

# 2021

## Annual Report

589 SEK m  
ORDER BOOKINGS  
January – December

732 SEK m  
ORDER BACKLOG  
December 31, 2021

470 SEK m  
NET SALES January –  
December



Your number one choice for tactical IT

## Information to shareholders

### ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Thursday, May 12 at 4:00 p.m. CET at MilDef's head office in Helsingborg, Sweden. Information on how to register for the Meeting will be provided together with the invitation to attend on the company's website, no later than four weeks prior to the Meeting.

### REGISTRATION

Shareholders wishing to attend the Meeting must be included in Euroclear Sweden AB's share register by Wednesday, May 4, 2022 and shall notify MilDef of their attendance by Friday, May 6, 2022. To be entitled to participate, shareholders whose shares are registered with a proxy shall first request that their own name be entered temporarily in Euroclear Sweden AB's share register ("voting rights registration"). Shareholders shall notify their proxies hereof in good time before voting rights registration closes on Friday, May 6, 2022.

### AGENDA ITEMS

Details of the agenda for the Annual General Meeting will be advertised in the Swedish official gazette (Post- och Inrikes Tidningar), Dagens Industri and posted on MilDef's website. Documents will also be available from MilDef during registration for the Meeting.

### DIVIDEND PROPOSAL

The Board of Directors proposes that the dividend for the 2021 financial year shall be set at SEK 0.75 per share. The proposed record date for entitlement to dividends is May 16, 2022. If the Annual General Meeting approves the proposal, it is anticipated that the dividend will be paid on May 19, 2022.

### NOMINATION COMMITTEE

The members of MilDef's Nomination Committee are: Ulf Hedlundh, appointed by Svolder AB (publ) Peter Lundkvist, appointed by AP3 Marianne Trolle, own holdings Jan Andersson, Chairman of the Board of MilDef Group AB.

### ORDERING FINANCIAL INFORMATION

Financial and other relevant information can be ordered from MilDef. Using the electronic subscription service on the website is respectful of the environment.

### INVESTOR RELATIONS CONTACT

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### FINANCIAL CALENDAR

Interim report Q1 2022	April 28, 2022
Interim report Q2 2022	July 28, 2022
Interim report Q3 2022	October 27, 2022

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## READING INSTRUCTIONS

Unless otherwise stated, figures in parentheses refer to operations in 2020. Swedish kronor (SEK) is used throughout. Millions of kronor are abbreviated as SEK million (or SEK m) and thousands of kronor as SEK thousand. The information in the Annual Reports regarding markets, competition and future growth represent MilDef's own assessments, based mainly on materials produced internally within the Group.

This is a translation of the Swedish original of MilDef Group's Annual Report 2021. In the event of any discrepancies between the two versions, the original Swedish version shall apply.



**Production MilDef Annual Report 2021**

**Project management and text:** Daniel Ljunggren and Olof Engvall

**Design and graphics:** Sara Blomqvist and Jörgen Kjellgren

**Printing:** Högtryck

## The year in brief

MilDef exceeded its long-term growth target despite a market characterized by pandemic effects, logistics problems and a semiconductor component shortage. This outcome was achieved with the help of both existing operations and the two new important acquisitions in Norway and Sweden. The operating margin declined, landing below MilDef's long-term target. This is a consequence of the aforementioned challenges in the market.

### Financial development full-year 2021

- » Net sales increased by 18% to SEK 469.6 million (398.5).
- » Gross margin amounted to 45% (46).
- » Adjusted EBITDA amounted to SEK 32.2 million (72.8), equivalent to an adjusted operating margin of 6.9% (18.3).
- » Order bookings decreased by 18% to SEK 589.4 million (718.0).
- » The order backlog increased by 64% to SEK 731.5 million (446.3).
- » Operating cash flow amounted to an outflow of SEK 71.4 million (inflow 53.1).
- » The Board of Directors proposes unchanged dividend of SEK 0.75 (0.75 SEK adjusted for the 2:1 split).

## CEO BJÖRN KARLSSON COMMENTS

## We are prepared for continued growth

### The CEO comments

MilDef growth journey continued in 2021 and we can summarize the year with many positive achievements. Two value-creating acquisitions, a strategic diversification of our business offering, geographical expansion, growth-oriented investments in technology and the stock exchange listing.

On this score, I want to commend our managers and employees. During what was an unpredictable year, they built strong foundations for the continued development of our fine company. I am grateful to them for their achievements.

MilDef's sales grew by 18% over the year, which was slightly above our financial growth target. The delivery challenges that we have previously communicated, caused by global component shortages, resulted in several planned deliveries being postponed until the first half of 2022. The increase in costs for 2021 was mainly due to increased recruitment to enable MilDef's planned growth over the upcoming years. As reported in both the second and third quarters of 2021, the global component shortages in the semiconductor market had two principle consequences for MilDef. An estimated SEK 50 million in revenue was postponed into 2022 due to delayed deliveries, in turn impacting operating profit negatively by SEK 20-25 million. The component market is expected to continue hampering the precision of our deliveries in 2022, and the operations have implemented a number of mitigating measures.

*"MilDef exceeds long-term growth target"*

### Productive acquisition agenda

MilDef exceeded its long-term growth target despite a market characterized by pandemic effects, logistics problems and a semiconductor component shortage. This outcome was achieved with the help of both existing operations and two value-adding acquisitions in Norway and Sweden. The acquisitions of Sysint and Defcon both contributed favorable growth, strong operating margins and a strategic product diversification in software and services. MilDef's considerably expanded offering created new opportunities in our important home markets and this is reflected in future business opportunities. Over the year, MilDef actively advanced its acquisition agenda and continues to seek appropriate opportunities for new acquisitions. MilDef aims to complete at least one acquisition annually.

### MilDef delivers security in an insecure world

On February 24, 2022, Russia invaded Ukraine. In a single moment, the geopolitical security situation changed in a direction that is expected to affect MilDef's operations considerably. Many countries are re-assessing and prioritizing their military defense, resulting in increased defense spending and accelerated growth plans in the defense sector. At the time of writing, the consequences for individual defense companies are impossible to quantify, although we are observing a generally stronger political support for defense development, which, combined with increased defense funding, will provide favorable market conditions for security and defense companies. MilDef has further strengthened its KYC (Know Your Customer) processes and has initiated an Ethics Council to efficiently address the increasing influx of inquiries from different markets.



**Comment on operating profit**

The operating margin for 2021 declined, ending up below MilDef's long-term target. This was a consequence of the aforementioned challenges in the market. Naturally, we are not satisfied with this outcome, but we believe that the market's logistical issues are transitional in nature. The investments made to enable continued growth have dimensioned the operations to efficiently address the new market situation that has arisen following the end of the period.

**25 years young and stronger than ever**

It is 25 years since MilDef began to pave the way for its journey of growth. Today we are a stronger company than ever before and firmly optimistic about the outlook for our future. The previously reported, fundamentally good market conditions have been reinforced with the rapidly increasing focus on security and defense in the Nordics and globally. Our opportunities have increased to continue our journey of strong growth, particularly as the world around us has grown increasingly defense conscious, while countries have enormous needs to modernize and digitalize their defense forces. In 2021 MilDef advanced its positions in its Nordic home markets and, in early 2022, operations were established in Finland. We add to this a stable foothold in our growth markets – the UK and the US.

We face the future with humble optimism and a strong drive to continue developing what we view as the world's finest tactical IT companies, to build more secure societies and a more sustainable world. Security and defense gain additional importance when everything is at stake.



Björn Karlsson, CEO, MilDef Group AB



## MilDef's world

**From the start in 1997, MilDef has supplied products and services that protect essential societal functions. As specialists in the global niche for tactical IT, MilDef meets the unique product requirements imposed by highly demanding environments.**

MilDef produces and delivers rugged electronics (durable IT for the toughest environments), complete hardware systems, software and services to customers in security and defense. With operations in five countries and partner networks in more than 30 others, MilDef currently has more than 200 full-time employees and generated sales of about SEK 470 million in 2021. Over the past six years, the company has experienced average annual growth (CAGR) of 25%. Today, MilDef maintains operations and a presence in Sweden, Norway, Finland, the UK, and the US. MilDef's largest geographical markets are the Nordics (71% of net sales in 2021), Europe (excluding the Nordics, 17% of net sales in 2021), and North America (11% of net sales in 2021). Other countries accounted for approximately 1% of net sales in 2021. Although customers are primarily defense-related, growth is also being achieved in areas including health (medical applications in demanding environments), industrial (drone control), and essential societal infrastructure (police, security services etc.). What customers share is their need for tactical IT, hardware, software and services to be able to conduct operations in environments where the products are subjected to tough conditions.

### Strong customer relationships, both at home and far away

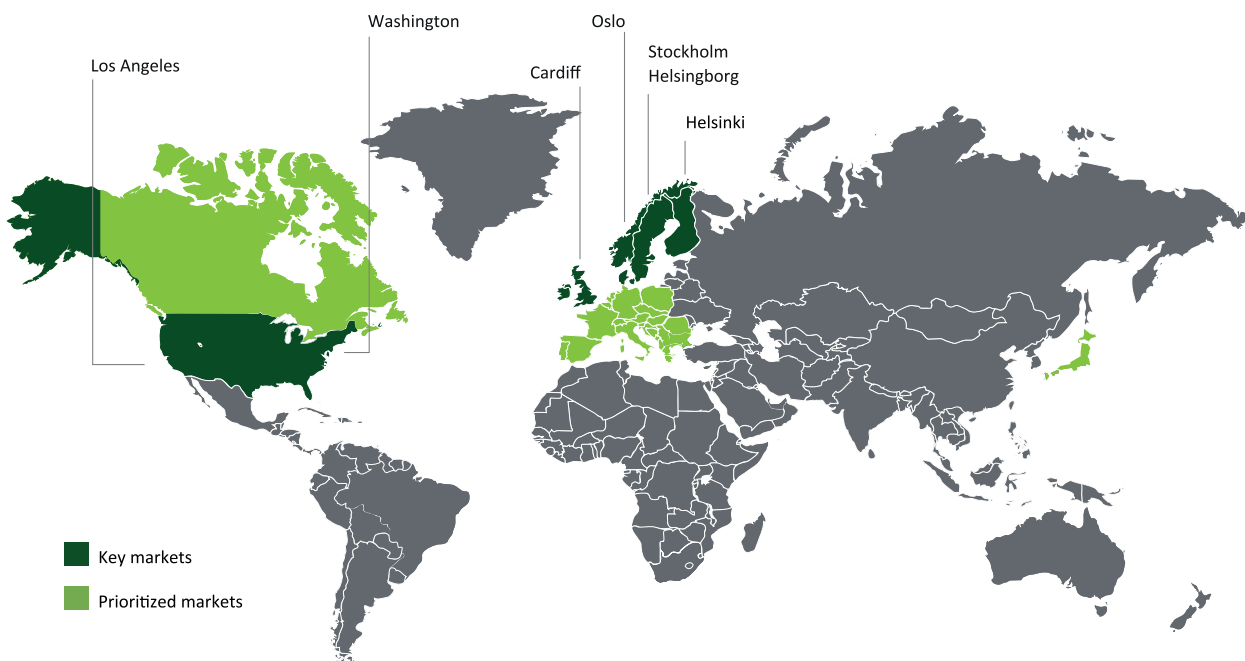
MilDef holds a strong position in its home market, the Nordics, as well as strong customer relationships built up over many

years and rooted in reliability and security of supply. MilDef's products have been developed to withstand heat, cold, moisture, vibration, shock and other environmental impacts. The capacity to withstand, manage and minimize electromagnetic radiation is also essential in protecting equipment from interference and surveillance. MilDef's "ultra-rugged" products are characterized by their preeminent durability, with their functionality and performance assured to withstand severe strain over extended periods.

### A strong product portfolio for critical needs

The product portfolio encompasses all of the components in an IT system – from servers and client computers to network equipment and intelligent displays, as well as software and services. Many of the core functions are managed from the head office in Helsingborg, where the Swedish production facilities are also located. The relatively high complexity of the products, both technically and in regard to the logistical management of a wide portfolio of proprietary products, necessitates a long-term approach to the supply of skills and personnel. For MilDef, research and development is a core area of expertise and a priority. Technological and product development is advanced through a close, ongoing dialogue with MilDef's customers and partners. In 2021, R&D costs represented 9% of MilDef's revenue. Slightly more than 15% of MilDef's employees work in research and development.

### MilDef's locations and priority markets





# A visionary business concept for ambitious targets

**Digitalization of operations and functions that are crucial for society is increasing and there is also therefore a need for tactical IT in demanding environments. MilDef is playing an active role in this development with the objective of being the most reliable partner in the industry. MilDef adds value through industry-leading quality and superior precision of delivery.**

## Vision

Your number one choice for tactical IT.

## Mission

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

## Business concept

MilDef's business concept is to develop, deliver and offer tactical IT products and services for operations and functions that are crucial for society. We customize solutions to meet our customers' specific requirements in the demanding environments in which they are used. MilDef's hardware and software products are combined with services to deliver effective digitalization. MilDef operates in the global security and defense market and in other areas that are crucial for society.

## Core values

MilDef achieves its goals by meeting the unique demands of tactical and demanding environments. Quality and robustness are crucial to MilDef and the success of 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 a commitment to meeting or exceeding expectations – both MilDef's own and those of its customers.

## Strategy and financial goals

MilDef's financial targets are sales growth over time of 15% annually including acquisitions, and an operating margin (EBITDA) of at least 10%. Over the past six years, sales have grown by about 25% annually on average, and the average operating margin has been in the region of 12%. MilDef's future development is based on a combination of organic and acquisition-driven growth. There is significant scope for expansion in the company's domain of tactical IT. MilDef plans to establish a presence in several priority markets with proprietary operations or through

partner networks or acquisitions. MilDef applies a process to implement its acquisition ambitions in a structured manner. With the market remaining rather fragmented, there are plenty of reputable acquisition candidates in both defense and security. MilDef's process serves both to identify appropriate transactions and to implement them. There is substantial unrealized potential in the operations' technology portfolio for exports to additional countries, as well as expansion into adjacent market segments. The target for interest-bearing net debt is that it not exceed operating profit (EBITDA) by more than 2.5 times, other than temporarily.

## MilDef's financial targets



## To achieve its financial growth and profitability targets, MilDef applies the following strategies:

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

## MilDef as an investment

MilDef has grown within its global tactical IT niche since 1997, always maintaining good profitability.

Over the past six years (2016-2021), annual sales growth has averaged 25%, exceeding MilDef's financial target of 15% by a good margin.

The profitability target is an adjusted EBITDA margin of at least 10%, with the average adjusted EBITDA margin for 2016-2021 having been 11.5%.

MilDef's portfolio comprises hardware, services and software. Although a substantial majority of revenue streams have derived from hardware, this is expected to become more balanced in the future, with the objective of the three revenue streams becoming roughly equal in scale. Tactical IT is technologically challenging and the high degree of specialization and adaptation presents natural barriers to entry for competitors, helping secure MilDef's access to a global market experiencing strong growth.

### **An attractive market with strong growth factors**

- MilDef addresses selected markets with strong potential and forecast growth. The Nordics, selected EU countries, selected NATO countries, and a few other countries are prioritized. The main growth market is expected to be the US, where MilDef established a presence in 2016 by means of a successful acquisition.
- According to the global analysis firm Arthur D. Little, the global market for rugged defense electronics amounted to USD 14.4 billion (about SEK 120 billion) in 2020 and is expected to grow by about 4.5% annually to about USD 18 billion (about SEK 149 billion) in 2025.
- Growth is driven by digitalization in demanding environments, globally expanding defense budgets, technological innovations and modernization.
- Advanced, industry-specific technical requirements make it difficult for new players to access the market, in which long-term customer relationships are also crucial for success.

### **Motives for investing in MilDef's journey of growth**

- An attractive market with strong growth factors
- A leading Nordic company in the global rugged electronics niche
- Well-positioned tactical IT portfolio
- An efficient organization with superior engineering skills and strong industry know-how
- A solid financial position and strategies for accelerated growth



### **A leading Nordic company in the global rugged electronics niche**

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- MilDef has only a few direct competitors.
- MilDef is one of the leading suppliers of robust defense electronics equipment in the Nordics.
- While the Nordics are MilDef's principal markets, the company's presence in the US and the UK generates growth and continued potential for expansion.
- MilDef has a multi-year agreement in place in the UK.
- MilDef has framework agreements in place in Sweden, Norway and Denmark.
- The customer base comprises more than 160 customers, including government authorities and numerous blue-chip companies in more than 30 countries.

### **Well-positioned tactical IT portfolio**

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- MilDef has a strong hardware portfolio within the three principal product segments: rugged network systems, rugged displays and rugged computers.
- The products are designed to withstand the most demanding environments and to meet strict military specifications.
- In services and software, growth occurs both organically and through acquisitions.
- With its recently opened production facility, MilDef has tripled its production capacity.

### **An efficient organization with superior engineering skills and strong industry expertise**

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- MilDef's strong, value-based, corporate culture motivates employees with tasks meeting critical societal needs, technological challenges, inspirational work environments, internal career paths, and training opportunities.
- MilDef applies clearly defined KPIs in monitoring the results of both the company and its employees and in conducting its ongoing structured improvement process.

- A strong Advisory Board led by Major General Berndt Grundevik (Ret) former Chief of the Army in the Swedish Armed Forces, connects the operations with the end customer, at both the strategic and operational levels.
- Most employees have many years of experience in the industry, of management and of international business development.

### **A solid financial position and strategies for accelerated growth**

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- MilDef has greatly expanded its operations after being founded in 1997.
- During the period 2016–2021, MilDef increased its revenues by an average of 25% annually (CAGR).
- The average EBITDA margin for 2016–2021 was 11.5% with an adjusted EBITDA margin of 6.9% in 2021.
- The growth strategy builds on three key strategic pillars: growth in MilDef's home markets in the Nordics, expansion through partner networks in priority markets, and acquisition-driven growth.
- Over the past decade, MilDef has completed five successful acquisitions, which have taken MilDef into new geographical markets and expanded the customer offering. The company works actively with its acquisition agenda in accordance with a structured process.

### **Dividend policy**

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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.

## A strong offering in hardware, software and services

**MilDef's product portfolio comprises product types similar to those in traditional IT systems, with the difference that these can be used in environments that are far more demanding. The major technical differences are the products' lower electromagnetic radiation, their capacity to withstand cold and heat, vibrations and other environmental impacts, as well as their longer service life. Given the environments in which MilDef's products operate, tactical IT has few or no moving parts, presenting technical challenges with regard to heat dissipation, for example.**

### Laptops

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The portfolio includes a wide range of rugged computers for mobile use – everything from laptops of different sizes and levels of performance, to tablets and smaller hand-held devices. Characteristic of all models are their numerous custom-configuration options, as well as their capacity for further customization. The range of tablets in different sizes and designs provides additional mobility, and meets requirements for vehicular installation with limited space.

### 19"/2° (small form factor)

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The broadest and most complete part of the hardware portfolio comprises the 19"/2° products developed in-house. The name comes from the standardized IT mounting racks that are 19" (inches) wide. The company's own form factor is half that width and, where applicable, half the depth, enabling a higher density

of IT systems. This miniaturization is crucial for the large number of applications, where increasing demands on IT performance must be achieved in a volume that is as small as possible. The products are designed to be customized and can be modified regarding signals, connectors, performance, etc. A complete IT environment is offered, from servers to network equipment, power supply with UPS, storage and more. Some modernization projects have resulted in coordinated selections of MilDef products replacing previous solutions five times larger and heavier and with significantly poorer performance. By selecting and configuring suitable products in this way, customers can build functional systems resolving numerous technical issues at low integration costs. IT systems comprising 19"/2° products are often installed in vehicles. The UK's Boxer vehicle is one example, where core elements of the vehicle's IT are based on MilDef products. Each vehicle is equipped with three work stations, a server for data processing, and four switches for connecting sensors and other systems in the vehicle's internal network.





Examples of tactical IT from MilDef

### Specialty electronics

In addition to the more typical IT products in the portfolio, specialized solutions for specific tasks are also produced. For example, MilDef designs and builds rugged remote controls for drones and other types of vehicles. By docking a robot controller to a MilDef tablet, a complete solution is obtained for remote control in tactical environments. Another example is a customized computer with built-in battery for operation, removable hard drive and a large number of interfaces for connecting communication equipment and sensors.

### Intelligent displays

The same modular mindset permeating the whole hardware portfolio also applies to the intelligent display concept. By separating the actual display from the unit containing the desired level of processing power, the customer obtains a solution

enabling upgrades and modifications throughout the life cycle of the product, without the entire unit having to be replaced. With full support for display customization, with add-ons like tactile buttons, MilDef's intelligent displays are well suited for demanding tasks.

### Accessories

MilDef supplies several accessories needed to connect, integrate and operate tactical IT in varying environments. The portfolio includes keyboards of varying design, custom cables, media converters to translate between different network types, and much more.

## Software and services

### Rapid implementation of IT services

MilDef's OneCIS software enables rapid deployment of tactical IT services to mobile command teams, tactical units and rapid response units. Together with our robust hardware, we provide a completely robust tactical IT solution. OneCIS provides secure, flexible, scalable and implementable tactical IT capabilities, through its automated and well-tested configurations. OneCIS reduces demand for personnel, reduces the risk of manual errors and enables increased operational capabilities.

#### OneCIS provides:

- Support for both autonomous and joint tactical operations
- Fully automatic and independent deployment and configuration of IT services
- Mobile, secure and flexible tactical IT solution
- NATO Federated Mission Networking (FMN) -ready

### Integration services

MilDef offers experience and expertise throughout the system integration process, from feasibility studies and system design to integration, installation and maintenance of products and systems. Custom ILS management programs and technical support safeguard superior availability and efficiency throughout the life cycle of the system. MilDef designs and integrates hardware and software, such as command, control and communication systems, navigation systems, sensors such as radar, electronic warfare and optoelectronic systems. MilDef works with all different types of platforms, devices and facilities and has completed projects involving combat vehicles, armored boats, command post containers and facilities including command centers, simulator facilities, etc.

#### MilDef's service offering

- Project, program and portfolio management
- Systems technology and design
- ILS management and technical support
- Systems security
- Technical documentation
- Integration, installation and maintenance
- Help and service desk, contact center management
- Training

### Research and development

MilDef conducts extensive research and development. Although most development projects are customer-financed, MilDef's own resources are applied in increasing the degree of adaptability and reusability. More than 15% of personnel work in research and development. The Research and Development (R&D) department is activated early in the sales process. As soon as a customer inquiry is received, a concept is prepared capturing the requirements and describing in general terms how the company intends to realize the product. A concept may describe minor changes to existing products, referred to as variants, or completely new products to be developed from scratch. To assist them, both the concept department and later the project organization have access to MilDef's bank of resources, comprising reusable technologies in the form of electronics, mechanics and software. This phase lays the foundation for one of the company's foremost competitive advantages – developing customized products quickly and cost-efficiently.

### Intellectual property rights offer advantages

Although the technology cannot normally be patented, retaining the intellectual property rights means that future product projects can benefit from previous development, benefiting customers in terms of quality assurance, short delivery times and cost efficiency. On receiving an order, a structured project model is initiated through which the concept is elaborated as a development specification. After that, the development process is conducted by one of the project teams at MilDef's disposal. Within the project teams, the disciplines represented are mainly electronics, mechanics, software, systems architecture, project management and technical documentation. Prototypes are built by R&D in a laboratory environment where resources include experts in verifying both functionality and environmental requirements. MilDef has extensive test equipment to ensure that products meet requirements.



## Five local managers' views on their markets

### USA

In 2021, MilDef's visibility and reach were expanded within the US Army Defense Program. We have made good progress in enabling sales to the Army's CHS-5 program, which is aimed at procuring tactical IT hardware. MilDef's inclusion in this procurement program strengthens our visibility and increases our reach. This strategic growth project has required rigorous technical, operational and cost-related screenings of our delivery capacity and represents an important step on our journey of growth in the US defense market.

As of 2022, we will broaden our sights, both in terms of the areas of defense we address and the breadth of the product range. Among other things, we will focus further on the United States Navy, United States Air Force, United States Marine Corps and United States Special Operations Command. With our broader offering in software, integration skills and service, MilDef US's addressable market has been significantly expanded.



**Magnus Pyk – President MilDef Inc**

### MilDef International

At MilDef International, we serve customers in Europe, Japan, Canada, etc. so you can really say that our sales focus is international. The majority of our business takes place through partners, although we also do business directly with end customers and many of the larger global defense companies.

In 2021, we deepened our already strong relationships, entailing growing revenues compared with the preceding year. We received a strategic first order from an international provider of defense and security services, pilot training and technology solutions. In cooperation with our German partner Roda, we made important progress in Central Europe and are now also strengthening our comprehensive offering in software and integration. By being highly responsive to our customers' needs, coupled with a strong will to proactively develop our customers' capabilities, we deserve, and are taking a greater amount of space in the ecosystem. Our ultimate driving force is to be a leader in the digitalization of defense. With a broader and more attractive comprehensive offering, we are on a very exciting journey of growth alongside our partners.



**Patrik Göthberg – MD MilDef International**



## Norway

In 2021, we further strengthened our relations with Norway's largest defense contractor, KONGSBERG, for participation in the major tank modernization program in Norway. We are collaborating with Sysint, Thales, Teleplan and KONGSBERG to win a framework agreement within the Norwegian P9360 project, that is, new tanks for the Norwegian army. We have proven that we can undertake a major system integration project with both hardware, software and integration in a complete solution. MilDef Norway has an important role to play in the development of defense and security through our deliveries of state-of-the-art robust computing power and software. With the goal of protecting societies and democracy, MilDef contributes to strengthening the Armed Forces' ability to make the right decisions at the right time.



**Henning Linnebjerg – MD MilDef AS**

## Sweden

In 2021, MilDef's Swedish market continued to grow – this was mainly due to the government's increased defense allocations, a driving factor for our business both in relation to the government and defense industry companies. Our customer focus is now on delivering the requested IT on time to support the Armed Forces' development to increase their operational effect. Industry, the Swedish Defence Materiel Administration and the Swedish Armed Forces are adapting to new ways of working to meet demand. MilDef has the products, drive and flexibility required to be a credible partner for our Swedish customers. Our products and services will play a key role in the continued digitalization of defense.



**Evelina Hedskog – MD/Head of Business Unit Sweden**

## UK

For the UK defense industry, 2021 was a significant year. After one of the most comprehensive government reviews of foreign policy, defense and security in decades, the defense of the future is now being adapted. The focus has shifted to major investments in research and development, cyber security and space to place the UK at the forefront of the technological battlefields of the future.

MilDef UK is strategically positioned for increased investment in research and development targeted at UK SMEs, enabling MilDef to act on rapidly emerging defense technology requirements such as portable systems, unmanned and autonomous systems, artificial intelligence and quantum computing to name a few.

In the short term, MilDef UK's focus is on meeting agreed commitments, delivering on the Boxer Mechanized Infantry Vehicle (MIV) program and establishing MilDef's production facility in Cardiff, Wales. In the longer term, MilDef UK is ideally placed to deliver to the Army's vehicle program, Challenger 2 Life Extension Program (LEP) and MIV variants, as well as future land-based tactical communication and information systems (LE TacCIS).



**Greg Clark – MD MilDef Ltd**

# A growing global market

MilDef produces and delivers rugged electronics, software and services, as well as complete hardware systems to customers in security and defense. MilDef's products are sold to more than 30 countries, and the company currently maintains operations in Sweden, Norway, Finland, the UK, and the US.

## Market overview for rugged electronics

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

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

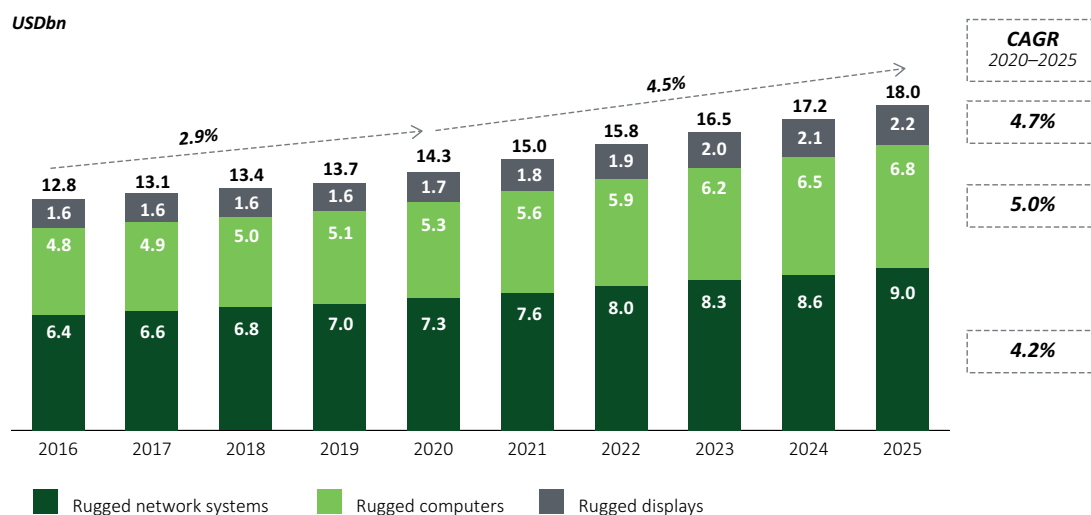
Several macro trends are expected to drive market growth for rugged defense electronics in the years to come, with the development of tactical IT being driven by increased digitalization and continued penetration of IoT (Internet of Things). Through increased defense spending, nations are funding modernization programs that aim to replace old systems with new IT systems that are also dimensioned for new technologies, for

instance related to sensor systems, automated and remote-controlled vehicles, and AI. While MilDef can see a tendency toward greater defense of national borders and territory, the importance of total defense is also increasing, which in addition to conventional defense also includes other operations that are vital to society. This in turn creates impetus for further changes and favorable market conditions.

## Defense spending

The market for rugged electronics is affected by countries' defense spending in terms of scale and trend. Defense spending by several NATO and EU countries is set to increase in the upcoming years. At the NATO summit in Wales in 2014, it was decided that all member states should aim to increase their defense spending in accordance with the guideline of allocating at least 2% of GDP to defense by 2024. To ensure that NATO member states invest in modernization, a target was set for all members to earmark at least 20% of their defense spending for new equipment. The EU member states also agreed to allocate about SEK 80 billion to European Defense Fund between 2021–2027 to strengthen the European defense, technical and industrial base.

