meeting on March 30, 2021 a resolution was passed to adopt the following guidelines for remuneration to the Company's senior executives.

"Other senior executives" refers to members of the Management Team. If board members perform work for the Company alongside their board assignments, these guidelines are to be applied to any remuneration paid to the board members for such work. The guidelines are to be applied to remuneration agreed, and changes made to previously agreed remuneration, after the guidelines were adopted at the 2021 Annual General Meeting. The guidelines do not cover remuneration that is approved by the shareholders' meeting.

How the guidelines promote the Company's business strategy, long-term interests and sustainability

For information on the Company's business strategy, see www.mildef.com.

A successful implementation of the Company's business strategy and protection of the Company's long-term interests, including its sustainability, requires the Company to be able to recruit and retain qualified senior executives. This means that the Company must be able to offer market-based and competitive remuneration. These guidelines make it possible to offer competitive remuneration packages to senior executives.

Variable cash remuneration covered by these guidelines is intended to promote the Company's business strategy and long-term interests, including its sustainability.

Remuneration components

The remuneration shall be market-based and consist of fixed cash salary, variable remuneration, other benefits and pension. In addition, the shareholders' meeting may – independently of these guidelines – approve share-based and share price-based incentive programs.

Remuneration may also take the form of consulting fees to board members who perform work for the Company alongside their board assignment.

Performance in relation to criteria for payment of variable cash remuneration must be able to be measured over a period of one year. Variable cash remuneration is to have a predetermined ceiling and may not exceed 35 per cent of the fixed annual cash salary.

Pension

Senior executives are entitled to pension solutions as agreed with the Company. As a rule, pension obligations are to be in the form of a defined-contribution plan and in line with the Company's pension plan, according to which pension provisions of 4.5 per cent are made on salary components up to 7.5 base amounts and 30 per cent on salary components over 7.5 base amounts. This rule may be waived in the case of appointment of new senior executives whose employment contracts already include defined-benefit pension plans or if the senior executive is covered by a defined-benefit pension plan under the provisions of a mandatory union agreement. The pension premiums for defined-contribution pension plans must not exceed 30 per cent of the fixed annual cash salary. No pension provisions are made on variable cash remuneration or other salary benefits, unless required by mandatory union agreements applicable to the executive.

Non-monetary benefits

Other benefits may include life assurance and health insurance. Combined, premiums and other costs associated with such benefits may not exceed 5 per cent of the fixed annual cash salary.

Consulting fee

If a board member (including via a wholly owned company) performs work for the Company in addition to board work, a separate fee can be paid for this (consulting fee). The fee shall be based on the current market rate and determined in relation to the value of the benefit provided to the Company.

Employment terms in other countries

In the case of employment terms subject to rules other than Swedish ones, appropriate adjustments may be made to comply with mandatory rules or established local practices, while as far as possible observing the overall objectives of these guidelines.

Criteria for award of variable cash remuneration etc.

Variable cash remuneration shall be linked to predetermined and measurable financial targets. These targets shall be formulated with a view to promoting the Company's strategy and long-term interests, including its sustainability, for example by having a clear link to the strategy or furthering the executive's long-term development. Variable remuneration is divided into four different programs based on gross profit, net sales, operating profit (EBITDA) and general cost savings. The criteria for variable cash remuneration are designed to promote the Company's business strategy, long-term interests and sustainability. The Company's CEO and EVP and CFO are eligible for variable remuneration under all

four programs, while the other senior executives are eligible under all the programs except the one based on general cost savings.

At the end of measurement period, it must be established to what degree the targets have been met. Assessments of whether financial targets have been achieved are to be based on established financial data for the period in question. The Remuneration Committee is responsible for making the assessment on variable cash remuneration for the CEO. Assessments on variable cash remuneration for other executives are the responsibility of the CEO.

Notice period and severance pay

The contractual notice period is not to exceed twelve (12) months for the CEO and the EVP and CFO, and six (6) months for other senior executives. No severance pay is payable.

Basis in salary and employment terms

Salary and employment terms for the Company's employees have been taken into account in drawing up the remuneration guidelines. Information on employees' total remuneration, remuneration components, and increase and rate of increase in remuneration over time have formed part of the Remuneration Committee's and the Board's basis for decisions when evaluating the fairness of the guidelines and the limitations they impose.

Decision-making processes

The Board's Remuneration Committee makes a proposal and the Board of Directors resolves on salary and other terms for the CEO. The CEO makes a proposal and the Remuneration Committee resolves on salary and other terms for other senior executives.

The Committee's duties include making preparations for Board decisions on proposed guidelines for remuneration of senior executives. The Board shall prepare proposals for new guidelines at least once every four years and present the proposals for approval by the Annual General Meeting. The

guidelines shall apply until new guidelines have been adopted by the shareholders' meeting. The Remuneration Committee must also monitor and evaluate variable remuneration programs for senior executives, the application of remuneration guidelines for senior executives as well as remuneration structures and levels that apply within the Company.

The Remuneration Committee members are independent of the Company and the Management Team. The CEO and other members of the Management Team are not present when the Board discusses and resolves on remuneration-related decisions that involve them. If a board member provides consulting services to the Company, the board member in question is not entitled to participate in the preparatory work of the Board (or the Remuneration Committee) concerning variable remuneration for the relevant consulting services.

Deviations from the guidelines

The Board may temporarily deviate from the guidelines in full or in part if in an individual case there are particular reasons for doing so and the deviation is necessary to serve the Company's long-term interests, including its sustainability, or to safeguard the Company's financial strength. Deviations shall be reported and justified in the subsequent remuneration report. As stated above, the Remuneration Committee's duties include making preparations for the Board's decisions in matters concerning remuneration, which includes decisions on deviation from the guidelines.

Current employment contracts for the CEO and other senior executives

Resolutions on current remuneration levels and other employment terms for the CEO have been made by the Board of Directors. Decisions on current remuneration levels and other employment terms for other senior executives have been made by the CEO in consultation with the Remuneration Committee.

The table below shows the remuneration paid to the CEO and other senior executives in the 2020 financial year.

Name	Basic salary	Variable remuneration	Pension expenses	Other remuneration	Total
Björn Karlsson, CEO	1,379,925	623,694	95,796	2,214	2,101,629
Other senior executives	8,638,271	1,443,512	1,158,906	297,012	11,537,701
Total	10,018,196	2,067,206	1,254,702	299,226	13,639,330

The CEO is entitled to fixed monthly remuneration of SEK 140,000.¹⁾ The CEO is also entitled to a bonus equivalent to a maximum of four months' salary. In addition, the Company pays individual occupational pension insurance where the premium may not exceed 30 per cent of the CEO's fixed monthly remuneration. A mutual notice period of 12 months applies between the Company and the CEO. The CEO is not entitled to severance pay if employment is terminated by the Company.

The other senior executives have customary employment terms and are entitled to occupational pension insurance. The other senior executives are also entitled to variable remuneration of maximum four months' salary. The notice period is set individually, with a contractual notice period of 3–9 months, which varies among the other senior executives.

Policies

Via its combined management system the Company applies a number of policies important to its operations within the areas of quality, environment, working environment and sustainability. Both compliance with regulatory requirements and ethical and cultural attitudes are extremely important. A selection of the policies implemented for the Company's operations are presented below.

Code of Conduct

The Company has adopted a Code of Conduct, which describes the Company's values, leadership philosophy, social responsibility, working environment factors and other dimensions. In addition, the Code of Conduct clarifies the Company's approach to ethics and morality, professionalism, zero tolerance of bribery and corruption, etc.

All personnel, the Board of Directors and MilDef's Advisory Board are informed about the Code and have access to it.

Sustainability Policy

The Company's Sustainability Policy regulates the long-term sustainability efforts in the Company to safeguard sustainable operations. Based on its position, the Company strives to make a positive contribution by not only taking responsibility for its own development but also its impact on people, the environment and society. The Policy is applicable to all personnel.

Internal control regarding financial reporting

Introduction

The Board of Directors and CEO have ultimate responsibility for ensuring that internal controls are developed, communicated and understood by all employees in the Company and that the control structure is monitored, realized, updated and maintained. Among other things, the Board of Directors

must make sure that MilDef has good internal control and formalized routines that ensure compliance with established principles for financial reporting and internal control. MilDef's routines for internal control take their starting point in COSO's Internal Control Framework (Committee of the Sponsoring Organizations of the Treadway Commission), which is based on 17 fundamental principles linked to five components. The routines for internal control start from a control environment that creates discipline and structure for the other components: risk assessment, control activities, information and communication, as well as monitoring, evaluation and reporting.

The routines for internal control, risk assessment, control activities and monitoring with respect to financial reporting have been designed to ensure reliable overall financial reporting and external financial reporting in accordance with IFRS, applicable laws and regulations, and other requirements applied by companies listed on Nasdaq Stockholm. This work involves the Board of Directors, MilDef's Management Team and other personnel.

Control environment

The Board of Directors has established instructions and steering documents with a view to regulating the division of roles and responsibilities between the CEO and the Board of Directors. The way in which the Board of Directors monitors and ensures the quality of the internal control is primarily documented in the Board of Directors' procedural rules, MilDef's finance manual and Corporate Governance Policy, in which the Board has set down a number of fundamental guidelines important for internal control procedures. Internal control procedures are also set out in other steering documents, such as MilDef's Code of Conduct, directives for risk management and internal control, and additional policies established by the Board of Directors, as well as directives established by the Management Team. Among other things, these include regular control and monitoring of year-on-year outcomes compared with expectations, and supervision of, for example, the accounting principles applied by MilDef. Responsibility for maintaining an effective control environment and the ongoing risk assessment and internal control procedures relating to financial reporting is delegated to the CEO. However, the Board of Directors, through the Audit Committee, has ultimate responsibility. In turn, managers at various levels within MilDef have equivalent responsibility within their respective areas of responsibility. The Management Team reports regularly to the Board and Audit Committee according to established routines. The control environment for financial reporting consists of responsibilities and authorizations, instructions, guidelines, manuals, policies and directives, together with laws and provisions.

1) As of January 1, 2021. The amount does not correlate with the information in the table regarding remuneration paid to the President during the financial year 2020.

Risk assessment

MilDef carries out ongoing risk assessments to identify risks relating to financial reporting. These risks include errors in reporting (e.g. in accounting records and measurement of assets, liabilities, revenues and expenses, or other deviations) and irregularities and incidences of fraud. Risk management is integrated in every process, and various methods are used to assess, detect and prevent risks and to ensure that the risks to which MilDef is exposed are managed in accordance with established policies, directives and instructions.

Control activities

The design of control activities is particularly important in MilDef's efforts to prevent and detect risks and defects in the financial reporting. The control structure consists of clear roles in the organization that enable an efficient division of responsibilities for specific control activities, including authentication in IT systems and authorization verification. The continual analysis undertaken of financial reporting is of the utmost importance in ensuring that the financial statements are free from material errors.

Information and communication

MilDef's information and communication paths are designed to promote completeness and accuracy in financial reporting. Information and communication are effected via policies, via the intranet, at company meetings, by means of internal communication necessary to run the business on a day-to-day basis and through training. Policies, guidelines and internal instructions relating to financial reporting are available in electronic form. Regular updates on changes in accounting principles, reporting requirements and other information provision are made available and are familiar to the employees concerned. In the case of external information provision, guidelines have been drawn up with a view to ensuring that MilDef complies with the requirements to disseminate correct information to the market.

Monitoring, evaluation and reporting

The Board of Directors continually evaluates the information submitted by the Management Team. The Board of Directors receives regular updated financial information on MilDef's performance between board meetings. The Group's financial

position, strategies and investments are discussed at every board meeting. The Board of Directors is responsible for monitoring internal control. This work includes ensuring that measures are taken to manage any deficiencies, and following up on proposed measures highlighted in connection with the external audit. The Company conducts an annual self-evaluation of its risk management and internal control procedures. The process includes reviewing how established routines and guidelines are applied. The Board receives information on important conclusions from this annual evaluation process, and on any proposals for measures relating to the Company's internal control environment. In addition, the external auditors report regularly to the Board of Directors.

Audit

The Annual General Meeting elects independent external auditors for a term of one year. The auditors shall audit the Company's annual report and financial statements and the administration by the Board of Directors and CEO in accordance with an audit plan established in consultation with the Board's Audit Committee. In connection with the audit, the auditors report their observations to the Management Team for reconciliation and subsequently to the Board of Directors via the Audit Committee. The Board of Directors meets the auditors at least once a year when they report their observations directly to the Board without MilDef's CEO or CFO being present. The auditors also participate in the Annual General Meeting, at which they briefly describe their audit work and their recommendation in the audit report.

According to the Company's Articles of Association, the Company must have at least one (1) and no more than two (2) registered audit companies or at least one (1) and no more than two (2) auditors. Since 2016 the Company's independent auditors have been Andreas Brodström and Bengt Ekenberg, which means that they have been the Company's auditors for the entire period covered by the historical financial information in the Prospectus. The Company's auditors are presented in more detail in the section "*Board of Directors, senior executives and auditor*".