## Forecast scale of global market for rugged defense electronics





## MilDef's market position

MilDef deems that it has a strong position in the Nordic countries of Sweden, Norway and Denmark. Although MilDef has only a minor presence in Finland, this is deemed to be an important future market and, for this reason, a proprietary company was established there in early 2022. The company's operations in the UK and the US have been present in those markets for many years and have strong customer networks. Internationally speaking, MilDef holds a niche position through its partners and distributors.

The combination of MilDef's market positions and its capacity for deriving benefit from its know-how and product development across markets, leads to a cost-effective technological advantage that is hard for its local competitors to achieve. Moreover, the company's relatively small size creates benefits of flexibility and agility, which are key parameters in remaining competitive compared with the major international companies that sometimes compete for the same contracts.

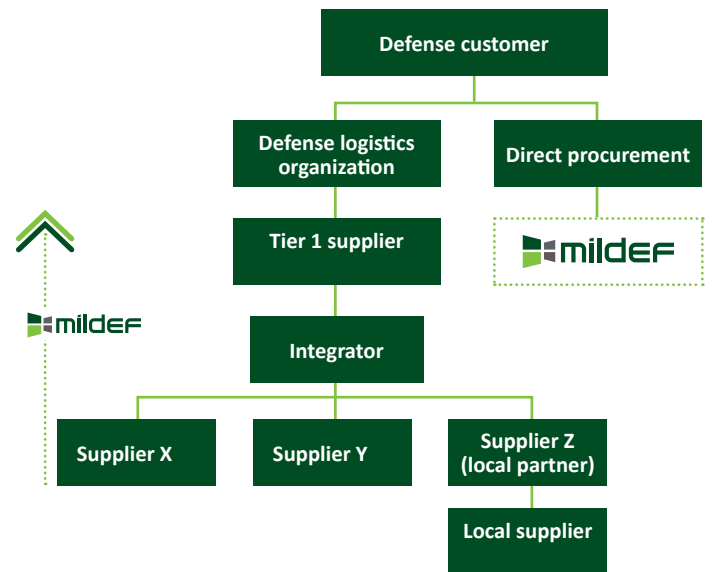
### Value chain

Products and systems in the defense market are characterized by varying degrees of complexity and volume, from less complex and more repetitive products in extensive production series, to highly complex products in relatively small volumes. In the defense market, the value chain for large complex products, platforms and systems primarily comprises a number of subcontractors of subsystems and components to a principal supplier that manufactures, delivers and is responsible for the completed products among end customers. Suppliers of complex systems and products are often well-established, large, multi-national Tier 1 companies that are diversified in terms of their products and geographical presence and maintain close business relations with countries' defense procurement authorities.

Government customers use both direct contracting and procurement via logistics organizations, such as the Swedish Defence Materiel Administration (FMV). As volumes and complexity in the operations increase, the supply chain also grows. In an international scenario, both local and global

subcontractors may contribute products and services to one or more integration partners who, in turn, deliver to a general contract supplier bearing the overall responsibility for a project or program. The relationship between Tier 1 suppliers, integrators and subcontractors is typically a commercial business-to-business relationship with private procurement and purchasing contracts. In less complex transactions, the procuring authority, such as the Swedish Armed Forces, may sign contracts directly with suppliers.

Tier 1 suppliers provide what the OEM needs to manufacture the product. Tier 1 suppliers usually provide product units that are almost the final product.



## Trends driving the market

Various market trends affect development in the defense industry. MilDef has performed an assessment identifying a number of market trends perceived as setting the tone for growth in the market for rugged defense electronics, software and services. The sharply worsened geopolitical security situation in Europe in early 2022 and decisions to significantly increase defense spending are expected to accelerate the trends set out below.

1



### Digitalization and IoT

Digitalization and connectivity in society as a whole also has a decisive impact on security and defense. This trend increases demand for increasingly high-performance IT systems to enable efficient processing of data volumes and to meet needs for computing performance.

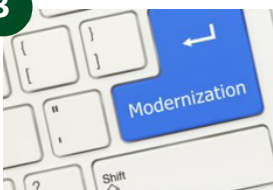
2



### Increased defense spending in many countries

Many countries are increasing their defense spending, a trend upheld by international defense undertakings and ambitions to increase security both nationally, regionally and globally.

3



### Modernization programs

Extensive modernization is needed to meet the raised ambitions. Older equipment is exchanged for systems better meeting the requirements for modern, digitalized resources, including secure and efficient communications.

4



### New technologies

New technologies are having a major impact on rugged defense electronics. Sensor systems and remote-controlled vehicles, for example, are being introduced, imposing demands on the IT systems processing the data flows.

5



### Significance of total defense

Today, a major shift has occurred, with defense resources increasingly being used to secure socially critical functions as well as for military defense. Defense forces increasingly have a role to play in crisis management situations. This may include construction and staffing of field hospitals, support interventions in connection with natural disasters and other demanding crisis situations. This trend reinforces the motives for increasing defense sector spending as it has a greater positive impact on the protection of society as a whole. Artificial intelligence (AI) applications, for example, require greater computational performance, storage and bandwidth than previously, contributing to the increased rejuvenation rate in rugged defense electronics.

## How MilDef will continue to grow

**Based on previously implemented acquisitions, MilDef has created a structured model to identify potential acquisition candidates, to address and assess these and, once the transaction is complete, to integrate them.**

### Acquisition strategy

In 2021, the already structured acquisition process was refined, with MilDef actively processing and assessing possible acquisition candidates. This list is managed systematically to produce a handful of active dialogues and to generate acquisitions. Combined with an integration model focusing on value-generating benefits and soft integration, conditions for a higher acquisition rate are fostered.

The strategy includes several selection criteria focused on selecting acquisition candidates in which key individuals are keen to stay on in the operations. By allowing acquired units to continue pursuing their development agenda and by seeking positive synergies rather than cost savings, a dynamic network of collaborative organizations is created that maximizes opportunities and allows time and shared success to drive integration initiatives.

One of the strengths of MilDef's integration model is that the rate of acquisitions can be maintained and amount to 1-2 acquisitions annually, without sharply increased resources.

### Growth strategy

The company applies a growth strategy combining organic and acquisition-driven growth. Over the past decade, five acquisitions have been completed providing access to the UK, Norwegian and US markets. Through these acquisitions, MilDef has broadened its customer offering to include services and software in addition to hardware. The company believes that these three areas – hardware, services and software – have the potential to become equally strong business divisions, allowing MilDef to advance along the value chain and address the consolidation occurring in the market.

The acquisition of Norwegian Sysint, for example, is in line with the plans for expansion 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. Software product development includes the NATO-compliant system OneCIS for fast and secure roll-out of IT systems. This complements MilDef's hardware offering and provides a strong, comprehensive offering to customers.

MilDef applies growth strategies aimed at expanding the operations both geographically and through complementary products and services in both new and existing areas. These growth strategies are driven both by organic and acquisition-driven agendas.

To put these in context, MilDef's strategy categorizes three equally strong domains – hardware, services and software – each with its individual conditions and agendas for growth.

During the financial year 2021, hardware continued to account for the majority of net sales, although revenues from services and software did increase significantly in 2021. MilDef's 2021 acquisitions of Sysint AS and Defcon Solutions AB further broadened the customer offering, resulting in increased revenue streams from services and software.

### Hardware

The growth strategies in the area of hardware are divided into three areas. With hardware having provided the primary revenue stream throughout the company's history, MilDef's seeks to grow this area further based on the following:

#### Organic growth

The operational plans of sales companies in previously established markets include increasing the proportion of long-term contracts and framework agreements. A long-term presence in the markets provides opportunities for add-on sales (such as updates and replacements of previous products) stemming from earlier transaction, generating recurring income through which MilDef obtains a strong position from which to win new business.

#### Partner activities

Based on success factors about which MilDef has gathered know-how over several years, a partner program has been designed aimed at lowering thresholds for success for local providers of services and software – retail integrators. This, in turn, generates growth and adds potential acquisition candidates to the acquisition agenda.

#### Acquisitions

MilDef has introduced a structured acquisition strategy to increase market access and to add complementary technologies to the product portfolio, where MilDef's strong international distribution channels can be reused for new products.

## Services

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The services that MilDef intends to deliver range from strategic IT (digitalization and overall design) to program-specific services (product design, project management) and implementation (installation of prototypes and pre-series, service), as well as after-market services.

The service offering is being developed by a separate department within MilDef, which is working alongside selected customers in Sweden, Norway and Denmark. Increasingly, MilDef is observing that services of this type are being delivered to a number of key projects being conducted in these markets.

The acquisition strategy also includes a specific channel for acquisitions of service companies, in which MilDef believes there is a good supply of successful operations with sufficient national strength to complement operations positively.

## Software

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MilDef perceives favorable opportunities in "infrastructure software", that is, in areas including operating systems, communications, security, deployment, sensor systems, etc. Infrastructure software is closely related to MilDef's hardware portfolio, facilitating the reuse of distribution channels and a more complete offering. This prioritized growth area lies entirely within the framework of the acquisition strategy, as organic growth is judged to be too time-consuming.

In 2021, two acquisitions were made in accordance with MilDef's acquisition strategy.

## Acquisition of Sysint in March 2021

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In March 2021, Sysint AS ("Sysint") was acquired, which is a Norwegian IT company with a service offering targeting 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. Software product development includes the NATO-compliant system OneCIS for fast and secure rollout of IT systems. This 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 headquarters are located in Oslo and the company had about 25 employees as of December 31, 2021. Sysint's net sales amounted to NOK 88.3 million in 2021 and operating profit to NOK 15.8 million.

## Acquisition of Defcon in July 2021

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In July 2021, the acquisition was completed of Defcon Solutions AB (now MilDef Integration Sweden AB), which provides integration services primarily to the Swedish defense market. This, combined with MilDef's product portfolio of tactical IT in hardware and software, means there are considerable opportunities for synergies between the companies – both in the Swedish market and internationally. The acquisition of Defcon is judged to be of significant strategic value for MilDef, is in line with expansion plans and provides clear added value for customers and for MilDef's delivery of a modern entirety in tactical IT with Swedish, Nordic and international growth potential.

Founded in 2014, Defcon is based in Stockholm and has some 40 employees. Defcon's net sales amounted to SEK 107.2 million in 2021 and operating profit to SEK 12.4 million.

## Strategy for growth and expansion

**MilDef applies a long-term strategy for sustainable growth with good profitability. Future development will build on a combination of organic and acquisition-driven growth. Increasing sales is a high priority in this phase of the operations' development, while the company's long-term profitability targets must also be achieved.**

As a leading provider of tactical IT, MilDef has linked its strategies to expansion in the three areas of hardware, services and software. Characteristic of these are robustness, security and adaptability – aspects that are always significant and whose relevance underscored by increasing demand for efficient IT systems that safeguard essential infrastructure in society.

### **MilDef's future expansion builds on three pillars of growth**

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#### **1. Internationalization strategy**

MilDef applies a hybrid model in accordance with which its own sales companies operate in the Group's home markets while a network of partners addresses other priority markets. Focusing on the Nordic region, the US, selected EU countries, selected NATO countries, and other carefully selected markets, a market situation is derived characterized by shared factors enabling sales successes to be repeated. The partner model also feeds the acquisition strategy with candidates.

#### **2. Portfolio strategy**

The tactical IT domain encompasses the dimensions of hardware, services and software. MilDef's historical growth and success builds primarily on hardware. Future solutions increasingly comprise combinations of several components from a smaller number of suppliers. MilDef is meeting this expansion in additional dimensions, combi-

ned with consolidation among suppliers, by systematically building a portfolio of IT infrastructure products. Hardware and software account for the technical side of the digitalization process, while services complement the entire spectrum, from strategic IT, including change management, to operational implementation.

#### **3. Acquisition strategy**

In a fragmented market, MilDef detects opportunities by means of a structured process for identifying and assessing potential candidates and for carrying out acquisition processes.

### **Potential acquisition candidates are identified in accordance with the following criteria**

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- Geographical expansion.
- Complementary technologies and products.
- Tactical IT services.
- Infrastructure software.

### **A number of criteria must be met for acquisition candidates to qualify**

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- Untapped potential in existing offering.
- Added value through MilDef's marketing channels and/or organization.
- Compatible corporate culture and values.
- Continued commitment of key individuals.





# Competition and market dynamics

**MilDef's competitors differ between the segments of rugged computers, rugged network systems and rugged displays.**

## **Rugged computers**

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Rugged computers include laptops, tablets and hand-held devices. There are some global competitors within the segment that are generally characterized by a product portfolio combining civilian, industrial and defense-related products (Arthur D. Little, Rugged electronics market study 2021). 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 US. Competition is characterized by price pressure, with the global suppliers offering larger volumes and lower margins but often also a lower degree of adaptability and resilience.

## **Rugged network systems**

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Rugged network systems comprise complete IT systems with power supply, servers, work stations and network equipment. Several customers in this area, systems integrators, are also potential competitors. An example is Saab in Sweden, which has a branch of operations delivering products similar to MilDef's. The market dynamics are such that competitors like this normally expose their own internal suppliers to competition to obtain optimum solutions, affording MilDef, with its specialized operations, favorable opportunities to compete effectively.

MilDef also competes with industrial companies seeking access to the security and defense segments. An example is Data Respons, which has its headquarters in Norway. In the North American market, which is clearly fragmented, several competitors offer products with properties similar to MilDef's. These

competitors are often active at either the national or state level. Examples of such companies are PacStar (acquired by Curtiss-Wright), DTECH Labs and Crystal Group.

## **Rugged displays**

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Rugged displays are a relatively new segment for MilDef. Several competitors are active in the market. A distinctive feature of MilDef's products is that its displays can be adapted both in terms of processing power (referred to as intelligent displays) and in terms of equipment, such as built-in tactile keypads. Competitors with strong market positions are, for example, Argon and TransDigm (the ScioTeq brand) in the US.



## MilDef's sustainability work

**MilDef aims to have a good balance between business, environmental and social sustainability. This is crucial to meeting current needs without jeopardizing future generations' capacity to meet their needs. MilDef strives to outperform mandatory requirements, such as those in laws and regulations, organization and industry standards, contractual obligations and codes of conduct.**

### Commercial sustainability

The overarching ambition is to build long-term sustainability in the business by striving for stable and profitable progress over time and by applying generally accepted business practices. MilDef values ethics and morals highly and at all levels in the operations, all employees are to treat one another with the utmost respect. Customers and other stakeholders are to be met with the same values and commitments and agreements must be honored. Through long-term relationships with customers and suppliers, conditions are fostered to also be able to disseminate MilDef's sustainability work to others. With a restrictive approach regarding the export of technological products to countries outside MilDef's priority markets, a commercial sustainability is maintained that extends into other areas of importance for society. MilDef chooses to decline transactions with countries subject to sanctions by the EU or the UN, regardless of whether such sanctions impose regulatory export restrictions or not. 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. Read more about KYC on the next page.

### Environmental sustainability

The overall ambition within environmental responsibility is to protect the environment by actively reducing the environmental impact of MilDef and its customers and by reducing our consumption of resources – both with regard to activities conducted under MilDef's own auspices, as well as those of suppliers. MilDef is committed to protecting the environment, preventing pollution and meeting legal and other requirements. MilDef's operations can affect the environment and the company has implemented a solution for visualizing and managing environmental aspects that is built into the overall management system. Each aspect is assessed in accordance with a model that takes the environmental impact into account. The aspects that rank highest are referred to as *significant aspects*. All significant aspects are analyzed to determine a measure for eliminating or reducing the impact. Depending on the severity of the aspect, focus areas are defined and targets are set. The list of aspects and their effects are reviewed on an ongoing basis in the event of any major changes, as well as annually, both at company and Group levels.

### Responsible production

MilDef produces and sells electronics and, from an environmental perspective, sustainability is taken into account throughout the life cycle of the product. The products are intended to have a long service life and can be disassembled easily for reuse or recycling on reaching the end of their useful lives. To reduce the impact of product transport, MilDef strives to fill the capacity of its transports to a high level, with delivery dates being coordinated and the density of deliveries being increased by means of compact packaging. MilDef applies strict procedures for the handling of chemicals and strives to use only environmentally friendly alternatives. Where this is not possible, only chemicals classified as being of low risk to the environment are used. MilDef's supply chain is also assessed and reviewed regularly to ensure that suppliers also comply with the company's strict environmental requirements. MilDef has developed a Code of Conduct for Suppliers detailing MilDef's commercial, social and environmental requirements and that MilDef's suppliers are expected to follow.

### Social sustainability

MilDef is committed to the continuous development of the work environment and social sustainability and fosters a positive culture in the work environment. The overarching ambition is to work for a better society by being a responsible and respectful employer and, in accordance with our Code of Conduct, by furthering social progress in the geographies in which we operate.

Through the MilDef Charity Foundation, which was established in 2014 with the aim of providing financial support to challenged and vulnerable groups, significant sums are donated to charity each year. MilDef Charity Foundation strives to contribute to a better tomorrow for vulnerable people. The objective is to donate an amount corresponding to at least 50% of MilDef Group AB's annual allocation and full transparency is applied regarding donation recipients, who are presented on MilDef's website. The foundation is led by a board that meets regularly to advance the work and to make decisions regarding the applications received as well as the board's own proposals. In 2021, donations we made to childhood cancer research and youth sports, with a focus on young people in vulnerable situations. In February 2022, SEK 200,000 was donated to the victims of the war in Ukraine, via the Red Cross and UNHCR.

Rules and regulatory compliance

Social responsibility

Policy portfolio



A management system to protect sustainable business development



- Code of Conduct
- Anti-bribery and Anti-corruption Policies
- Anti-trust Policy
- Internal and external training

Certifications and regulatory compliance



A system for follow-up, review and regulatory compliance



- ISO 9001:2015 quality certification
- ISO 14001:2015 environmental certification
- ISO 45001: 2018 work environment certification
- EU 2021/821 regulations for dual-use items (subset of products)

Corporate culture and values



An ethical position based on integrity



- We choose to be selective regarding the customers and countries with whom we choose to do business and we refrain completely from doing business in/with countries subject to arms embargoes or other national sanctions approved by the UN or the EU
- A corporate culture based on trust, professionalism and integrity in which we continuously train our employees in ethical business operations

Karin Svalander, General Counsel and Chairman of MilDef’s Ethics Council

What regulations govern MilDef’s sales?

To protect international peace and security, specific regulations control exports of certain sensitive products to countries outside the EU. However, since most of MilDef’s products and services are not covered by regulatory export controls, I would rather highlight MilDef’s internal rules determining with whom we choose to do business.



What does Know Your Customer entail?

Good knowledge of our customers is the most basic prerequisite in ensuring that our products do not end up in the wrong hands, but also in reducing the risk of industrial espionage and customer losses. For example, MilDef applies a structured customer awareness process that, among other things, entails due diligence being performed for new customers to obtain answers to questions such as: Where does the customer do business? What do the customer’s finances look like and what media impact has the customer had online and on its partners?

What is MilDef’s “green list”?

Although MilDef has several stated target markets, we have also taken a clear position regarding the countries with which we prefer to do business by means of our green list. For a country to end up on the green list, it must be governed democratically and with respect for human rights. If MilDef is to do business in countries other than those on the green list, there must be special reasons for this and each such transaction must be approved in advance by MilDef’s ethics council, which has been established to make MilDef’s ESG agenda visible in various contexts.

**Low-risk rating from Sustainalytics**

MilDef strives to maintain a sustainable strategy to ensure that investments are made responsibly, which is reflected in the low-risk rating from Sustainalytics. To support the work, we have chosen to certify our management system in accordance with ISO 9001:2015 (quality), ISO 14001:2015 (environment) and ISO 45001:2018 (work environment).

**Sustainalytics ESG Risk Rating 2021**

**18.0** Updated Apr 9, 2021  
**N/A** Momentum

**Low Risk**



**Global Compact**

MilDef supports the ten principles of the UN Global Compact regarding human rights, labor, the environment and anti-corruption. MilDef is determined to adhere to the UN Global Compact and its principles as part of its corporate strategy, culture and day-to-day operations, and to engage in collaborative projects that promote the UN’s broader development goals, particularly its goals for sustainable development.

**Policies and management systems**

Through its combined management system, MilDef applies several policies significant to the operations in the areas of quality, the environment, the work environment and sustainability. Compliance with regulatory requirements as well as ethical and cultural standpoints are of the utmost importance and a training program has been established that all employees are to repeat annually.

**Code of Conduct**

MilDef has adopted a Code of Conduct describing MilDef’s values, leadership philosophy, social responsibility, work environment factors and other dimensions. The Code of Conduct also presents MilDef’s stance regarding ethics and morality, professionalism, zero tolerance for bribery and corruption, etc. Additional material and details supporting the Code of Conduct regarding anti-corruption and conditions for fair trade are provided in specific policies and other governance documents. All employees have been informed about the Code and have access to it.

## Sustainability goals and outcomes

Anti-corruption			
Priority sustainability issue	Long-term goals	Results 2021	Link to the UN's goals for sustainable development
Zero tolerance of corruption	MilDef's operations, including those of its partners, must be free from bribery and corruption	0 incidents	Goal 16.5 Reduce bribery and corruption
Customer control	100% legal, as well as ethically and commercially sustainable transactions	Ethical council introduced	Goal 16.5 Reduce bribery and corruption
Environment			
Priority sustainability issue	Long-term goals	Results 2021	Link to the UN's goals for sustainable development
Reduce our CO <sub>2</sub> impact from business-related travel	Avoid unnecessary business travel and encourage the use of sustainable modes of transport	Data collection initiated and KPIs identified	Goal 13 Combat climate change
Reduce environmentally hazardous chemicals	Phase out environmentally hazardous chemicals used on our sites and, if possible, replace them with less hazardous chemicals	100% of the chemicals necessary are rated as having a low environmental risk	Goal 13 Combat climate change
Resource efficiency	Increase the share of green energy and take control of our consumption	Data collection and measurement initiated	Goal 7 Sustainable energy
Labor law			
Priority sustainability issue	Long-term goals	Results 2021	Link to the UN's goals for sustainable development
Responsible supplier relations	Strive for suppliers to comply with legislation, regulations and other requirements in accordance with our Code of Conduct for suppliers	Supplier processes are followed	Objective 9 Sustainable industry
Gender equality and discrimination	Encourage diversity and zero tolerance of discrimination and abusive intolerance	0 incidents	Goal 10 Reducing inequality
Human rights			
Priority sustainability issue	Long-term goals	Results 2021	Link to the UN's goals for sustainable development
Work environment	Increased incident reporting leads to fewer accidents. At least one incident annually per employee must be reported.	20% achieved	Goal 3 Good health and well-being
Work environment	Keep sick leave at a low level	1.71%	Goal 3 Good health and well-being
Personnel development and leadership support	Digitalize personnel processes such as on-boarding and continued development	Processes mapped and program monitoring system secured	Goal 4 Good education



**Marie Jonsson, Director of Quality**

## *“Why MilDef invests in sustainability”*

### **How does MilDef work to contribute to the UN’s climate goals?**

We have set a new overarching goal of contributing to a democratic, just and sustainable world. At MilDef, we strive to reduce our environmental impact and we work purposefully to, for example, reduce the CO<sub>2</sub> impact from business-related travel, properties, and production, and to encourage the use of sustainable modes of transport throughout our organization. We are also affiliated with the UN Global Compact, which contributes considerable knowledge, support and suggestions for practical applications. We will work more actively with our risk profile and our global footprint by, for example, reviewing Sustainability’s ESG report and actively strengthening potential areas for development, as well as our sustainability reporting.

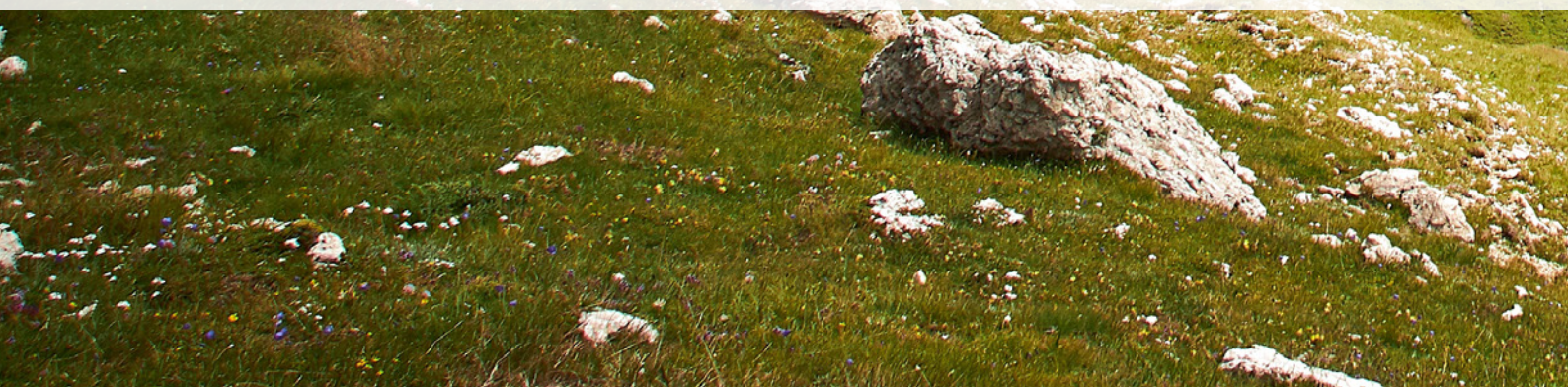


### **How is MilDef improving the work environment?**

We work continuously with aspects of the work environment and a major step we took last year was to ISO-certify our management system for the work environment. We invest considerable effort in collaboration and participation and have strengthened our personnel development through digital training initiatives. We must be an attractive and developing workplace for our employees, for the benefit of our partners and customers.

### **Why does MilDef run a charity foundation?**

The MilDef Charity Foundation was founded to be able give something back to society. We work locally to support those in vulnerable situations and hope to be able, during this year, to expand our efforts to additional locations where we currently have operations.





## HR becomes People & Culture to generate additional value

”At MilDef, we seek passionate, knowledgeable and committed employees who add new dimensions to our future journey. We offer a very dynamic work environment with great opportunities for personal development, as well as for becoming an important player in building up Team MilDef.”

Per Björnson – Interim Head of People & Culture



**MilDef is, and will always strive to be, an attractive, unique and prosperous workplace. This applies regardless of where on the world map our employees have their workplace. In 2021, as part of MilDef’s increased investment in leadership and employeeship, traditional HR work was developed to include the broader, more value-generating concept “People & Culture”. This initiative aims to offer a stimulating, developing and enjoyable workplace environment.**

Developing and taking care of employees and the corporate culture is essential for MilDef. Ultimately, this entails prioritizing employees, fostering a sense of collegiality and offering good opportunities for exerting influence and deriving value. Ultimately these efforts build a dynamic work environment – in turn generating more sustainable results for the company.

### The MilDef Way

As an employer, MilDef should offer a world of opportunities. An important part of our core values entails working with freedom under responsibility, meaning that neither the subsidiaries nor individual employees within the group are micro-managed, while all must nonetheless have a clear ethical and commercial compass to which they can refer. MilDef’s strict ethics and morals permeate all communications, both with existing employees and when recruiting.

This is also the purpose of “The MilDef Way”, the operations’ core value that professionally captures the cultural values critical for the growing business.

#### Proactivity



Plan for the future – act today

#### Priority



Put 80% effort on the 20% that matters most

#### Integrity



We say what we do and we do what we say

#### Unity



Work together as one



### Priority initiatives in 2022

- **People Management Platform:** HR platform that drives productivity, commitment, develops talent and maximizes our employees’ sense of connection and being part of the MilDef family.
- **New recruitment platform:** Streamlining parts of our employees branding process and helping us identify appropriate talented people in the market.
- **Launch pulse/employee surveys:** A tool for strengthening well-being, job satisfaction and company leadership, while investing in management development.

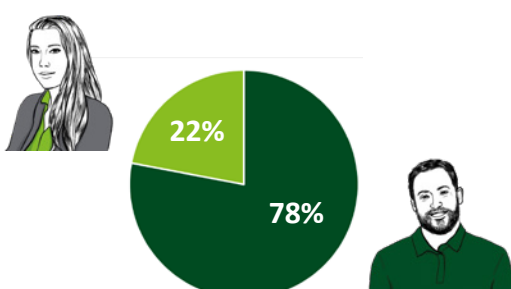
### Our approach

MilDef’s culture entails employees experiencing relatively little hierarchy, working together as a team, and being dedicated and committed to their contribution to a safer world. Our workforce is MilDef’s most important asset and great emphasis is placed on offering a positive and instructive work environment. Career paths are established within MilDef to offer employees favorable prospects for further development, with opportunities to switch between departments and between the company’s various operations. There are many examples of internal advancement and voluntary transfers between departments and even countries.

### Quick facts

On December 31, 2021, MilDef had 188 employees, 97 of whom were employees at MilDef’s head office in Helsingborg. MilDef views diversity positively and strives for its workforce to be varied. At the end of 2021, about 22% of employees were women. On MilDef Group AB’s Board of Directors, 33% of Members are women and, in MilDef’s Group Management team, 29% are women.

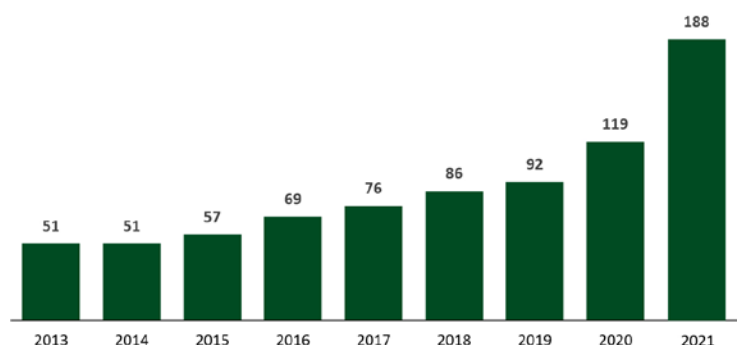
### Distribution of male and female employees as of December 31, 2021



### How we view management and employeeship at MilDef

- Appropriate management is the cornerstone in achieving our business objectives. We need to develop our leaders and add new skills to be able to develop new and profitable operations.
- Our company’s brand and core values are crucial to increasing awareness, commitment and consensus and contribute to the company’s success.
- We need to safeguard development of appropriate skills and to focus on identifying and retaining our talents.
- We must find new ways to organize ourselves and smarter ways of working to make ourselves more sustainable and efficient, and to benefit from existing synergies. Both within the company and in a cross-section of Group management.
- We are focusing on digitalization to facilitate our processes so that we can easily communicate and collaborate with our employees, regardless of where they are working.
- We aim to constantly improve the work environment. We promote health and prevent accidents and occupational injuries.
- Diversity makes us perform better! We need to continuously diversify our workforce and to recruit more people of diversified backgrounds.