Share capital and ownership structure

General information

The Company's Articles of Association state that the share capital shall be a minimum of SEK 6,162,500 and a maximum of SEK 24,650,000, divided into a minimum of 24,650,000 and a maximum of 98,600,000 shares. On the balance sheet date March 31, 2021 the Company's share capital totaled SEK 5,809,211 divided into 11,618,422 shares. As of the Prospectus date the Company's share capital totaled SEK 6,164,754.50 divided into 24,659,018 shares. The shares are denominated in SEK and each share has a quota value of SEK 0.25. After completion of the Offering the Company's share capital, provided that the Over-Allotment Option is fully exercised, will be SEK 9,221,480.80 divided into a total of 36,885,923 shares, each with a quota value of SEK 0.25.¹⁾ See section "*Terms and instructions*" for more information on SEB's right to exercise the Over-Allotment Option. The shares in the Company have been issued in accordance with Swedish law. All the issued shares are fully paid up and, with the exception of the undertakings described under "*Under-taking to refrain from selling shares*" below, are freely transferable in accordance with current legislation.

Specific rights associated with the shares

The Company has one share class. The rights associated with the shares in the Company, including rights pursuant to the Articles of Association, may only be changed in accordance with the provisions in the Swedish Companies Act (2005:551) (the "**Swedish Companies Act**").

Voting right

Each share in the Company entitles the holder to one vote at shareholders' meetings. Each shareholder is entitled to vote at shareholders' meetings for the full number of shares they hold in the Company.

Preferential right to new shares, etc.

If the Company issues shares, warrants or convertibles through a cash or offset issue, the shareholders generally have a preferential right to subscribe for those securities in proportion to the number of shares they held before the issue. The Articles of Association do not restrict the Company's ability, in accordance with the Swedish Companies Act, to issue new shares, warrants or convertibles with a waiver of the shareholders' preferential rights.

Rights to dividends and balances in the event of liquidation

All shares in the Company confer equal entitlement to dividends, and to the Company's assets and any surplus in the event of liquidation.

Resolutions regarding dividends are passed by shareholders' meetings. All shareholders recorded in the share register maintained by Euroclear Sweden on the record date determined by the shareholders' meeting are entitled to receive dividends. Dividends are normally distributed to shareholders as a cash payment per share through Euroclear Sweden, but may also be paid out in another form (in-kind dividend). If a shareholder cannot be reached through Euroclear, the shareholder still retains its claim on the Company for the dividend amount, subject to a statutory limitation period of 10 years. Upon expiry of the period of limitation, the dividend passes to the Company.

There are no restrictions on the rights to dividends for shareholders resident outside Sweden beyond any restrictions arising from bank or clearing systems in the jurisdictions in question, so payment to such shareholders is made in the same way as to shareholders domiciled in Sweden. Shareholders with limited tax liability in Sweden are normally subject to Swedish withholding tax; see also "*Specific tax considerations in Sweden*".

Information on takeover bids and redemption of minority shares

Third parties may launch a takeover bid for the Company and its shares in accordance with the Swedish Act on Public Takeovers on the Stock Market (2006:451). Further, there is an obligation under the Act on Public Takeovers on the Stock Market (2006:451) for persons who do not hold any shares or who hold shares representing less than three tenths (3/10) of the votes for all the shares in a Swedish limited company whose shares are admitted for trading on a regulated market (the "**Target Company**") and who by means of acquisition of shares in the Target Company, individually or together with a related party, achieve a shareholding that represents at least three tenths (3/10) of the votes for all the shares in the Target Company, immediately to announce the size of his or her shareholding in the Target Company and, within four weeks of this, to submit a public takeover bid for the remaining shares in the Target Company (mandatory bid obligation).

1) Assuming that the Offering is fully subscribed.

A shareholder who, individually or through a subsidiary, owns more than 90 per cent of the shares in a Swedish limited company is entitled to redeem the remaining shares in the Company. The owners of the remaining shares have a corresponding right to have their shares redeemed. The procedure for redemption of minority shareholders' shares is set out in detail in Chapter 22 of the Swedish Companies Act.

The shares in the Company are not subject to an offer made as a result of a mandatory bid obligation, redemption rights or sell-out obligation. The Company's shares have not been subject to a public takeover bid in the current or previous financial year.

Central securities register

The Company's shares are registered in a Central Securities Depository (CSD) in accordance with the Swedish Central Securities Depositories and Financial Instruments Accounts Act (1998:1479). This register is maintained by Euroclear Sweden AB, Box 191, 101 23 Stockholm, Sweden. No share certificates have been issued for the Company's shares. The ISIN code for the Company's share is SE0016074249.

Share capital development

The table below shows the historical development of the Company's share capital in the period covered by the historical financial information in the Prospectus.

Date ¹⁾	Event	Change in number of shares and votes	Number of shares and votes after the change	Change in share capital	Share capital after the change
2018-03-14	New share issue ²⁾	598,422	11,618,422	SEK 299,211	SEK 5,809,211
2021-04-14	New share issue ³⁾	711,087	12,329,509	SEK 355,543.50	SEK 6,164,754.50
2021-05-20	Split (2:1)	12,329,509	24,659,018	–	SEK 6,164,754.50
By 2021-06-07 at the latest	New share issue in the Offering ⁴⁾	10,958,904	35,617,922	SEK 2,739,726	SEK 8,904,480.50
By 2021-07-02 at the latest ⁵⁾	New share issue (Over-Allotment Option) ⁶⁾	1,268,001	36,885,923	SEK 317,000.30	SEK 9,221,480.80

1) Refers to the date when decisions were registered with the Swedish Companies Registration Office.

2) Paid in kind.

3) Paid in kind.

4) Assuming that the Offering is fully subscribed and before exercising the Over-Allotment Option.

5) Last day for resolution on new share issue.

6) Assuming that the Offering is fully subscribed and that the Over-Allotment Option is fully exercised.

Ownership structure

The table below shows the ownership structure in the Company as of the Prospectus date and how this may change as a result of the Offering. As of the Prospectus date no natural persons or legal entities held 5 per cent or more of all the shares and votes in the Company other than as shown in the table below. The information in the table is based on the assumption that the Offering is fully subscribed.

Selling shareholders and other existing shareholders	Shareholding before the Offering		Shareholding after the Offering (if the Offering is not increased and the Over-Allotment Option is not exercised)		Shareholding after the Offering (if the Offering is fully increased and the Over-Allotment Option is not exercised)		Shareholding after the Offering (if the Offering is fully increased and the Over-Allotment Option is fully exercised)	
	No. of shares	Percentage, %	No. of shares	Percentage, %	No. of shares	Percentage, %	No. of shares	Percentage, %
MilDef Crete Inc. ⁷⁾	7,144,020	28.97	7,144,020	20.06	7,144,020	20.06	7,144,020	19.37
Marianne Trolle	5,209,652	21.13	4,771,800	13.40	4,009,652	11.26	4,009,652	10.87
Adam Odelid	1,682,720	6.82	1,536,769	4.31	1,282,720	3.60	1,282,720	3.48
Isac Odelid	1,682,720	6.82	1,536,769	4.31	1,282,720	3.60	1,282,720	3.48
Elise Odelid	1,682,720	6.82	1,536,769	4.31	1,282,720	3.60	1,282,720	3.48
Systemintegrasjon AS	1,422,174	5.77	1,422,174	3.99	1,422,174	3.99	1,422,174	3.86
Daniel Ljunggren ⁸⁾	1,321,844	5.36	1,007,848	2.83	605,790	1.70	605,790	1.64
Övriga aktieägare	4,513,168	18.30	16,661,773	46.78	18,588,126	52.19	19,856,127	53.83
Total	24,659,018	100	35,617,922	100	35,617,922	100	36,885,923	100

7) No shareholder in MilDef Crete holds 25 per cent or more of the shares in MilDef Crete. The largest shareholder in MilDef Crete holds approximately 5 per cent of the shares in the company.

8) Includes holding through Lergöken Invest AB.

The Company has been informed that MilDef Crete and Björn Karlsson entered into an agreement in September 2020 to transfer shares in the Company from MilDef Crete to Björn Karlsson. Transfer in accordance with the agreement may, after adjustment for the share split (2:1) in the Company, be made with 1,394,210 shares in the Company for a purchase price of USD 1 per share. Under the terms of the agreement the share transfer may be executed, in full or in part, in proportion to payment of all or part of the purchase consideration once every three months until August 12, 2021. The share transfer is not subject to any terms other than payment of the purchase consideration. If payment of all or part of the purchase consideration has not taken place by August 12, 2021, neither of the parties will have any right or obligation to complete the transfer of that number of shares for which no purchase consideration has been paid. The Company has further been informed that MilDef Crete and Daniel Ljunggren entered into an agreement in September 2020 to transfer shares in the Company from MilDef Crete to Daniel Ljunggren on equivalent terms. Transfer in accordance with the agreement may, after adjustment for the share split (2:1) in the Company, be made with 1,394,210 shares in the Company for a purchase price of USD 1 per share. As of the Prospectus date the share transfers have not been completed (in full or in part).

Selling Shareholders

The Selling Shareholders are offering a maximum of 1,721,108 existing shares as part of the Offering and the Company is offering a maximum of 10,958,904 newly issued shares (excluding any shares that are offered in accordance with the Over-Allotment Option) in the Offering. The Selling Shareholders have reserved the right to, in consultation with SEB, increase the Offering with a further maximum of 2,995,846 existing shares. If the Offering is fully increased, the Selling Shareholders will offer a maximum of 4,716,954 existing shares.

The table below shows the Selling Shareholders who will sell shares in connection with the Offering, the number of shares being offered for sale and the percentage of the total number of shares in the Offering. As shown in the table with Selling Shareholders, the Company's CEO Björn Karlsson and CFO Daniel Ljunggren offer 313,996 and 313,996 shares, respectively (privately and via the company Lergöken Invest AB) as part of the Offering. In the event that the Offering is fully increased, Björn Karlsson will offer an additional 691,058 shares and Daniel Ljunggren 402,058 shares. The purpose of these sales is to partially finance the acquisition of shares in the Company from MilDef Crete in accordance with agreed share transfers described under the heading "Ownership structure" above and to finance previous acquisitions of shares from completed incentive programs.

Selling Shareholder	Shares offered for sale by Selling Shareholders as part of the Offering		Shares Offered for sale by Selling Shareholders if the Offering is fully increased	
	No. of	Percentage, %	No. of	Percentage, %
Marianne Trolle	437,852	3.45	762,148	6.01
Adam Odelid	145,951	1.15	254,049	2.00
Isac Odelid	145,951	1.15	254,049	2.00
Elise Odelid	145,951	1.15	254,049	2.00
Björn Karlsson	313,996	2.48	691,058	5.45
Daniel Ljunggren ¹⁾	313,996	2.48	402,058	3.17
Adam Mentel	145,951	1.15	254,049	2.00
Duncan Skinner	63,520	0.50	110,566	0.87
Aubrey Fenn	7,940	0.06	13,820	0.11
Total	1,721,108	13.57	2,995,846	23.63

1) Including private holding of 556,054 shares and holding of 160,000 shares in Lergöken Invest AB.

Convertibles, warrants, etc.

There are no outstanding warrants, convertibles or other share-related financial instruments in the Company other than as described in the sections "Warrant program 2021/2025" and "Call options" below.

Warrant program 2021/2025

At the extraordinary shareholders' meeting on April 29, 2021, a resolution was passed to issue and to transfer to employees of the Company a total maximum of 578,000 warrants. The right to acquire warrants is based on the following principles relating to allocation categories: (i) President and CEO: maximum 20,000 options; (ii) members of the Management Team: maximum 20,000 options per participant; (iii) other senior executives and key employees: maximum 10,000 options per participant and (iv) other employees: maximum 2,000 options per participant.

Each warrant entitles the holder to subscribe for one (1) new share in the Company during the period from and including September 1, 2024 to August 31, 2025, or an earlier date pursuant to the warrant conditions. The issue price is 133 per cent of the Offering Price. The warrants are subject to customary translation terms.

The Company reserves the right to buy back warrants if the participant's employment is terminated or if the participant wishes to transfer the warrants. Buy-back may take place at the option's market price at the time the preferential right is exercised.

If all warrants in the program are exercised to subscribe for shares, this will be equivalent to around two per cent of the share capital and the votes in the Company after completion of the Offering, provided that the Offering is fully subscribed.

Call options

The Company has been informed that Tomas Odelid (who has been succeeded by his heirs Adam Odelid, Isac Odelid and Elise Odelid) and Marianne Trolle have each issued 137,250 call options on shares in the Company, which were acquired by Björn Karlsson in October 2015. The call options were acquired for SEK 0.78 per option and can be exercised in the period July 1, 2022 to July 20, 2022 at a redemption price per share of SEK 34 per share in the Company (the terms also contain customary translation provisions). In addition, Tomas Odelid (who has been succeeded by his heirs Adam Odelid, Isac Odelid and Elise Odelid) and Marianne Trolle have each issued 220,400 call options on shares in the Company, which were acquired by Fredrik Persson in November 2017. The call options were acquired for SEK 0.79 per option and can be exercised in the period November 1, 2022 to November 20, 2022 at a redemption price per share of SEK 34 per share in the Company (the terms also contain customary translation provisions). The issuers of the options have also each issued a further total of 440,800 call options on equivalent terms. These options are held by two other employees of the Company, with each holding half.¹⁾

Authorizations

The Annual General Meeting on March 30, 2021 resolved to authorize the Board within the framework of the current Articles of Association, on one or several occasions up to the next Annual General Meeting, to decide to issue new shares for cash, in-kind or offset payment and thereby be able to deviate from the shareholders' preferential rights. The total number of shares that could be issued based on this authorization may not exceed ten (10) per cent of the total number of outstanding shares on the date the authorization is exercised. New share issues that are based on this authorization and deviate from the shareholders' preferential rights must be effected on market terms. The purpose of the authorization and the reason for the deviation from the shareholders' preferential rights is that the Company must be able to issue shares for direct or indirect financing in connection with acquisitions or business combinations or part thereof.