### Historical development of the number of full-time employees



## Meet three MilDef employees

### Fredrik Jacobsson celebrates 15 years at MilDef

*"I get goosebumps and a tear in my eye – finalizing a transaction still gives me a rush of satisfaction."* These are the words of Fredrik Jacobsson, who 15 years after Tomas, the company's founder, took him under his wing, took on the role of Chief Sales Officer in 2022.

After graduating with a Master's degree in Business Administration, Fredrik, originally from Enköping, joined MilDef as a salesman at the age of 27. He says himself that he studied at the "school" of the company's founder, Tomas, and was quickly entrusted with the role of head of department. In 2018, he was appointed head of MilDef's international sales company and, in the role of Chief Sales Officer, his responsibilities have been extended to encompass all of MilDef's sales companies.

But what's the most enjoyable part of going to work?

*"Besides winning transactions, I love the family atmosphere, the fact that we are BOTH a small company and a large one, where I can have an influence and where the decision paths are extremely short. Here, everyone helps and lends a hand when necessary. MilDef is truly a unique company, on many levels."*



### Krenare Muhaxhiri, IT Project Manager, MilDef IT

*"I really love MilDef's fast-moving environment and I never get bored at work – quite the opposite!"*

After taking her Master's degree in information systems and having boarded MilDef's ship towards the stars in 2021, Krenare has participated in and run many successful change and IT projects at the company.

*"Analyzing business requirements and targets, while assessing existing systems and applications and their ability to cover business needs, and then designing and implementing solutions that facilitate people's daily operations easier – are all things I really enjoy doing. It's very exciting and offers me the best of both worlds: the meeting between people and technology".*

## Anders Almström – Test and Verification Manager, 16 years at MilDef

*“Welcome to the world’s best company! This is how I was welcomed by the company’s founder when I stepped through the door at LogIn as MilDef was called back in 2006. At that time, the whole company fit into one small corridor and I started in production,”* says Anders, who even early in his journey with the company was given responsibility for the important work of testing and verifying that the products kept what they promised.

And as you know, time flies when you have fun at work.

*“Time has passed extremely quickly, but it is and has been very, very exciting the whole time. If I had known then what a large department I would have to create, you would have had to pinch my arm. To take responsibility alongside our development department for creating world-leading products at our modern facility is a dream. I’m proud that such advanced products can be created here in Helsingborg. Considering how we have constantly grown and will continue to grow, the job will never be boring and here you really have opportunities to develop and grow. And still in a family business with extremely pleasant colleagues.”*



## MilDef – an exciting story

### The early years

MilDef was founded in 1997 by Tomas Odelid and Marianne Trolle. The combination of an engineer and entrepreneur with an administrator and strategist, laid the foundation for the successful establishment of the operations in the Swedish market. The basic concept was to supply rugged electronics to defense customers. From the start, the product portfolio comprised laptops from a partner in Taiwan, Crete Systems Inc. (today, MilDef Crete). By putting customer needs first and delivering modern technology adapted to the needs of users, MilDef established its first significant relationship with FMV in Sweden in 1998.

### Development into a product company

From an early stage, the ambition was for MilDef to become a product company self-sufficient in terms of technology, expertise and resources. From development in the early years with adaptations, service and accessories such as docking stations, MilDef also worked on the conceptual development of its own product concept, referred to as 19"/2. The name comes from the format of IT equipment mounting racks that are 19" (inches) wide. With a small form factor of half that width and, for some products, of half the depth, MilDef was able to build modern IT systems with a much smaller volume. By retaining intellectual property rights in customer development, the offering was expanded alongside the resource bank of reusable designs in terms of electronics, mechanics and software. Unlike third-party products, the portfolio developed in-house provided opportunities to deliver complete IT systems and conditions were also created for add-on sales and a clearer overall responsibility for customers' tactical IT environments.

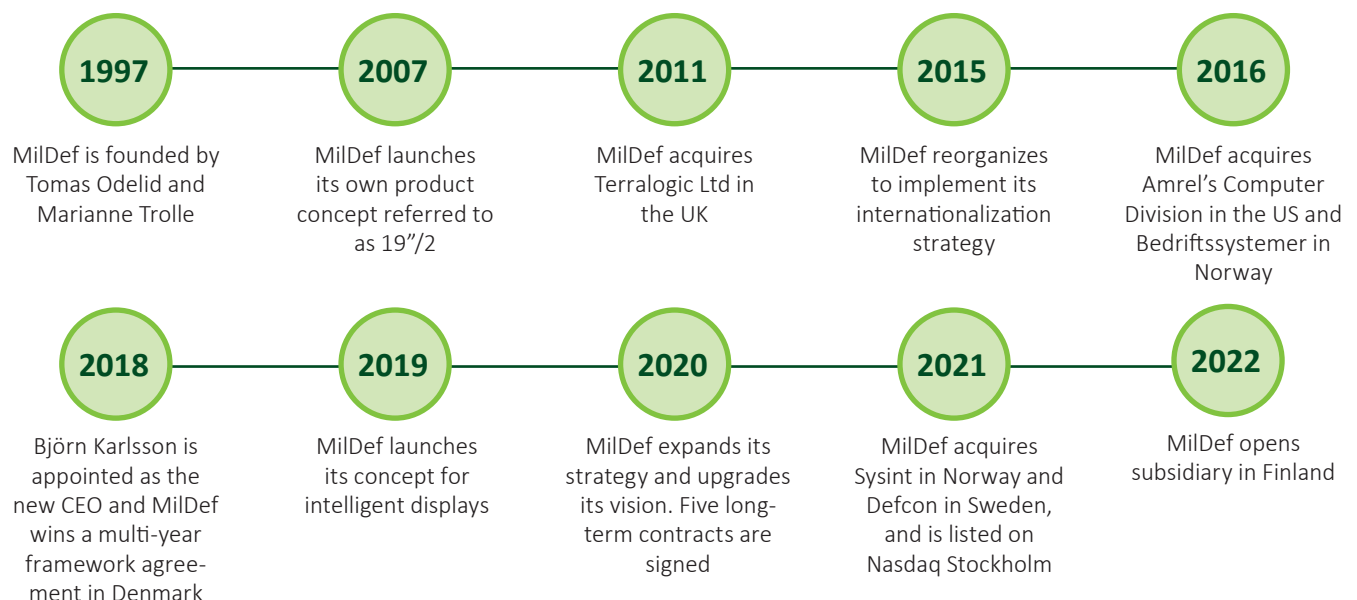
### Internationalization through acquisitions and partner networks

As time passed, MilDef perceived substantial opportunities, both for its own products, as well as for partners' products in markets other than Sweden. The initial strategy for establishing a presence in additional geographic markets was to build a network of partners. With long sales cycles and complex technology, this proved to be a workable strategy, albeit one with a relatively long time horizon. MilDef therefore supplemented the strategy with an acquisition agenda, primarily with the aim of entering new markets.

In 2011, MilDef made its first acquisition – Terralogic Ltd in the UK. In 2016, two more acquisitions were made – Bedriftssystemer AS in Norway and Amrel's Computer Division in the US. In March 2021, Sysint was acquired in Norway and, in June of the same year, Swedish Defcon Solutions was acquired. All acquisitions have generated growth and profitability, with key personnel remaining with MilDef.

### Continued growth journey

With growth as a result of underlying market factors, stronger channels for distribution via partners and acquisitions, MilDef succeeded in winning major contracts and framework agreements, leading to strong growth between 2017 and 2021. From this platform, MilDef believes that the growth potential of the technology portfolio can be realized through future strategies that are now ensuing following the initial stages of MilDef's journey of development.



Tomas Odelid founded MilDef in 1997 together with Marianne Trolle. Tomas passed away in 2018, but his memory lives on strongly on MilDef's Founder's Day.



The first 19"/2 product was manufactured in Helsingborg in 2007. The format has become MilDef's hallmark.

## MilDef Advisory Board

The MilDef Advisory Board was established in January 2021 to provide focused military support and guidance to ensure that MilDef adapts its strategies and product offerings in its most valuable markets. The Board comprises former two and three-star officers based in the Nordics, the UK and the US.



**Major General  
Berndt Grundevik  
Sweden**

Major General (ret'd) Berndt Grundevik served for more than 40 years at various levels of leadership in the Swedish Armed Forces. He retired in 2017. Berndt Grundevik was Chief of the Swedish Army between 2007 and 2012 and also has experience of international service in Israel, Cyprus, Kosovo and South Korea. Today, he works as a Senior Advisor in a number of defense-focused companies and as a Board member of MilDef Group since 2018. He was awarded the Legion of Merit (Commander)/US and the Order of National Security Merit/South Korea and is a member of the Royal Swedish Academy of War Sciences.



**Rear Admiral  
Jon Pentreath  
UK**

Rear Admiral (ret'd) Jon Pentreath led the UK's Joint Helicopter Command on his retirement in 2020. He is a former helicopter pilot in the Royal Navy and has served in Bosnia, Northern Ireland, Iraq and Afghanistan, holding the rank of lieutenant commander and upwards. At Headquarters, he worked in capacity development for the Ministry of Defence and Army Headquarters. Today, Jon heads Cormorant Consulting Ltd, which provides strategic advice and specialist expertise to a number of companies focusing on defense and security. He is a Trustee of the National Museum of the Royal Navy, a Member of the Royal College of Defence Studies and a Fellow of the Royal Aeronautical Society.



**Vice Admiral  
Carol Pottenger  
US**

Over more than 30 years, Vice Admiral (ret'd) Carol Pottenger is a woman of many firsts in a 30+ year with the US Navy. She currently serves on private, public and non-profit boards. The first female three-star Admiral in American history to lead in a combat branch, Carol Pottenger was a pioneer throughout her Navy career. She commanded two ships, a logistic force of 30 ships, a Japan-based strike-group of 8 ships, and the Expeditionary Force of 40,000 sailors. She was also the senior U.S. Flag Officer responsible for military transformation and sensitive military topics such as counterterrorism and cyber security while on assignment with NATO. She is a graduate of Purdue University in Lafayette, Ind, and in 2007 received an honorary PhD from Purdue.



**Major General  
Agner Rokos  
Denmark**

Major General (ret'd) Agner Rokos left the Danish Armed Forces in 2018. His 40 years in uniform have seen him serve in multiple command and staff positions, army and joint, national and international, including extensive experience from UN, NATO, and Coalition Operations as well as International Arms Control. He has commanded at all levels from platoon to Chief of the Danish Army.



**Major General  
Odin Johannessen  
Norway**

Major General Odin Johannessen (ret'd) was Chief of the Norwegian Army when he retired in 2019. His service record includes Director Operations in the Norwegian Defence Staff, Commander Brigade North and Telemark Battalion and Commandant at The Norwegian Military Academy in Oslo. He has served in NATO operations in Bosnia-Herzegovina and Afghanistan. Odin Johannessen is now director of The Norwegian Business and Industry Security Council, and serves the Norwegian business sector in an advisory capacity on matters relating to industrial espionage, sabotage, terrorism, organized crime, fraud, corruption, digital threats and more.



**Lieutenant General  
Arto Rätty  
Finland**

Lieutenant General (ret'd) Arto Rätty has worked as Permanent Secretary at the MOD from 2011 to 2015. His last assignment in the Finnish Defence Forces was Deputy Chief of Staff Operations in Defence Command. He previously served as the Chief of Staff Army HQ, Director of the National Defence Policy Unit in the MOD, Commander of Pori Brigade and in various positions within Finnish Defence Forces. He has also served as Finnish Liaison Officer at NATO HQ and PCC SHAPE in Brussels in 1994-1997. Arto Rätty was the Chairman of the Finland's Security Committee in 2011-2015 and a member of the Emergency Supply Council.

## MilDef's share

Since June 4, 2021, MilDef has been listed on NASDAQ OMX Stockholm Small Cap, in the Industrial Goods and Services sector. The share's ISIN code is SE0016074249. The share is traded under the ticker symbol MILDEF. A trading item is one (1) share.

### Turnover and trade

During the period June 4, 2021 to December 31, 2021, a total of approximately 8.6 million shares were traded on Nasdaq Stockholm for a value of approximately SEK 366.4 million. An average of 57,994 shares were traded per trading day, corresponding to a value of slightly more than SEK 2.5 million.

### Share capital

At the end of 2021, MilDef's share capital amounted to SEK 9,097,343.25 divided into 36,389,373 shares with a quota value of SEK 0.25 per share. All of the shares are ordinary shares carrying the same voting rights.

### Ownership structure

The largest individual shareholder was MilDef Crete Inc, whose total shareholding amounted to 12% of the company's capital and votes. The ten largest shareholders accounted for about 65% of capital and votes.

### Dividend

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

The Board of Directors proposes that the dividend for the 2021 financial year be set at SEK 0.75 per share (SEK 0.75 adjusted for the 2:1) split. The proposal entails a total share dividend of approximately SEK 27.3 million.

### Share price trend

The closing price for MilDef's share as of December 31, 2021 was SEK 52.40, giving a market capitalization of approximately SEK 1,907 million. The average share price during the period was SEK 45.94. Since the company's IPO on June 4, 2021, the share price had risen by 44% on December 31, 2021. During the same period, the OMX Stockholm PI rose by 12%.

### Ongoing analysis

Analysts who follow MilDef regularly are Erik Golrang, SEB and Fredrik Agardh, SEB.

Facts about MilDef's share			
<b>Name</b>	MilDef Group AB	<b>LEI code:</b>	9845009F7Q0D56B38270
<b>Exchange:</b>	Nasdaq Stockholm	<b>Currency:</b>	SEK
<b>Marketplace:</b>	XSTO	<b>Listing:</b>	June 4, 2021
<b>Segment:</b>	Small Cap	<b>Course 31 Dec 2021:</b>	SEK 52.40
<b>ISIN code:</b>	SE0016074249	<b>Highest price in 2021 (Aug 9, 2021):</b>	SEK 61.95
<b>Symbol:</b>	MILDEF	<b>Lowest price in 2021 (June 14, 2021):</b>	SEK 34.40

Per-share data					
<i>(To enable comparisons between years, the period 2017–2020 has been adjusted for the 2:1 share split implemented in April 2021)</i>					
SEK, unless otherwise stated	2021	2020	2019	2018	2017
Earnings per share before dilution	-0.03	1.83	0.82	0.52	1.12
Earnings per share after dilution	-0.03	1.83	0.82	0.52	1.12
Dividend per share	0.75 <sup>1)</sup>	0.75	0.38	0.25	0.61
Share price as of December 31	52.40	-	-	-	-
Yield, % <sup>2)</sup>	1.43%	-	-	-	-
Equity per share, before dilution	15.61	5.71	4.36	3.78	4.05
Equity per share, after dilution	15.61	5.71	4.36	3.78	4.05

1) Proposed dividend for 2021

2) Proposed dividend/share price at the end of the year



**MilDef's 10 largest shareholders on 31 December 2021**

<b>Name</b>	<b>Shareholding</b>	<b>Votes (%)</b>	<b>Capital (%)</b>
MilDef Crete Inc	4,355,600	11.97%	11.97%
Marianne Trolle	4,009,652	11.02%	11.02%
Svolder	2,813,182	7.73%	7.73%
Carnegie Fonder	2,461,469	6.76%	6.76%
AP3	2,400,000	6.60%	6.60%
Daniel Ljunggren	2,000,621	5.50%	5.50%
Björn Karlsson	1,551,821	4.26%	4.26%
Systemintegrasjon AS	1,422,174	3.99%	3.99%
Elise Odelid	1,282,720	3.52%	3.52%
Isac Odelid	1,282,720	3.52%	3.52%
<b>Subtotal</b>	<b>23,579,959</b>	<b>64.80%</b>	<b>64.80%</b>
Total other shareholders	12,809,414	35.20%	35.20%
<b>Total</b>	<b>36,389,373</b>	<b>100%</b>	<b>100%</b>

**Share capital development**

<b>Year</b>	<b>Transaction</b>	<b>Change in number of shares</b>	<b>Total number of shares</b>	<b>Change in share capital, SEK</b>	<b>Total share capital, SEK</b>
2012	The Parent Company is formed	10,700,000	10,700,000	5,350,000	5,350,000
2013	New share issue	280,000	10,980,000	140,000	5,490,000
2016	New share issue	40,000	11,020,000	20,000	5,510,000
2018	New share issue	598,422	11,618,422	299,211	5,809,211
2021	New share issue	711,087	12,329,509	355,543.50	6,164,754.50
2021	Split 2:1	12,329,509	24,659,018	-	6,164,754.50
2021	New share issue	10,958,904	35,617,922	2,739,726	8,904,480.50
2021	New share issue	449,939	36,067,861	112,484.75	9,016,965.25
2021	New share issue	321,512	36,389,373	80,378	9,097,343.25



# Formal Annual Report →

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# Corporate Governance Report

**Good corporate governance forms the basis for ensuring for shareholders that MilDef is managed as sustainably, responsibly and efficiently as possible. In turn, this improves confidence in the company, in the capital market and among the general public – confidence that is essential if we are to have the liberty to realize our strategies so that we can generate value over the long term.**

## Operations

Digitalization of operations and functions that are crucial for society is increasing and there is therefore a need for tactical IT in demanding environments. MilDef is taking an active role in this development. The goal is to be the most reliable partner in the industry. MilDef adds value through industry-leading quality and high delivery precision. As one of Europe's leading groups in tactical IT, MilDef's business concept is to develop, deliver and offer tactical IT products and services for operations and functions that are crucial for society. We customize solutions to be able to meet our customers' specific requirements in the demanding environments in which they are used. MilDef's hardware and software products are combined with services to deliver effective digitalization. At the end of 2021, MilDef comprised nine legal entities with some 190 employees in four countries. During the 2021 full year, the Group achieved sales of SEK 470 million with an adjusted operating EBITDA margin of 6.9%. MilDef has been listed on Nasdaq Stockholm's Small Cap list since June 2021.

## Governance principles

MilDef Group AB ("MilDef" or "the company") is a Swedish public limited company whose shares are listed on Nasdaq Stockholm. The governance of MilDef is based on the company's Articles of Association, the Swedish Companies Act, other relevant Swedish and foreign regulations and legislation, and internal guidelines. MilDef's governance is also based on Nasdaq Stockholm's regulations for issuers, as well as the Swedish Corporate Governance Code ("the Code"). MilDef followed the Code in all respects in 2021. This Corporate Governance Report has been prepared in accordance with the Annual Accounts Act and the Code. MilDef's auditors have reviewed the report and an opinion from the auditors has been included in this. Corporate Governance Reports and other information on corporate governance are available from MilDef's website: [www.mildef.com](http://www.mildef.com).

MilDef strives to conduct its operations in a sustainable, responsible and efficient manner that generates value for our customers, shareholders, employees, suppliers, local communities and other stakeholders. Alongside the financial goals, the company's strategy supports this focus. The company's strategy, financial goals and sustainability ambitions are described in the 2021 Annual Report. The highest decision-making body in the company is the General Meeting, which normally convenes once a year in the form of the Annual General Meeting, although, under certain conditions, it may also convene as an

Extraordinary General Meeting. Although the company prepares the Annual General Meeting, shareholders can influence and propose items for the Meeting's agenda.

## Share capital and shareholders

MilDef's shares have been traded on Nasdaq Stockholm since June 4 2021. At the end of 2021, share capital in MilDef amounted to SEK 9,097,343.25, distributed between 36,389,373 shares of a single class. All of the shares are ordinary shares carrying the same voting rights. The shares have a quota value of SEK 0.25. At the end of the year the closing price was SEK 52.40 and the total market value was SEK 1,907 million.

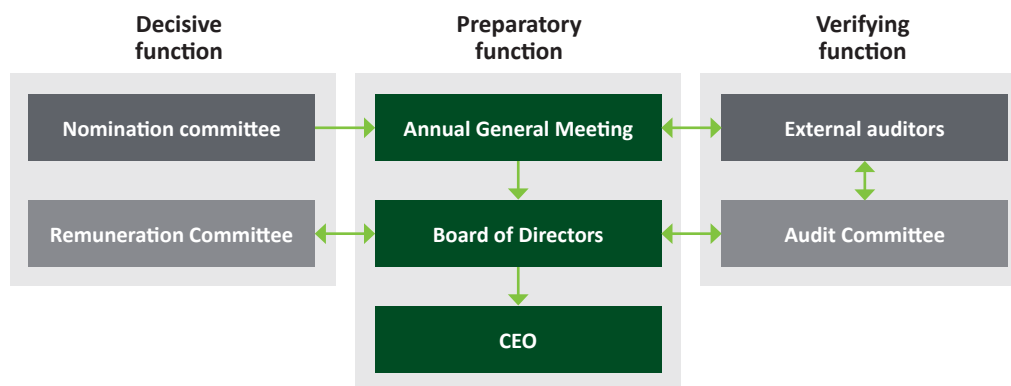
## Insider trading and registration

MilDef has ambitious objectives in terms of proper ethical behavior. MilDef's Board of Directors has adopted an insider policy as part of efforts to maintain a high level of ethics and to safeguard that MilDef maintains a good reputation in the eyes of the general public and the capital market. The policy aims to reduce the risk of insider trading and other illegal acts and to create conditions for compliance with applicable rules.

## MilDef's corporate governance structure

Shareholders' influence in the company is exercised at the General Meeting, which is the company's highest decision-making body. At the General Meeting, each shareholder is entitled to attend, in person or by proxy, and to vote in accordance with his/her shareholding. At the Annual General Meeting, which is the regular General Meeting held annually, the shareholders elect the Board Members, the Chairman of the Board and the auditors, and determine their fees. The Annual General Meeting resolves whether to adopt the income statement and balance sheet, to approve the distribution of profits and to discharge the Board Members and the CEO from liability. The Annual General Meetings also decides on the principles for the Nomination Committee, as well as on principles for remuneration and other terms of employment for the CEO and other senior executives. The Annual General Meeting or Extraordinary General Meeting may also resolve to change the Articles of Association, increase or reduce the share capital, etc. Annual General Meetings are convened through a notice published in the Official Swedish Gazette (Post- och Inrikes Tidningar) and on the company's website. The fact that an Annual General Meeting has been convened will be published in Swedish national daily newspaper Dagens Industri.

## Overarching corporate governance structure within MilDef



On behalf of the shareholders, the Board is tasked with administering the company's affairs in the interests of the company and all of its shareholders. The Chairman of the Board bears the specific responsibility for the work of the Board being well organized and efficient. The Audit Committee and Remuneration Committee are appointed by the Board of Directors. The company's auditors are appointed by the General Meeting to audit the company's annual report and accounts, as well as the administration of the company by the Board of Directors and the CEO. The auditors report to the shareholders at the Annual General Meeting by means of the audit report. The Board of Directors establishes a formal work plan for the Board and instructions for the CEO. The Board appoints the CEO, who is to oversee the ongoing management of the company. In turn, the CEO appoints the Group Management team.

### Nomination Committee

Each year, a Nomination Committee shall be appointed at the initiative of the Chairman, with the rules governing the composition of the Committee being adopted by the Annual General Meeting. The Nomination Committee shall comprise four members, of whom one shall be the Chairman of the Board. The members of the Nomination Committee shall include one representative apiece for each of the three largest shareholders in terms of voting rights listed in the share register maintained by Euroclear Sweden as per August 31 of the year preceding the year in which the Annual General Meeting is held, plus the Chairman of the Board, who should also convene the Nomination Committee for its first meeting. If a shareholder chooses to refrain from participating in the Nomination Committee, the next shareholder in terms of size is afforded an opportunity to appoint a member of the Nomination Committee. The Nomination Committee chairman shall be the member appointed by the largest shareholder in terms of votes, unless the Nomination Committee decides otherwise. Neither the Chairman of the Board nor another Board Member shall chair the Nomination Committee. If, earlier than three months prior to the Annual General Meeting, one or more shareholders having nominated members of the Nomination Committee is no long-

er one of the three largest shareholders in terms of number of votes, members appointed by these shareholders shall make their seats available and the shareholder or shareholders that are among the three largest shareholders in terms of number of votes shall be entitled to appoint a representative each. In the event that a member steps down from the Nomination Committee before its work has been completed and the Nomination Committee finds it desirable that a replacement should be appointed, that replacement shall be appointed by the same shareholder or, if that shareholder is no longer among the largest in terms of number of votes, the replacement should be appointed by the next shareholder in line in terms of size. Changes in the composition of the Nomination Committee are to be announced immediately. Each year, a survey is conducted among the Board Members regarding the work of the Board of Directors, its composition, qualifications, experience and efficacy. The survey forms the basis for the Committee's assessment of whether the Board ought to be strengthened with additional expertise or if there are other reasons to change the composition of the Board. Normally, the Nomination Committee also meets the CEO and sometimes individual Board Members too. Proposed new Board Members are interviewed by the Nominating Committee. In particular, the Nomination Committee shall take into account the requirement of diversity and breadth of the Board and to strive for balance in terms of gender. The Nomination Committee assesses the composition of the Board with respect to its independence, taking into account all proposals regarding the composition of the Board of Directors submitted to the committee that may have been received from other shareholders. The names of the Nomination Committee representatives and the shareholders they represent are to be announced no later than six months prior to the Annual General Meeting. Based on the ownership structure as of August 31, 2021, the three largest shareholders in MilDef were asked to participate in the nomination process for 2022. Together with the Chairman of the Board, Ulf Hedlundh, Svalder AB (Chairman of the Nomination Committee), Marianne Trolle, representing her own holding, and Peter Lundkvist, appointed by AP3, were appointed. The Nomination Committee's proposals

are to be presented in the notice to attend the Annual General Meeting and on MilDef's website. In connection with this, the Nomination Committee shall provide, on the company's website, a reasoned opinion on the proposed composition of the Board with regard to the provisions in the Code regarding the composition of the Board of Directors. In particular, the proposal must be justified in view of the requirement that a balance should be sought with regard to gender. The opinion shall also contain a brief account of how the Nomination Committee has conducted its work and of the equal opportunities policy that the Committee has applied in preparing its proposal. The Nomination Committee shall propose to the Annual General Meeting a chairman of the Meeting, the number of Board Members, the Board of Directors, the Chairman of the Board, the auditor, Board remuneration (divided between the Chairman and the other members, as well as remuneration for committee work), auditor's fees and, to the extent considered necessary, amendments to the instructions for the Nomination Committee. The Nomination Committee shall submit its reasoned opinion on its proposals to the Annual General Meeting. Shareholders wishing to submit proposals to the Nomination Committee may send these by e-mail to [arsstamma@mildef.com](mailto:arsstamma@mildef.com) no later than two months prior to the meeting. The Nomination Committee's proposals are published in conjunction with or prior to the notice of the Annual General Meeting. The members receive no remuneration for their work on the Nomination Committee.

### **Annual General Meeting for the 2020 financial year**

The Annual General Meeting for the 2020 financial year was held on March 30, 2021 in Helsingborg. At the Annual General Meeting, 86% of the total number of shares and votes was represented personally or by proxy. The Chairman of the Board, Jan Andersson, was elected Chairman of the Meeting. The Annual General Meeting approved the presented income statement and balance sheet, as well as the consolidated statement of comprehensive income and statement of financial position. The Meeting discharged the Board and CEO from responsibility. In addition, the following principal decisions were made:

#### **Election of Board Members and auditors**

Jan Andersson, Marianne Troll, Christian Hammenborn, Lennart Pihl, Berndt Grundevik and Charlotte Darth were re-elected as Board Members. Jan Andersson was re-elected as Chairman of the Board. Authorized Public Accountants Bengt Ekenberg and Andreas Brodström, from Mazars, were elected as the chief auditors.

#### **Fees**

Fees will be paid to the Board in the amount of SEK 175,000 to each Board Member not employed by the company and SEK 350,000 to the Chairman of the Board. It was decided that a

special fee of SEK 30,000 for committee work would be paid to each member of the Audit Committee, SEK 60,000 to the chairman of the Audit Committee and SEK 20,000 to each member of the Remuneration Committee and SEK 25,000 to the chairman of the Remuneration Committee. It was further decided that fees to the auditors should be paid in accordance with an approved invoice.

#### **Dividend**

The Annual General Meeting resolved in accordance with the proposal by the Board of Directors that a dividend of SEK 1.50 per share be paid for the 2020 financial year and that the remaining funds at the company's disposal be brought forward to a new account.

- **Guidelines on remuneration of senior executives**

See pages 52–53 in the 2021 Annual Report.

- **Guidelines for authorization of the Board of Directors to implement new share issues**

In accordance with the proposal by the Board of Directors, the Meeting resolved to authorize the Board, up until the 2022 Annual General Meeting, to decide to issue at most 10% of the total number of shares outstanding in the Company on the date on which the authorization is exercised. Shares may be issued with or without deviating from the preferential rights of existing shareholders and through cash payment, set-off or payment in kind. The purpose of the authorization is for the company to be able to issue shares for financing company or business acquisitions or part thereof.

### **Extraordinary General Meeting 2021**

MilDef held an Extraordinary General Meeting on April 29, 2021 to address the company's forthcoming IPO in June 2021. The Extraordinary General Meeting resolved to split the company's shares (so-called split) 2:1, meaning that each former share was divided into two shares. Furthermore, the Annual General Meeting resolved to change the company's company category from private limited company to public limited company. The Meeting also authorized the Board of Directors, on one or more occasions during the period until the next Annual General Meeting, with deviation from the shareholders' preferential rights, to decide to implement a new share issue prior to, 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 approved by the Annual General Meeting on March 30, 2021. In addition, the Annual General Meeting resolved to adopt an incentive program including a directed issue of warrants and approval of the transfer of warrants. For further information about the adopted incentive program, see the company's website.

## Composition of the Board of Directors

According to the Articles of Association, the Board of Directors of MilDef shall comprise three to eight members, elected by the Annual General Meeting for the period until the end of the next Annual General Meeting. The Articles of Association do not allow the election of deputies. In other regards, the Articles of Association contain no provisions regarding the appointment or dismissal of Board Members. The CEO is not a member of the Board but participates in all Board meetings on a co-opted basis. Other officers in the Group participate in Board meetings to present reports and to act as secretary. For further information on the Board Members, see page 56.

## Board independence

According to the Code, a majority of the Board Members elected by the Annual General Meeting must be independent in relation to the company and its management, and at least two of these must also be independent in relation to the company's major shareholders. The Board of MilDef has been deemed to meet the applicable requirements for independence. The members Jan Andersson, Lennart Pihl and Charlotte Darth have all been considered independent both in relation to the company and the company's management, as well as in relation to the company's major shareholders.