At the Extraordinary General Meeting on April 29, 2021, the Meeting resolved to authorize the Board to, on one or more occasions during the period until the next Annual General Meeting, with deviation from the shareholders' preferential rights, resolve on a new issue of shares before or in connection with a planned listing of the company's shares on Nasdaq Stockholm, including in connection with the exercise of any over-allotment option. The total number of shares covered by such issues shall be within the limits of the share capital in accordance with the Articles of Association. The authorization is proposed to apply in parallel with the authorization resolved on the Annual General Meeting on March 30, 2021.

1) The number of call options will be recalculated due to the share split (2:1).

Shareholder agreements

As far as the Board of Directors is aware, there are no shareholder agreements between the Company's shareholders with the aim of achieving joint control of the Company. Neither is the Company's Board of Directors, as of the date of the Prospectus, aware of any agreements or equivalent arrangements that may lead to a change in control of the Company.

Undertaking to refrain from selling shares

In connection with the Placing Agreement being entered into around June 3, 2021 the Selling Shareholders, MilDef Crete, Board of Directors and Management Team undertake, with certain reservations, not to sell, pledge or otherwise utilize their shares in the Company for a specific period, known as a "lock-up period". For the Selling Shareholders and MilDef Crete this undertaking covers a period of 180 days after the first day of trading in the Company's shares on Nasdaq Stockholm. The Company's founders, Board of Directors and Management Team are expected to enter into an equivalent lock-up undertaking covering a period of 360 days after the first day of trading. The lock-up undertakings do not apply, for example, in the event of a transfer to the Company, provided that such an offer from the Company regarding acquisition of own shares is addressed to all shareholders, transfer to related parties (if such related party enters into an equivalent lock-up undertaking) or if a public offering is made in respect of the shares in the Company. SEB may grant discretionary exemption from lock-up undertakings on a case-by-case basis.

Articles of Association

Articles of Association of MilDef Group AB, corp. reg. no. 556893-5414.

§ 1 Company name

The company name of the Company is MilDef Group AB. The Company is a public limited liability company (publ).

§ 2 Registered office

The registered office is in Helsingborg, Sweden.

§ 3 Business activities

The Company's business consists of owning and managing shares in subsidiaries and any related activities. In addition, the Company shall provide Group-wide services such as services within management, legal, HR and finance with a view to facilitating operations for the subsidiaries.

§ 4 Share capital

The share capital shall be not less than SEK 6,162,500 and not more than SEK 24,650,000.

§ 5 Number of shares in the Company

The number of shares shall be not less than 24,650,000 and not more than 98,600,000.

§ 6 Composition of the Board of Directors

The Board of Directors shall consist of no fewer than three (3) and no more than eight (8) members, without deputy members. The Board of Directors is elected each year at the Annual General Meeting for the period until the end of the next Annual General Meeting.

§ 7 Auditors

At least one and no more than two registered public accounting firms or at least one and no more than two auditors are appointed by the shareholders' meeting to audit the Company. The audit engagement continues until the end of the Annual General Meeting in the subsequent financial year.

§ 8 Notice convening shareholders' meeting

The notice convening the Annual General Meeting or extraordinary shareholders' meetings is published in Post- och Inrikes Tidningar (the Official Swedish Gazette) and on the Company's website. The notice of the meeting is also advertised in the Swedish newspaper Dagens Industri.

§ 9 Agenda of Annual General Meeting

The following matters are to be dealt with at the Annual General Meeting.

- 1 Preparation and approval of the voting list.
- 2 Election of chairman at the meeting.
- 3 Election of person to verify the minutes.
- 4 Election of two persons to check the minutes.
- 5 Examination of whether the meeting has been duly convened.
- 6 Approval of agenda.
- 7 Report by the CEO.

- 8 Presentation of the annual report and auditor's report and the consolidated accounts and auditor's report for the Group.
- 9 Resolutions concerning
 - a) adoption of the income statement and balance sheet and the consolidated income statement and consolidated balance sheet;
 - b) distribution of the Company's profit or loss according to the adopted balance sheet and, where appropriate, on the dividend payment date;
 - c) discharge from liability of the members of the Board and the CEO.
- 10 Determination of number of board members and auditors.
- 11 Establishment of board fees.
- 12 Establishment of fees for auditor(s).
- 13 Election of Board of Directors.
- 14 Election of auditor(s).
- 15 Any other business duly referred to the meeting in accordance with the Swedish Companies Act or the Articles of Association.

§ 10 Attendance at shareholders' meetings

To be able to attend the shareholders' meeting, the shareholder must notify the Company no later than on the day specified in the notice of the general meeting, stating the number of companions. This day must not be a Saturday, a Sunday, Midsummer Eve, Christmas Eve, New Year's Eve or any other public holiday, and may not occur earlier than on the fifth weekday prior to the meeting.

§ 11 Proxies

The Board of Directors may collect proxies in accordance with the procedure set out in Chapter 7, Section 4, second paragraph of the Swedish Companies Act.

§ 12 Postal voting

The Board has the right before a general meeting to decide that shareholders shall be able to exercise their right to vote by post before the general meeting. The Board shall provide such information in connection with the notice convening the general meeting. The notice must clearly describe the procedure.

§ 13 Financial year

The Company's financial year shall be the calendar year.

§ 14 Record day provision

The Company's shares shall be registered in a Central Securities Depository (CSD) in accordance with the Swedish Central Securities Depositories and Financial Instruments Accounts Act (1998:1479).

Legal considerations and supplementary information

Information about the Prospectus

The Prospectus has been approved by the Swedish financial supervisory authority (Sw. *Finansinspektionen*) as the competent authority under the Prospectus Regulation. Finansinspektionen's approval confirms only that the Prospectus meets the criteria of completeness, intelligibility and consistency as required by the Prospectus Regulation, and the approval should not be regarded as any form of support for either MilDef or the quality of the securities referred to in the Prospectus. Investors should judge for themselves whether it is appropriate to invest in these securities.

The Offering and the Prospectus are governed by Swedish law. The Swedish courts have exclusive jurisdiction to settle conflicts or disputes that have arisen as a result of or in connection with the Offering or the Prospectus.

The Prospectus was approved by Finansinspektionen on May 24, 2021. The Prospectus is valid for a maximum of twelve (12) months from this date, provided that MilDef meets its obligation in accordance with the Prospectus Regulation, where appropriate, to provide a supplement to the Prospectus in the event that a new circumstance of significance, a factual error or material misstatements in connection with the information in the Prospectus that may affect the assessment of the securities in the Company has occurred or been pointed out. The obligation to prepare a supplement to the Prospectus applies from the date of approval until the end of the subscription period, or the date when trading on a regulated market commences (whichever is later). After this date the Company has no obligation to prepare a supplement to the Prospectus.

Company information and legal structure of the Group

MilDef is a Swedish public limited company whose business activities are conducted in accordance with the Swedish Companies Act. The Company's name is MilDef Group AB, its corporate registration number is 556893-5414 and its

Legal Entity Identifier (LEI) is 9845009F7Q0D56B38270. The Company is a CSD-registered company and its share register is maintained by Euroclear Sweden. The Company was formed in Sweden on May 5, 2012 and registered with the Swedish Companies Registration Office on May 16, 2012. The Company's registered office is in Helsingborg municipality in the county of Skåne, Sweden. According to the Company's Articles of Association, the Company's business consists of owning and managing shares in subsidiaries and any related activities, as well as providing Group-wide services such as services within management, legal, HR and finance with a view to facilitating the subsidiaries' operations. The Company's head office address is Muskötgatan 6, 254 66 Helsingborg, Sweden.

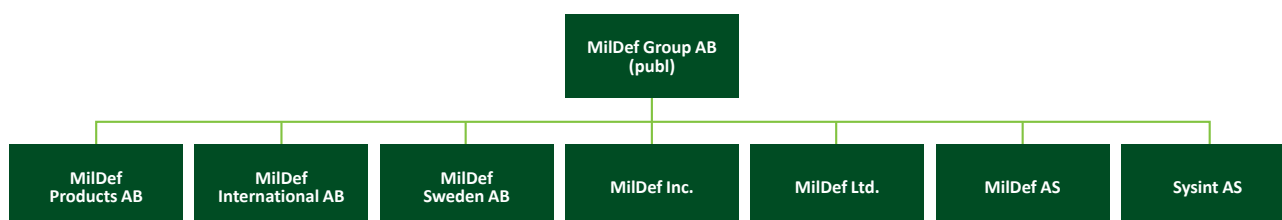
As of the Prospectus date, the Company is the Parent Company in a Group comprising the wholly owned Subsidiaries MilDef Products AB, corp. reg. no. 556874-1317; MilDef International AB, corp. reg. no. 556422-8277; MilDef Sweden AB, corp. reg. no. 559299-9782; MilDef, Inc., corp. reg. no. 5979209; MilDef Ltd., corp. reg. no. 5756627, MilDef AS, corp. reg. no. 959 279 772 and Sysint AS, corp. reg. no. 825 838 392. The Group structure is illustrated below.

Material agreements

The following information summarizes material agreements that the Company has entered into in the past two years and other agreements that the Company has entered into that contain rights or obligations of material importance to the Company (in both cases excluding agreements that have been entered into within the framework of the ongoing business activities).

Acquisition agreement

The Company acquired Sysint AS from Systemintegrasjon AS through a share transfer agreement dated February 11, 2021. The acquisition was completed on March 11, 2021. The purchase consideration for the acquisition was 711,087 newly issued shares in the Company and a cash payment of around NOK 48 million. The share transfer agreement



includes an earn-out mechanism that entitles Systemintegrasjon AS to a contingent cash consideration of up to NOK 11 million for 2021 and NOK 11 million for 2022, based on outcome versus forecast EBIT for 2021 and 2022. The share transfer agreement contains certain guarantees from the seller for the benefit of the Company, which typically cease 24 months after the share transfer has been completed. The share transfer agreement further contains an obligation from the seller not to sell, pledge or otherwise dispose of the shares in the Company for a period of 36 months from 11 March 2021, subject to certain conditions.

Industrial cooperation agreement and supply contract

In 2020 the Company entered into an industrial cooperation agreement with the Norwegian Ministry of Defence. The primary intention of the cooperation agreement is to establish and specify the Company's obligations to the Norwegian Ministry of Defence concerning delivery of "military off-the-shelf components" (MOTS). Under the cooperation agreement, the parties have entered into a contract under which the Company will deliver software and equipment and a contract for maintenance and service for the software and equipment delivered (the "Supply Contract"). Orders may be placed on an ongoing basis under the cooperation agreement. The Company's obligations under the cooperation agreement must be completed no later than ten years after the agreement enters into effect. The cooperation agreement enters into effect when the total purchase value under the Supply Contract exceeds the threshold value specified in the cooperation agreement.

Financing agreements

For information on the Company's financing agreements, see the section "*Capitalization, indebtedness and other financial information*".

Distributor agreement

In 2016 the Company entered into an exclusive distributor agreement with MilDef Crete. Under the agreement the Company has sole rights to market and sell MilDef Crete's products in 21 European countries and in South Africa, Japan, Botswana and Indonesia. Together with the US company American Reliance Inc. the Company also has sole rights to market and sell MilDef Crete's products in USA, Canada, Mexico and South America, which – since the Company acquired the relevant business line in American Reliance Inc. – means the Company also has sole rights in these markets. The distributor agreement does not contain any ban on selling MilDef Crete's products in countries other than those where MilDef has sole rights to sell the products under the terms of the agreement. However, MilDef Crete

has appointed other exclusive distributors for several other countries¹⁾, and the Company has chosen to refrain from selling the products in these countries. The agreement runs until April 30, 2026 and will be extended for a further five years unless it is terminated before April 30, 2024. The 24-month notice period applies to any future extension periods.

Intellectual property

MilDef markets itself under the MilDef trademark and its associated logo. The Company has current registrations within the EU and certain non-European states for both the word trademark MilDef and for various logos. Among other things, the Company owns the domain name www.mildef.com. None of the Company's intellectual property is subject to any pledge or other type of encumbrance. The Company is not aware of any infringement, restriction or similar circumstance that could affect any material intellectual property, neither has the Company received any claims regarding infringement of third-party rights. Under an agreement entered into in 2013, MilDef Crete was given non-exclusive rights to use the MilDef trademark for an unlimited period of time. The agreement lacks provisions regarding the scope and use of the right to use MilDef's trademark, as well as the Company's possibilities to terminate the agreement.

Disputes

The Company is not and has not in the past 12 months been involved in any regulatory, legal or arbitration proceedings (including matters not yet resolved and matters that the Company is aware may arise), which have recently had or could have a material effect on the Company's financial position or profitability. Neither is the Company or its Board of Directors aware of any regulatory, legal or arbitration proceedings that could arise.

Insurance

MilDef has corporate insurance in place that is customary for the industry, covering risks related to MilDef's operations and the liability of the board members and CEO. MilDef considers the insurance cover to be adequate and in line with market practice.

Agreement on placing of shares

Under the terms of the agreement on placing of shares intended to be entered into around June 3, 2021 between the Company, Selling Shareholders and SEB (the "**Placing Agreement**"), the Company undertakes to issue 10,958,904 new shares (excluding the Over-Allotment Option) and the Selling Shareholders undertake to sell a total of 1,721,108 shares as part of the Offering. The Selling Shareholders have reserved the right to, in consultation with SEB, increase the

1) To the best of the Company's knowledge these are Russia, Belarus, Kazakhstan, Ukraine, Moldova, Georgia, Armenia, Azerbaijan, Uzbekistan, Turkmenistan, Kyrgyzstan, Tajikistan, Israel, Singapore, Pakistan, Malaysia, Vietnam, South Korea, Thailand, China, Indonesia, Taiwan.