Until January 1, 2021, Board Member Marianne Trolle was operationally active in the company's Group Management and is, by her direct holding, the second-largest owner in MilDef in terms of votes and has thus not been judged to be independent either in relation to the company and its management or to the company's major shareholders. During 2021, Board Member Berndt Grundevik performed consulting assignments for MilDef for a total SEK 58 thousand. The services performed

were aimed at leading the company's Advisory Board as well as providing other advice not considered to be covered by the Board assignment and Berndt Grundevik was thus not assessed to be independent in relation to the company and its management. Board Member Christian Hammenborn has historically performed legal services for Marianne Trolle and has thus not been assessed to be independent in relation to the company's major owners.

## Procedures and responsibilities of the Board

In addition to its statutory meeting, the Board of Directors shall hold at least six regular meetings per financial year. Additional meetings shall be held as necessary. Each year, the Board of Directors establishes written rules of procedure elucidating the responsibilities of the Board of Directors and governing the mutual division of labor between the Board and its committees including the role of the Chairman, the chain of command within the Board, the Board's meeting schedule, the convening of Board meetings, agendas and minutes, as well as the Board's work on accounting and auditing matters and financial reporting. The Board has also adopted a set of instructions for the CEO and other special policies. The Board continuously assesses the work of the CEO and the Board addresses this issue specifically once a year without senior management being present. The responsibility of the Board includes monitoring the work of the CEO through the continuous review of operations over the year, safeguarding a structure for the appropriate management of MilDef's interests. The responsibility of the Board also includes determining strategies and objectives, preparing specific policies, making decisions on major acquisitions and divestments of operations, making decisions on other major investments, making decisions on investments and loans in accordance with the financial policy, issuing financial reports, evaluating operational management, as well as planning succession. The Board assures

Name	Elected, year	Independent <sup>1)</sup>	Board meeting <sup>2)</sup>	Audit Committee	Remuneration Committee	Board fees, SEK thousands <sup>3)</sup>
<b>Chairman of the Board:</b>						
Jan Andersson	2018	Yes/Yes	26/26	-	3/3	375
<b>Board Members:</b>						
Marianne Trolle	1998	No/No	26/26	-	-	175
Lennart Pihl	2020	Yes/Yes	26/26	5/5	3/3	255
Christian Hammenborn	2017	Yes/No	26/26	5/5	-	205
Berndt Grundevik	2018	No/Yes	26/26	-	-	175
Charlotte Darth	2020	Yes/Yes	25/26	5/5	-	205

**1) Refers to independence in relation to the company and its management, as well as to independence in relation to major shareholders in the company.**

**2) Of which 12 Board meetings were held by correspondence.**

**3) Including committee fees. Board fees pertain to the period from the 2021 Annual General Meeting and until the 2022 Annual General Meeting.**

the quality of the Financial reports by means of adopted control instruments and instructions to the CEO, and through its consideration of reports from the Audit Committee in the form of minutes and observations, as well recommendations and proposals for decisions and measures. The Board also safeguards the quality of the financial reports by addressing the ap-  
 portenant materials in detail during Board meetings. As part of its assurance of quality, the Board of Directors also meets the company's auditors once a year without the attendance of the CEO or anyone else from senior management.

### Role of the Chairman of the Board

The Chairman organizes and manages the work of the Board, ensuring that it is conducted in accordance with the Swedish Companies Act, other legislation and regulations, as well as the Board's internal control instruments. The Chairman monitors operations through ongoing contacts with the CEO and is responsible for ensuring that the other members of the Board receive satisfactory information and data on which to make decisions. The Chairman is responsible for ensuring that the Board Members continuously update and deepen their knowledge of MilDef and that they receive the training otherwise necessary to be able to conduct their work efficiently. The Chairman of the Board shall ensure that the Board's duties and working methods are assessed annually and discussed with the Board Members, and that the Nomination Committee is informed of the results, with the purpose of developing the Board of Directors' working methods and efficiency. Such an evaluation was carried out in 2021, primarily by means of a detailed questionnaire to the Board. The results of the evaluation were presented to the Nomination Committee, as well as for the Board of Directors in its entirety.

### Work of the Board in 2021

Over the year, the Board held a total of 26 meetings. At the scheduled Board meetings, the CEO reported on the Group's earnings and financial position, including the outlook for the coming quarters. Beyond approving the annual and interim reports and adopting a business plan and associated financial plan, the following key issues were addressed by the Board of Directors during the year:

- Revision and adoption of the company's policies
- Acquisitions
- Investments
- Risk assessment
- Product development
- Organization

### Remuneration to the Board

The remuneration of the members of the Board elected by the Annual General Meeting is determined by the Annual

General Meeting in response to a proposal from the Nomination Committee. For the period between the 2021 and 2022 Annual General Meetings, remuneration of a fixed amount of SEK 350 thousand was paid to the Chairman of the Board and SEK 175 thousand to each of the other members, with remuneration for special contributions (consulting services etc.) being paid as invoiced by members in their respective areas of expertise, provided that such initiatives are pre-approved by the Board. The Board's Audit Committee shall receive remuneration of SEK 30 thousand each to the two ordinary members and of SEK 60 thousand to the Committee's chairman. Remuneration to members of the Remuneration Committee shall be SEK 20 thousand and SEK 25 thousand to the chairman of the Committee. There are no agreements on pension, severance pay or other benefits for Board Members.

### Audit Committee

MilDef's Board of Directors includes an Audit Committee. It shall consist of at least three Board Members appointed by the Board. The Committee has no decision-making authority and members are appointed annually by the Board of Directors at the statutory Board meeting or when a committee member must be replaced. The committee members appointed in March 2021 were Lennart Pihl (chairman), Charlotte Darth and Christian Hammenborn. The work of the Audit Committee is regulated by a special set of instructions adopted by the Board as part of its agenda. The Committee's work focuses on the quality and accuracy of the financial accounts and reports, efforts in internal financial control, the Group's adherence to applicable regulations and, where appropriate, transactions between the Group and related parties. In addition, the Audit Committee maintains regular contact with the auditors for MilDef Group AB and the Group to engender an ongoing exchange of ideas and information between the Board and the auditors on audit issues. Furthermore, the Committee shall assess the auditor's work and set guidelines for the services, besides auditing, that MilDef may procure from its auditor. The Audit Committee held five meetings in 2021. The meetings of the Audit Committee are minuted and reported verbally at Board meetings.

External financial information is provided regularly in the form of:

- Year-end and interim reports.
- Annual Report.
- Press releases about important items of news that are believed to affect the assessment of MilDef.
- Presentations for financial analysts, investors and the media on the dates on which of year-end and interim reports are published.
- Meetings with financial analysts and investors.

### Remuneration Committee

MilDef's Board of Directors also includes a Remuneration Com-



mittee. It shall consist of two Board Members appointed by the Board. The Chairman of the Board may chair the Remuneration Committee. Other members of the Remuneration Committee elected by the General Meeting shall be independent in relation to the company and its senior management. In part, the Remuneration Committee has an advisory role and in part it prepares matters to be addressed and decided on by MilDef's Board of Directors. The Remuneration Committee operates under the rules of procedure adopted by the Board. The principal tasks of the Remuneration Committee are to prepare the Board's decisions regarding remuneration principles, remuneration and other terms of employment for company management, to monitor and assess programs of variable remuneration for company management, and to monitor and assess the application of the guidelines for remuneration to senior executives determined by the Annual General Meeting, applicable remuneration structures and remuneration levels within MilDef. Each year, at the statutory Board meeting, or when a committee member must be replaced, the Board appoints the committee members. The Committee members appointed in March 2021 were Jan Andersson (chairman) and Lennart Pihl. The Remuneration Committee held three meetings in 2021. The meetings of the Remuneration Committee are minuted and reported verbally at Board meetings.

### Group Management

The CEO leads operations in accordance with the Companies Act and within the parameters set by the Board. In consultation with the Chairman of the Board, the CEO prepares the data and materials the Board requires to make its decisions, presents matters and explains proposed decisions. The CEO is also responsible for MilDef's commercial, strategic and financial development, leading and coordinating daily operations

in line with the Board's guidelines and decisions. The CEO also appoints the members of Group Management in consultation with the Chairman of the Board. Group Management holds regular meetings led by the CEO. Representatives from Group Management meet with the management of each company at management group meetings on a rolling basis.

### External auditors

At the 2021 Annual General Meeting, authorized public accountants Bengt Ekenberg and Andreas Brodström, both representing the Mazars AB firm of auditors were elected as the company's auditors for the period extending until the end of the following Annual General Meeting. The auditors maintain regular contact with the Chairman of the Board, the Audit Committee and Group Management. MilDef's auditors shall review the Annual Report and the accounts, as well as the CEO's administration. The auditors work according to an audit plan that takes into account comments submitted by the Board of Directors via the Audit Committee. The auditors report their findings to the Board of Directors. Reporting takes place partly during the audit, and ultimately in connection with the annual report being issued and approved. The auditors also participate in one Board meeting per year, at which they outline the audit process and their observations in an audit report. Over the year, the auditors have also performed certain consulting assignments outside the scope of the audit – these have mainly involved advice on accounting matters. The external audit is conducted in accordance with generally accepted accounting principles in Sweden. The auditing of documentation for the annual report for legal units outside Sweden is conducted in accordance with legal requirements and other applicable regulations in the relevant countries, in accordance with generally accepted accounting principles and accompanied by audit reports where so required by local legislation.

## Highlights in the work of the Board of Directors in 2021

### December

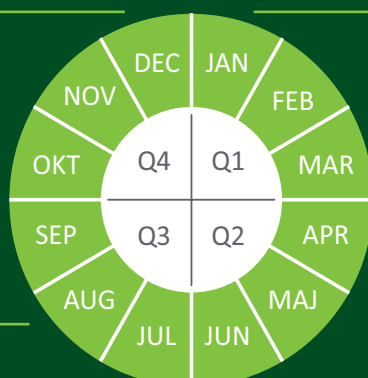
- Business plan and budget
- Impairment testing
- Assessment of Board work

### October

- Interim report for January to September

### August

- Strategic plan review
- Interim report for January to June



### January

- Year-end report
- Proposed appropriation of profit
- Audit report

### March

- Annual Report
- Proposals and statements to the Annual General Meeting
- Statutory meeting: decisions on company signatories, election of the Remuneration Committee and Audit Committee, election of Board representative on the Nomination Committee, decision on time and place for upcoming ordinary Board meetings

### April

- Interim report for January to March
- Risk assessment

## Internal audit

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MilDef applies systems developed for governance and internal control. The Board of Directors and the Audit Committee follow up MilDef's assessment of internal control, including through contacts with MilDef's auditors, who perform annual audits of the internal control. Given the above, the Board has elected not to establish a specific internal audit unit.

## Internal control of financial reporting

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The responsibility of the Board and the CEO regarding internal control is regulated by the Swedish Companies Act. The Board's responsibility is also regulated in the Code. In accordance with the Code, the Board shall describe how the internal control of financial reporting is organized, which is carried out through the Corporate Governance Report. The principal purpose of internal control is to ensure the achievement of the company's targets for appropriate and efficient operations, reliable reporting and adherence to applicable legislation and regulations. Internal control relating to financial reporting serves to provide reasonable security with regard to the reliability of external financial reporting and to ensure that external financial reports are prepared in accordance with legislation and applicable accounting standards. This report on internal control has not been reviewed by the company's auditors. The starting point for internal control process is the regulatory framework for internal control issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

## Control environment

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The Board bears the overall responsibility for internal control regarding financial reporting. To establish and maintain a functioning control environment, the Board has adopted a set of basic documents that have a bearing on financial reporting, including, in particular, the formal work plan for the Board and instructions for the CEO. In addition, the Board has appointed an Audit Committee whose principal task is to ensure that the established principles for financial reporting are complied with and that appropriate relations are maintained with the company's auditors. The responsibility for maintaining an effective control environment and for ongoing internal control efforts regarding financial reporting is delegated to the CEO, who reports regularly to the Board of Directors in accordance with established procedures. In addition, reports are provided by the company's auditors. The internal control structure also builds on a management system based on MilDef's organization with clearly defined roles, areas of responsibility and delegated authority. Operational decisions are made at the company level while decisions regarding strategy, overarching financial matters, acquisitions and major investments are made by MilDef's

Board and Group Management. Control documents addressing accounting and financial reporting represent crucial components in the control environment with regard to financial reporting. These documents are updated regularly in connection with changes in accounting standards and legislation.

## Risk assessment

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The Group conducts continuous risk assessment to identify key risks relating to financial reporting. With regard to financial reporting, risk is primarily judged to involve significant errors in the accounts; for example when it comes to the reporting and valuation of assets, liabilities, revenues and costs or other discrepancies. Fraud and losses through embezzlement represent another risk. Risk management is built into every process. Various methods are used to evaluate and limit risks and to ensure that the risks to which MilDef is exposed are managed in accordance with adopted policies, instructions and established monitoring procedures. These policies, instructions and procedures are intended to reduce possible risks and promote correct accounting, reporting and disclosure.

## Control activities

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The risks identified with regard to financial reporting are managed through the company's control activities, such as authorization controls in IT systems and signature authentication. The control structure includes clear organizational roles that enable an efficient division of responsibilities for specific control activities serving to uncover or prevent the risk of errors arising in reports. The continuous analysis of Financial reporting, like the analysis conducted at Group level, is highly important in ensuring that financial reports are free of material errors. The Group's finance function plays a key role in the internal control process and is responsible for ensuring that financial reports from each unit are submitted correct, complete and on time.

## Information and communication

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MilDef continually provides the market with information on the Group's development and financial position in relevant channels. Policies, guidelines and internal instructions regarding financial reporting ensure quality in external communication. The employees concerned are given access to and notified of regular updates and messages regarding changes in accounting principles, reporting requirements or other provision of information via the Group-wide intranet.

## Follow-up

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The CEO is responsible for internal control being organized and followed up in accordance with the guidelines adopted by the

Board. The CEO is responsible for ensuring that independent and objective reviews are conducted with the aim of systematically assessing and proposing improvements to the Group's processes for governance, internal control and risk management. Financial control is exercised by the Group's finance function. Financial data are reported each month, along with a forecast for the year at hand. MilDef's management reviews results on a monthly basis, analyzing deviations from the financial plan and the preceding year. Deviations are investigated and evaluated for possible internal control activities. The monthly accounts are also discussed with the management of each company. The Board receives monthly financial reports and follows up on financial reporting at each of its meetings. The Board and Group Management review financial reporting ahead of the publication of the annual report and interim reports. The closing accounts for the period January–September, as well as the year-end accounts are subject to a summary "review" by

the company's auditors. The company's auditors present their observations to the Board. The external auditors' duties also include monitoring internal control within the Group's subsidiaries on an annual basis.

### Articles of Association

The Articles of Association stipulate, among other things, the company's operations, the number of Board Members and auditors, how notice of the Annual General Meeting is to be announced, agenda processing during the Annual General Meeting and where the Meeting is to be held. The Annual General Meeting has full decision-making rights regarding changes to the Articles of Association. The current Articles of Association was thus adopted at the Extraordinary General Meeting on April 29, 2021 and is available on the company's website [www.mildef.com](http://www.mildef.com) and on pages 122-123 of the 2021 Annual Report.

Helsingborg, April 21, 2022

*Board of Directors of MilDef Group AB (publ)*

## Auditors' statement regarding the Corporate Governance Report

To the Annual General Meeting of MilDef Group AB, corporate registration number 556893–5414

### Assignment and division of responsibilities

The Board of Directors is responsible for the Corporate Governance Report for 2021 presented on pages 44–51 and for it having been prepared in accordance with the Annual Accounts Act.

### Focus and scope of the review

Our examination has been conducted in accordance with FAR's auditing standard RevR 16 The auditor's examination of the

Corporate Governance Report. This means that our examination of the Corporate Governance Report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. In our opinion, this review provides us with sufficient grounds for our statements.

### Opinion

A Corporate Governance Report has been prepared. Disclosures in accordance with Chapter 6, Section 6, 2nd paragraph, items 2–6 of the Annual Accounts Act and Chapter 7, Section 31, 2nd paragraph of the same act are consistent with the annual and consolidated accounts and are in accordance with the Annual Accounts Act.

Helsingborg, April 21, 2022

Bengt Ekenberg  
Authorized Public Accountant

**Mazars AB**

Andreas Brodström Authorized  
Public Accountant

# Guidelines on remuneration of senior executives

In accordance with the Swedish Companies Act and the Code, the General Meeting of a public limited company whose shares are admitted to trading on a regulated market shall adopt guidelines for remuneration to senior executives. The following guidelines for remuneration to the company's senior executives were adopted by the 2021 Annual General Meeting and are applicable until the 2025 Annual General Meeting, provided no amendments are proposed.

Other senior executives are defined as members of Group Management. To the extent that a Board Member of the company performs work for the company in addition to his/her Board assignment, these guidelines shall also be applied to any remuneration paid to that Board Member for such work. The guidelines shall apply to remunerations agreed, and to changes made to previously agreed remuneration, following the adoption of these guidelines by the 2021 Annual General Meeting. The guidelines do not include remunerations determined by the Annual General Meeting.

## The benefit of the guidelines for the company's business strategy, long-term interests and sustainability

A prerequisite for the successful implementation of the company's business strategy and safeguarding of its long-term interests, including its sustainability, is that the company is able to attract and retain highly skilled senior executives. To this end, it is necessary that the company offers competitive remuneration on market terms. These guidelines make it possible to offer senior executives competitive total remuneration. Variable cash remuneration covered by these guidelines shall aim at promoting the company's business strategy and long-term interests, including its sustainability. For additional information regarding the company's business strategy, see [www.mildef.com](http://www.mildef.com).

## Replacement components

The remuneration shall be on market terms and consist of fixed cash salary, variable remuneration, other benefits and pension. Additionally, the General Meeting may – irrespective of these guidelines – resolve on, among other things, share-related or share price-related incentive programs. The satisfaction of criteria for awarding variable cash remuneration shall be measured over a period of one year. The variable cash remuneration is capped and shall constitute a maximum of 35% of the fixed annual cash salary. Remuneration can also be paid in the form of consulting fees to Board Members who perform work for the company alongside their Board assignments.

## Pension

Senior executives are entitled to pension solutions in accordance with agreements with the company. As a general rule, pension commitments must be defined-contribution, and follow the company's pension plan, according to which pension provisions are made at 4.5% for wage components up to 7.5

income base amounts and at 30% for salary components above 7.5 income base amounts. Deviations from this main rule may be made in the appointment of new senior executives whose employment contracts have previously included defined-benefit pension plans, or, if the executive is covered by a defined-benefit pension in accordance with mandatory collective agreement provisions. The pension premiums for premium-defined pension plans shall not amount to more than 30% of the fixed annual cash salary. Pension provisions shall not be made on the basis of variable cash remuneration and other salary benefits – except to the extent this is required by mandatory collective agreement provisions applicable to the executive.

## Non-monetary benefits

Other benefits may include, for example, life insurance and healthcare insurance. Premiums and other costs relating to such benefits may amount to not more than 5% of the fixed annual cash salary.

## Consultancy fees

In cases where a Board Member (including through a wholly owned company) performs work for the company in addition to Board work, a special fee can be paid for this (consulting fee). The fee must be based on the current market price and set in relation to the benefit to the company.

## Foreign circumstances

Regarding employment conditions governed by non-Swedish regulations, appropriate adjustments may be made to comply with such regulations that are compulsory or established local practices, while also meeting the general objectives of these guidelines as far as possible.

### Criteria for disbursement of variable cash remuneration, etc.

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Variable cash remuneration shall be linked to predetermined and measurable financial criteria. These criteria shall be designed with the purpose of fostering the company's business strategy and long-term interests, including its sustainability, by for example being clearly linked to the business strategy or by furthering the executive's long-term development. The variable remuneration is divided into four different programs based on gross profit, net sales, operating profit (EBITDA) and general cost savings. The design of the criteria for variable cash remuneration and the terms for disbursement contribute to the company's business strategy, long-term interests and sustainability.

The company's CEO, Deputy CEO and CFO are covered by all programs and the other senior executives are covered by all programs with the exception of the one based on general cost savings.

When the measurement period has ended, it must be determined to what extent the goals have been met. Assessments regarding whether financial targets have been achieved shall be based on an established financial basis for the current period. The Remuneration Committee is responsible for the assessment where this concerns variable cash remuneration to the CEO. The CEO is responsible for the assessment where this concerns variable cash remuneration to other executives.

### Periods of notice and severance pay

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The agreed notice period shall not exceed 12 months for the CEO, Deputy CEO and CFO, and up to a maximum of six months for other executives. No severance pay shall be disbursed.

### Seeking support for salaries and terms of employment

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The salaries and terms of employment of company employees have been taken into account in preparing the remuneration guidelines. Details of employees' total remuneration, the components of the remuneration and its increase and growth rate over time, have formed part of the remuneration committee's and the board of directors' reference data when assessing whether the guidelines and the limitations set out here are reasonable.

### Decision processes

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The Board's Remuneration Committee proposes and the Board make decisions regarding salary and other terms for the CEO. The CEO proposes and the Remuneration Committee makes decisions regarding salary and other terms for other senior executives.

The Committee's tasks include preparing the Board of Directors' decision on the proposed guidelines for remunerations to senior executives. The Board of Directors shall draw up proposals for new guidelines at least every four years and submit these proposals for resolution by the Annual General Meeting. These guidelines shall apply until new guidelines have been adopted by the Annual General Meeting. The Remuneration Committee shall also monitor and evaluate programs for variable remuneration for senior executives, the application of the guidelines for executive remuneration as well as the current remuneration structures and levels within the company.

The members of the Remuneration Committee are independent in relation to MilDef and company management. When the Board of Directors addresses and determines remunerations issues, neither the CEO nor other members of company management shall be in attendance insofar as they are affected by these issues. To the extent that consulting services are performed by a Board Member of the company, the Board Member concerned is not entitled to participate in the Board's (or the Remuneration Committee's) deliberations of regarding the consulting services in question.

### Deviations from the guidelines

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The Board of Directors may temporarily deviate entirely or partially from the guidelines, where there are specific reasons for such a deviation in an individual case and it is necessary to deviate from the guidelines to serve the company's long-term interests, including its sustainability, or to ensure the company's financial viability. Deviations must be reported and justified in the subsequent compensation report. As set out above, the Remuneration Committee's tasks include preparing the Board of Directors' resolutions in remuneration-related matters. This includes any resolutions to derogate from the guidelines.

# Remuneration report

This Remuneration Report describes how the guidelines for the Remuneration of senior executives established by the 2021 Annual General Meeting were applied during the 2021 financial year. The Report also presents details of remunerations to the company's CEO and fees to Board Members in addition to the Board fees decided by the General Meeting. The report has been prepared in accordance with the Swedish Companies Act (2005:551) and the Swedish Code of Corporate Governance.

Further information on remuneration of senior executives required in accordance with ch. 5, Sections 40–44 of the Annual Accounts Act (1995:1554) can be found in Note 10. For more information about the Remuneration Committee's work during 2021, see the Corporate Governance Report, pages 44–51 in the company's

## 2021 Annual Report (“2021 Annual Report”). MilDef’s development

The company's development and significant events for the year are described, in for example, the presentation of the CEO on pages 6–7 in the 2021 Annual Report.

## Board fees and consulting fees

Board fees are not covered by this report. Such fees are determined annually by the Annual General Meeting and are reported in Note 10 in the 2021 Annual Report. In 2021, Top Level AB, in which Board Member Berndt Grundevik is the majority owner, performed consulting assignments for MilDef totaling SEK 58 thousand. The services performed were aimed at leading the company's Advisory Board as well as providing other advice not considered to be covered by the Board assignment. It has been deemed important and beneficial for MilDef to use the services concerned, for which market-based payment has been made. The decision to procure the services was made without the involvement of Berndt Grundevik. Furthermore, and on corresponding terms, Trolle Management AB has performed consulting services for SEK 105 thousand for MilDef in connection with the preparation of the company's prospectus prior to the listing in June 2021.

## MilDef's Remuneration Guidelines: scope, objectives and deviations

For the company's business strategy to be implemented successfully and to safeguard the company's long-term interests, including its sustainability, the company must be able to recruit and retain qualified employees. The goal of MilDef's guidelines for remuneration to senior executives is therefore to offer a competitive and market-based total remuneration, so that competent and skilled employees can be attracted, motivated and retained. These guidelines make it possible to offer senior executives competitive, market-based total remuneration. The total compensation consists of the following components:

- a) Fixed cash salary
- b) Short-term variable cash remuneration
- c) Pensions and other benefits

Short-term variable cash compensation must be linked to predetermined, well-defined and measurable financial criteria. The goals aim to promote MilDef's development in both the short and long term. The measurement period for variable remuneration

**Total remuneration to the CEO during 2021 (TSEK)** The compensation refers to expensed compensation during the year

Name of executive, position:	Fixed remuneration		Variable salary		Pension cost	Total remuneration	Proportion of fixed and variable remunerations	
	Basic salary*	Other benefits**	Short-term	Long-term			Fixed remuneration	Variable remuneration
<b>Björn Karlsson,CEO:</b>	1,963	4	-	-	123	2,090	100%	0%

\*Including holiday pay of SEK 283 thousand.

\*\*Refers to health insurance.

is based, as a general rule, on performance over a period of 12 months. The variable remuneration shall not exceed 35% of the fixed salary and shall, to the extent permitted by applicable law, not be pensionable or vesting holiday pay basis.

The criteria for short-term variable remuneration are divided into four different programs based on MilDef's net sales, gross profit, operating profit (EBITDA) and general cost savings. Variable remuneration can also be linked to individual criteria. The criteria shall be designed to further the company's business strategy and long-term interests, including its sustainability. The guidelines can be found on pages 52-53 in the Annual Report for 2021.

Other non-monetary benefits may include, for example, life insurance and healthcare insurance. Premiums and other costs relating to such benefits may amount to not more than 5% of the fixed annual cash salary.

In 2021, the company followed the applicable remuneration guidelines adopted by the Annual General Meeting. No deviations have been made from the decision-making process applied in determining remunerations in accordance with the guidelines. No requests have been made for the repayment of any remunerations. The auditors' opinion on the company's compliance with the guidelines is available on MilDef's website under Corporate Governance.

### **Share-related incentive program**

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At an extraordinary meeting of shareholders on April 29, 2021 an incentive program for the Group's employees was approved ("Incentive program 2021/2025") with warrants being issued conveying subsequent rights to subscribe for new shares in MilDef. With a decision being made at a General Meeting, these guidelines do not apply, although the guidelines should nonetheless be considered in spirit. The warrants have been transferred on market terms at a price (premium) that was established based on an estimated market value using the recognized Black & Scholes model. The calculation was carried out by an independent appraisal institution. For further information, see [www.mildef.com](http://www.mildef.com).

### **Application of performance criteria**

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The CEO's performance criteria for 2021 are divided into four different parameters based on MilDef's net sales, gross profit, operating profit (EBITDA) and general cost savings. The performance criteria contribute to further adapting to sustainability and the company's values, although they are expressed in financial terms. Among other things, due to the prevailing component shortage in the global component market, the financial development of MilDef was below initial expectations and no variable remuneration was therefore paid to the CEO in financial year 2021.

**Helsingborg, April 21, 2022**

*Board of Directors of MilDef Group AB (publ)*

## Board of Directors



**Jan Andersson**, Chairman of the Board  
Served as Chairman of the Board between 2015 and 2017, serving again from 2018 and until the present day.

**Born:** 1959

**Education:** Master of Science in Computer Engineering, Linköping Institute of Technology.

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

**Previous assignments in the past five years:** Chairman of the Board of Fast2 Affärssystem AB.

**Shareholding in the company:** 650,000 shares.

**Dependency:** Independent in relation to the company, its management and major shareholders.

**Board committees:** Chairman of the Remuneration Committee.



**Marianne Trolle**,  
Board Member since 1998.

**Born:** 1956

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

**Other current assignments:** Trolle Management AB.

**Previous assignments in the past five years:** -

**Shareholding in the company:** 4,009,652 shares.

**Dependency:** Dependent in relation to the company, its management and major shareholders.

**Board committees:** -



**Berndt Grundevik**,  
Board Member since 2018.

**Born:** 1956

**Education:** Swedish National Defense College.

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

**Previous assignments in the past five years:** -

**Shareholding in the company:** 821 shares.

**Dependency:** Dependent in relation to the company and its management, independent in relation to major shareholders.

**Board committees:** -



**Christian Hammenborn**,  
Board Member since 2017.

**Born:** 1965

**Education:** Master of Law, Lund University.

**Other current assignments:** Board Member of Hammenborn Advokatbyrå AB.

**Previous assignments in the past five years:** Procurement holder at law firm Lindahl limited partnership.

**Shareholding in the company:** 821 shares.

**Dependency:** Independent in relation to the company and its management, dependent in relation to major shareholders.

**Board committees:** Member of the Audit Committee.



**Charlotte Darth**,  
Board Member since 2020.

**Born:** 1968

**Education:** Master of Business Administration. Stockholm University.

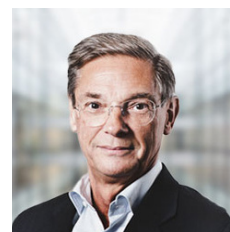
**Other current assignments:** President of Binero Group AB (publ) and board member at Intervallor AB.

**Previous assignments in the past five years:** President of Affecto Sweden AB, President ReadSoft Sverige AB and board member at Binero Group AB (publ).

**Shareholding in the company:** 821 shares.

**Dependency:** Independent in relation to the company, its management and major shareholders.

**Board committees:** Member of the Audit Committee.



**Lennart Pihl**,  
Board Member since 2020.

**Born:** 1950

**Education:** Master of Business Administration, Lund University.

**Other current assignments:** Chairman of the Board of Midway Holding AB, Myloc Holding AB, Bertex Mail AB, ALG Holding AB and Joakim Lagergren Golf AB.

**Previous assignments in the past five years:** Chairman of the Boards of Nordic Vehicle AB, Green Cargo AB, Nordic Room Improvement Holding AB, INGAPÉ AB och HXH International AB. Board Member of Advenica AB, Avega Group AB and Poolia AB.

**Shareholding in the company:** 821 shares.

**Dependency:** Independent in relation to the company, its management and major shareholders.

**Board committees:** Chairman of the Audit Committee and member of the Remuneration Committee.





# Group Management



**Björn Karlsson**, Chief Executive Officer (CEO) since 2018.  
**Born:** 1973.  
**Education:** Technical college graduate, four-year technical program, electrical/computer engineering.  
**Other current assignments:** Board Member of SOFF (Defense Innovation Sweden).  
**Previous assignments in the past five years:** -  
**Shareholding in the company:** 1,551,821 shares, 549,000 call options and 30,000 warrants.



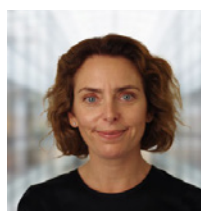
**Daniel Ljunggren**, Chief Financial Officer (CFO) since 2011, Executive Vice President (EVP) since 2020.  
**Born:** 1980.  
**Education:** MBA, Kristianstad University.  
**Other current assignments:** -  
**Previous assignments in the past five years:** -  
**Shareholding in the company:** 2,023,115 shares and 30,000 warrants.



**Evelina Hedskog**, Head of Business Unit Sweden since 2022.  
**Born:** 1981.  
**Education:** MSc Media Technology, Royal Institute of Technology in Stockholm and BSc in Business, Stockholm University.  
**Other current assignments:** Managing Director of MilDef AB, Board Member of MW Group AB and reserve officer in the Swedish Navy (Lt. Cdr.).  
**Previous assignments in the past five years:** Head of Products and Strategy at Saab AB Business Unit Combat Systems and C4I Solutions.  
**Shareholding in the company:** 3,525 shares and 30,000 warrants.



**Per Björnson**, Chief Operating Officer (COO) since 2021.  
**Born:** 1978.  
**Education:** Swedish Defence University, IMD Business School.  
**Other current assignments:** -  
**Previous assignments in the past five years:** Chief Business Support Officer for Helsingborgs Hamn AB (Port of Helsingborg), external signatory for Helsingborgs Hamn AB.  
**Shareholding in the company:** 7,000 shares and 30,000 warrants.



**Karin Svalander**, General Counsel since 2020.  
**Born:** 1978.  
**Education:** Master of Laws, Uppsala University.  
**Other current assignments:** -  
**Previous assignments in the past five years:** Deputy Board Member of Invono Fund AB, General Counsel for Invono AB, and lawyer at LRF Konsult.  
**Shareholding in the company:** 2,447 shares and 30,000 warrants.



**Ola Alfredsson**, Chief Business Development Officer (CBDO) since 2022.  
**Born:** 1964.  
**Education:** Systems Engineer, Royal Swedish Naval Academy  
**Other current assignments:** -  
**Previous assignments in the past five years:** Counselor Defense Industry Cooperation, Embassy of Sweden Washington, US. Board Member of PrimeKey Solutions AB.  
**Shareholding in the company:** 821 shares and 30,000 warrants.



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

**Born:** 1981.

**Education:** MSc in Radio Electronics & Electromagnetic Field Theory, Lund University

**Other current assignments:** President of MilDef Products AB.

**Previous assignments in the past five years:** -

**Shareholding in the company:** 8,000 shares and 881,600 call options.



**Olof Engvall:** Head of Investor Relations and Communications, and Head of Marketing sedan 2022.

**Born:** 1968.

**Education:** Journalism education and English studies at Lund University.

**Other current assignments:** Deputy Board Member B & T Juridik AB.

**Previous assignments in the past five years:** Head of IR & PR Inwido AB, CEO Engvall Media AB.

**Shareholding in the company:** 5,500 shares and 20,000 warrants.



**Fredrik Jacobsson:** Chief Sales Officer (CSO) since 2022.

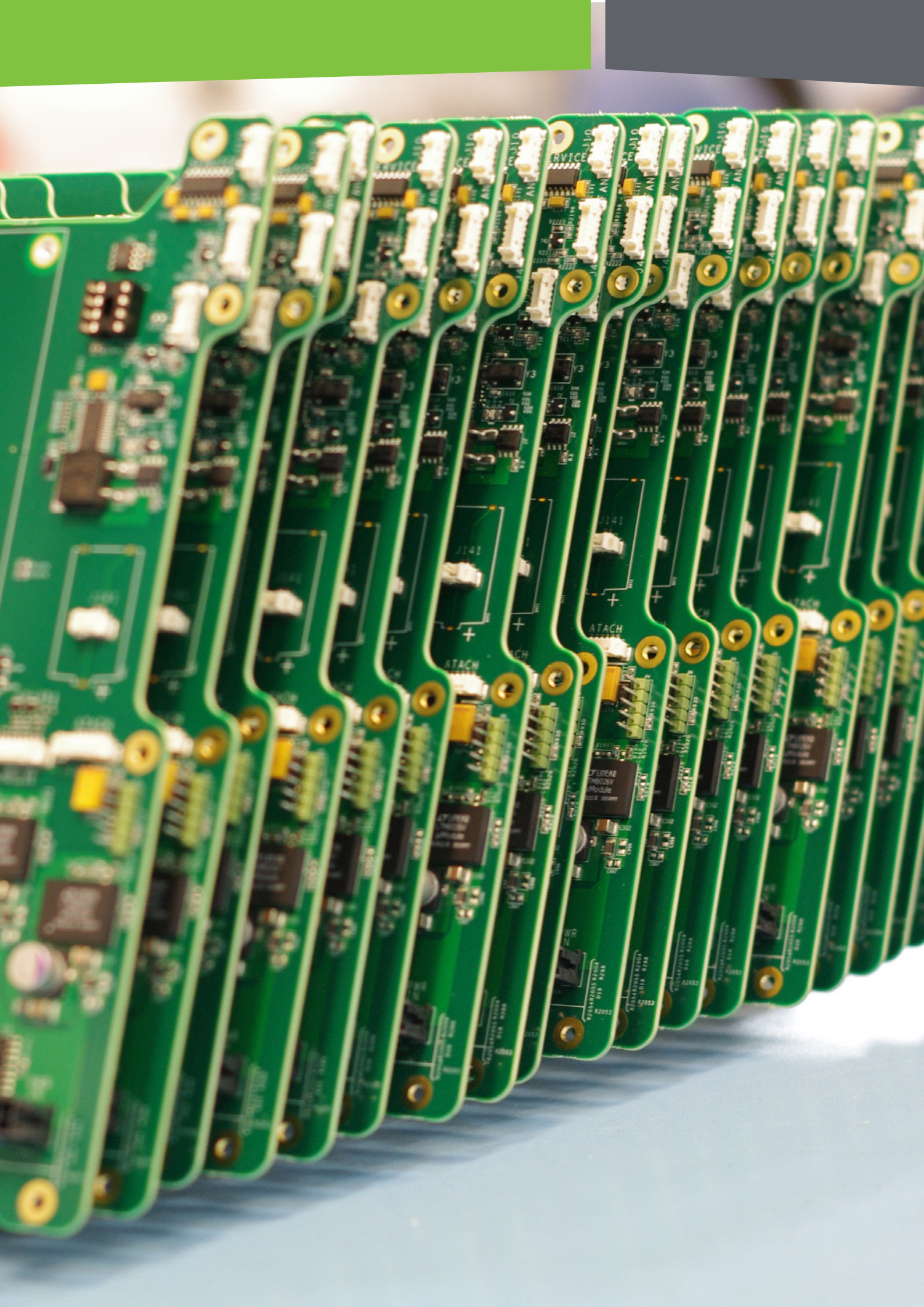
**Born:** 1980.

**Education:** MBA from Lund University.

**Other current assignments:** -

**Previous assignments in the past five years:** -

**Shareholding in the company:** 150,000 shares and 881,600 call options.



# Administration report

**The Board of Directors of MilDef Group AB, hereby submits its annual and consolidated accounts for the financial year January 1 to December 31, 2021. MilDef Group AB, based in Helsingborg, is a public limited company with corporate registration number 556893–5414.**

## Operations

Digitalization of operations and functions that are crucial for society is increasing and there is therefore a need for tactical IT in demanding environments. MilDef is taking an active role in this development. The goal is to be the most reliable partner in the industry. MilDef adds value through industry-leading quality and high delivery precision. As one of Europe's leading groups in tactical IT, MilDef's business concept is to develop, deliver and offer tactical IT products and services for essential operations in society. We customize solutions to be able to meet our customers' specific requirements in the demanding environments in which they are used. MilDef's hardware and software products are combined with services to deliver effective digitalization. At the end of 2021, MilDef comprised nine legal entities with some 190 employees in four countries. During the 2021 full year, the Group achieved sales of SEK 470 million with an adjusted operating EBITDA margin of 6.9%. MilDef has been listed on Nasdaq Stockholm's Small Cap list since June 2021.

## Group structure

MilDef Group AB (publ) is the Parent Company of the MilDef Group, the headquarters of which are located in Helsingborg, Sweden. MilDef Group AB's directly or indirectly wholly-owned subsidiaries are stated in Note 14 to the Parent Company financial statements, participations in affiliated companies.

## MilDef's share and ownership situation

Since June 4, 2021, MilDef has been listed on Nasdaq Stockholm Small Cap, in the Industrial Goods and Services sector. The share's ISIN code is SE0016074249. The share is traded under the ticker symbol MILDEF. A trading item is one (1) share.

At the end of 2021, MilDef's share capital amounted to SEK 9,097,343.25 divided between 36,389,373 shares with a quota value of SEK 0.25 per share. All of the shares are ordinary shares carrying the same voting rights.

The largest individual shareholder in terms of votes is MilDef Crete Inc, whose total shareholding amounted to 12% of the capital and votes in the company as of December 31, 2021. The ten largest shareholders accounted for about 65% of capital and votes.

As far as the Board of Directors of MilDef Group AB is aware, there are no agreements between major shareholders limiting

the transferability of the shares. Nor is the transferability of shares limited by any provisions in the law or in the Articles of Association. There is no limit to how many votes each shareholder may cast at a General Meeting. According to the Articles of Association, the Board of Directors shall comprise three to eight members without deputies. In other regards, the Articles of Association contain no provisions regarding the appointment or dismissal of Board Members nor regarding amendments to the Articles of Association.

## Significant events in 2021 in brief

- On March 11, 2021, MilDef acquired all of the shares in the Norwegian service and software provider Sysint AS.
- On March 30, 2021, the company held its Annual General Meeting in Helsingborg. The Annual General Meeting resolved to re-elect Jan Andersson as Chairman of the Board and to re-elect Board Members Marianne Trolle, Lenart Pihl, Charlotte Darth, Berndt Grundevik and Christian Hammenborn. Furthermore, the Annual General Meeting approved payment of a dividend of SEK 1.50 per share for the 2020 financial year. The dividend was disbursed in the second quarter of 2021.
- An Extraordinary General Meeting on April 29 approved a 2:1 share split.
- The company's share was listed on Nasdaq Stockholm on June 4. In connection with the listing, a new share issue of 10,958,904 shares was implemented at a price of SEK 36.50 per share. The new share issue raised approximately SEK 400 million for the company before deductions for listing costs.
- As a result of the over-allotment option being exercised, an issue of 449,939 shares was implemented in July 2021.
- On July 20 MilDef acquired all of the shares in Defcon Solutions AB (Defcon). In December 2021, Defcon was renamed MilDef Integration Sweden AB, although it is still referred to as Defcon in this Annual Report. In connection with the acquisition of Defcon, 321,512 new shares were issued.
- The company's revolving credit facility was expanded by SEK 25 million to a total of SEK 50 million in 2021.

## Financial targets

MilDef's operations are governed by four financial targets aimed at providing shareholders with favorable returns and long-term growth in value.

**Growth**

MilDef's financial targets are sales growth over time of 15% annually including acquisitions.

**Profitability**

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

**Capital structure**

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

**Dividend policy**

MilDef's target is to pay 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.

**Employees**

The number of employees in the Group, recalculated as full-time equivalents (FTEs), was 188 (119) at the end of the period. 147 (89) of the employees were men and 41 (30) were women. The average number of FTEs amounted to 190 during the period compared with 117 in the corresponding period in the preceding year.

**Segments**

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

**Judgments and estimates in the financial statements**

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

**Alternative performance measures**

MilDef applies the guidelines for alternative performance measures issued by ESMA, the European Securities and Markets Authority. Alternative performance measures are financial measures that cannot be directly gleaned or deduced from the financial statements. These financial measures are intended to facilitate management's and investors' analysis of the Group's development. Investors should not regard these alternative

performance measures as substitutes for, but rather as complements to, the financial statements prepared in accordance with IFRS. Definitions of the alternative performance measures are presented on page 118.

**Seasonal variations**

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

**Fluctuation in order inflow and sales**

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

**Financial overview 2021**

Profit/loss items and cash flow are compared with the preceding year. Balance sheet items reflect the position at the end of the year and compared with the corresponding date in the preceding year.

**Order situation**

Order bookings decreased by 18% to SEK 589.4 million (718.0). The order backlog increased by 64% to SEK 731.5 million (446.3). Sysint AS, which was acquired in the first quarter of 2021, did not have any impact on order bookings or order backlog for the period. SEK 62.4 million of the period's order bookings and SEK 88.7 million of the order backlog relate to the acquisition of Defcon Solutions AB. The increase in order intake and the order backlog in the past 12 months depends to some extent on MilDef receiving a significant customer contract in the fourth quarter of 2020 in the UK market. The total value of the contract is around SEK 275 million. The contract spans ten years and serial delivery is not expected to start until 2023. MilDef is expecting planned deliveries to proceed as contracted, in terms of both schedule and volume. However, the risk of changes or reduction in scope cannot be excluded.

**Net sales and profit**

Net sales increased by 18% to SEK 469.6 million (398.5). The acquisitions made in 2021 facilitated growth, with primarily the Nordic market contributing to the increased growth.

Gross profit amounted to SEK 210.1 million (182.1), equivalent to a gross margin of 45% (46). The company's gross margin may vary slightly over time depending on sales volumes and the product and customer mix.

Operating costs amounted to SEK 213.0 million (125.2), of which SEK 57.9 million relates to acquired operating costs and SEK 11.5 million to non-recurring items. Excluding these items, operating costs increased by 15%, equivalent to SEK 18.4 million. As a proportion of sales, the adjusted operating costs amounted to 43% (31). The company has continued to invest in product development, which has led to costs for research and development increasing to SEK 40.4 million (33.1).

The adjusted operating profit before depreciation/amortization and impairment (EBITDA) amounted to SEK 32.2 million (72.8), equivalent to a margin of 6.9% (18.3). Depreciation/amortization and impairment amounted to SEK 23.6 million (11.6). The companies acquired in 2021 contributed SEK 17.5 million to operating profit for the period. The adjusted operating profit excludes non-recurring items of SEK 11.5 million (4.3).

The operating loss (EBIT) for the 2021 full year amounted to SEK 2.9 million (profit 56.9). Adjusted for non-recurring items, the operating profit for the period amounted to SEK 8.6 million (61.2), which is equivalent to an operating margin of 1.8% (15.4).

The net financial expense for the period amounted to SEK -2.4 million (-1.5). The tax effect for the period contributed positively to net profit in the amount of SEK 4.6 million (negatively 12.8). Profit after tax amounted to SEK 0.8 million (39.9). Earnings per share amounted to a loss of SEK 0.03 (gain 1.83 following adjustment for the 2:1 split).

#### Non-recurring items

Non-recurring items that affect comparability and have a significant impact on profit are important in understanding the underlying development of the operations. The costs refer primarily to costs related to the company's listing process and acquisition-related costs. For the full-year 2021, items affecting comparability amounted to a negative net of SEK 11.5 million (4.3).

#### Cash flow

Cash flow reported for the period amounted to an inflow of SEK 120.3 million (38.7). Operating cash flow amounted to an outflow of SEK 71.4 million (inflow 53.1). Cash flow from operating activities amounted to an outflow of SEK 55.5 million (inflow 61.7). Cash flow from changes in working capital amounted to an outflow of SEK 65.0 million (inflow 9.6). The global component shortage has resulted in a partially altered strategy with respect to the inventory of critical components, which has in turn led to MilDef choosing to increase its stocks to improve lead times for customers.

Cash flow from investment activities amounted to an outflow of SEK 187.2 million (8.6), of which SEK 171.2 million related to

acquisitions made in the period. Cash flow from investments in property, plant and equipment and intangible assets amounted to an outflow of SEK 16.4 (8.9). Cash flow from financing activities amounted to an inflow of SEK 362.9 million (outflow 14.4). The change compared to the previous year is mainly explained by the company issuing new shares in connection with the listing on Nasdaq Stockholm.

The period was impacted by dividends paid to the shareholders amounting to an outflow of SEK 17.4 million (8.7). Amortization of leases was charged to financing activities in the amount of SEK 9.0 million (4.9)

#### Acquired intangible assets

As of December 31, 2021, the carrying amount for consolidated goodwill was SEK 201.2 million (0). Other acquired intangible assets amounted to SEK 84.0 million (2.7) and pertain to customer relationships and software acquired in 2021. Customer relationships and software are amortized on a straight-line basis over a ten-year period. The customary impairment tests are performed in each individual case.

The company's investments in property, plant and equipment amounted to SEK 10.8 million in 2021, compared with SEK 5.4 million during the 2020 financial year. Around the end of 2020/beginning of 2021, MilDef moved into new headquarters in Helsingborg that also house a production facility. As a result, during 2021, MilDef invested in property, plant and equipment directly attributable to the new premises and their increased production capacity. Capitalized product development increased to SEK 10.7 million (8.0) in 2021.

#### Equity

On December 31, 2021 equity amounted to SEK 568.2 million (132.6), corresponding to SEK 15.61 per share outstanding (5.71). The total dividend paid to shareholders in 2021 amounted to SEK 17.4 million. The equity-assets ratio as of December 31, 2021 was 70% (36).

#### Net working capital

Net working capital amounted to SEK 148.0 million (72.7) at the end of the period. Higher inventory volumes have had a negative impact on working capital. Net working capital in relation to net sales increased by 14 percentage points, from 18% for the preceding year to 32% as of December 31, 2021.

#### Net debt and cash and cash equivalents

Net debt including lease liabilities amounted to SEK 67.1 million (19.9) at the end of the period. The change in cash and cash equivalents is mainly the result of the company issuing new shares in connection with the stock exchange listing. At the end of the period there was also an unutilized revolving overdraft facility of SEK 50.0 million (27.1). Net debt at the end of the period in relation to adjusted operating profit (EBITDA) over the

past 12 month-period, excluding the effects of IFRS 16 Leases, amounted to SEK 4.0 million (0.6). When calculated including the effects, net debt was SEK 2.1 million (0.3)

### Acquisitions during the year

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#### Sysint AS

On March 11, 2021 MilDef acquired all 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 essential to society, such as health and energy. Software product development includes the NATO-compliant system OneCIS for fast and secure roll-out of IT systems. This complements MilDef's hardware offering and creates a strong, comprehensive offering for MilDef's customers, and good potential, both for further development locally and for exports to other markets. Sysint is based in Oslo, Norway.

#### Defcon Solutions AB

On July 20, 2021, MilDef acquired all of the shares in Defcon Solutions AB ("Defcon"). Defcon supplies integration services to the defense market in Sweden and is considered to have good potential to continue to grow its business in the years ahead. This, combined with MilDef's product portfolio of tactical IT in hardware and software, means there are considerable opportunities for synergies between the companies – both in the Swedish market and internationally. Defcon was founded in 2014 and is based in Stockholm.

### Acquisitions and acquisition analysis

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At the time of acquisition, preliminary acquisition analyses are performed based on estimates and judgments that are as accurate as possible. These analyses may however need to be adjusted at some point in the future. All acquisition analyses are subject to final adjustments no later than 12 months after the acquisition date.

### Outlook

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It is 25 years since MilDef began to pave the way for a growth journey that has only just begun. Today, MilDef is a stronger company than ever and the long-term assessment of the company's outlook remains optimistic. The previously reported, fundamentally good market conditions still exist and have even become stronger, with a swift increase in the focus in the Nordics and globally on security and defense. The long-term assessment is that the areas in which MilDef operates offer favorable underlying potential. In 2021 MilDef strengthened its positions in its Nordic home markets and, in early 2022, we established a presence in Finland. To this we are adding a strong footprint in our growth markets – the UK and US. We are entering 2022 with optimism and a strong order backlog which has in-

creased by 64% to SEK 731.5 million (446.3). MilDef is not adjusting its long-term targets. We are reiterating the positive view we hold of both organic and acquisition-driven growth. MilDef's growth strategy is to grow organically and through acquisitions of new businesses to add new complementary offerings and new markets.

There is currently a high degree of uncertainty regarding the global supply of electronic components. For the first half of 2022, MilDef expects this shortage of components to continue. MilDef has taken several measures to ensure that product deliveries can take place according to plan in 2022, although the uncertainty in the supply chain means we cannot rule out problems arising in keeping planned deliveries.

### Research and development

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MilDef conducts extensive research and development. This is considered a critical factor for continued organic growth and for penetrating new markets. It is important to identify the customers' changing requirements and transform them into the best solutions for every given market situation. In 2021 resources were added to the R&D department to handle an increasing number of projects, many of which are highly complex. Around 15% of MilDef's employees work in R&D-related positions.

### Significant risks and factors of uncertainty

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Conducting business operations entails being exposed to risks to a lesser or greater extent. The Group's risk management includes identifying, measuring and preventing a negative outcome for these risks, at the same time as continuous efforts are made to manage the potential risks so that they are kept within the framework that company management and the Board of Directors can accept. Management works to prevent potential risks from developing into damages and/or losses. In addition, efforts are being made to limit the effects of damage that has already occurred. The risks that MilDef is judged to be exposed to are strategic, operational, financial and legal risks, but also the risk of incidents that could threaten MilDef's favorable reputation.

### Transactions with related parties

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No Board Member or senior executive has or has had any direct or indirect participation in any business transactions with Group companies during the current or previous financial years on terms that are or were unusual in nature. Nor has any Group company provided loans or guarantees, or entered into any surety agreement for any of the Board Members or senior executives.



## 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.

## Disputes

The company is not a party in any material dispute.

## Parent Company

The operations of MilDef Group AB (corporate registration number 556893–5414), registered office in Helsingborg, Sweden, are primarily focused on the Group's strategic development and Group-wide functions, such as HR, IT, finance, etc. Most of the funds from the Group's external financing are held within the Parent Company. As of the end of the period the company had 30 employees.

## Environmental impact

The Group does not conduct operations requiring a permit in accordance with current environmental regulations.

## Sustainability work

The Group's Sustainability work for 2021, which can be found on pages 26–31 in this Annual Report, has been prepared by MilDef Group AB (publ.), corporate registration number 556893–5414, based in Helsingborg.

## Corporate governance report

In accordance with the Annual Accounts Act and the Swedish Code of Corporate Governance (the "Code"), a special Corporate Governance Report, including a section on internal control, has been prepared and attached to this Annual Report, see pages 42–49. MilDef did not report any deviations from the Code in 2021.

## Guidelines on remuneration of senior executives

See note 10.

## Proposed appropriation of profit

The following profit are available to the Annual General Meeting in the Parent Company:

Share premium reserve	506,998,236
Retained earnings	18,577,035
Comprehensive income for the year	20,569,513
<b>Total SEK</b>	<b>546,144,784</b>

The Board of Directors proposes that the profit in the Parent Company at the disposal of the Annual General Meeting:

Dividend to shareholders, SEK 0.75 per share	27,292,030
Brought forward to new account	518,852,754
<b>Total SEK</b>	<b>546,144,784</b>

The Board of Directors proposes that the dividend for the financial year 2021 be determined to SEK 0.75 per share (SEK 0.75 adjusted for the share split 2: 1 which was implemented in April 2021). Record date for the right to receive a dividend is proposed to be May 16, 2022. If the Annual General Meeting decides in accordance with the proposal, the dividend is expected to be able to be paid on May 19, 2022.

The view of the Board of Directors is that the proposed dividend is not expected to affect MilDef's capacity to meet its short or non-current commitments. In assessing the size of the proposed dividend, the Board of Directors has taken into account the needs imposed by the nature, scope and risks of the business on the scope of equity and the consolidation needs, liquidity and position in general of the company and the Group. Accordingly, the proposed dividend can be defended with regard to the precautionary rule specified in the Chapter 17, Section 3, Paragraphs 2–3 of the Companies Act.

## Significant events after the end of the year

To further reinforce MilDef's position in the Nordic market, MilDef Oy, MilDef's first subsidiary in Finland, was established. At the helm of MilDef Oy will be Eero Valkola, a decorated colonel and former Inspector of Signals in the Army Command of the Finnish Defence Forces, where he was responsible for developing, training and preparedness for the army's C4 system and for cyber defense. The Nordic region is extremely important to MilDef and we hold strong positions in Sweden, Norway and Denmark. Finland is prioritized in our expansion plan and establishing MilDef Oy signals that the close cooperation among the Nordic countries is a strong industrial foundation for MilDef – both within the Group's businesses and with our partners.

No other events that can be considered significant have taken place after the end of the period up to the date this Annual Report was signed.

# Risks and risk management

**All business operations involve risks. Properly managed, risks can lead to opportunities and add value while risks that are not handled properly can cause damage and losses. MilDef has a structured and proactive way of identifying and managing risks to protect the company's business.**

The ability to identify, evaluate and manage risks is therefore an important part both in the implementation of MilDef's strategy and in the management and control of the company. The purpose is, through a good understanding of the risks and their effects, to be better able to support decision-making and to meet MilDef's long-term goals through well-considered risk-taking within established frameworks. In turn, this requires an effective and structured risk management process. The overall objective of MilDef's risk management is to ensure a systematic approach to identifying risks and ensuring that they are managed from an early stage. The objective is also to make risk management a natural part of day-to-day operations by engendering a culture of risk awareness among all employees and a knowledge of how to manage risks to achieve business objectives.

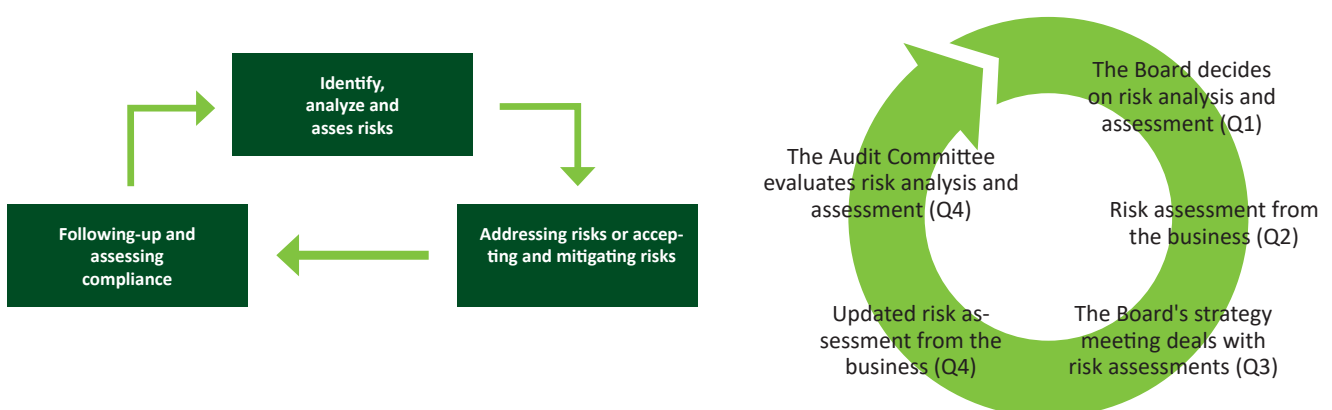
The governing document for MilDef's risk management consists of a Group-wide Risk and Internal Control Policy. The purpose of this document is to define MilDef's view of risk by setting out objectives and responsibilities. The President & CEO is ultimately responsible for the implementation and enforcement of the risk management process and for keeping the Board of Directors updated on an ongoing basis. The President & CEO is also responsible for the risk management process being developed, adapted and reviewed. In the process of identifying risks that should either be eliminated and prevented, or simply identified and monitored, a "Risk Mapping Matrix" is prepared each year. The Presidents of each of the local subsidiaries are responsible for this mapping of risks and for assessing the probability of risks occurring and their potential effects – in monetary terms if possible. MilDef's Group Management then defi-

nes together what risks can be considered acceptable and how the risks that are unacceptable, should be managed (through plans of action) to make them acceptable. Each local subsidiary President is responsible for implementing risk management within the relevant company. MilDef divides its risks into external and market risks, business-related risks and financial risks.

The financial risks are managed primarily by the central finance department. The responsibility of the Board and President & CEO for internal control regarding financial reporting is regulated by the Swedish Companies Act. The Board's responsibility is also regulated in the Code. In accordance with the Code, the Board shall describe how the internal control of financial reporting is organized, which is carried out through the Corporate Governance Report. The principal purpose of internal control is to ensure the achievement of the company's targets for appropriate and efficient operations, reliable reporting and adherence to applicable legislation and regulations. Internal control relating to financial reporting serves to provide reasonable security with regard to the reliability of external financial reporting and to ensure that external financial reports are prepared in accordance with legislation and applicable accounting standards. See the Corporate Governance Report in this Annual Report or on MilDef's website, [www.mildef.com](http://www.mildef.com), for further information on internal control regarding financial reporting.

Operational, external and market risks are managed by the local subsidiaries supported by the central functions. The overview below shows the overall risks within each risk category and how MilDef manages those risks.