Offering with a further maximum of 2,995,846 existing shares. If the Offering is fully increased, the Selling Shareholders will offer a maximum of 4,716,954 existing shares in the Company to the investors designated by SEB, or if SEB fails to designate investors, SEB has undertaken to subscribe or acquire the shares comprised by the Offering itself. In accordance with the Placing Agreement the Company provides customary guarantees to SEB, primarily that the information in the Prospectus is correct, that the Prospectus and the Offering meet the relevant legal and regulatory requirements, and that there are no legal or other barriers to the Company entering into the agreement or to completion of the Offering. The Selling Shareholders have also provided customary guarantees to SEB concerning right of ownership to the shares to be transferred. The Placing Agreement provides that SEB's undertaking to designate investors or, if SEB fails to do so, to subscribe or buy the shares comprised by the Offering itself, is conditional, among other things, on the guarantees provided by the Company and Selling Shareholders being correct. Under the Placing Agreement the Company and Selling Shareholders, subject to customary reservations, undertake under certain conditions to indemnify SEB against certain claims. Under the Placing Agreement the Company and Selling Shareholders undertake, with certain exclusions, for a period of 180 days after the first day of trading in the Company's shares on Nasdaq Stockholm not to: (i) offer, pledge, allot, issue, sell, enter into an agreement to sell, sell an option or enter into an agreement to buy, buy a put option, grant options, rights or warrants with a right to buy, or otherwise transfer or dispose of, directly or indirectly, any of the Company's shares or other securities that can be converted to or be exercised or exchanged for such shares; or (ii) enter into a swap or other agreement that entails all or part of the economic risk of ownership of such shares being transferred to a third party, without prior written consent from SEB. For information on the lock-up undertaking from the Selling Shareholders, MilDef Crete, the Company's Board of Directors and Management Team, see "*Undertaking to refrain from selling shares*" in the section "*Share capital and ownership structure*". To cover any over-allotment in the Offering, the Company has undertaken to, at the request of SEB, issue additional shares. The Over-Allotment Option can be used to over-allot shares in order to enable stabilization measures to be executed. For more information on the Over-Allotment Option, see the section "*Terms and instructions*".

Stabilization

In connection with the Offering, SEB may execute transactions for the purpose of stabilizing, maintaining or otherwise influencing the market value of MilDef's shares (including maintaining the market price of the shares at a level higher

than it might otherwise have been in the market). Such stabilization transactions may be executed on Nasdaq Stockholm, the OTC market or in another way, and may be executed at any time up until 30 calendar days from the date trading in the Company's shares commences on Nasdaq Stockholm. SEB is, however, not obliged to execute any stabilization measures and there is no guarantee that stabilization will be implemented.

Stabilization, if commenced, may be halted at any time without warning. Under no circumstances will transactions be executed at a price that is higher than the price set in the Offering. No later than at the end of the seventh trading day after the stabilization transactions have been executed, SEB will announce that stabilization measures have been carried out, in accordance with article 5 (4) of the EU's market abuse regulation 596/2014. Within one week after the end of the stabilization period, SEB will announce whether or not stabilization was carried out, the date stabilization began, the date stabilization was last carried out, and the price range within which stabilization was carried out for each of the dates on which stabilization transactions were executed.

Commitments from Cornerstone Investors

Svolder, Carnegie Fonder, Grenspecialisten, LMK Venture Partners and a consortium consisting of Erik Syrén, Martin Bjäringer, Tedde Jeansson and Carl Rosvall have undertaken to SEB and the Company to acquire a total of 8,216,438 shares in the Offer, corresponding to a total of approximately 300 MSEK. The Cornerstone Investors will hold a total of approximately 22 percent of the number of shares and votes in the Company after the completion of the Offering, provided that the Over-Allotment Option fully exercised. The commitments thus comprise approximately 48 percent of the Offering, provided that the Offering is fully increased and the Over-Allotment Option is fully exercised. The Cornerstone Investors receive no compensation for their respective commitments and their investments are made on the same terms as other investors in the Offering. SEB and the Company's Board of Directors assess that the Cornerstone Investors have good creditworthiness and will thus be able to meet their respective commitments. However, the Cornerstone Investors' commitments are not secured by bank guarantees, blocked funds or pledges or similar arrangements. The Cornerstone Investors' commitments are associated with certain conditions regarding, among other things, that a certain spread of the Company's shares is achieved in connection with the Offering and that the Offering is carried out within a certain time period. In the event that any of these conditions are not met, there is a risk that the Cornerstone Investors will not meet their obligations.

Cornerstone Investors	Number of shares	Commitment in relation to the total number of shares in the Company after the completion of the Offering, provided that the Over-Allotment Option is fully exercised
Svolder	2,600,000	7.05
Carnegie Fonder	1,917,808	5.20
LMK Venture Partners	1,095,890	2.97
Grenspecialisten	958,904	2.60
Erik Syrén	410,959	1.11
Martin Bjäringer	410,959	1.11
Tedde Jeansson	410,959	1.11
Carl Rosvall	410,959	1.11
Totalt	8,216,438	22.28

Transactions with related parties

In the 2018 financial year the Company sold goods and services to MilDef Crete, which owns 28.97 per cent of the shares in the Company, for SEK 561,000. The Company also purchased goods from MilDef Crete for SEK 36,722,000. During the period the Company purchased consulting services relating to advice and training for SEK 177,000 from Top level AB, in which board member Berndt Grundevik has significant influence. In addition, the Company purchased consulting services relation to advice for SEK 192,000 from Advokatfirman Lindahl KB, in which board member Christian Hammenborn was a partner.

In the 2019 financial year the Company sold goods and services to MilDef Crete for SEK 1,638,000 and purchased goods from MilDef Crete for SEK 106,082,000. During the period the Company purchased consulting services relating to advice and training for SEK 410,000 from Top level AB, in which board member Berndt Grundevik has significant influence. In addition, the Company purchased consulting services relating to advice for SEK 66,000 from Advokatfirman Lindahl KB, in which board member Christian Hammenborn was a partner. The Company has also purchased consulting services relating to advice for SEK 29,000 from Hammenborn Advokatbyrå AB, in which board member Christian Hammenborn has significant influence.

In the 2020 financial year the Company sold goods and services to MilDef Crete for SEK 689,000 and purchased goods from MilDef Crete for SEK 96,592,000. During the period the Company purchased consulting services relating to advice and training for SEK 125,000 from Top level AB, in which board member Berndt Grundevik has significant influence. In addition, the Company has purchased consulting services relating to advice for SEK 147,000 from Hammenborn Advokatbyrå AB, in which board member Christian Hammenborn has significant influence.

In the period January 1, 2021 until the Prospectus date, the Company sold goods and services to MilDef Crete for SEK 431,000 and purchased goods from MilDef Crete for SEK 16,784,000. During the period the Company purchased consulting services relating to advice and training for SEK 13,000 from Top level AB, in which board member Berndt Grundevik has significant influence.

The Company's assessment is that the above transactions have been carried out on commercial terms. Other than as stated in the sections "*Board of Directors, senior executives and auditor*" and "*Historical financial information*" there have not been any material transactions with related parties in the period covered by the historical financial information in the Prospectus and up to the Prospectus date.

Advisors' interests

SEB has been engaged as the Company's financial advisor in connection with the Offering and the listing, for which SEB will receive customary compensation. From time to time and within the course of business activities, SEB has provided and may in future provide various banking, investment, financial, commercial and other services to MilDef for which the bank has and will receive compensation.

Costs in connection with the Offering

The Company's costs relating to the Offering and admission to trading of the Company's shares on Nasdaq Stockholm, including fees payable to SEB and other advisors, are estimated to be around 30 million if the Offering is not increased and the Over-Allotment Option is not exercised and around SEK 35 million if the Offering is fully increased and the Over-Allotment Option is fully exercised, of which around SEK 2 million will be charged in the second quarter of 2021.

References to websites

Information that is available on MilDef's website or other websites referred to in the Prospectus is not part of the Prospectus and has not been reviewed or approved by Finansinspektionen unless such information has explicitly been incorporated in the Prospectus by means of a reference.

Documents made available for inspection

The Company's (i) Articles of Association and registration certificate, (ii) annual reports for the 2018, 2019 and 2020 financial years, including audit reports, (iii) interim report for the period January 1 – March 31, 2021 and (iv) the Prospectus are available during office hours at the Company's head office at Muskötgatan 6, 254 66 Helsingborg, Sweden, during the period of validity of the Prospectus. These documents are also available in electronic format on the Company's website, www.mildef.com.

Specific tax considerations in Sweden

The following section summarizes specific Swedish tax considerations that arise in connection with the Offering and admission to trading of the shares in MilDef on Nasdaq Stockholm. Unless otherwise specified, the summary applies only to natural persons and limited companies subject to unlimited tax liability in Sweden. The summary is based on current legislation in Sweden and does not address all the tax consequences that may arise but is solely intended as general information on the Company's shares from the date they are admitted for trading on Nasdaq Stockholm. For example, the summary does not cover:

- » situations where shares are held as inventory items in a business activity;
- » situations where shares are held by limited partnerships or partnerships;
- » situations where shares are held in an investment savings account or owned via an endowment insurance policy;
- » the specific rules on tax-free capital gains (including prohibition of deduction in the event of capital losses) and dividends in the corporate sector which may become applicable when investors hold shares in MilDef which are considered to be held for business purposes;
- » the specific rules which may in certain cases become applicable to shares in companies which are, or have been, closely held companies or shares acquired on the basis of such shares;
- » the specific rules which may become applicable to natural persons who apply or reverse an investment tax credit;
- » foreign enterprises operating from a permanent establishment in Sweden;
- » foreign enterprises which have been Swedish enterprises; or
- » certain categories of tax payers, for example investment companies, mutual funds and insurance companies.

The tax treatment of each individual shareholder depends in part on their particular situation. Each shareholder should therefore consult an independent tax adviser as to the tax consequences the Offering and admission of the Company's shares for trading on Nasdaq Stockholm may have for the holder, including the applicability and impact of foreign rules and tax treaties.

Natural persons

In the case of natural persons who are subject to unlimited tax liability in Sweden, capital income such as dividends and capital gains is taxed as income from capital assets. The tax rate for income from capital assets is 30 per cent.

Capital gains and capital losses are normally calculated as the difference between proceeds from the sale, after deduction of sales costs, and the cost basis. The cost basis for all shares of the same class and type is calculated jointly using the average method. When selling market-listed shares the cost basis may alternatively be determined using the standardized method at 20 per cent of the proceeds from the sale after deduction of sales costs.

Capital losses on market-listed shares may be fully offset against taxable capital gains that arise in the same year on shares or on market-listed securities taxed as shares (but not units in mutual funds or special funds that consist only of Swedish receivables, so-called fixed-income funds). Capital losses that are not offset using the offsetting options mentioned are deductible from income from capital assets at 70 per cent.

If a net loss arises in income from capital assets, a reduction of the tax on income from service and business activities, as well as property tax and municipal tax, is permitted. The tax reduction is 30 per cent of the portion of the loss up to SEK 100,000 and 21 per cent of the remaining loss. A loss may not be saved for future tax years.

In the case of natural persons who are subject to unlimited tax liability in Sweden, preliminary tax on dividends of 30 per cent is withheld. The preliminary tax is usually withheld by Euroclear Sweden or by the nominee in the case of nominee-registered shares.

Limited companies

In the case of limited companies, all income, including taxable capital gains and taxable dividends, is taxed as income from business activities at 20.6 per cent.

Capital gains and capital losses are calculated in the same way as described above for natural persons. Deductible capital losses on shares may only be offset against taxable capital gains on shares and other securities that are taxed as shares. If certain conditions are met, capital losses of this kind may also be offset against taxable capital gains on shares and other securities that are taxed as shares in companies within

the same group, provided that group contributions are allowed between the companies. Capital losses which have not been able to be utilized in a certain year may be saved and offset against taxable capital gains on shares and other securities taxed as shares in subsequent tax years, with no time limit.

Shareholders with limited tax liability in Sweden

In the case of shareholders who have limited tax liability in Sweden and receive dividends on shares in a Swedish limited company, Swedish withholding tax is normally deducted. The tax rate is 30 per cent. However, the tax rate is generally reduced by means of tax treaties that Sweden has entered into with other countries to avoid double taxation. In Sweden withholding tax deductions are normally made by Euroclear Sweden or, in the case of nominee-registered shares, by the nominee. Most of Sweden's tax treaties enable the Swedish tax to be reduced to the tax rate in the treaty directly at the time the dividend is paid if the required information on the person entitled to the dividend is available. If the person who received the dividend is entitled to pay a lower tax rate under the applicable tax treaty and if Swedish withholding tax is deducted at 30%, a rebate may be requested by submitting a claim to the Swedish Tax Agency before the end of the fifth calendar year after the dividend was paid.

Shareholders who have limited tax liability in Sweden and who do not operate from a permanent establishment in Sweden are not normally taxed on capital gains in Sweden upon the sale of shares. Under a special rule, however, natural persons with limited tax liability in Sweden are subject to capital gains tax in Sweden on the sale of shares if they have been a resident of or lived in Sweden at any time during the calendar year of the sale or in the preceding 10 calendar years. In a number of cases, however, the applicability of this rule is limited by tax treaties.