## Risk process



## External and market risks

Risk/description of risk	How MilDef manages the risk
<b>Legislation and political decisions</b>	
<p>MilDef has sales in several different markets. Changes in laws and regulations in countries where the company operates or where the company's products are sold can have a negative effect on operations. Purchases from government organizations are affected by political decisions and are dependent on tax revenues and appropriations. Developments in these respects may indirectly affect MilDef.</p>	<p>The company closely monitors developments in the markets and countries where MilDef operates. Among other things, the collaboration with business partners contributes to a better understanding of what is happening in each market. Establishments in countries such as Norway, the UK and the US provide improved opportunities to monitor and assess local events that are important to MilDef's customers and thus the company.</p>
<b>Demand for MilDef's products fluctuates</b>	
<p>MilDef's order intake and sales fluctuate between quarters, which can have a negative effect on the full year. Sales usually take place with long lead times and complex decision-making processes. Even if MilDef wins a procurement or a larger contract, the first order may be delayed and the order intake will vary over time. This entails a risk of uneven order intake and variations in sales in both the short and long term perspective.</p>	<p>The company strives for increased internationalization and a broader customer offering to achieve diversification of purchasing patterns and lower risk of uneven order and revenue flows.</p>
<b>Pandemic risk</b>	
<p>A pandemic can potentially affect parts of or the entire business from order intake, production, deliveries, supply chain to employee health and well-being. A pandemic could potentially delay decisions due to other priorities in countries' budgets and in the long run affect their defense appropriations.</p>	<p>MilDef has a well-prepared organization for crisis management on site and extensive digital tools to secure continued meetings with customers and suppliers. Opportunity for homework is available if such a need arises.</p>
<b>Competition</b>	
<p>The market for the company's products and services is characterized by competition and innovation. If MilDef is unable to adapt its operations or customer offering to market developments, there is a risk that the company will lose competitiveness, which would worsen the company's conditions for continued expansion.</p>	<p>Since MilDef was founded, the company has developed knowledge and experience in a number of technologies that are difficult to copy for competitors. MilDef is sensitive to its customers' wishes and needs. The close relationship with customers and the multi-year agreements entered into constitute an important competitive advantage.</p>

## Business-related risks

Risk/description of risk	How MilDef manages the risk
<b>Acquisition-related risks</b>	
<p>In connection with acquisitions, there is a risk that operational risks associated with the acquired companies arise. Establishing operations in new markets may also incur unexpected costs for MilDef. In addition to company-specific and geographic risks, the acquired company's relationships with key personnel, customers and suppliers may be adversely affected. There is also a risk that integration processes could take longer than expected, be more costly than anticipated and that expected synergies totally or partially fail to materialize. This may mean that the asset values attributable to the acquisitions (goodwill) cannot be realized and that it may therefore be necessary to recognize impairment in those values.</p>	<p>MilDef has developed procedures for the analysis, implementation, review and integration of acquisitions, including due diligence.</p>
<b>Customer dependency</b>	
<p>A limited number of customers account for a large part of MilDef's net sales. Loss of any or some of the company's major customers would in the short term have a significant negative impact on MilDef's operations, financial position and earnings.</p>	<p>The company's growth strategy is based on increasing market shares in existing markets, expanding into new geographical markets and broadening the company's customer offering, which is judged to reduce the customer concentration risk.</p>
<b>Ability to manage growth/capacity risk</b>	
<p>MilDef meets increased demand for the company's products and services, which places demands on management and the operational and financial infrastructure. To ensure manufacturing, component supply and delivery, efficient planning and management processes are of great importance. If the company does not succeed in adapting its organization, processes and capacity to increased demand, this can have negative effects on the company's sales, earnings and financial position.</p>	<p>The company has continuously adapted its capacity to increased demand. This has taken place through investments, employment and expansion of capacity at existing or new suppliers. The company has a strong financial position and well-developed systems that aim to maintain good internal governance and control during high growth. Overall, MilDef has a good and flexible production capacity. Rapid fluctuations in demand can, however, lead to capacity challenges at the existing manufacturing unit.</p>
<b>Production interruptions</b>	
<p>As MilDef conducts advanced manufacturing of electronics, strict demands are placed on efficient processes and modern manufacturing equipment. MilDef could be affected by operational interruptions due to equipment failure, fire, strikes or natural disasters, for example.</p>	<p>MilDef has comprehensive insurance coverage, meaning, among other things, protection to minimize subsidy losses caused by production interruptions.</p>
<b>Disruptions in critical IT systems</b>	
<p>MilDef's ability to effectively and securely manage sales and other business-critical operations depends on MilDef's IT systems and processes working well and without interruption. Such systems can be disrupted by, for example, software failures, computer viruses, hacking, sabotage and physical damage.</p>	<p>MilDef's central business systems and IT systems are general. Among other things, this is intended to enhance operational and data security, and to reduce vulnerability regarding access to internal and external systems expertise.</p>
<b>Loss of key personnel</b>	
<p>It is important for MilDef to be able to attract and retain qualified employees. The loss of key individuals could negatively affect the Group's earning capacity.</p>	<p>MilDef works actively to safeguard regeneration and to identify future leaders. Senior executives are regularly assessed to identify needs vis-à-vis on-going in-service training and competence development. In addition to applying a market-based salary structure, MilDef has also implemented an incentive program for key individuals within the company.</p>
<b>Supplier risk/component availability</b>	
<p>MilDef's products consist of components from several different suppliers. To be able to manufacture, sell and deliver products, MilDef is dependent on external suppliers meeting agreed requirements regarding volumes, quality and delivery times for example. Deliveries from suppliers that are inaccurate, delayed or that fail to materialize may mean, in turn, that MilDef's deliveries are delayed or must be canceled, or are deficient or incorrect. MilDef does not have full insight into its suppliers' operations and consequently it has only a limited capacity to ascertain that its efforts to ensure that suppliers operate in a sustainable and responsible way have an impact. Accordingly, MilDef is also exposed to the risk that suppliers act in a manner that could harm MilDef's reputation and brands.</p>	<p>MilDef has close partnerships with leading suppliers within each component group and also reduces the risk of a possible dependence by sourcing through alternative suppliers. Furthermore, MilDef has pre-established contingency plans for the most critical supplies of components, and these plans are reviewed annually. MilDef is committed to responsible business and has the ambition that this approach should permeate the entire value chain. As part of this, MilDef requires all major suppliers to acquaint themselves with and sign MilDef's Code of Conduct for suppliers.</p>
<b>Refund and product liability risks</b>	
<p>MilDef could incur costs in correcting faults in delivered products and, in certain cases installation, and could be found liable for damages to individuals or property.</p>	<p>MilDef seeks to limit these risks by following locally adapted procedures for quality assurance and through extensive testing and verification of the company's products.</p>

## Financial risks

Risk/description of risk	How MilDef manages the risk
<b>Credit risk</b>	
Credit risk is primarily the risk of financial losses due to counterparties' inability to meet contractual obligations that arise in business transactions.	Credit risks are mainly limited by MilDef ensuring that the counterparty has a good credit rating or pays in advance. In 2021, no credit losses occurred.
<b>Financing and liquidity risk</b>	
Financing and liquidity risks represent the risk that it will be difficult or costly to refinance loans reaching maturity or that it will not be possible to meet payment obligations due to insufficient liquidity or difficulties in obtaining external financing.	MilDef seeks to achieve good planning and foresight with regard to funding issues with the objective of MilDef always being offered cost-effective financing on favorable market terms. To safeguard adequate payment capacity, MilDef's objective is to secure sufficient liquidity or credit facilities. The Group's debt/equity ratio and forecasts for the Group's liquidity are monitored continuously. The Parent Company works actively to ensure optimal management of the Group's liquidity by centralizing liquidity to the Parent Company via the Group account. Cash and cash equivalents must be held as bank balances or invested in interest-bearing instruments with high liquidity. The Parent Company has an overdraft facility of SEK 50 million. As of December 31, 2021, this was not utilized.
<b>Currency risk – transaction exposure</b>	
The Group is exposed to currency risk in the form of transaction exposures arising through purchases and sales of goods and services in currencies other than each Group company's local currency.	The Group's subsidiaries mainly operate in their local markets with revenues and costs in local currency, which reduces transaction exposure. The transaction exposure that arises primarily relates to purchases in USD where sales take place in another currency. Decisions on possible hedging of transaction exposure through currency derivatives are made centrally by the Parent Company.
<b>Currency risk – translation exposure</b>	
When foreign subsidiaries' balance sheets in local currency are translated into SEK, a translation difference arises as a consequence of the current year being translated at a different closing rate than the previous year. The income statement is translated at the average exchange rate for the year while the balance sheet is translated at the exchange rate as per 31 December. The translation exposure forms the risk represented by the translation difference as the change in shareholders' equity.	The Group does not hedge this risk. An annual analysis is made of the translation exposure trend and the related risks.
<b>Reporting risk</b>	
Reporting risk is related to the fact that the financial information to the capital market does not give a true and fair view of MilDef's actual financial position and results.	MilDef regularly reports its financial position in accordance with International Financial Reporting Standards (IFRS). MilDef's consolidated financial statements, based on these reports, are prepared in accordance with IFRS and relevant parts of the Annual Accounts Act. MilDef's results and financial position are carefully analyzed before publication. Procedures have been established to ensure compliance with the regulations, for example through internal control and internal and external auditing.

## Consolidated statement of comprehensive income

SEK m	Note 1 – 3	2021	2020
Net sales	4	469.6	398.5
Cost of goods sold		-259.5	-216.4
<b>Gross profit</b>		<b>210.1</b>	<b>182.1</b>
Selling expenses		-114.4	-56.4
Administrative expenses		-59.0	-36.0
Research and development expenses		-40.4	-33.1
Other operating income	5	4.3	0.3
Other operating expenses		-3.5	-
<b>Operating profit</b>	6, 7, 8, 9, 10	<b>-2.9</b>	<b>56.9</b>
Financial income	11	2.8	0.1
Financial expenses	11	-5.2	-1.6
<b>Profit after financial items</b>		<b>-5.3</b>	<b>55.4</b>
Tax on profit for the year	12	4.6	-12.8
<b>Profit for the year</b>		<b>-0.7</b>	<b>42.5</b>
<b>Other comprehensive income</b>			
Items that may subsequently be reclassified to profit or loss			
Change in translation reserve for the year		1.5	-2.6
<b>Total comprehensive income for the year</b>		<b>0.8</b>	<b>39.9</b>
<b>Profit for the year attributable to:</b>			
Parent Company shareholders		-0.7	42.5
Non-controlling interest		-	-
<b>Profit for the year</b>		<b>-0.7</b>	<b>42.5</b>
<b>Comprehensive income for the year attributable to:</b>			
Parent Company shareholders		0.8	39.9
Non-controlling interest		-	-
<b>Comprehensive income for the year</b>		<b>0.8</b>	<b>39.9</b>
<b>Earnings per share</b>		<b>2021</b>	<b>2020</b>
Number of shares at end of period		36,389,373	11,618,422
Weighted average number of shares in the period before dilution		26,243,169	11,618,422
Weighted average number of shares in the period after dilution		26,243,169	11,618,422
<b>Earnings per share before dilution (SEK)</b>		<b>-0.03</b>	<b>1.83*</b>
<b>Earnings per share after dilution (SEK)</b>		<b>-0.03</b>	<b>1.83*</b>

\*To enable comparisons between the years, 2020 has been adjusted for the 2:1 share split implemented in April 2021.

## Consolidated balance sheet

SEK m	Note 1 – 3	Dec 31, 2021	Dec 31, 2020
<b>Non-current assets</b>			
<b>Intangible assets</b> 13			
Capitalized product development		10.7	8.0
Acquired intangible assets		285.2	2.7
Other intangible assets		0.5	0.0
<b>Total intangible assets</b>		<b>296.4</b>	<b>10.7</b>
<b>Property, plant and equipment</b> 14			
Costs incurred on leased property		7.2	0.1
Equipment, tools, fixtures and fittings		7.3	2.5
Construction in progress		-	4.0
Right-of-use assets		59.8	66.5
<b>Total property, plant and equipment</b>		<b>74.3</b>	<b>73.1</b>
<b>Financial non-current assets</b>			
Other non-current receivables	15	0.3	0.4
<b>Total financial non-current assets</b>		<b>0.3</b>	<b>0.4</b>
Deferred tax assets	12	5.6	5.0
<b>Total non-current assets</b>		<b>376.6</b>	<b>89.2</b>
<b>Current assets</b>			
<b>Inventories, etc</b> 16			
Work in progress		0.7	0.2
Completed goods and goods for sale		80.0	53.7
Advances to suppliers		5.0	3.3
<b>Total inventories</b>		<b>85.8</b>	<b>57.2</b>
<b>Current receivables</b>			
Accounts receivable	17	136.2	161.4
Tax assets		8.2	-
Other receivables		9.0	2.6
Contract assets	17	9.9	4.0
Prepaid costs and accrued income	18	13.4	6.6
<b>Total current receivables</b>		<b>176.7</b>	<b>174.6</b>
<b>Cash and cash equivalents</b>		<b>169.2</b>	<b>46.8</b>
<b>Total current assets</b>		<b>431.7</b>	<b>278.6</b>
<b>TOTAL ASSETS</b>		<b>808.2</b>	<b>367.8</b>

## Consolidated balance sheet

SEK m	Note	Dec 31, 2021	Dec 31, 2020
	1 – 3		
<b>Equity and liabilities</b>			
<b>Equity</b>	19		
<b>Equity attributable to Parent Company shareholders</b>			
Share capital		9.1	5.8
Other contributed capital		507.0	58.1
Translation reserve		-0.6	-2.1
Retained earnings		53.4	28.2
Profit for the year		-0.7	42.5
<b>Total equity attributable to Parent Company shareholders</b>		<b>568.2</b>	<b>132.5</b>
<b>Total equity</b>		<b>568.2</b>	<b>132.5</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	12	23.5	9.4
Non-current interest-bearing liabilities		31.7	-
Lease liabilities for right-of-use assets	2	52.1	58.8
<b>Total non-current liabilities</b>		<b>107.3</b>	<b>68.2</b>
<b>Current liabilities</b>			
Current interest-bearing liabilities		9.7	-
Lease liabilities for right-of-use assets		8.6	7.9
Overdraft facility	20, 21	-	-
Provision for warranty commitments	22	0.8	0.9
Contract liabilities	23	1.6	2.3
Accounts payable		39.5	62.8
Tax liabilities		5.4	3.7
Other liabilities		28.3	52.7
Accrued costs and prepaid revenues	24	38.8	36.8
<b>Total current liabilities</b>		<b>132.7</b>	<b>167.1</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>808.2</b>	<b>367.8</b>



## Consolidated changes in equity

SEK m	Share capital	Other capital contributions	Translation reserve	Profit brought forward, incl. profit for the year	Total equity attributable to Parent Company shareholders	Non-controlling interests	Group
<b>Opening balance, Jan 1, 2020</b>	<b>5.8</b>	<b>58.1</b>	<b>0.5</b>	<b>37.0</b>	<b>101.3</b>	<b>0.0</b>	<b>101.3</b>
Comprehensive income for the year			-2.6	42.5	39.9		39.9
<i>Transactions with shareholders in their capacity as owners</i>							
Dividend to shareholders				-8.7	-8.7		-8.7
<b>Closing balance, Dec 31, 2020</b>	<b>5.8</b>	<b>58.1</b>	<b>-2.1</b>	<b>70.7</b>	<b>132.5</b>	<b>0.0</b>	<b>132.5</b>
<b>Opening balance, Jan 1, 2021</b>	<b>5.8</b>	<b>58.1</b>	<b>-2.1</b>	<b>70.7</b>	<b>132.5</b>	<b>0.0</b>	<b>132.5</b>
Comprehensive income for the year			1.5	-0.7	0.8		0.8
New share issues	3.3	473.3			476.6		476.6
Issue costs		-24.4			-24.4		-24.4
<i>Transactions with shareholders in their capacity as owners</i>							
Dividend to shareholders				-17.4	-17.4		-17.4
<b>Closing balance, Dec 31, 2021</b>	<b>9.1</b>	<b>507.0</b>	<b>-0.6</b>	<b>52.7</b>	<b>568.2</b>	<b>0.0</b>	<b>568.2</b>

## Consolidated cash flow statement

SEK m	Note 1 – 3	2021	2020
<b>Operations</b>			
Operating profit		-2.9	56.9
<b>Adjustments for non-cash items:</b>			
Amortization and impairment charged against this profit		23.6	11.6
Other	25	-0.5	4.0
<b>Total</b>		<b>23.1</b>	<b>15.6</b>
Interest received		2.8	0.1
Interest paid		-5.2	-1.7
Tax paid		-8.2	-18.9
<b>Cash flow from operating activities before changes in working capital</b>		<b>9.6</b>	<b>52.1</b>
Increase (-)/Decrease (+) in inventories		-28.6	-11.3
Increase (-)/Decrease (+) in operating receivables		6.1	-35.3
Increase (+)/Decrease (-) in operating liabilities		-42.5	56.2
<b>Change in working capital</b>		<b>-65.0</b>	<b>9.6</b>
<b>Cash flow from operating activities</b>		<b>-55.5</b>	<b>61.7</b>
<b>Investing activities</b>			
Investments in intangible assets	13	-5.6	-3.5
Investments in property, plant and equipment	14	-10.8	-5.4
Acquisitions of subsidiaries, less acquired funds		-171.2	-
Change in other non-current receivables	15	0.5	0.3
<b>Cash flow from investing activities</b>		<b>-187.2</b>	<b>-8.6</b>
<b>Financing activities</b>			
Dividend to shareholders		-17.4	-8.7
New share issues		389.3	-
Increase in liabilities to credit institutions	26	30.0	-
Repayment of loans issued by credit institutions	26	-30.0	-
Change in overdraft facilities		-	-0.7
Repayment of lease liabilities	26	-9.0	-4.9
<b>Cash flow from financing activities</b>		<b>362.9</b>	<b>-14.4</b>
<b>Cash flow for the year</b>		<b>120.3</b>	<b>38.7</b>
<b>Change in cash and cash equivalents</b>			
Cash and cash equivalents, Jan 1		<b>46.8</b>	<b>9.1</b>
Exchange rate difference in cash and equivalents		2.1	-1.0
Change in cash and cash equivalents		120.3	38.7
<b>Closing cash and cash equivalents</b>		<b>169.2</b>	<b>46.8</b>

# Notes to the consolidated financial statements

## Note 1. Accounting principles

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### Agreement with standards and legislation

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

### Prerequisites in preparing financial reports

The Group's functional currency is the Swedish krona (SEK), which also constitutes the reporting currency for the Parent Company and the Group. Financial statements are always presented in SEK, unless otherwise stated. Unless otherwise stated, all amounts are rounded off to the nearest million.

Assets and liabilities are reported at historical cost with the exception of certain financial assets and liabilities, which are reported at fair value. The balance sheet items classified as current assets and current liabilities are expected to be recovered or paid within 12 months. All other balance sheet items are expected to be recovered or paid later.

Preparing the financial statements in accordance with IFRS requires the Board of Directors and company management to make assessments and assumptions affecting the application of the accounting principles and carrying amounts for assets, liabilities, revenue and costs. These assessments and assumptions are based on historical experience and knowledge of the industry in which MilDef operates, and on what would appear reasonable under prevailing circumstances. The results of these assessments and assumptions are then used to determine the carrying amounts for assets and liabilities not otherwise clearly stated by other sources. The actual outcomes may deviate from these assessments and assumptions. The assessments and assumptions are reviewed regularly and the effect of changes in assessments is recognized in the income statement. Assessments made by the Board of Directors and company management in applying accounting principles in accordance with IFRS that could have a significant effect on the financial statements and assessments, causing substantial adjustments to the ensuing years' financial statements are described in greater detail in Note 4. The accounting principles shown below for the Group have been applied consistently to all periods presented in the Group's financial statements, unless stated otherwise below.

### New and amended standards applied by the Group

No standards applied by the Group for the first time on January 1, 2021 have, or are expected to have affected the consolidated accounts.

### New standards and interpretations yet to be applied by the Group

A number of new standards and interpretations are coming into effect for financial years commencing on or after January 1, 2021 and that have not been applied in the preparation of this Annual Report. New standards and interpretations yet to come into effect are not expected to have any significant effect on the Group's financial statements.

### Consolidation principles

#### *Group companies*

The subsidiaries are all companies over which the Group has decisive control. The Group controls a company when it is exposed to, or is entitled to, variable returns from its holdings in that company and has the opportunity to affect the return through its influence over the Company. Subsidiaries are included in the consolidated accounts from the date on which the controlling interest transferred to the Group. They are excluded from the consolidated accounts from the date on which the controlling interest ceases.

The acquisition method is used to report the Group's business combinations. The purchase consideration for the acquisition of a subsidiary comprises the fair value of the transferred assets and of the debt owed by the Group to the former owners of the acquired company and the shares issued by the Group. The purchase consideration includes the fair value of all assets or liabilities resulting from an agreement regarding a contingent purchase consideration. The identifiable acquired assets and liabilities taken over in a business combination are initially measured at fair value on the acquisition date. Acquisition-related costs are expensed as they are incurred.

Intra-Group transactions, balances and unrealized gains and losses on transactions between group companies are eliminated. Where appropriate, the accounting concepts applied by subsidiaries have been changed to guarantee the consistent application of the Group's concepts.

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

#### *Functional currency and reporting currency*

Items included in the financial statements for the various units in the Group are valued in the currency used in the economic environment in which each company is mostly active (functional currency). In the consolidated financial statements, the Swedish krona (SEK) is used, which is the Group's reporting currency.

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

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

#### *Transactions and balance sheet items*

Transactions in foreign currencies are translated into the functional currency in accordance with the exchange rates in effect on the transaction date or the date on which the items were reassessed. Exchange gains and losses that arise in the payment of such transactions and in the translation of monetary assets and liabilities in foreign currencies at the closing day rate are recognized in profit or loss.

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

#### **Intangible assets**

##### *Research and development*

Development expenditure, where research results or other knowledge are applied to achieve new or improved products or processes, are reported as an asset in the statement of financial position from the point in time at which the product or process is technically and commercially viable. The Group has sufficient resources to complete the development in order to then use or sell the intangible asset, and the product or process will generate probable future economic benefits. The carrying amount includes costs for materials, direct costs for salaries and, if appropriate, other costs considered directly attributable to the asset. Other development expenses are recognized as costs in the income statement as they are incurred. In the statement of financial position, the recognized development expenditure is entered at cost less accumulated amortization and any impairment. Customer-financed research and development is not capitalized, but is recognized under cost of goods sold.

##### *Other intangible assets*

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

##### *Amortization*

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

The estimated useful lives and amortization methods are:

- Technology rights: 5 years
- Capitalized development expenditure: 5 years
- Exclusivity agreement: 5 years
- Customer relations: 10 years
- Software: 10 years

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

#### **Property, plant and equipment**

Tangible fixed assets are recognized as an asset if it is likely that the future economic benefits will accrue to the Group and the cost of the asset can be reliably estimated. Property, plant and equipment are recognized at cost less accumulated depreciation and any impairment. The cost includes the purchase price and expenses directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended. Examples of directly attributable expenses included in the cost are costs relating to delivery and handling, installation and possible consultancy services.

##### *Additional costs*

Subsequent expenses are only added to the cost if it is probable that the future economic benefits associated with the additional costs will benefit the Group and the cost can be reliably measured. All other subsequent expenses are expensed in the period they arise. Repairs are expensed as they are incurred.

##### *Amortization*

Depreciation is applied straight-line, based on the cost of the asset over the estimated useful life of the asset.

Calculated useful lives

- machinery and other technical facilities: 5 years
- installation in the property of another: 5 years
- right-of-use assets: 1-10 years

#### **Impairment of non-financial assets**

Intangible assets which have an indeterminate useful life, such as goodwill, are not amortised, but are tested annually for impairment. Property, plant and equipment and intangible assets with a defined useful life are tested for impairment if there is some indication that the asset may have fallen in value. Impairment is recognised in accordance with IAS 36. When considering impairment losses, the Group determines the recoverable amount of the asset. The recoverable amount is the higher of the net realisable value and value in use. In assessing the value in use, an estimate is made of future cash flows discounted to present value using a discount factor before tax. A weighted average cost of capital is used in this calculation. An impairment is recognised whenever the carrying amount of the asset exceeds the recoverable amount. Impairments are recognised in profit or loss.

**Inventories**

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated sales price in the ordinary course of business, less estimated expenses for completion and bringing about a sale. The cost is calculated applying the first-in first-out principle (FIFO) and includes costs arising upon acquisition of the inventories and their transport to their current location and condition. For semi-finished and finished products manufactured in-house, cost comprises direct production costs and a reasonable share of indirect production costs.

**Financial assets**

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

*Financial assets measured at cost*

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

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

*Cash and cash equivalents*

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

**Equity***Share capital*

Ordinary shares are classified as share capital.

*Other capital contributions*

The amount paid in connection with issues of securities exceeding the quota value.

*Issue costs*

Transaction costs directly attributable to issues of new ordinary shares or warrants are reported net of tax in equity as a deduction from the issue proceeds.

*Profit brought forward*

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

*Translation reserve*

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

*Dividends*

The dividend proposed by the Board of Directors reduces the distributable earnings and is only recognized as a liability once the Annual General Meeting 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 applying the effective interest method. Financial liabilities are initially valued at fair value, net after transaction costs.

**Provisions**

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

**Contingent liabilities**

A contingent liability is recognized when there is a possible obligation, attributable to past events, whose existence is confirmed only by one or more uncertain future events, as well as when there is an obligation that is not recognized as a liability or provision owing to the fact that it is not likely an outflow of resources will be required, or if the scale of the obligation cannot be calculated with sufficient reliability. Contingent liabilities are disclosed unless the possibility of an outflow of economic resources is remote.

**Income tax**

The reporting of income taxes includes current and deferred tax. Tax is recognized in the income statement, except where it refers to items recognized directly in equity. In such cases, the tax is also recognized in equity. Deferred tax is recognized using the balance sheet approach for all material temporary differences. A temporary difference exists when the book value of an asset or liability differs from its tax base. Deferred tax is estimated applying the tax rate adopted or announced as of the balance sheet date, and expected to apply when the relevant tax receivable is realized or the tax liability is settled. Deferred tax receivables are recognized to the extent it is likely that there will be future taxable surpluses against which the temporary differences can be exercised.

**Revenue from contracts with customers**

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

**Standard products and services**

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

**Customized products and services**

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

**Signed customer agreements where the performance obligation has yet to be met**

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

**Leases**

On signing a new lease, a right-of-use asset and lease liability are recognized in the balance sheet. The cost consists of the discounted remaining lease fees for non-terminable lease periods. Possible extension periods are included if the Group is reasonably certain that they will be exercised. The lease payments are discounted applying the implicit interest rate of the lease. If that interest rate cannot readily be determined, which is often the case for the Group's leases, the lessee's incremental borrowing rate shall be used (2.5% in 2021), which is the rate the individual lessee would have to pay to borrow the funds necessary to purchase an asset of a similar value to the right-of-use asset in a similar economic environment with similar terms and security.

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

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

**Remuneration of employees**

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

**Defined-contribution plans**

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

**Remuneration on termination**

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

**Financial income and costs**

Financial income and expenses consist of interest income and borrowing costs, as well as any exchange differences not relating to operations. Furthermore, realized divestments of financial assets as well as impairment/reversals of previous impairment of such financial assets are also included.

Borrowing costs directly attributable to the purchase, construction or production of qualifying assets are recognized as part of the asset's cost. Qualifying assets are assets that require a substantial period to get ready for their intended use or sale. Capitalization ceases once all activities required to get the asset ready for its use or sale are substantially complete. All other loan costs are expensed as they are incurred. The Group has no capitalized borrowing costs.

**Cash-flow statement**

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

**Operating segments**

As the highest executive decision-maker, MilDef's CEO monitors and analyzes profit and financial position for the Group as a whole. The CEO does not monitor profit at a disaggregated level lower than the entire consolidated situation. Accordingly, the CEO also decides on the distribution of resources and makes strategic decisions based on the entire consolidated situation. In relation to IFRS 8 and given the above analysis, the position is taken that the MilDef Group comprises a single reporting segment.

**Geographical areas**

Production is conducted mainly in Sweden. The Group also purchases products from external suppliers. Geographical sales are shown in Note 4.

**Operating costs**

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

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

## Note 2. Financial risk management

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

The financial risks are defined as:

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

### Currency risk

#### Definition

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

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

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

If the Swedish krona had weakened or strengthened by 10% with all other variables remaining constant, the translated profit after tax on December 31, 2021 would have been SEK 0,3 millions lower (SEK -0,3 millions higher) as a result of gains and losses from translating current receivables and current liabilities. The corresponding effect on the Parent Company would have been SEK 0,1 millions higher (SEK 0,1 millions lower).

### Interest rate risk

#### Definition

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

Interest rate risk exists when the cost of the company's borrowing changes due to fluctuations in market rates. The company's management continuously monitors market developments. The terms of borrowing do not currently contain any restrictive financial clauses linked to key ratios. Pledged assets relating to borrowing are described in Note 20. If surplus liquidity arises, it is mainly invested in current interest-bearing securities with an extremely low risk. The current interest-bearing securities usually have a term of 3–12 months.

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

### Liquidity and financing risk

#### Definition

Liquidity and financing risk refers to the risk of not being able to meet payment obligations as a result of insufficient liquidity or difficulties raising external loans on acceptable terms. The liquidity and financing risk is currently deemed to be at an acceptable level. On the balance sheet date, the financial liabilities amounted to SEK 115.0 million (135.7 million).

### Credit and counterparty risk

#### Definition

The credit risk in a transaction is the risk that a counterparty fails to meet its obligations from a financial perspective. MilDef's operating activities are exposed to credit risks from transactions with counterparties, mainly customers. Maximum exposure to credit risks relating to financial assets amounted to SEK 333.4 million (215.8 million) on December 31, 2021. Liquid funds are only invested in cash accounts or similar, and the Group only uses credit institutions with a high credit rating to minimize its credit risk.

#### Trade receivables and contract assets

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

### Fair value

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



Breakdown by category:

	Group 2021	Group 2020
<b>Financial assets valued at amortized cost</b>		
Accounts receivable	136.2	161.4
Contract assets and accrued revenue	19.0	5.0
Other receivables	9.0	2.6
Cash and cash equivalents	169.2	46.8
<b>Total financial assets</b>	<b>333.4</b>	<b>215.8</b>

	Group 2021	Group 2020
<b>Financial liabilities measured at amortized cost</b>		
Lease liabilities	60.7	66.7
Accounts payable	39.5	62.8
Other liabilities	0.2	0.7
Accrued costs	14.6	5.5
<b>Total financial liabilities</b>	<b>115.0</b>	<b>135.7</b>

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

Group as of Dec 31, 2021: Due for payment:	Within 3 months	3–12 months	1-5 years	After 5 years	Total
Lease liabilities	2.3	6.6	30.5	26.9	66.3
Accounts payable	39.5	-	-	-	39.5
Other liabilities	0.2	-	-	-	0.2
Accrued costs	14.6	-	-	-	14.6
<b>Total</b>	<b>56.6</b>	<b>6.6</b>	<b>30.5</b>	<b>26.9</b>	<b>120.6</b>

Group as of Dec 31, 2020: Due for payment:	Within 3 months	3–12 months	1-5 years	After 5 years	Total
Lease liabilities	2.3	6.6	30.5	35.8	75.2
Accounts payable	62.8	-	-	-	62.8
Other liabilities	0.7	-	-	-	0.7
Accrued costs	5.5	-	-	-	5.5
<b>Total</b>	<b>71.2</b>	<b>6.6</b>	<b>30.5</b>	<b>35.8</b>	<b>144.2</b>

#### Capital management

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

### Note 3. Uncertainty in assessments and assumptions

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

#### *Useful life of intangible assets and property, plant and equipment*

Group management determines the estimated useful life, and thereby the associated amortisation/depreciation of consolidated intangible assets and property, plant and equipment. These estimates are based on historical knowledge of the useful life of equivalent assets. The useful life and estimated residual value are tested at the end of each reporting period and adjusted as necessary.

#### *Impairment testing for goodwill*

Every year, the Group tests whether any impairment is required for goodwill in accordance with the accounting policy described under 'Impairment'. The estimates which must be made, and the effect of these estimates, are shown under "Impairment of non-financial assets". Additional information, including a sensitivity analysis, is given in Note 13.

#### *Recovery of value of development costs*

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

#### *Deferred tax assets*

Every year the company management examines whether there is a write-down requirement for deferred tax assets attributable to tax-loss carry-forwards and positive temporary differences. Deferred tax receivables are recognized only to the extent that future taxable surpluses are likely to be achieved, against which the temporary differences can be exercised.

#### *Obsolescence assessment, stock*

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

#### *Additional considerations*

The carrying amount of additional considerations is normally based on expected financial performance in acquired operations in future years. Additional considerations are contingent considerations for shares already acquired. If the financial performance differs from the expected performance, it will affect the carrying amount of the additional considerations and, thus, MilDef's consolidated earnings.

### Note 4. Income

	2021	2020
<b>Net sales</b>		
Sweden	162.5	107.0
Rest of Nordics (excl. Sweden)	173.2	164.1
Europe (excl. Nordics)	80.2	49.5
North America	51.0	67.5
Other countries	3.0	10.3
<b>Total</b>	<b>469.9</b>	<b>398.5</b>

Revenues from external customers are reported by geographical area based on the billing address.

The Group had two customers who each account for more than 10% of consolidated sales. In 2021, sales to these customers amounted to SEK 124.9 million and SEK 51.6 million respectively.

On December 31, 2021 the Group's intangible assets and property, plant and equipment are located as follows:

Sweden	SEK 257.1 million
Norway	SEK 112.7 million
USA	SEK 0.7 million
UK	SEK 0.2 million

**Note 5. Other operating income**

	2021	2020
Exchange gains on operating receivables/liabilities	4.1	0.1
Exchange losses on operating receivables/liabilities	-3.2	0.0
Other	-0.1	0.2
<b>Total</b>	<b>0.8</b>	<b>0.3</b>

**Note 6. Cost type classification**

	2021	2020
Cost of materials	-243.6	-200.6
Other costs	-51.8	-30.2
Personnel costs	-153.8	-99.2
Depreciation/amortization	-23.6	-11.6
<b>Total</b>	<b>-472.8</b>	<b>-341.6</b>

**Note 7. Audit fees**

	2021	2020
<b>Mazars:</b>		
Audit assignments	1.7	1.0
Audit activities beyond the audit assignment	0.6	0.0
Tax consultancy	0.3	0.2
Other services	0.0	0.1
<b>Total</b>	<b>2.6</b>	<b>1.2</b>

The audit assignment pertains to the examination of the Annual Report and the accounts, as well as of the administration of the company by the Board of Directors, other work tasks incumbent upon the company's auditors to perform to be able to submit their auditors' report, and advice or other assistance brought about by observations in conjunction with such review or performance of such other work tasks.

**Note 8. Depreciation/amortization and impairment**

	2021	2020
Right-of-use assets	-9.6	-4.9
Capitalized product development	-2.3	-1.6
Exclusivity agreement	-1.1	-1.7
Customer relations	-5.8	-2.6
Software	-1.9	-
Costs incurred on leased property	-0.7	-0.1
Equipment, tools, fixtures and fittings	-2.2	-0.7
<b>Total</b>	<b>-23.6</b>	<b>-11.6</b>

**Note 9. Leases**

The income statement presents the following amounts related to right-of-use assets

Amounts reported in profit	2021	2020
Amortizations – Costs of goods sold	0.8	0.4
Amortizations – Administration costs	5.4	0.9
Amortizations – Selling costs	1.8	2.7
Amortizations – Research and development costs	1.6	0.8
Interest expenses for lease liabilities (included in financial expenses)	1.6	0.4
Costs attributable to low-value leases	2.3	1.4
Revenue from subletting of right-of-use assets	0.0	0.0
<b>Total</b>	<b>13.6</b>	<b>6.6</b>

**Note 10. Employees and personnel costs, etc.**

Number of employees, 2021	Sweden	Norway	UK	USA	Total
Average number of employees	147	25	8	10	190
proportion of men (%)	78	80	63	70	77
Number of employees as of Dec 31	143	28	7	10	188
proportion of men (%)	79	75	71	80	78

Number of employees, 2020	Sweden	Norway	UK	USA	Total
Average number of employees	75	4	8	10	97
proportion of men (%)	77	75	63	70	75
Number of employees as of Dec 31	94	6	8	11	119
proportion of men (%)	77	83	63	64	75

The calculation of the average number of employees has taken into account the number of months that acquired companies have been included in the Group over the year.

Gender distribution in company management	2021	2020
Board of Directors	6	6
proportion of men (%)	67	67
Management team	8	8
proportion of men (%)	75	75

Salaries and remuneration	2021	2020
Wages, remunerations, etc.	112.3	72.4
(Of which, salary and remunerations to the Board, CEO and senior executives)	11.2	5.0
(Of which, bonuses to the Board, CEO and senior executives)	0.0	2.5
Pension expenses, defined-contribution plans	9.8	5.9
(Of which, to the Board of Directors, CEO, senior executives and other key individuals)	1.8	-
Social security contributions	26.5	22.7

Senior executives comprise members of Group Management. Other senior individuals are Board Members. In 2021, there was a total of 14 senior executives (8), including the CEO, the Managing Directors of the business units and the Board Members. No agreements regarding severance pay apply.

**cont. Note 10. Employees and personnel costs, etc.****Salaries and other remunerations to senior executives**

2021, SEK thousands	Basic salary/ Board fees	Variable remuneration	LTI	Other benefits	Pension cost	Total
Chairman of the Board Jan Andersson	375	-	-	-	-	375
Board Member Lennart Pihl	255	-	-	-	-	255
Board Member Charlotte Dart	205	-	-	-	-	205
Board Member Marianne Trolle	175	-	-	-	-	175
Board Member Christian Hammenborn	205	-	-	-	-	205
Board Member Berndt Grundevik	175	-	-	-	-	175
CEO Björn Karlsson	1,680	-	-	4	123	1,807
Other senior executives (7)	7,784	-	-	346	1,655	9,785
<b>Total</b>	<b>10,854</b>	<b>0</b>	<b>0</b>	<b>350</b>	<b>1,778</b>	<b>12,982</b>

2020, SEK thousands	Basic salary/ Board fees	Variable remuneration	LTI	Other benefits	Pension cost	Total
Chairman of the Board Jan Andersson	142	-	-	-	-	142
Board Member Lennart Pihl	-	-	-	-	-	0
Board Member Charlotte Dart	-	-	-	-	-	0
Board Member Marianne Trolle	-	-	-	-	-	0
Board Member Christian Hammenborn	95	-	-	-	-	95
Board Member Berndt Grundevik	95	-	-	-	-	95
CEO Björn Karlsson	1,350	910	-	2	-	2,262
Other senior executives (3)	3,149	1,572	-	173	-	4,895
<b>Total</b>	<b>4,831</b>	<b>2,482</b>	<b>0</b>	<b>176</b>	<b>0</b>	<b>7,489</b>

**Guidelines for remuneration of senior executives**

The following guidelines for remuneration to the company's senior executives were adopted by the 2021 Annual General Meeting and are applicable until the 2025 Annual General Meeting, provided no amendments are proposed.

Other senior executives are defined as members of Group Management. To the extent that a Board Member of the company performs work for the company in addition to his/her Board assignment, these guidelines shall also be applied to any remuneration paid to that Board Member for such work. The guidelines shall apply to remunerations agreed, and to changes made to previously agreed remuneration, following the adoption of these guidelines by the 2021 Annual General Meeting. The guidelines do not include remunerations determined by the Annual General Meeting.

**The benefit of the guidelines for the company's business strategy, long-term interests and sustainability**

A prerequisite for the successful implementation of the company's business strategy and safeguarding of its long-term interests, including its sustainability, is that the company is able to attract and retain highly skilled senior executives. To this end, it is necessary that the company offers competitive remuneration on market terms. These guidelines make it possible to offer senior executives competitive total remuneration. Variable cash remuneration covered by these guidelines shall aim at promoting the company's business strategy and long-term interests, including its sustainability. For additional information regarding the company's business strategy, see [www.mildef.com](http://www.mildef.com).

**Replacement components**

The remuneration shall be on market terms and consist of fixed cash salary, variable remuneration, other benefits and pension. Additionally, the General Meeting may – irrespective of these guidelines – approve share-related or share price-related incentive programs, for example. Remuneration can also be paid in the form of consulting fees to Board Members who perform work for the company alongside their Board assignments. The satisfaction of criteria for awarding variable cash remuneration shall be measured over a period of one year. The variable cash remuneration is capped and shall constitute a maximum of 35% of the fixed annual cash salary.

**Pension**

Senior executives are entitled to pension solutions in accordance with agreements with the company. As a general rule, pension commitments must be defined-contribution, and follow the company's pension plan, according to which, pension provisions are made at 4.5% for salary components up to 7.5 income base amounts and at 30% for salary components above 7.5 income base amounts. Deviations from this main rule may be made in the appointment of new senior executives whose employment contracts have previously included defined-benefit pension plans, or, if the executive is covered by a defined-benefit pension in accordance with mandatory collective agreement provisions. The pension premiums for premium-defined pension plans shall not amount to more than 30% of the fixed annual cash salary. Pension provisions shall not be made on the basis of variable cash remuneration and other salary benefits – except to the extent this is required by mandatory collective agreement provisions applicable to the executive.

**Non-monetary benefits**

Other benefits may include, for example, life insurance and healthcare insurance. Premiums and other costs relating to such benefits may amount to not more than 5% of the fixed annual cash salary.

**Consultancy fees**

In cases where a board member (including through a wholly owned company) performs work for the company in addition to the board work, consulting fees may be paid. These fees shall be based on current market prices and be appropriate in relation to the benefit to the company.

**Foreign circumstances**

Regarding employment conditions governed by non-Swedish regulations, appropriate adjustments may be made to comply with such regulations that are compulsory or established local practices, while also meeting the general objectives of these guidelines as far as possible.

**Criteria for disbursement of variable cash remuneration, etc.**

Variable cash remuneration shall be linked to predetermined and measurable financial criteria. These criteria shall be designed with the purpose of fostering the company's business strategy and long-term interests, including its sustainability, by for example being clearly linked to the business strategy or by furthering the executive's long-term development. The variable remuneration is divided into four different programs based on gross profit, net sales, operating profit (EBITDA) and general cost savings. The design of the criteria for variable cash remuneration and the terms for disbursement contribute to the company's business strategy, long-term interests and sustainability. The company's CEO, Deputy CEO and CFO are covered by all programs, while the other senior executives are covered by all programs with the exception of that based on general cost savings. When the measurement period has ended, the extent to which the goals have been met must be determined. Assessments regarding whether financial targets have been achieved shall be based on the established financial data for the period concerned. The Remuneration Committee is responsible for the assessment where this concerns variable cash remuneration to the CEO. The CEO is responsible for the assessment where this concerns variable cash remuneration to other executives.

**Periods of notice and severance pay**

For the CEO, Deputy CEO and CFO, the agreed notice period shall be at most 12 months and, for other senior executives, it shall be at most six months. No severance pay shall be disbursed.

**Seeking support for salaries and terms of employment**

The salaries and terms of employment of company employees have been taken into account in preparing the remuneration guidelines. Details of employees' total remuneration, the components of the remuneration and its increase and growth rate over time, have formed part of the Remuneration Committee's and the board of directors' reference data when assessing whether the guidelines and the limitations set out here are reasonable.

**Decision processes**

The Board's Remuneration Committee proposes and the Board makes decisions regarding salary and other terms for the CEO. The CEO proposes and the Remuneration Committee makes decisions regarding salary and other terms for the other senior executives.

The Committee's tasks include preparing the Board of Directors' decision on the proposed guidelines for remunerations to senior executives. The Board of Directors shall draw up proposals for new guidelines at least every four years and submit these proposals for resolution by the Annual General Meeting. These guidelines shall apply until new guidelines have been adopted by the Annual General Meeting. The Remuneration Committee shall also monitor and evaluate programs for variable remuneration for senior executives, the application of the guidelines for executive remuneration as well as the current remuneration structures and levels within the company.

The members of the Remuneration Committee are independent in relation to MilDef and company management. When the Board of Directors addresses and determines remunerations issues, neither the CEO nor other members of company management shall be in attendance insofar as they are affected by these issues. To the extent that consulting services are performed by a board member of the company, the board member concerned is not entitled to participate in the preparation by the Board of Directors (or by the Remuneration Committee) of matters concerning remuneration for the consulting services in question.

**Deviations from the guidelines**

The Board of Directors may temporarily deviate entirely or partially from the guidelines, where there are specific reasons for such a deviation in an individual case and it is necessary to deviate from the guidelines to serve the company's long-term interests, including its sustainability, or to ensure the company's financial viability. Deviations must be reported and justified in the subsequent Remuneration Report. As stated above, it is part of the Remuneration Committee's tasks to prepare decisions by the Board of Directors on remuneration issues, which includes decisions to deviate from the guidelines. Remuneration of senior executives Total remuneration to the CEO and other senior executives includes fixed salary, variable remuneration, pension and other benefits. These remuneration components are based on the guidelines for remuneration of senior executives adopted by the 2021 Annual General Meeting. The tables below account for the actual cost of remuneration and other benefits for the financial years 2021 and 2020 to the Board of Directors, the CEO and other senior executives. The latter are those individuals who, alongside the CEO, are members of Group Management. The Board fees for 2021 were determined at the Annual General Meeting in April 2021 and refer to the period up until the next Annual General Meeting.

**Remuneration of the Board**

Fees are paid to the Chairman and other Board members as determined by the Annual General Meeting. The Annual General Meeting in April 2021 resolved that the fees to the Board should total of SEK 1,390 thousand to be distributed among the members as follows: SEK 350 thousand to the Chairman of the Board and SEK 175 thousand to each of the other Board Members who are not employees of the company, that fees for work on the Audit Committee shall be SEK 60 thousand to the chairman of the Committee and SEK 30 thousand to each of the other members, and that fees for work on the Remuneration Committee shall be SEK 25 thousand to the chairman of the Committee and SEK 20 thousand to each of the other members.

**Remuneration of other senior executives**

Remuneration paid to the CEO includes fixed salary, variable remuneration, pension and other benefits. The CEO's basic salary, excluding vacation pay, amounts to SEK 1,680 thousand. The CEO's variable remuneration may correspond to at most 35% of his basic salary. Any bonuses paid and their scope are determined by the degree to which predefined annual targets are met. Remunerations to other senior executives include fixed salary, variable remuneration, pension and other benefits. For other senior executives, variable remuneration may correspond to at most 35% of basic salary. Any bonuses paid and their scope are determined by the CEO based on the degree to which predefined annual targets are met.

**Notice periods and severance pay**

For the CEO, Deputy CEO and CFO, the agreed notice period shall be at most 12 months and, for other senior executives, it shall be at most six months. No severance pay shall be disbursed

**Remuneration Committee**

For details of the company's review and decision process regarding remunerations to senior executives, please see the Corporate Governance Report on pages 44-51.

**Incentive programs**

An Extraordinary General Meeting on April 29, 2021 approved an incentive program for Group employees ("Incentive program 2021/2025"), with warrants being issued conveying subsequent rights to subscribe for new shares in MilDef. On full exercise of the warrants, the share capital may be increased by at most SEK 144,500 by issuing 578,000 shares, corresponding to a dilution of approximately 1.6%. The right to acquire warrants is based on the following principles with respect to allocation categories: (i) CEO and members of Group Management, at most 30,000 warrants per participant, (ii) other senior executives and key individuals, at most 15,000 warrants per participant, and (iii) other employees, at most 3,000 warrants per participant. Each warrant entitles the holder to subscribe for one new share in MilDef at a subscription price equivalent to 133% of the price per share in the new share issue implemented in connection with admission to trading of the Company's shares on Nasdaq Stockholm. Registration to subscribe for shares can take place from September 1, 2024 until August 31, 2025. The Company has no outstanding share-based incentive programs other than the warrants described above. For more information about the incentive program, see Note 19.

**Note 11. Financial items**

	2021	2020
Exchange gains, not relating to operations	0.1	0.0
Interest income	0.1	0.1
Warrants program	2.6	-
<b>Financial income</b>	<b>2.8</b>	<b>0.1</b>
Exchange losses, not relating to operations	-0.4	0.0
Interest expenses	-4.8	-1.6
<b>Financial costs</b>	<b>-5.2</b>	<b>-1.6</b>

**Note 12. Tax**

Tax recognized in profit or loss	2021	2020
Current tax for the year	-2.2	-10.5
Deferred tax	6.8	-2.3
<b>Total</b>	<b>4.6</b>	<b>-12.8</b>

Deferred tax expense/income for the year	2021	2020
Tax attributable to change in tax-loss carry-forwards	1.2	-0.9
Tax relating to change in temporary differences	-0.4	0.6
Tax in appropriations	5.5	-2.0
Change in rate of corporate income tax	0.5	0.0
<b>Total</b>	<b>6.8</b>	<b>-2.3</b>

Tax on profit for the year	2021	2020
<b>Earnings before tax according to income statement, SEK million</b>	<b>-5.3</b>	<b>55.4</b>
<b>Tax according to the current tax rate for the Parent Company (21.4%)</b>	<b>1.1</b>	<b>-11.9</b>

Reconciliation of reported tax		
Non-taxable income	0.1	-
Non-deductible costs	-1.1	-0.3
Listing costs reported over equity	5.0	-
Effect of change in temporary differences	-0.9	-0.8
Effect of standard income on opening tax allocation reserves	-0.2	-
Effect of change in rate of corporate income tax	0.1	0.0
Difference in tax rates between countries within the Group	0.5	0.2
<b>Total reported tax cost</b>	<b>4.6</b>	<b>-12.8</b>



Deferred tax assets / deferred tax liabilities, 2021	Deferred tax assets	Deferred tax liabilities	Net
Intangible assets	3.3	-20.7	-17.4
Current assets	2.1		2.1
Current liabilities	0.2		0.2
Untaxed reserves		-2.8	-2.8
<b>Total</b>	<b>5.6</b>	<b>-23.5</b>	<b>-17.9</b>

Deferred tax assets / Deferred tax liabilities, 2020	Deferred tax assets	Deferred tax liabilities	Net
Intangible assets	2.5	-1.8	0.7
Current assets	2.1		2.1
Current liabilities	0.3		0.3
Untaxed reserves		-7.6	-7.6
<b>Total</b>	<b>5.0</b>	<b>-9.4</b>	<b>-4.4</b>

Reconciliation of deferred net debt	2021	Net
Number debt, Jan 1	-4.4	-1.6
Translation differences on translation of foreign operations	-0.7	-0.5
Increase due to acquisitions	-19.6	-
Recognized in the income statement	6.8	-2.3
<b>Net liability, Dec 31</b>	<b>-17.9</b>	<b>-4.4</b>

Deferred tax assets are valued at a maximum of the amount that is likely to be recovered based on current and future taxable results. The Group has unutilized loss carryforwards amounting to SEK 11.4 million (SEK 7.2 million), of which SEK 11.4 million (SEK 7.2 million) refers to unreported loss carryforwards as it is considered uncertain whether these loss carryforwards can be utilized due to uncertainty about when in the future sufficient taxable surpluses will be generated. There is no due date that limits the use of loss carryforwards.

### Note 13. Intangible assets

	2021	2020
<i>Capitalized product development</i>		
<b>Cost</b>		
Opening balance, Jan 1	41.5	38.0
Acquisitions for the year	5.0	3.5
<b>Closing balance, Dec 31</b>	<b>46.5</b>	<b>41.5</b>
<b>Depreciation/amortization and impairment</b>		
Opening balance, Jan 1	-33.5	-31.9
Amortization for the year	-2.3	-1.6
<b>Closing balance, Dec 31</b>	<b>-35.8</b>	<b>-33.5</b>
<b>Carrying amount, Dec 31</b>	<b>10.7</b>	<b>8.0</b>

**cont. Note 13. Intangible assets**

	2021	2020
<i>Goodwill</i>		
<b>Cost</b>		
Opening balance, Jan 1	-	-
Acquisitions for the year	236.7	-
Translation difference	-35.5	-
Closing balance, Dec 31	201.2	-
<b>Carrying amount, Dec 31</b>	<b>201.2</b>	<b>-</b>

**Goodwill**

Goodwill have arisen in connection with business acquisitions. MilDef applies IAS 38 Intangible Assets, which means that goodwill and assets with an indeterminate useful life are not amortised. An impairment test is, however, carried out annually, or more frequently if there are indications that an impairment need may exist, in accordance with IAS 36, in which the Group's carrying amounts on these assets are compared with the assets' estimated value in use based on their discounted future cash flows. When the value in use is less than the carrying amount, the carrying amount is impaired to the level of the value in use. Accordingly, the assets are recognised at cost less accumulated impairment.

**Impairment testing**

The MilDef Group prepares budgets for one year at a time. This means that the cash flows for the first year of the asset's useful life are based on the budget approved by the Board. Cash flows up until the end of the useful life are estimated by extrapolating the cash flow based on the prepared budget and the assumed organic sales growth, working capital requirements and gross profit margins over the useful life.

- The organic sales growth for years 2-5 can be estimated with some degree of caution based on the Group's historical experience. For subsequent years, a lower growth rate has been assumed, equivalent to the estimated long-term growth rate for the sector.
- The requirement for working capital during the useful life is estimated with the aid of the Group's historical experience and the assumed organic sales growth.
- The gross investment margin is based on the adopted budgets for each cash-generating unit.
- The discount rate is calculated by weighting the assessed required return on equity plus the standard tax rate.

**Sensitivity analysis**

A sensitivity analysis was carried out regarding the significant assumptions applied in the impairment testing. The following assumptions have been used to test sensitivity.

- Organic growth in years 2-5 is two percentage points lower.
- The gross investment margin is five percentage points lower.
- The requirement for working capital for organic growth is five percentage points higher.
- The discount rate is two percentage points higher.

None of the above assumptions resulted in an impairment need for any of the Group's cash-generating units.

## cont. Note 13. Intangible assets

	2021	2020
<i>Exclusivity agreement</i>		
<b>Cost</b>		
Opening balance, Jan 1	8.1	9.4
Translation difference	0.9	-1.3
<b>Closing balance, Dec 31</b>	<b>9.0</b>	<b>8.1</b>
<b>Depreciation/amortization and impairment</b>		
Opening balance, Jan 1	-7.1	-6.3
Amortization for the year	-1.1	-1.7
Translation difference	-0.8	0.9
<b>Closing balance, Dec 31</b>	<b>-9.0</b>	<b>-7.1</b>
<b>Carrying amount, Dec 31</b>	<b>0.0</b>	<b>1.0</b>
<i>Customer relations</i>		
<b>Cost</b>		
Opening balance, Jan 1	13.0	14.6
Acquisitions for the year	67.5	-
Translation difference	1.2	-1.6
<b>Closing balance, Dec 31</b>	<b>81.7</b>	<b>13.0</b>
<b>Depreciation/amortization and impairment</b>		
Opening balance, Jan 1	-11.4	-9.9
Amortization for the year	-5.8	-2.6
Translation difference	-1.1	1.1
<b>Closing balance, Dec 31</b>	<b>-18.3</b>	<b>-11.4</b>
<b>Carrying amount, Dec 31</b>	<b>63.4</b>	<b>1.6</b>

## cont. Note 13. Intangible assets

	2021	2020
<i>Software</i>		
<b>Cost</b>		
Opening balance, Jan 1	-	-
Acquisitions for the year	22.4	-
Translation difference	0.1	-
<b>Closing balance, Dec 31</b>	<b>22.5</b>	<b>-</b>
<b>Depreciation/amortization and impairment</b>		
Opening balance, Jan 1	-	-
Amortization for the year	-1.9	-
Translation difference	0.0	-
<b>Closing balance, Dec 31</b>	<b>-1.9</b>	<b>-</b>
<b>Carrying amount, Dec 31</b>	<b>20.6</b>	<b>-</b>
<i>Other intangible assets</i>		
<b>Cost</b>		
Opening balance, Jan 1	0.6	0.6
Acquisitions for the year	0.6	-
<b>Closing balance, Dec 31</b>	<b>1.2</b>	<b>0.6</b>
<b>Depreciation/amortization and impairment</b>		
Opening balance, Jan 1	-0.6	-0.6
Amortization for the year	-0.1	-
<b>Closing balance, Dec 31</b>	<b>-0.7</b>	<b>-0.6</b>
<b>Carrying amount, Dec 31</b>	<b>0.5</b>	<b>0.0</b>
<b>Comprehensive income includes amortization as specified below:</b>		
Costs of goods sold	2.1	2.3
Selling expenses	7.6	2.6
Research and development expenses	1.4	1.0
<b>Total</b>	<b>11.1</b>	<b>5.9</b>

**Note 14. Property, plant and equipment**

	2021	2020
<i>Costs incurred on leased property</i>		
<b>Cost</b>		
Opening balance, Jan 1	0.5	0.5
Acquisitions for the year	3.5	0.1
Disposals for the year	-0.6	-
Re-classifications for the year	4.3	-
Added through acquisition	0.2	-
Translation difference	0.0	-0.1
<b>Closing balance, Dec 31</b>	<b>7.8</b>	<b>0.5</b>
<b>Depreciation/amortization and impairment</b>		
Opening balance, Jan 1	-0.4	-0.4
Amortization for the year	-0.7	-0.1
Disposals for the year	0.6	-
Added through acquisition	-0.2	-
Translation difference	0.0	0.1
<b>Closing balance, Dec 31</b>	<b>-0.7</b>	<b>-0.4</b>
<b>Carrying amount, Dec 31</b>	<b>7.2</b>	<b>0.1</b>
<i>Equipment, tools, fixtures and fittings</i>		
<b>Cost</b>		
Opening balance, Jan 1	8.8	7.7
Acquisitions for the year	6.3	1.3
Disposals for the year	-0.1	-0.1
Re-classifications for the year	0.6	-
Added through acquisition	0.2	-
Translation difference	0.0	-0.1
<b>Closing balance, Dec 31</b>	<b>15.9</b>	<b>8.8</b>
<b>Depreciation/amortization and impairment</b>		
Opening balance, Jan 1	-6.3	-5.7
Amortization for the year	-2.2	-0.7
Disposals for the year	0.0	0.0
Added through acquisition	-0.1	-
Translation difference	0.0	0.1
<b>Closing balance, Dec 31</b>	<b>-8.6</b>	<b>-6.3</b>
<b>Carrying amount, Dec 31</b>	<b>7.3</b>	<b>2.5</b>

**cont. Note 14. Property, plant and equipment**

	2021	2020
<i>Construction in progress</i>		
<b>Cost</b>		
Opening balance, Jan 1	4.0	-
Acquisitions for the year	-	4.0
Re-classifications for the year	-4.0	-
<b>Closing balance, Dec 31</b>	<b>0.0</b>	<b>0.0</b>
<b>Carrying amount, Dec 31</b>	<b>0.0</b>	<b>4.0</b>
<i>Right-of-use assets (business premises)</i>		
<b>Cost</b>		
<b>Opening balance, Jan 1</b>	70.4	75.7
Additional right-of-use assets	2.7	0.2
Concluded contracts	-1.7	-4.8
Re-classifications for the year	0.5	-
Translation differences	0.4	-0.7
<b>Closing balance, Dec 31</b>	<b>72.2</b>	<b>70.4</b>
<b>Depreciation/amortization and impairment</b>		
Opening balance, Jan 1	-3.9	-4.4
Amortization for the year	-9.6	-4.9
Concluded contracts	1.7	4.8
Re-classifications for the year	-0.3	-
Translation differences	-0.2	0.5
<b>Closing balance, Dec 31</b>	<b>-12.4</b>	<b>-3.9</b>
<b>Carrying amount, Dec 31</b>	<b>59.8</b>	<b>66.5</b>
<b>Comprehensive income includes amortization as specified below:</b>		
Costs of goods sold	1.8	0.8
Selling expenses	6.0	2.7
Administrative expenses	2.5	1.1
Research and development expenses	2.3	1.1
<b>Total</b>	<b>12.6</b>	<b>5.7</b>

**Note 15. Other non-current receivables**

	2021	2020
Opening balance, Jan 1	0.4	0.5
Customs bond	0.0	0.0
Receivable, employees	-0.1	-0.1
Translation difference	0.0	-0.1
<b>Closing balance, Dec 31</b>	<b>0.3</b>	<b>0.4</b>

**Note 16. Inventories**

Inventories including obsolescence provision	2021	2020
Products in process	0.7	0.2
Finished goods and goods for re-sale	95.2	67.9
Advanced payment to supplier	5.0	3.3
<b>Total</b>	<b>101.0</b>	<b>71.4</b>
<b>Change in obsolescence provision</b>		
Opening balance, January 1	14.2	11.3
Change in obsolescence provision recognised in profit or loss	1.1	2.8
Disposals	-	-
Translation difference	-	-
<b>Obsolescence provision, December 31</b>	<b>15.2</b>	<b>14.2</b>
<b>Carrying amount, December 31</b>	<b>85.8</b>	<b>57.2</b>

**Note 17. Trade receivables and contract assets**

	2021	2020
Trade receivables and contract assets	146.1	165.4
<b>Total</b>	<b>146.1</b>	<b>165.4</b>
<b>Age analysis, trade receivables and contract assets</b>		
Trade receivables and contract assets not past due	115.5	141.8
Trade receivables past due 1-30 days	19.6	19.8
Trade receivables past due 31-90 days	8.3	2.3
Trade receivables past due > 90 days	2.7	1.5
<b>Total</b>	<b>146.1</b>	<b>165.4</b>

MilDef applies the simplified method for calculating credit losses based on historical data regarding payment patterns and payment ability of the counterparty. Based on historical data, the expected credit losses are considered to be extremely limited. The Group did not book any credit losses during the year. As of December 31, 2021, accounts receivable of SEK 30.6 million were due within the Group without any impairment loss being deemed to exist. The maximum exposure to credit risks at the balance sheet date is the fair value of accounts receivable and contractual assets, which correspond to the carrying amount. There are no pledges as security for reported receivables.