Definitions

Swedish Companies Act	Companies Act (2005:551)
The Company	MilDef Group AB, corp. reg. no. 556893-5414
DKK	Danish kroner
Cornerstone Investors	Svolder, Carnegie Fonder, Grenspecialisten, LMK Venture Partners and a consortium consisting of Erik Syrén, Martin Bjäringer, Tedde Jeansson and Carl Rosvall.
Subsidiaries	MilDef Products AB, corp. reg. no. 556874-1317; MilDef International AB, corp. reg. no. 556422-8277; MilDef Sweden AB, corp. reg. no. 559299-9782; MilDef, Inc., corp. reg. no. 5979209; MilDef Ltd., corp. reg. no. 5756627; MilDef AS, corp. reg. no. 959 279 772 and Sysint AS corp. reg. no. 825 838 392.
The Offering	The Offering of shares in accordance with the Prospectus
The Offering Price	The Offering Price amounts to SEK 36.50 per share.
Euroclear Sweden	Euroclear Sweden AB, corp. reg. no. 556112-8074
GBP	British pound
Global Coordinator and Bookrunner	SEB
IFRS	International Financial Reporting Standards
The Code	Swedish Corporate Governance Code
The Group	The group of companies in which MilDef Group AB is the Parent Company
SEK bn	SEK billion
USD bn	USD billion
MiFID II	Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU
MilDef	MilDef Group AB, corp. reg. no. 556893-5414
MilDef Crete	MilDef Crete Inc., corp. reg. no. 23631726
NOK m	NOK million
SEK m	SEK million
Nasdaq Stockholm	The regulated market operated by Nasdaq Stockholm Aktiebolag, corp. reg. no. 556420-8394
NOK	Norwegian kroner
The Prospectus	This prospectus
Prospectus Regulation	Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC
SEB	Skandinaviska Enskilda Banken AB, corp. reg. no. 502032-9081
SEK	Swedish kronor
Selling Shareholders	Marianne Trolle, Troedsgatan 5, 254 41 Helsingborg, Sweden. Adam Odelid, Bruksgatan 14, 252 23 Helsingborg, Sweden. Isac Odelid, Bäckelidsgatan 1, 654 65 Karlstad, Sweden. Elise Odelid, Västgötagatan 13, 252 76 Helsingborg, Sweden. Björn Karlsson, Håkantorpsvägen 151, 263 91 Höganäs, Sweden. Daniel Ljunggren, Abborrgränd 41, 262 41 Ängelholm, Sweden. Lergöken Invest AB, a limited company founded in Sweden. Abborrgränd 41, 262 41 Ängelholm, Sweden. LEI code: 9845009538411EBBD336. Adam Mentel, Frostgatan 112 D, 254 75, Helsingborg, Sweden. Duncan Skinner, 84 Wychwood avenue, Knowle, B93 9DQ, Solihull, West Midlands, United Kingdom. Aubrey Fenn, Awel Y Garn, Mynachlogddu, Clynderwen, Pembrokeshire, SA66 7RY, United Kingdom.
SEK 000	SEK thousand
USD	US dollars
Over-allotment option	The Company's undertaking to, at the request of SEB, issue up to 1,268,001 additional shares, equivalent to no more than 10 per cent of the total number of shares in the Offering, at a price equivalent to the Offering Price.

Historical financial information



Historical financial information

Interim report for the period January–March 2021



MilDef
Interim Report
January–March 2021

Q1



www.mildef.com

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%

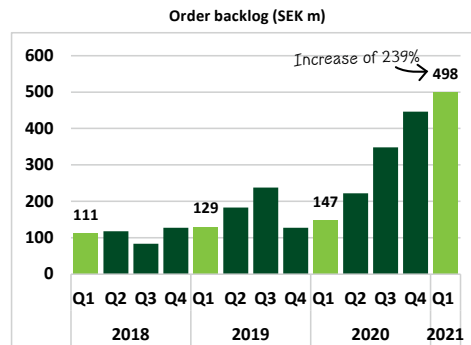
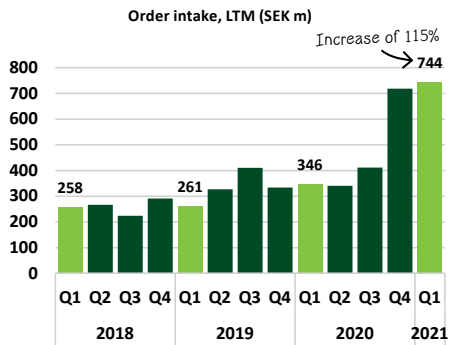
FINANCIAL SUMMARY

All figures are in SEK million unless otherwise stated	Jan 1–Mar 31			Rolling 12 months	Full year	
	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

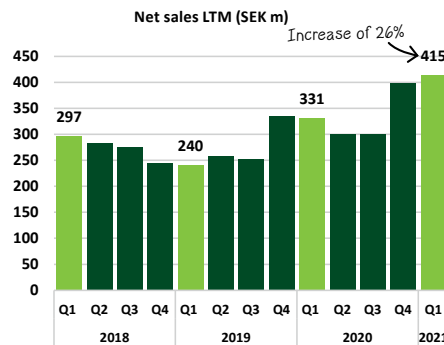
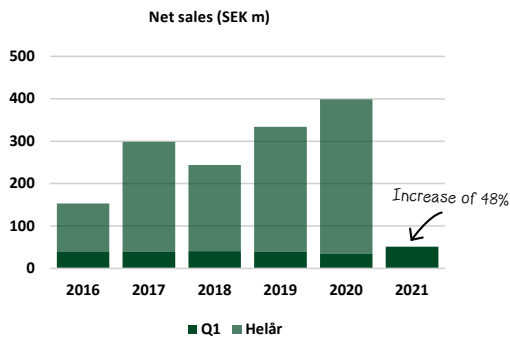
ORDER SITUATION



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.

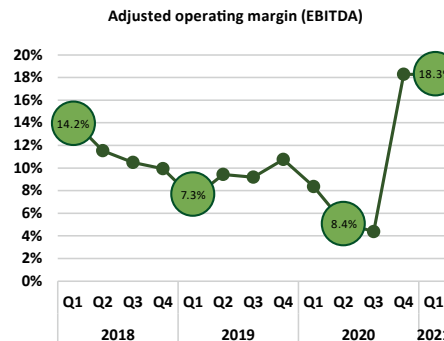
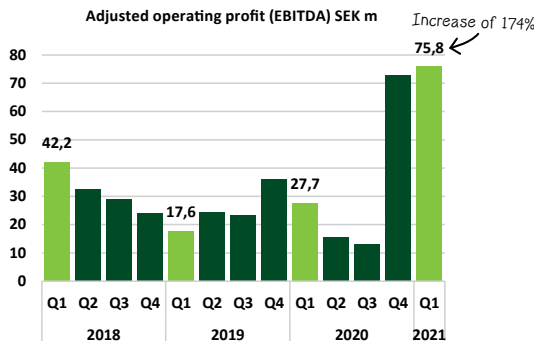
NET SALES



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.

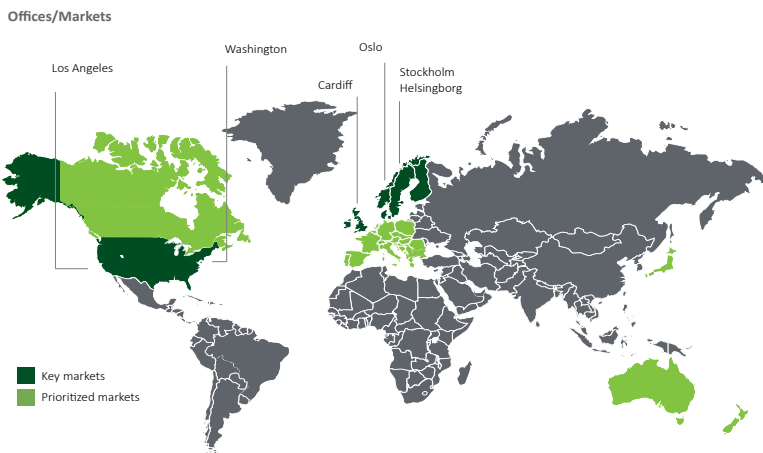


Vision

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.



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

Rules, regulations and regulatory compliance Social responsibility

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

(SEK 000)	Jan. 1–Mar. 31		Rolling 12 months	Full year
	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

(SEK m)	2021				2020				2019	
	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

(SEK 000)	Jan. 1–Mar. 31		Rolling 12 months	Full year
	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

(SEK 000)	Jan. 1–Mar. 31		Rolling 12 months	Full year
	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

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Corp. ID no. 556893-5414



Financial information for the 2020, 2019 and 2018 financial years

Consolidated statement of income and other comprehensive

SEK m	Note	2020	2019	2018
Operating income				
Net sales	2	398.5	334.0	243.8
Cost of goods sold		-216.4	-209.2	-152.1
Gross profit		182.1	124.8	91.7
Selling expenses		-56.4	-53.9	-37.9
Administrative expenses		-36.0	-20.4	-18.5
Research and development expenses		-33.1	-26.0	-17.7
Other operating income	3	0.3	1.2	0.8
Other operating expenses		0	-0.9	-0.5
Operating profit	4, 5, 6, 7, 8	56.9	24.9	17.8
Financial income	9	0.1	1.1	5.2
Financial expense	9	-1.7	-0.9	-3.8
Profit after financial items		55.4	25.1	19.2
Tax	10	-12.8	-6.1	-7.1
Profit for the period		42.5	19.0	12.1
Other comprehensive income				
<i>Items that have been reclassified or may be reclassified to profit for the period</i>				
Translation difference for the period relating to translation of foreign operations		-2.5	0.4	0.6
Other comprehensive income for the period		40.0	19.4	12.7
Profit for the period attributable to:				
Owners of the parent		42.5	19.0	12.1
Non-controlling interests		-	-	-
Profit for the period		42.5	19.0	12.1
Comprehensive income for the period attributable to:				
Owners of the parent		40.0	19.4	12.7
Non-controlling interests		-	-	-
Comprehensive income for the period		40.0	19.4	12.7
Average number of shares		11,618,422	11,618,422	11,618,422
Earnings per share before and after dilution (SEK)		3.66	1.64	1.04

Consolidated statement of financial position

SEK m	Note	2020	2019	2018
ASSETS				
Non-current assets				
Capitalized product development expenses	11	8.0	6.1	5.5
Acquisition-related intangible assets	11	2.7	7.9	12.2
Right-of-use assets	12	66.5	71.4	–
Other property, plant and equipment	12	6.6	2.1	1.6
Deferred tax assets	10	5.0	4.0	3.2
Other non-current financial assets	13	0.4	0.5	0.6
Total non-current assets		89.1	91.9	23.1
Current assets				
Inventories		57.3	46.7	34.8
Accounts receivable	14	161.4	125.8	82.8
Tax assets		–	3.4	–
Other receivables		2.6	3.2	0.1
Contract assets	14	4.0	0.6	2.0
Prepaid expenses and accrued income	15	6.6	4.5	3.9
Cash and cash equivalents		46.8	9.1	31.5
Total current assets		278.8	193.3	155.0
TOTAL ASSETS		367.9	285.2	178.2
EQUITY AND LIABILITIES				
Share capital		5.8	5.8	5.8
Total restricted equity		5.8	5.8	5.8
Unrestricted equity				
Share premium reserve		58.1	58.1	58.1
Retained earnings		26.2	18.4	11.7
Profit for the period		42.5	19.0	12.2
Total unrestricted equity		126.8	95.5	81.9
Total equity		132.6	101.3	87.7
Non-current liabilities				
Lease liabilities for right-of-use assets		58.8	66.4	–
Deferred tax liabilities	10	9.4	5.6	7.6
Total non-current liabilities		68.2	72.0	7.6
Current liabilities				
Current interest-bearing liabilities		–	–	2.7
Overdraft facilities	16, 17	–	0.8	–
Lease liabilities for right-of-use assets		7.9	5.0	–
Provisions for warranties	18	0.9	0.6	0.6
Contract liabilities	19	2.3	8.5	33.6
Accounts payable		62.8	43.6	16.1
Tax liabilities		3.7	3.9	0.3
Other liabilities		52.7	23.0	13.7
Accrued expenses and deferred income	20	36.8	26.4	15.8
Total current liabilities		167.1	111.9	82.9
TOTAL EQUITY AND LIABILITIES		367.9	285.2	178.2

Consolidated statement of changes in equity

SEK m	Share capital	Other capital contributions	Translation reserve	Retained earnings incl. profit for the year	Total equity attributable to owners of the parent	Non-controlling interests	Total equity
Opening balance, January 1, 2020	5.8	58.1	0.5	37.0	101.3	0	101.3
Comprehensive income for the year			-2.6	42.5	40.0		40.0
<i>Transactions with shareholders in their capacity as owners</i>							
Dividend to shareholders				-8.7	-8.7		-8.7
Closing balance, December 31, 2020	5.8	58.1	-2.0	70.8	132.6	0	132.6

SEK m	Share capital	Other capital contributions	Translation reserve	Retained earnings incl. profit for the year	Total equity attributable to owners of the parent	Non-controlling interests	Total equity
Opening balance, January 1, 2019	5.8	58.1	0.1	23.8	87.7	0	87.7
Comprehensive income for the year			0.4	19.0	19.4		19.4
<i>Transactions with shareholders in their capacity as owners</i>							
Dividend to shareholders				-5.8	-5.8		-5.8
Closing balance, December 31, 2019	5.8	58.1	0.5	37.0	101.3	0	101.3

SEK m	Share capital	Other capital contributions	Translation reserve	Retained earnings incl. profit for the year	Total equity attributable to owners of the parent	Non-controlling interests	Total equity
Opening balance, January 1, 2018	5.5	46.2	-0.6	34.1	85.2	4.1	89.3
Comprehensive income for the year			0.6	12.2	12.8	0.0	12.8
<i>Transactions with shareholders in their capacity as owners</i>							
Dividend to shareholders				-14.2	-14.2		-14.2
Issue in kind	0.3	11.9			12.2		12.2
Transactions with minority shareholders				-8.3	-8.3	-4.1	12.4
Closing balance, December 31, 2018	5.8	58.1	0.1	23.8	87.7	0	87.7

Consolidated statement of cash flows

SEK m	Note	2020	2019	2018
Operating activities				
Operating profit		56.9	24.9	17.8
Reversal of depreciation, amortization and impairments		11.6	11.0	6.4
Other non-cash items	21	4.0	0.1	-1.9
Net interest income/expense		-1.5	0.2	1.1
Income taxes paid		-18.9	-8.5	-8.5
Cash flow from operating activities before changes in working capital		52.1	27.7	15.3
Changes in working capital				
Increase (-) / decrease (+) in inventories		-11.3	-11.7	-1.6
Increase (-) / decrease (+) in operating receivables		-35.3	-46.0	-1.4
Increase (-) / decrease (+) in operating liabilities		56.2	22.0	13.5
Cash flow from operating activities		61.7	-7.9	25.8
Investing activities				
Investments in intangible assets	11	-3.5	-1.5	-2.9
Investments in property, plant and equipment	12	-5.4	-1.2	-0.2
Change in other non-current receivables	13	0.3	-	-0.5
Cash flow from investing activities		-8.6	-2.7	-3.6
Financing activities				
Dividends		-8.7	-5.8	-14.2
Change in overdraft facilities		-0.7	0.8	-
Amortization of loans issued by credit institutions	22	-	-2.7	-3.7
Amortization of lease liabilities	22	-4.9	-4.3	-
Cash flow from financing activities		-14.4	-12.0	-17.9
Cash flow for the period		38.7	-22.6	4.3
Cash and cash equivalents at beginning of period		9.1	31.5	26.7
Exchange rate difference in cash and cash equivalents		-1.0	0.2	0.5
Cash and cash equivalents at end of period		46.8	9.1	31.5

Note 1 General information and significant accounting principles

General information on operations

MilDef produces and delivers rugged electronics and complete hardware system for security and defense customers. MilDef's products are sold in more than 30 countries and the Group currently has operations and a presence in Sweden, Norway, the United Kingdom and the United States.

The Company's products have been developed to handle heat, cold, moisture, vibration, shock and other environmental impacts. Their ability to withstand, handle and minimize electromagnetic radiation is also vital in preventing interference or interception. MilDef's products are characterized by extreme durability – they are also called ultra-rugged products – and have functionality and performance assured to withstand tough conditions for long periods. The product portfolio encompasses all components of an IT system – from servers and client computers to network equipment and intelligent displays.

The Group

The MilDef Group consists of the Parent Company MilDef Group AB and the subsidiaries MilDef Products AB, MilDef Sweden AB, MilDef International AB, MilDef Ltd, MilDef Inc., MilDef AS, and Sysint AS. Sysint AS was acquired in March 2021 and is thus not consolidated in the full-year figures for 2018–2020. Amounts in the consolidated financial statements are presented in SEK million unless otherwise specified.

Conformity with laws and standards

The consolidated accounts were prepared in accordance with the Swedish Annual Accounts Act and the International Financial Reporting Standards issued by the International Accounting Standards Board (IASB), and interpretations issued by the IFRS Interpretations Committee, as adopted by the EU. The consolidated accounts were also prepared in accordance with the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups, which contains certain additional disclosure requirements for Swedish consolidated accounts prepared in accordance with IFRS.

Conditions when preparing the Group's financial statements

The Group's functional currency is Swedish crowns or kronor (SEK), which is also the reporting currency of the Parent Company and the Group. Financial statements are always presented in SEK unless otherwise indicated. All amounts are rounded off to the nearest thousand, unless otherwise stated. Assets and liabilities are recognized at historic cost, other than certain financial assets and liabilities, which are measured at fair value. The balance sheet items under the headings 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 management to make estimates and assumptions that affect the application of the accounting principles and the carrying amounts of assets, liabilities, revenue and expenses. These estimates and assumptions are based on past experience and knowledge of the industry in which MilDef operates and which are deemed reasonable under prevailing circumstances. The results of estimates and assumptions are then used to determine the carrying amounts of assets and liabilities which are not otherwise clearly evident based on other sources. Actual outcomes may deviate from these estimates and assumptions. The estimates and assumptions are reviewed on a regular basis and the effect of changes to them is recognized in the income statement. Estimates made by the Board and management when applying the accounting principles in accordance with IFRS may have a material impact on the financial statements, and judgments that may lead to significant adjustments in the financial statements in subsequent years are described in more detail in Note 4. The accounting principles for the Group described below have been applied consistently for all periods

that are presented in the Group's financial statements, unless otherwise indicated below.

New and amended standards applied by the Group

No standards that will be applied by the Group for the first time as of January 1, 2020 have had or are expected to have any impact on the Group's accounts.

New standards and interpretations that have not yet been applied by the Group

A number of new standards and interpretations will go into effect for financial years starting after January 1, 2020. These have not been applied in the preparation of these annual accounts. The new standards and interpretations that have not yet gone into effect are not expected to have any impact on the consolidated financial statements.

Principles of consolidation

Group companies

Subsidiaries are all companies over which the Group has control. The Group controls a company when the Group is exposed or has the right to variable returns from its holding in the company and has the ability to affect those returns through its control over the company. Subsidiaries are included in the consolidated financial statements as of the date the Group gains control. They are excluded from the consolidated financial statements as of the date the Group ceases to control the company.

The acquisition method is used when accounting for business combinations. The purchase consideration for the acquisition of a subsidiary constitutes the fair value of the assets acquired and liabilities assumed by the Group from the previous owner of the acquired company and the shares issued by the Group. The purchase consideration also includes the fair value of all assets or liabilities arising from an agreed contingent consideration. Identifiable assets acquired or liabilities assumed 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 gains and losses on transactions between Group companies are eliminated. The accounting principles applied by subsidiaries have, where applicable, been amended to guarantee consistent application of the Group's principles.

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

Functional currency and reporting currency

Items included in the financial statements for the various entities in the Group are measured in the currency used in the economic environment where the entity in question is mainly active (functional currency). In the consolidated financial statements the Swedish krona (SEK) is used as the Group's reporting currency.

The Group applies the current day method, whereby assets and liabilities of entities with a functional currency other than SEK are translated at the closing day exchange rate and the income statements are translated at the average exchange rates for the period. The translation differences that arise are recognized directly in other comprehensive income. The amount is recognized in a separate reserve in equity.

When divesting an entity with a functional currency other than SEK, the cumulative translation differences attributable to the divested entity are reclassified from equity to profit for the year.

Transactions and balance sheet items

Transactions in foreign currencies are translated to the functional currency using the exchange rates in effect on the transaction date or the date the items are remeasured. Exchange rate gains and losses arising when paying for these transactions and in the translation of monetary

assets and liabilities in foreign currencies at the closing day rate, are recognized in the income statement.

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

Non-controlling interests

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions, i.e. transactions with shareholders in their capacity as owners. When the proportion of the ownership changes, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary.

In the case of an acquisition from a non-controlling interest, the difference between fair value of the purchase price paid and the actual acquired portion of the carrying amount of the subsidiary's net assets is recognized in equity. Gains and losses on divestments to non-controlling interests are also recognized in equity.

Intangible assets

Research and development

Development expenses where research results or other knowledge are used to produce new or improved products or processes are recognized as an asset in the statement of financial position as of 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 development and then use or sell the intangible assets. The products or processes are also likely to generate future economic benefits. The carrying amount includes the expenditures for materials, direct payroll expenses and, if applicable, other expenses considered directly attributable to the asset. Other development expenses are expensed in the income statement as they arise. Development expenses are recognized in the statement of financial position at cost less accumulated amortization and any impairment losses. Customer-financed research and development is not capitalized but instead recognized as cost of goods sold.

Other intangible assets

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

Amortization

Amortization recognized in the income statement, calculated based on the useful lives of the intangible assets and on a straight-line basis.

Estimated useful lives and amortization methods:

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

Useful life is reassessed annually and development not yet completed is tested for impairment at least once a year, whether or not there is any indication of a decrease in value.

Property, plant and equipment

Property, plant and equipment are recognized as assets if it is probable that future economic benefits from them will flow to the Group and the cost of the assets can be reliably calculated.

Property, plant and equipment are recognized at cost less accumulated depreciation and any impairment losses. Cost includes the purchase

price plus expenses directly attributable to the asset in order to bring it to the location and condition so that it can be used in the intended manner. Examples of directly attributable expenses are delivery and handling costs, installation costs and any fees for consulting services.

Additional expenditures

Additional expenditures are added to cost only if it is probable that the future economic benefits associated with the additional expenditures will flow to the Group and cost can be reliably calculated. All other additional expenditures are expensed in the period in which they arise. Repairs are expensed on an ongoing basis.

Depreciation

Depreciation is recognized on a straight-line basis based on the asset's cost and over its estimated useful life.

Estimated useful lives

- Plant and machinery: 5 years
- Leasehold improvements – installations: 5 years
- Right-of-use assets: 1–10 years

Impairment

Intangible assets not ready for use are not subject to amortization but are instead tested annually, or if there is an indication of a decrease in value, to determine if there is any impairment. Assets that are depreciated/amortized are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized at the amount by which the carrying amount exceeds the recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. When measuring the value in use the estimated future cash flows are discounted to the present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset. In the impairment test the assets are grouped at the lowest level where there are substantially independent cash flows (cash-generating units). Assets for which an impairment loss has previously been recognized are tested on every closing day to see if reversal should be made. Impairment of goodwill is 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 cost of completion and the estimated cost necessary to make the sale. Cost is measured using the first-in, first-out (FIFO) formula and includes expenditures that have arisen from acquisition of inventory assets and from bringing them to their present location and condition. For semi-manufactured or finished goods produced by the Company, cost consists of direct manufacturing expenses and a reasonable portion of indirect manufacturing expenses.

Financial assets

The Group classifies and measures its financial assets based on the business model that addresses the asset's contracted cash flows and the nature of the asset. Financial assets are classified in one of the following categories: financial assets measured at amortized cost; financial assets measured at fair value through other comprehensive income; and financial assets measured at fair value through profit or loss. At present the Group only has financial assets that are not normally sold outside the Group and the purpose of holding them is to obtain contractual cash flows.

Financial assets measured at cost

All financial assets are classified as financial assets measured at amortized cost applying the effective interest method. When financial assets are acquired the expected credit losses are recognized on an ongoing basis during the period they are held, normally taking into account credit loss risk in the subsequent 12-month period. If the credit risk is

materially increased, a reserve is recognized for the credit losses that are expected to materialize during the whole term of the asset. MilDef applies the simplified method to calculate credit losses. This is based on historical data on payment collection patterns and the counterparty's ability to pay. Based on historical data, the credit losses are expected to be extremely limited.

Cash and cash equivalents

Cash and cash equivalents, in both the balance sheet and the statement of cash flows, include cash, bank balances and other short-term investments maturing within three months of the date of acquisition.

Equity

Share capital

Ordinary shares are classified as share capital.

Other capital contributions

Consist of amounts paid above the quota (par) value when shares are issued.

Issue costs

Transaction costs directly attributable to the issuance of new shares or warrants are recognized, net of tax, in equity as a deduction from issue proceeds.

Retained earnings

Consist of all past earnings after tax, excluding non-controlling interests, less dividends.

Non-controlling interests

The percentage of equity owned by shareholders without a controlling interest (minority shareholders). Subsidiaries may have non-controlling interests.

Translation reserve

The net of the currency translation difference for foreign subsidiaries.

Dividends

The dividend proposed by the Board of Directors reduces the distributable earnings and is recognized as a liability once the annual meeting of shareholders 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. The liabilities are initially recognized at fair value, net of transaction costs.

Provisions

Provisions are legal or informal obligations that are attributable to the financial year or previous financial years and that on the closing day are certain or likely to exist but where the date and the amounts that will be realized are uncertain.

Warranties

Provisions for warranties are recognized when the underlying products or services are sold. The provision is based on historical data on warranties and on weighing conceivable outcomes against the probabilities associated with the outcomes.

Contingent liabilities

A contingent liability exists if there is a possible obligation stemming from past events, the occurrence of which depends on one or more uncertain future events, and where the obligation is not recognized as a liability or provision because it is not likely that an outflow of resources will be required or the size of the obligation cannot be estimated with sufficient reliability. Information is provided unless the likelihood of an outflow of resources is extremely small.

Income tax

Income tax recognized consists of current tax and deferred tax. Taxes are recognized in the income statement unless they relate to items recognized directly in equity. In such cases the tax is also recognized in equity. Deferred tax is calculated according to the balance sheet method based on all material temporary differences. A temporary difference exists when the carrying amount of an asset or liability differs from the tax base. Deferred tax is calculated by applying the tax rate that has been enacted or substantively enacted as of the closing day and that is expected to apply when the tax asset in question is realized or the tax liability is settled. Deferred tax assets are recognized only to the extent it is probable that a future tax surplus will be available against which the temporary differences can be offset.

Revenue from contracts with customers

Revenue from contracts with customers is recognized when the performance obligation has been met and control of the goods or services has been transferred to the customer. This assessment should be viewed from the customer's perspective taking into account indications such as the transfer of ownership and risk, customer acceptance, physical possession and the right to invoice. An assessment must also be made of whether control is transferred on a specific date or over time.

Standard products and services

Standard products and standard services are regarded as separate and distinct performance obligations. Revenue is recognized on a specific date when control of the goods or services is transferred to the customer. The contract terms and conditions may vary, but the transfer normally takes place and the revenue is recognized upon delivery or, if the contract includes installation for the customer, when the installation is complete.

Customized products and services

Certain products and services involve customized solutions. This type of contract is often binding for the customer and the obligations of both parties are clearly defined for the duration of the contract. Revenue for customized products is recognized over time if the degree of completion can be measured with certainty and there is a binding right to payment over the term of the contract. The degree of completion is measured based on performance completion. If the criteria for revenue recognition over time are not met the revenue is recognized according to the same method as for standard products and services. The transaction price for contracts of this type is represented by payments based on degree of completion or on the invoice dates specified in the contract. If invoices are issued at specific agreed times, contract assets or contract liabilities will arise. Contract assets also arise where the performance obligation has been met and there is an unconditional right to payment but an invoice has not yet been issued.

Contracts with customers where the performance obligation has not yet been met

As MilDef has no customer contracts with a term of more than one year, the simplification rule is applied whereby no disclosure is necessary on the scope of contracts entered into but not yet fulfilled.

Government assistance

Government grants are recognized in the statement of financial position when there is reasonable assurance that the grants will be received and that the Group will meet the criteria for receiving the grant. Government grants are recognized in profit or loss for the year on a systematic basis in the same way and over the same periods as the expenses the grant is intended to compensate. Government grants relating to assets are recognized in the statement of financial position as a reduction of the assets' carrying amount.

Leases

When new leases are signed a right-of-use asset and a lease liability are recognized in the balance sheet. Cost consists of the discounted remaining lease payments for the non-cancellable lease term. Any extensions are included if the Group is reasonably certain that they will be used. Lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be easily determined, which is normally the case for the Group's leases, the lessee's marginal interest rate is to be used (2.5 per cent in 2020), which is the rate the individual lessee would have to pay to borrow the necessary funds to purchase an asset of the same value as the right-of-use asset in a similar economic environment and with similar terms and guarantees.

The lease may be modified during the lease term and if so the lease liability and right-of-use assets are remeasured. Lease payments are divided between amortization of the lease liability and payment of interest. The Group's significant leases consist of leases for real estate used in business operations.

The Company applies the relief rules for leases where the underlying asset is of low value and the lease term is short. These leases are recognized as an expense during the period of use.

Employee Benefits

Liabilities for wages, salaries and other remuneration, and paid leave, where the liability is expected to be settled within 12 months of the end of the financial year, are recognized as current liabilities at the amounts that are expected to be paid when the liabilities are settled, without taking into account discounting. The expense is recognized as and when the services are performed by the employees.

Defined contribution plans

The Group's pension plans for post-employment benefits are all in the form of defined contribution pension plans. With these plans the Company pays fixed contributions to a separate legal entity. Once the contribution is made the Company has no further obligations. Remuneration for employees in the form of wages, salary and pension is recognized when the employee has performed the service the remuneration is for.

Severance pay

A provision is recognized in connection with termination of employment only if the Company is obligated to end employment before the normal date. In such cases the full amount is charged directly to the income statement.

Financial income and expense

Financial income and expense consist of interest income and borrowing costs, and any exchange rate differences not related to operations. They also include realized sales of financial assets as well as impairment losses/reversals of past impairment losses on these financial assets. Borrowing costs directly related to purchases, construction or production of qualifying assets are recognized as part of the cost of these assets. Qualifying assets are assets that necessarily take a substantial period of time to prepare for their intended use or sale. Capitalization ceases when all of the activities necessary to prepare the asset for its intended use or sale are substantially complete. All other borrowing costs are expensed when they arise. The Group has no capitalized borrowing costs.

Statement of cash flows

The statement of cash flows is prepared in accordance with the indirect method, whereby the net profit/loss is adjusted for transactions not involving cash receipts and payments during the period, and for any income and expenses relating to cash flow from investing or financing activities. Cash and cash equivalents consist of cash and immediately available deposits at banks.

Operating segments

The Company's operations consist of a single operating segment, as the Company's products and services are not exposed to risks and opportunities that differ materially. The products and services are also similar in nature. "Similar" means, among other things, that the nature of the actual product, the production process and the distribution channels are similar.

Geographical areas

Most production takes place in Sweden. The Group also purchases products from external suppliers. Sales by geographies are presented in Note 2.

Operating expenses

The income statement is categorized by function. The functions are as follows:

- Cost of goods sold consists of costs for handling goods and manufacturing costs, including payroll expenses, the cost of materials, purchased services, the cost of premises, and impairment of property, plant and equipment and intangible assets.
- Administrative expenses are mainly the cost of business administration. Common expenses are board fees, legal fees, auditor's fees and payroll expenses for administrative personnel.
- Selling expenses are expenses for the Company's internal sales and marketing department as well as external marketing and sales expenses.
- Research and development expenses are recognized separately and include self-financed new and further development of products such as materials for prototypes, as well as payroll expenses.
- Other operating income and expenses relate to secondary activities such as exchange rate differences on operation-related items, royalty income, and the sale of administrative services to other companies in the same Group.

Note 2 Net sales

SEK m	2020	2019	2018
Sweden	107.0	90.0	75.0
Rest of Nordics (excl. Sweden)	164.1	108.9	63.4
Europe (excl. Nordics)	49.5	55.4	40.4
North America	67.5	72.0	55.7
Other countries	10.3	7.8	9.3
Total net sales	398.5	334.0	243.8

Note 3 Other operating income

SEK m	2020	2019	2018
Exchange gain on operating receivables/liabilities	0.1	–	1.3
Exchange loss on operating receivables/liabilities	–	–	–1.5
Commission income	–	0.5	–
Royalty income	–	0.6	0.6
Other	0.2	0.2	0.4
Total other operating income	0.3	1.2	0.8

Note 4 Nature of expense

SEK m	2020	2019	2018
Cost of materials	–200.6	–191.0	–122.6
Other costs	–30.1	–28.3	–27.1
Personnel costs	–99.2	–78.8	–68.5
Depreciation/amortization	–11.6	–11.0	–6.4
Total	–341.6	–309.1	–224.6

Note 5 Audit fees

SEK m	2020	2019	2018
Audit assignment	1.0	0.5	0.5
Audit-related activities besides the audit assignment	–	0	–
Tax advisory services	0.2	0.3	–
Other services	0.1	0.2	0.1
LST Revisjon AS – audit assignment	0	0.1	0.1
Total audit fees	1.2	1.1	0.6

The audit assignment consists of examination of the annual accounts and accounting records, as well as the Board's administration of the Company, other tasks that are incumbent upon the Company's auditors in order to prepare the audit report, as well as advice or other assistance required as a result of observations made during such review tasks.

Note 6 Depreciation, amortization and impairment

SEK m	2020	2019	2018
Right-of-use assets	–4.9	–4.3	–
Capitalized product development	–1.6	–1.0	–1.2
Exclusivity agreements	–1.7	–1.9	–1.7
Customer relationships	–2.6	–3.0	–2.8
Leasehold improvements	–0.1	–0.1	–0.1
Equipment, fixtures and fittings	–0.7	–0.7	–0.6
Total depreciation, amortization and impairment	–11.6	–11.0	–6.4

Note 7 Leases

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

Amounts recognized in the income statement (SEK m)	2020	2019	2018
Depreciation – Cost of goods sold	0.4	0.3	–
Depreciation – Administrative expenses	0.9	0.8	–
Depreciation – Selling expenses	2.7	2.4	–
Depreciation – Research and development expenses	0.8	0.7	–
Interest expense for lease liabilities (included in financial expense)	0.4	0.2	–
Expenses relating to low-value leases	1.4	1.3	–
Revenue from subleasing of right-of-use assets	–0.0	–0.1	–
Total leases	6.6	5.8	–

Note 8 Employees, personnel costs and senior executive remuneration**Payroll expenses**

SEK 000	2020	2019	2018
Wages, salaries and other remuneration			
Board of Directors & CEO	2,487	2,078	1,668
Other employees	69,870	32,470	26,560
Total	72,358	34,548	28,258

Social insurance contributions

All employees	22,724	18,301	14,686
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Of which pension expenses

Board of Directors & CEO	96	95	87
Other employees	5,763	2,322	2,083
Total	5,859	2,417	2,170

Number of employees at end of period

	2020	2019	2018
Parent Company			
Sweden	29	18	12
Total Parent Company	29	18	12
Subsidiaries			
Sweden	65	54	52
Norway	6	4	3
UK	8	9	10
USA	11	8	9
Total subsidiaries	90	75	74
Group total	119	93	86

Gender balance in management team

	Dec. 31, 2020 Percentage of men	Dec. 31, 2019 Percentage of men	Dec. 31, 2018 Percentage of men
Board of Directors	67%	75%	67%
Other senior executives	75%	67%	67%

Note 9 Financial items

SEK m	2020	2019	2018
Exchange gain, not related to operations	–	0.2	5.2
Interest income	0.1	1.0	0.1
Financial income	0.1	1.1	5.2

SEK m	2020	2019	2018
Exchange loss, not related to operations	–	–0.3	–3.5
Interest expense	–1.7	–0.5	–0.3
Financial expense	–1.7	–0.9	–3.8

Note 10 Tax

Tax recognized in the income statement

SEK m	2020	2019	2018
Current tax for the year	–10.5	–8.7	–6.7
Deferred tax	–2.4	2.6	–0.3
Total	–12.8	–6.1	–7.1

Deferred tax expense/assets for the year

SEK m	2020	2019	2018
Tax attributable to change in loss carryforwards	–0.9	–0.6	–0.3
Tax relating to change in temporary differences	0.6	1.8	0.1
Tax on year-end appropriations	–2.0	1.0	–0.2
Changed corporate tax rate	–	0.4	–
Total	–2.3	2.6	–0.3

Tax on profit for the year

SEK m	2020	2019	2018
Earnings before tax according to the income statement	55.4	37.2	21.7
Tax according to the Parent Company tax rate (21.4%)	–11.8	–8.0	–4.8

Reconciliation of recognized tax

Non-taxable income	–	2.8	–0.4
Non-deductible expenses	–0.3	–2.2	–1.6
Utilization of tax loss carryforwards	–	–0.2	–
Effect of change in temporary differences	–	2.3	0.0
Effect of standard income on opening balance of tax allocation reserve	0.0	0.0	0.0
Effect of changed corporate tax rate	0.0	0.4	–
Tax attributable to previous years	–	–	0.2
Difference in Group's tax rates in different countries	0.2	–1.3	–0.3
Recognized tax expense	–12.8	–6.1	–7.1

Reconciliation of net deferred tax liability

SEK m	2020	2019	2018
Tax liability, January 1	–1.6	–4.3	–4.1
Translation difference on translation of foreign subsidiaries	–0.5	0.1	0.1
Recognized in profit or loss	–2.3	2.6	–0.3
Tax liability, December 31	–4.4	–1.6	–4.3

As of December 31, 2020, the Group had a total tax deficit of SEK 7.2 million. Although the right to loss carryforwards exists, no deferred tax assets were recognized.

Note 11 Intangible assets

Capitalized product development

SEK m	2020	2019	2018
Cost			
Opening balance, January 1	38.0	36.5	33.5
Acquisitions for the year	3.5	1.5	2.9
Closing balance, December 31	41.5	38.0	36.5

Amortization and impairment

Opening balance, January 1	–31.9	–30.9	–29.7
Amortization for the year	–1.6	–1.0	–1.2
Closing balance, December 31	–33.5	–31.9	–30.9
Carrying amount, December 31	8.0	6.1	5.5

Exclusivity agreements

SEK m	2020	2019	2018
Cost			
Opening balance, January 1	9.4	9.0	8.3
Translation difference	–1.3	0.5	0.7
Closing balance, December 31	8.2	9.4	9.0

Amortization and impairment

Opening balance, January 1	–6.3	–4.2	–2.2
Amortization for the year	–1.7	–1.9	–1.8
Translation difference	0.9	–0.2	–0.2
Closing balance, December 31	–7.1	–6.3	–4.2
Carrying amount, December 31	1.1	3.1	4.8

Customer relationships

SEK m	2020	2019	2018
Cost			
Opening balance, January 1	14.6	14.1	13.2
Translation difference	–1.7	0.5	0.9
Closing balance, December 31	13.0	14.6	14.1

Amortization and impairment

Opening balance, January 1	–10.0	–6.8	–3.7
Amortization for the year	–2.6	–2.9	–2.8
Translation difference	1.2	–0.2	–0.2
Closing balance, December 31	–11.4	–9.9	–6.8
Carrying amount, December 31	1.6	4.7	7.4

Other intangible assets

SEK m	2020	2019	2018
Cost			
Opening balance, January 1	0.6	0.6	0.6
Closing balance, December 31	0.6	0.6	0.6

Amortization and impairment

Opening balance, January 1	–0.6	–0.6	–0.6
Closing balance, December 31	–0.6	–0.6	–0.6
Carrying amount, December 31	0.0	0.0	0.0

Note 12 Property, plant and equipment

Leasehold improvements

SEK m	2020	2019	2018
Cost			
Opening balance, January 1	0.5	0.5	0.4
Acquisitions for the year	0.1	–	–0.1
Translation difference	–0.1	0.0	0.0
Closing balance, December 31	0.5	0.5	0.5
Depreciation and impairment			
Opening balance, January 1	–0.4	–0.3	–0.2
Amortization for the year	–0.1	–0.1	–0.1
Translation difference	0.0	0.0	0.0
Closing balance, December 31	–0.4	0.4	–0.3
Carrying amount, December 31	0.1	0.1	0.2

Equipment, fixtures and fittings

SEK m	2020	2019	2018
Cost			
Opening balance, January 1	7.7	6.4	6.3
Acquisitions for the year	1.3	1.2	0.2
Divestments for the year	–0.1	0.0	–0.1
Translation difference	–0.1	0.0	0.0
Closing balance, December 31	8.8	7.7	6.4
Depreciation and impairment			
Opening balance, January 1	–5.7	–5.0	–4.5
Depreciation for the year	–0.7	–0.7	–0.6
Divestments for the year	0.0	0.0	0.0
Translation difference	0.1	0.0	0.0
Closing balance, December 31	–6.3	–5.7	–5.0
Carrying amount, December 31	2.5	2.0	1.4

Construction in progress

SEK m	2020	2019	2018
Cost			
Opening balance, January 1	–	–	–
Acquisitions for the year	4.0	–	–
Closing balance, December 31	4.0	–	–
Carrying amount, December 31	4.0	–	–

Right-of-use assets (real estate used in business operations)

SEK m	2020	2019	2018
Cost			
Opening balance, January 1	75.7	10.7	–
Additional right-of-use assets	0.2	64.8	–
Completed contracts	–4.8	–	–
Translation difference	–0.7	0.2	–
Closing balance, December 31	70.4	75.7	–
Depreciation and impairment			
Opening balance, January 1	–4.4	–	–
Amortization for the year	–4.9	–4.3	–
Completed contracts	4.8	–	–
Translation difference	0.5	–0.1	–
Closing balance, December 31	–3.9	–4.4	–
Carrying amount, December 31	66.5	71.4	–

The substantial asset is primarily generated by a significant lease entered into in 2019 lasting for 10 years. The size of the contract as of December 31, 2020 was SEK 63.8 million.

Note 13 Other financial non-current assets

SEK m	2020	2019	2018
Opening balance, January 1	0.5	0.6	0.1
Customs guarantee	0.0	0.0	–
Receivable from employees	–0.1	–0.1	0.5
Translation difference	–0.1	0.0	0.0
Closing balance, December 31	0.4	0.5	0.6

Note 14 Accounts receivable and contract assets

SEK m	2020	2019	2018
Accounts receivable and contract assets	165.4	126.4	84.8
Total accounts receivable and contract assets	165.4	126.4	84.8

Age analysis, accounts receivable and contract assets

Accounts receivable and contract assets not past due	141.8	96.7	48.8
Accounts receivable 1–30 days past due	19.8	29.4	35.8
Accounts receivable 31–90 days past due	2.3	0.3	0.1
Accounts receivable >90 days past due	1.5	–	–
Total	165.4	126.4	84.8

MilDef applies the simplified method to calculate credit losses. This is based on historical data on payment collection patterns and the counterparty's ability to pay. Based on historical data, the credit losses are expected to be extremely limited. The Group did not recognize any credit losses during the year. As of December 31, 2020, accounts receivable of SEK 23.6 million were due within the Group, for which no requirement to recognize an impairment loss is considered to exist. The maximum exposure for credit risk as of the closing day is the fair value of accounts receivable and contract assets, which corresponds to the carrying amount. No assets have been pledged as security for recognized receivables. Of the past due accounts receivable and contract assets as of December 31, 2020 SEK 20.9 million had been settled as of March 10, 2021.

Note 15 Prepaid expenses and accrued income

SEK m	2020	2019	2018
Prepaid rent	2.1	1.0	1.0
Prepaid car leases	0.1	0.1	0.2
Prepaid insurance	0.5	0.3	0.2
Other items	3.9	3.1	2.5
Total	6.6	4.5	3.9

Note 16 Pledged assets

SEK m	2020	2019	2018
<i>Pledged assets for liabilities to credit institutions</i>			
Chattel mortgages	30.0	30.0	30.0
Total pledged assets	30.0	30.0	30.0

Note 17 Overdraft facility

SEK m	2020	2019	2018
Overdraft facility granted amounts to	27.1	27.3	17.2
Utilized credit on closing day	0	–0.8	0
Unutilized credit on closing day	27.1	26.5	17.2

Note 18 Provision for warranties

SEK m	2020	2019	2018
Opening balance, January 1	0.6	0.6	0.9
Change during the year	0.3	0.0	-0.3
Translation difference	0.0	0.0	0.0
Closing balance, December 31	0.9	0.6	0.6

Note 19 Contract liabilities

Of the amount recognized as contract liabilities as of December 31, 2019, SEK 6.4 million was recognized as revenue in 2020. Of the amount recognized as contract liabilities as of December 31, 2018, SEK 33.6 million was recognized as revenue in 2019.

Note 20 Accrued expenses and deferred income

SEK m	2020	2019	2018
Accrued payroll expenses	16.3	12.1	6.3
Accrued social insurance contributions	8.1	5.1	3.4
Other items	12.4	9.2	6.1
Total	36.8	26.4	15.8

Note 21 Other items

SEK m	2020	2019	2018
Change in warranty risk reserve	0.3	0.0	-0.3
Capital gain/loss on sale of property, plant and equipment	0.0	0.0	-
Translation difference on intra-group transactions	3.7	0.1	-1.6
Total	4.0	0.1	-1.9

Note 22 Change in liabilities from financing activities

SEK m	2020	2019	2018
Opening balance, January 1	71.4	-	6.9
Additional liabilities	0.2	75.7	-
Amortization	-4.9	-4.3	-6.9
Translation difference	-0.1	-	-
Closing balance, December 31	66.7	71.4	0.0

Note 23 Transactions with related parties

The Group works closely with an owner company, MilDef Crete in Taiwan. Below is a summary:

SEK m	2020	2019	2018
Sales of goods and services to related parties	0.7	1.6	0.6
Goods purchases from related parties	96.6	106.1	36.7
Liability to related parties as of 31 December	39.0	34.3	5.4
Claims on related parties as of 31 December	0.9	3.6	0.1

Note 24 Key estimates and judgments

Estimates and judgments are evaluated on an ongoing basis and based on historical experience and other factors, including expectations regarding future events that are considered reasonable under the prevailing circumstances. Management makes estimates and assumptions regarding the future and this affects the carrying amounts recognized. As a consequence, the carrying amounts will only in exceptional cases correspond to the actual amounts. The key estimates and assumptions where there is a significant risk of the need for material adjustments to carrying amounts in future financial years are outlined below.

Recovery of value of development expenses

The Group invests substantial sums in research and development. Recognition of development expenses as assets in the balance sheet requires estimates to be made and an expectation that the product capitalized will be technically and commercially viable in the future and that future economic benefits are likely. Each quarter an assessment is made of whether development expenses already capitalized are still commercially viable and can continue to generate economic benefits. If this is not the case, an impairment loss is recognized.

Deferred tax assets

Every year management conducts an impairment test for deferred tax assets relating either to tax loss carryforwards or positive temporary differences. Deferred tax assets are only recognized if it is deemed probable that a future tax surplus will be available against which temporary differences can be offset.

Inventory obsolescence assessment

Inventory is assessed every month to determine if there is any impairment. An impairment loss is recognized in cost of goods sold at the amount which, after careful evaluation, the inventory is considered to be obsolete. If actual obsolescence is different from the estimates or if management makes future adjustments to the assumptions made, changes in value may affect profit or loss for the period as well as the Company's financial position. An obsolescence scale has been applied consistently by the Group. According to the obsolescence scale, all items of inventory older than two years are measured at 0% of cost.

Provisions for warranties

Terms of sale normally include warranties in the event a product proves to be faulty. Even though the Group has extensive quality assurance procedures to minimize the risk of faulty products, it is possible that a product quality issue could negatively impact the Group's reputation, profits and financial position. On average, warranties are for 16 months. The warranty risk reserve is calculated based on the historical cost of these commitments. Based on the historical cost of warranties, management has decided that 0.4% of the Group's sales of its own products is to be allocated annually to a warranty risk reserve. As of the closing day the Group's total warranty risk reserve amounted to SEK 0.9 million. Actual warranty expenses during the financial years 2018–2020 are lower than the amount of the provision.

Note 25 Information on the Parent Company

The operations of MilDef Group AB (corp. reg. no. 56893-5414), registered office in Helsingborg, Sweden, are primarily focused on the Group's strategic development and group-wide functions such as HR, IT, finance and similar. Furthermore, most of the Group's external financing is held within the Parent Company. As of the end of the period the Group had 29 employees. The head office address is Muskötgatan 6, 254 66 Helsingborg, Sweden. The consolidated financial statements for 2020 cover the Parent Company and its subsidiaries, together called the Group.

Auditor's report regarding financial reports on historical financial information

To the Board of Directors of MilDef Group AB, corporate reg. number 556893-5414

Statements

We have performed an audit of the consolidated financial statements for MilDef Group AB (hereinafter "the Company" and together with its subsidiary "The Group") on pages F-25 – F-36, which includes the Group's balance sheet as of December 31, 2020, 2019 and 2018 and the income statement for the Group, the Group's statement of comprehensive income, the Group's cash flow statement, the Group's report on changes in equity for these years and a description of significant accounting principles and other additional information.

In our opinion, the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU and provide a true and fair view in all material respects of the Group's financial position as of December 31, 2020, 2019 and 2018 and of its financial results and cash flow for each of the three financial years ending December 31, 2020, 2019 and 2018 in accordance with IFRS.

Basis for statements

We have performed the audit in accordance with International Standards on Auditing (ISA) and generally accepted accounting principles in Sweden. Our responsibilities in accordance with these principles are described in more detail in the Auditor's responsibilities section. We are independent in relation to the Group in accordance with generally accepted accounting principles in Sweden and have otherwise fulfilled our professional ethical responsibility in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit statements.

Responsibilities of the Board of Directors and the CEO

The Board of Directors and the CEO are responsible for preparing the consolidated financial statements and for giving a true and fair view in accordance with the Swedish Annual Reports Act and IFRS as adopted by the EU. The Board of Directors and the CEO are also responsible for the internal control that they deem necessary to prepare consolidated financial statements that do not contain any material misstatements, whether due to irregularities or mistakes.

In preparing consolidated financial statements, the Board of Directors and the CEO are responsible for assessing the Company's and the Group's ability to continue operations. They disclose, where applicable, conditions that may affect the ability to continue operations and to use the assumption of going-concern. However, the assumption of going-concern is not applied if the Board of Directors and the CEO intend to liquidate the Company, cease operations or have no realistic alternative to do any of these.

Auditor's responsibility

Our objectives are to achieve a reasonable degree of assurance as to whether the consolidated financial statements, as a whole, do not contain any material misstatements, whether due to irregularities or mistakes, and to provide an audit report that includes our statements. Reasonable assurance is a high degree of assurance, but is no guarantee that an audit performed in accordance with ISA and generally accepted accounting principles in Sweden will always detect a material error if one exists. Inaccuracy can occur due to irregularities or mistakes and are considered significant if they individually or together can reasonably be expected to influence the financial decisions that users make based on the consolidated financial statements.

As part of an audit according to ISA, we use professional judgment and have a professionally sceptical attitude throughout the audit. In addition:

- » we identify and assess the risks of material misstatement of the consolidated financial statements, whether due to irregularities or mistakes, formulate and perform audit procedures based on these risks, among other things, and obtain audit evidences that is sufficient and appropriate to provide a basis for our statements. The risk of not detecting a material misstatement due to irregularities is higher than for a material misstatement due to mistakes, as irregularities may include collusion, forgery, intentional omissions, incorrect information or breach of internal control.
- » we acquire an understanding of the part of the Group's internal control that is important for our audit to design audit measures that are appropriate in the circumstances, but not to comment on the effectiveness of the internal control.
- » we evaluate the appropriateness of the accounting principles used and the reasonableness of the Board of Directors' and the CEO's estimates in the accounts and related information.
- » we draw a conclusion about the appropriateness of the Board of Directors and the CEO using the assumption of going-concern in the preparation of consolidated financial statements. We also draw a conclusion, based on the audited evidence obtained, as to whether there is any significant uncertainty factor relating to such events or circumstances that may lead to significant doubts about the Group's ability to continue operations. If we conclude that there is a significant uncertainty factor, we must draw attention in the audit report to the information in the consolidated financial statements about the significant uncertainty factor or, if such information is insufficient, modify the statement on the consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of the audit report. However, future events or circumstances may mean that a group can no longer continue operations.
- » we evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements reflect the underlying transactions and events in a way that gives a true and fair view.
- » we obtain sufficient and appropriate audit evidence regarding the financial information for the units or business activities within the Group to make a statement regarding the financial consolidated statements. We are responsible for the management, supervision and execution of the group audit. We are solely responsible for our statements.

We must inform the board of, among other things, the planned scope and focus of the audit and the time for it. We must also inform about significant observations during the audit, including any significant deficiencies in internal control that we have identified.

Helsingborg on May 23, 2021

Bengt Ekenberg
Certified accountant
Mazars AB

Andreas Brodström
Certified accountant
Mazars AB

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