**Note 18. Prepaid costs and accrued income**

	2021	2020
Prepaid rent	2.6	2.1
Prepaid car lease	0.1	0.1
Prepaid insurance	1.6	0.5
Other items	9.1	3.9
<b>Total</b>	<b>13.4</b>	<b>6.6</b>

## Not 19. Equity and number of shares

As of 31 December 2021 registered share capital comprised 36,389,373 shares with a quotient value of SEK 0.25 each. Everyone is fully paid. No shares are held by the company itself or its subsidiaries. Holders of shares are entitled to a dividend and the shareholding entitles them to vote at the Annual General Meeting with one vote per share

No of shares	2021	2020
As of 1 January	11 618 422	11 618 422
New share issues	12 441 442	-
Share split (2:1)	12 329 509	-
<b>As of 31 December</b>	<b>36 389 373</b>	<b>11 618 422</b>

### Incitamentsprogram

2021/2025

At the Extraordinary General Meeting on April 29, 2021, it was resolved to adopt an incentive program ("Incentive program 2021/2025") for the group's employees through the issuance of warrants giving right to subscribe for new shares in MilDef. Assuming full exercise of the warrants, share capital may increase by a maximum of SEK 144,500 through the issuance of 578,000 shares, corresponding to a dilution of approximately 1.6 percent. The warrants have been transferred on market terms at a price determined based on an estimated market value using the established valuation model Black & Scholes. The calculation has been carried out by an independent valuation institution. Each warrant entitles to subscription of one new share in MilDef. Application for subscription may take place between 1 September 2024 and 31 August 2025. The company has reserved the right to repurchase warrants if the participant's employment is terminated or if the participant wishes to transfer the warrants. Repurchases shall be made at the market price of the warrants at the time the preferential right is exercised. There were no other instruments with potential dilutive effect as of 31 December 2021.

## Note 20. Pledged assets

	2021	2020
Collateral pledged for liabilities to credit institutions		
Floating charges	30.0	30.0
<b>Total pledged assets</b>	<b>30.0</b>	<b>30.0</b>

## Note 21. Overdraft facility

	2021	2020
Granted bank overdraft facility amounts to	50.0	27.1
Utilized credit on balance sheet date	0.0	0.0
<b>Unutilized credit on balance sheet date</b>	<b>50.0</b>	<b>27.1</b>

## Note 22. Provision for warranty commitments

	2021	2020
Opening balance, Jan 1	0.9	0.6
Change for the year	-0.1	0.3
Translation difference	0.0	0.0
<b>Closing balance, Dec 31</b>	<b>0.8</b>	<b>0.9</b>

## Note 23. Contract liabilities

Of the amount recognized as contract liabilities on December 31, 2020, SEK 2.3 million (6.4) was recognized as revenue in 2021.



**Note 24. Accrued costs and prepaid revenues**

	2021	2020
Accrued payroll costs	15.6	16.3
Accrued social security costs	8.3	8.1
Other items	14.9	12.4
<b>Total</b>	<b>38.8</b>	<b>36.8</b>

**Note 25. Other items**

	2021	2020
Change in guarantee risk reserve for the year	-0.1	0.3
Capital gain/loss on sales of property, plant and equipment	-	0.0
Translation differences internal transactions	-0.8	3.7
Other	0.4	-
<b>Total</b>	<b>-0.5</b>	<b>4.0</b>

**Note 26. Change in liabilities arising from financing activities**

	2021	2020
Opening balance, Jan 1	66.7	71.4
Additional liabilities	71.4	0.3
Repayments	-39.0	-4.9
Translation difference	3.0	-0.1
<b>Closing balance, Dec 31</b>	<b>102.1</b>	<b>66.7</b>

**Note 27. Transactions with related parties**

The Group works closely with shareholder company, MilDef Crete Inc in Taiwan. A summary is provided below:

	Sales of goods and services to closely related parties	Purchasing of goods from closely related parties	Liabilities to related parties as of Dec 31	Receivables from related parties as of Dec 31
<b>MilDef Crete Inc</b>	<b>0.0</b>	<b>61.4</b>	<b>6.0</b>	<b>0.0</b>

Beyond the details provided above, no related-party transactions have occurred. The above transactions pertain to the period Jan 1, 2021 – Dec 31, 2021

In 2021, Top Level AB, in which Board Member Berndt Grundevik is the majority owner, performed consulting assignments for MilDef totaling SEK 58 thousand. The services performed were aimed at leading the company's Advisory Board as well as providing other advice not considered to be covered by the Board assignment. It has been deemed important and beneficial for MilDef to use the services concerned, for which market-based payment has been made. The decision to procure the services was made without the involvement of Berndt Grundevik. Furthermore, and on corresponding terms, Trolle Management AB has performed consulting services for SEK 105 thousand for MilDef in connection with the preparation of the company's prospectus prior to the listing in June 2021.

## Note 28. Acquisition

### Acquisition of Sysint AS

On March 11, 2021, MilDef acquired all shares in the Norwegian service and software provider Sysint AS ("Sysint"). Sysint is an IT company with a service offering aimed at Norwegian government and industrial customers. For two decades, Sysint has provided IT services to defense, government agencies and socially important sectors such as health and energy. Product development in software includes the NATO-compatible OneCIS system for fast and secure rollout of IT systems, which complements MilDef's offering in hardware and creates a strong overall offering to MilDef's customers and a good potential for both further development locally and exports to other markets. The initial purchase price of 711,087 newly issued shares in MilDef and a cash portion amounting to NOK 49.3 million was paid in connection with the acquisition. In favorable circumstances, related to operating profit for Sysint during 2021 and 2022, respectively, contingent consideration of a maximum of NOK 22 million may be paid. The acquisition analysis is based on the maximum purchase price.

Information on purchase price, acquired net assets and goodwill is shown in the table below

Acquired assets and liabilities as a result of the acquisition of Sysint AS (MNOK)	2021
<b>Total purchase price</b>	<b>112.2</b>
Intangible fixed assets - customer relationships	22.5
Intangible fixed assets - software	22.5
Other non-current receivables	0.4
Accounts receivable	16.1
Other current receivables	7.2
Cash and cash equivalents	20.7
Accounts payable	-7.8
Other current liabilities	-30.0
Deferred tax	-9.9
<b>Acquired identifiable net assets</b>	<b>41.7</b>
Goodwill	70.5
<b>Total acquired net assets</b>	<b>112.2</b>
<b>Cash flow attributable to the acquisition of Sysint (MNOK)</b>	
Purchase price	49.3
Departs: Cash in acquired unit	-20.7
<b>Net outflow of cash and cash equivalents</b>	<b>28.6</b>

External transaction costs for the acquisition amounted to approximately SEK 0.4 million and were mainly attributable to costs for local lawyers and other advisers. These costs are reported on the line for administrative expenses in the consolidated income statement and are included in current operations in the cash flow statement.

In connection with the acquisition, existing customer relationships were identified to a total value of NOK 22.5 million and software (OneCIS) to a value of NOK 22.5 million.

The goodwill of NOK 70.5 million that arose in connection with the acquisition is mainly attributable to the company's expertise and processes in the market for IT services for defense, authorities and socially important sectors such as health and energy. In addition, coordination gains are expected with MilDef's other operations. Sysint's sales before the acquisition amounted to NOK 17.7 million, sales after the acquisition amounted to NOK 70.6 million. Total sales for Sysint in 2021 were thus NOK 88.3 million. Sysint's operating profit before the acquisition amounted to NOK 5.6 million, operating profit after the acquisition amounted to NOK 10.2 million. Total operating profit for Sysint in 2021 was thus NOK 15.8 million. Operating profit refers to the profit reported in Sysint and does not include amortization of consolidated surplus values.

## cont. Note 28. Acquisition

### Acquisition of Defcon Solutions AB

On July 20, 2021, MilDef acquired all shares in Defcon Solutions AB ("Defcon"). Defcon provides integration services to the defense market in Sweden and is judged to possess a good ability to continue to grow its operations in the coming years. In combination with MilDef's product portfolio of tactical IT in hardware and software, there are great opportunities for synergies between the companies, both in the Swedish market and internationally. The total purchase price consisted of 321,512 newly issued shares in MilDef and a cash portion amounting to SEK 145 million, excluding any additional purchase price. The additional purchase consideration is based on expected operating profit during the years 2021, 2022 and 2023. The maximum additional purchase consideration for the entire period amounts to SEK 40 million. The acquisition analysis is based on the maximum purchase price for the years 2022 and 2023. For 2021, no additional purchase price will be paid.

Information on purchase price, acquired net assets and goodwill is shown in the table below:

Acquired assets and liabilities as a result of the acquisition of Defcon (MSEK)	2021
<b>Total purchase price</b>	<b>181.3</b>
Intangible fixed assets - customer relationships	45.0
Tangible fixed assets	0.1
Inventory	0.4
Accounts receivable	16.3
Other current receivables	13.1
Cash and cash equivalents	1.6
Accounts payable	-5.9
Other current liabilities	-10.7
Deferred tax	-9.3
<b>Acquired identifiable net assets</b>	<b>50.6</b>
Goodwill	130.7
<b>Total acquired net assets</b>	<b>181.3</b>
<b>Cash flow attributable to the acquisition of Defcon (MSEK)</b>	
Purchase price	145.0
Departs: Cash in acquired unit	-1.6
<b>Net outflow of cash and cash equivalents</b>	<b>143.4</b>

In connection with the acquisition, existing customer relationships were identified to a total value of SEK 45 million.

The goodwill of SEK 130.7 million that arose in connection with the acquisition is mainly attributable to the company's expertise and processes in the market for integration services to the defense market in Sweden. In addition, coordination gains are expected with MilDef's other operations. Defcon's sales before the acquisition amounted to SEK 50.3 million, sales after the acquisition amounted to SEK 56.9 million. Total sales for Defcon in 2021 were thus SEK 107.2 million. Defcon's operating profit before the acquisition amounted to SEK 6.0 million, operating profit after the acquisition amounted to SEK 6.4 million. Total operating profit for Defcon in 2021 was thus SEK 12.4 million. Operating profit refers to the profit reported in Defcon and does not include amortization of consolidated surplus values.

## Note 29. Key events after the closing date

To further reinforce MilDef's position in the Nordic market, MilDef Oy, MilDef established a presence in Finland in early 2022. MilDef's Finnish initiative will be headed by Eero Valkola, a decorated colonel and former Inspector of Signals in the Army Command of the Finnish Defence Forces, where he was responsible for developing, training and preparedness for the army's C4 system and for cyber defense. The Nordic region is extremely important to MilDef and we hold strong positions in Sweden, Norway and Denmark. Finland is prioritized in our expansion plan and establishing MilDef Oy signals that the close cooperation among the Nordic countries provides a strong industrial foundation for us.

The armed invasion of Ukraine by the Russian Federation on February 24, 2022 has led to greater global uncertainty with regard to security policy. Many countries are announcing sharply increased defense spending going forward, increasing the significance of MilDef's role regarding its capacity to deliver sought-after IT equipment to its defense customers. MilDef does not conduct business with either Russia or Ukraine, nor has it done so historically.

No other events that can be considered significant have taken place after the end of the period and up to the date on which this Annual Report was signed.

## Income Statement, Parent Company

SEK m	Note 1 – 2	2021	2020
Net sales	3, 4	64.0	50.1
Other operating income	8	2.2	-
Selling expenses		-23.0	-16.5
Administrative expenses		-37.8	-22.9
Research and development expenses		-16.9	-12.8
Other operating expenses	8	-0.2	-3.2
<b>Operating profit</b>	3, 4, 5, 6, 9	<b>-11.7</b>	<b>-5.3</b>
Profit/loss from participations in Group companies	10	-	-6.5
Financial income	10	2.6	2.4
Financial expenses	10	-3.6	-1.2
<b>Loss after financial items</b>		<b>-12.7</b>	<b>-10.6</b>
Year-end appropriations	11	33.3	37.2
<b>Profit before tax</b>		<b>20.6</b>	<b>26.6</b>
Tax on profit for the year	12	0.0	-7.3
<b>Profit for the year</b>		<b>20.6</b>	<b>19.3</b>
Parent Company statement of comprehensive income,			
Profit for the year		20.6	19.3
<b>Other comprehensive income</b>		0.0	0.0
<b>Comprehensive income for the year</b>		<b>20.6</b>	<b>19.3</b>

# Balance Sheet, Parent Company

SEK m	Note 1 – 2	Dec 31, 2021	Dec 31, 2020
<b>Non-current assets</b>			
<b>Property, plant and equipment</b>	13		
Costs incurred on leased property		7.1	-
Equipment, tools, fixtures and fittings		2.8	0.6
Construction in progress		-	3.9
<b>Total property, plant and equipment</b>		<b>9.9</b>	<b>4.6</b>
<b>Financial non-current assets</b>			
Participations in Group companies	14	430.6	65.2
<b>Total financial non-current assets</b>		<b>360.6</b>	<b>65.2</b>
<b>Total non-current assets</b>		<b>440.5</b>	<b>69.8</b>
<b>Current assets</b>			
<b>Current receivables</b>			
Receivables from Group companies		41.6	94.8
Tax assets		0.4	0.0
Accounts receivable		-	0.8
Other receivables		0.0	0.4
Prepaid costs and accrued income	15	4.2	4.0
<b>Total current liabilities</b>		<b>46.2</b>	<b>100.0</b>
<b>Cash and bank balances</b>		<b>202.2</b>	<b>7.0</b>
<b>Total current assets</b>		<b>248.4</b>	<b>107.0</b>
<b>TOTAL ASSETS</b>		<b>688.9</b>	<b>176.8</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	16		
<b>Restricted equity</b>			
Share capital		9.1	5.8
<b>Total restricted equity</b>		<b>9.1</b>	<b>5.8</b>
<b>Non-restricted equity</b>			
Share premium reserve		507.0	58.1
Profit brought forward		18.5	16.7
Profit for the year		20.6	19.3
<b>Total non-restricted equity</b>		<b>546.1</b>	<b>94.1</b>
<b>Total equity</b>		<b>555.2</b>	<b>99.9</b>
<b>Untaxed reserves</b>	17	<b>5.5</b>	<b>23.8</b>
<b>Non-current liabilities</b>			
Non-current interest-bearing liabilities		31.7	-
<b>Total non-current liabilities</b>		<b>31.7</b>	<b>0.0</b>
<b>Current liabilities</b>			
Current interest-bearing liabilities		9.7	0.0
Accounts payable		1.8	3.8
Liabilities to Group companies		73.7	25.6
Tax liabilities		-	3.0
Other current liabilities		3.9	7.2
Accrued costs and prepaid revenues	18	7.4	13.6
<b>Total current liabilities</b>		<b>26.5</b>	<b>53.1</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>688.9</b>	<b>176.8</b>

## Parent Company statement of changes in equity

SEK m	Share capital	Share premium reserve	Profit brought forward, incl. profit for the year	Total equity
<b>Opening balance, Jan 1, 2020</b>	<b>5.8</b>	<b>58.1</b>	<b>25.4</b>	<b>89.3</b>
Comprehensive income for the year			19.3	19.3
<i>Transactions with shareholders in their capacity as owners</i>				
Dividend to shareholders			-8.7	-8.7
Closing balance, Dec 31, 2020	<b>5.8</b>	<b>58.1</b>	<b>36.0</b>	<b>99.9</b>
<b>Opening balance, Jan 1, 2021</b>	<b>5.8</b>	<b>58.1</b>	<b>36.0</b>	<b>99.9</b>
Comprehensive income for the year			20.6	20.6
New share issues after issue costs and tax	3.3	448.9		452.2
<i>Transactions with shareholders in their capacity as owners</i>				
Dividend to shareholders			-17.4	-17.4
<b>Closing balance, Dec 31, 2021</b>	<b>9.1</b>	<b>507.0</b>	<b>39.1</b>	<b>555.2</b>

## Cash flow statement, Parent Company

SEK m	Note	2021	2020
<b>Operations</b>			
Operating profit		-11.7	-5.3
<b>Adjustments for non-cash items:</b>			
Amortization and impairment charged against this profit		1.5	0.2
<b>Total</b>		<b>1.5</b>	<b>0.2</b>
Interest received		2.6	2.4
Interest paid		-3.6	-1.2
Tax paid		-4.2	-0.5
<b>Cash flow from operating activities before changes in working capital</b>		<b>-15.4</b>	<b>-4.3</b>
Increase (-)/Decrease (+) in operating receivables		1.0	11.8
Increase (+)/Decrease (-) in operating liabilities		-30.3	22.8
<b>Change in working capital</b>		<b>-29.3</b>	<b>34.6</b>
<b>Cash flow from operating activities</b>		<b>-44.7</b>	<b>30.4</b>
<b>Investing activities</b>			
Investments in tangible fixed assets		-6.8	-4.2
Acquisitions of subsidiaries		-171.2	-
Group contributions from subsidiaries		46.0	1.2
Change in non-current receivables		-	-25.7
<b>Cash flow from investing activities</b>		<b>-132.0</b>	<b>-28.7</b>
<b>Financing activities</b>			
Dividend to shareholders		-17.4	-8.7
New share issues		389.3	-
Increase in liabilities to credit institutions		30.0	-
Decrease in liabilities to credit institutions		-30.0	-
Group contributions to subsidiaries		-	-10.0
Change in overdraft facilities		-	24.0
<b>Cash flow from financing activities</b>		<b>371.9</b>	<b>5.3</b>
<b>Cash flow for the year</b>		<b>195.2</b>	<b>7.0</b>
<b>Change in cash and cash equivalents</b>			
Cash and cash equivalents, Jan 1		7.0	0.0
Change in cash and cash equivalents		195.2	7.0
<b>Closing cash and cash equivalents</b>		<b>202.2</b>	<b>7.0</b>
Credit granted but unutilized		50.0	25.0
<b>Available liquidity</b>		<b>252.2</b>	<b>32.0</b>

# Notes to the Parent Company's financial statements

## Note 1. Accounting principles

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### Parent Company accounting principles

The Parent Company has prepared its Annual Report in accordance with the Annual Accounts Act and the Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. Differences between the principles applied by the Parent Company and the Group are caused by limitations to the opportunities to apply IFRS in the Parent Company as a consequence of the Annual Accounts Act and , in certain cases, due to tax regulations. The Parent Company follows the same accounting concepts as the Group with the following exceptions:

### Significant differences between the Group's and Parent Company's accounting principles

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

### Shares and participations in Group companies

Participations in Group companies are recognized at cost less any impairment. The cost includes acquisition-related costs and any additional purchase prices. When there is an indication that the participations in affiliated companies have decreased in value, the recoverable amount is assessed. If the recoverable amount is lower than the carrying amount, impairment is recognized. Impairment is recognized in the item Profit from participations in Group companies.

### Leases

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

### Untaxed reserves

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

### Group contributions and shareholders contributions

Shareholder contributions are recognized directly against equity by the recipient and set up as an asset in shares and holdings by the issuer, to the extent that impairment is not required. Group contributions to subsidiaries are viewed as shareholder contributions. The Group contribution, with the tax effect taken into account, is recognized as an increase in the subsidiary's shares, after which the value is tested to ascertain any need of impairment. Group contributions received from subsidiaries are recognized as an appropriation in the income statement.

### Financial instruments

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

### Format of the balance sheet

The Parent Company follows the Swedish Annual Accounts Act's presentation format for the income statement and balance sheet, meaning that a different presentation format is used for equity.

## Note 2. Assessments and assumptions

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



**Note 3. Income**

	2021	2020
<b>Net sales</b>		
Sales within the EU	46.3	38.1
Sales outside the EU	17.7	12.0
<b>Total</b>	<b>64.0</b>	<b>50.1</b>

**Note 4. Intra-Group purchases and sales**

	2021	2020
Percentage of sales pertaining to Group companies	100%	100%
Percentage of purchases pertaining to Group companies	0%	0%

**Note 5. Lease fees**

	2021	2020
<b>Operational leases</b>		
Cost for lease fees for the year	8.8	4.3
Remaining lease fees fall due as follows:		
Within one year:	8.9	8.7
Later than one year but within five years:	35.6	32.3
Later than five years:	29.2	38.2
<b>Total</b>	<b>73.7</b>	<b>79.2</b>

*The most significant leases pertain to leases of business premises.*

**Note 6. Cost type classification**

	2021	2020
Other costs	-36.6	-22.7
Personnel costs	-39.7	-32.4
Depreciation/amortization and impairment	-1.5	-0.3
<b>Total</b>	<b>-77.8</b>	<b>-55.4</b>

**Note 7. Audit fees**

	2021	2020
<b>Mazars AB:</b>		
Audit assignments	0.7	0.3
Audit activities beyond the audit assignment	0.5	-
Tax consultancy	0.2	-
Other services	-	-
<b>Total</b>	<b>1.4</b>	<b>0.3</b>

The audit assignment pertains to the examination of the Annual Report and the accounts, as well as of the administration of the company by the Board of Directors, other work tasks incumbent upon the company's auditors to perform to be able to submit their auditors' report, and advice or other assistance brought about by observations in conjunction with such review or performance of such other work tasks.

**Note 8. Other operating revenue/costs**

	2021	2020
Funds donated to MilDef Charity Foundation	-0.2	-0.7
Exchange gains, relating to operations	3.3	5.4
Exchange losses, relating to operations	-1.1	-7.9
<b>Total</b>	<b>2.0</b>	<b>-3.2</b>

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

**Note 9. Employees and personnel expenses**

	2021	2020
Average number of employees	31	21
proportion of men (%)	58	52
Number of employees as of Dec 31	30	29
proportion of men (%)	63	55

Gender distribution in company management	2021	2020
Board of Directors	6	6
proportion of men (%)	67	67
Management team	9	8
proportion of men (%)	78	75

Salaries and remuneration	2021	2020
Board/CEO	2.0	2.5
Other employees	23.2	19.3
<b>Total</b>	<b>25.2</b>	<b>21.8</b>

**Social security expenses**

All employees	12.0	9.0
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*Of which, pension costs*

Board/CEO	0.1	0.1
Other employees	3.5	2.1
<b>Total</b>	<b>3.6</b>	<b>2.2</b>

**Note 10. Financial items**

	2021	2020
Impairment of shares in subsidiaries	-	-6.5
<b>Profit/loss from participations in Group companies</b>	<b>0.0</b>	<b>-6.5</b>
Interest income	2.6	2.4
<b>Financial income</b>	<b>2.6</b>	<b>2.4</b>
Exchange losses, not relating to operations	-0.4	-
Interest expenses	-3.2	-1.2
<b>Financial costs</b>	<b>-3.6</b>	<b>-1.2</b>

**Note 11. Year-end appropriations**

	2021	2020
Group contributions received	15.0	46.0
Reversal of tax allocation reserve	19.8	3.6
Provision to tax allocation reserve	-	-11.3
Change in excess depreciation	-1.5	-1.1
<b>Total</b>	<b>33.3</b>	<b>37.2</b>

**Note 12. Tax on profit for the year**

	2021	2020
<b>Current tax cost (-) / tax asset (+)</b>		
Current tax for the year	-	-7.3
Deferred tax	-	-
<b>Total</b>	<b>0.0</b>	<b>-7.3</b>
<b>Tax on profit for the year</b>		
Earnings before tax according to income statement, SEK million	20.6	26.6
<b>Tax according to current tax rate for the Parent Company, 20.6% (21.4%)</b>	<b>-4.4</b>	<b>-5.7</b>
<b>Reconciliation of reported tax</b>		
Standard income on opening tax allocation reserves	0.0	0.0
Deductible costs for raising capital, recognized in equity	5.0	-
Non-taxable income	-	-
Non-deductible costs	-0.5	-1.6
Revaluation from reversal of tax allocation reserve	-0.1	0.0
Increase in loss carry-forwards with no equivalent capitalization of deferred tax	0.0	-
<b>Total reported tax cost</b>	<b>0.0</b>	<b>-7.3</b>

**Note 13. Property, plant and equipment**

	2021	2020
<b>Costs incurred on leased property</b>		
<b>Cost</b>		
Opening balance, Jan 1	0.0	-
Acquisitions for the year	7.8	-
<b>Closing balance, Dec 31</b>	<b>7.8</b>	<b>0.0</b>
<b>Depreciation/amortization and impairment</b>		
Opening balance, Jan 1	-	-
Amortization for the year	-0.7	-
<b>Closing balance, Dec 31</b>	<b>-0.7</b>	<b>0.0</b>
<b>Carrying amount at end of period, December 31</b>	<b>7.1</b>	<b>0.0</b>
<b>Equipment, tools, fixtures and fittings</b>		
<b>Cost</b>		
Opening balance, Jan 1	0.9	0.6
Acquisitions for the year	3.0	0.3
<b>Closing balance, Dec 31</b>	<b>3.9</b>	<b>0.9</b>
<b>Depreciation/amortization and impairment</b>		
Opening balance, Jan 1	-0.3	0.0
Amortization for the year	-0.8	-0.3
<b>Closing balance, Dec 31</b>	<b>-1.1</b>	<b>-0.3</b>
<b>Carrying amount, Dec 31</b>	<b>2.8</b>	<b>0.6</b>
<b>Construction in progress</b>		
<b>Cost</b>		
Opening balance, Jan 1	3.9	-
Acquisitions for the year	-	3.9
Re-allocations for the year	-3.9	-
Closing balance, Dec 31	0.0	3.9
<b>Carrying amount, Dec 31</b>	<b>0.0</b>	<b>3.9</b>

**Note 14. Participations in Group companies**

	2021	2020
<b>Cost</b>		
Opening balance, January 1	78.2	78.2
Investments for the year	294.4	-
Shareholders contribution of the year	71.0	-
<b>Closing balance, December 31</b>	<b>443.6</b>	<b>78.2</b>
<b>Impairment</b>		
Opening impairment	13.0	6.5
Impairment for the year	-	6.5
<b>Closing accumulated impairment</b>	<b>13.0</b>	<b>13.0</b>
<b>Carrying amount, December 31</b>	<b>430.6</b>	<b>65.2</b>

**Specification of participations in Group companies**

Group company / corporate registration number / Head office	Number of shares	Shareholding in %	Carrying amount
MilDef International AB, 556422-8277, Helsingborg, Sweden	5,350	100	49.9
MilDef Products AB, 556874-1317, Helsingborg, Sweden	10,000	100	81.1
MilDef Ltd, 5756627, Cardiff, UK	340,000	100	2.1
MilDef, Inc., 5979209, Delaware, USA	120,000	100	1.0
MilDef AS, 959 279 772, Oslo, Norway	1,016	100	1.1
MilDef Sweden AB, 559299-9782, Nacka, Sweden	500	100	1.1
MilDef Integration Sweden AB, 556994-2682, Stockholm, Sweden	1,000	100	181.3
Sysint AS, 825 838 392, Oslo, Norway	30,000	100	113.1
<b>Total</b>			<b>430.6</b>

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

**Note 15. Prepaid costs and accrued income**

	2021	2020
Prepaid rent	2.0	2.0
Prepaid car lease	-	0.0
Prepaid insurance	0.9	0.3
Other items	1.3	1.7
<b>Total</b>	<b>4.2</b>	<b>4.0</b>

**Note 16. Equity**

One share in MilDef Group AB has a quota value of SEK 0.25. The number of shares amounts to 36,389,373 and the share capital amounts to SEK 9,097,343.25.

**Note 17. Untaxed reserves**

	2021	2020
Tax allocation reserves	2.7	22.5
Excess depreciation	2.8	1.3
<b>Total</b>	<b>5.5</b>	<b>23.8</b>

**Note 18. Accrued costs and prepaid revenues**

	2021	2020
Accrued payroll costs	3.8	7.3
Accrued social security costs	1.9	3.2
Other items	1.7	3.1
<b>Total</b>	<b>7.4</b>	<b>13.6</b>

**Note 19. Contingent liabilities**

	2021	2020
Contingent liabilities		
Guarantee commitments for liabilities in subsidiaries	2.3	2.1

**Note 20. Proposed appropriation of profit**

The Board of Directors proposes that the profit in the Parent Company at the disposal of the Annual General Meeting:

	SEK
Retained earnings	18,577,035
Share premium reserve	506,998,236
Comprehensive income for the year	20,569,513
<b>Total</b>	<b>546,144,784</b>

Be distributed in the following manner:

	SEK
Dividend to shareholders, SEK 0.75 per share	27,292,030
Brought forward to new account	518,852,754
<b>Total</b>	<b>546,144,784</b>

Having implemented the proposed disposal of profit, the Parent Company will receive the following equity:

	SEK
Share capital	9,097,343
Share premium reserve	506,998,236
Profit brought forward	11,854,518
<b>Total</b>	<b>527,950,097</b>

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

The Board of Directors' proposal is that SEK 27.3 million, or SEK 0.75 per share, be distributed to shareholders. This has been calculated based on the number of shares outstanding as of December 31, 2021, that is, 36,389,373. The consolidated equity/assets ratio amounts to 70.3% (36.0) and, following the distribution of profit, the equity/assets ratio amounts to 69.3%. The proposed record date for entitlement to dividends is May 16, 2022. If the Annual General Meeting approves the proposal, it is anticipated that the dividend will be paid on May 19, 2022.

## Statement of the Board of Directors regarding the proposed dividend

The Board of Directors proposes a total dividend of SEK 27.3 million, corresponding to SEK 0.75 per share. For the preceding financial year, the Board of Directors proposed a dividend of SEK 1.50 per share (SEK 0.75 adjusted for the 2:1 share split implemented in April 2021). The total dividend paid to shareholders in the preceding year amounted to SEK 17.4 million.

MilDef Groups AB's unrestricted equity amounts to SEK 546.1 million and the Profit brought forward in the Group amounts to SEK 559.1 million before payment of the dividend. Consolidated profit for the year attributable to the Parent Company's shareholders amounted to SEK 0.8 million. The consolidated profit for the year attributable to the Parent Company amounted to SEK 20.6 million.

Following payment of the dividend to shareholders, the Group's equity/assets ratio will amount to 69.3%. MilDef's invest-

ments in intangible assets and property, plant and equipment amounted to SEK 16.4 million in 2021. At the end of the year, MilDef's net cash and bank balances amounted to SEK 67.1 million, including cash and cash equivalents, but not including interest-bearing liabilities and lease liabilities.

The view of the Board of Directors is that the proposed dividend is not expected to affect MilDef's capacity to meet its short or non-current commitments. In assessing the size of the proposed dividend, the Board of Directors has taken into account the needs imposed by the nature, scope and risks of the business on the scope of equity and the consolidation needs, liquidity and position in general of the company and the Group. Accordingly, the proposed dividend can be defended with regard to the precautionary rule specified in the Chapter 17, Section 3, Paragraphs 2–3 of the Companies Act.

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**Helsingborg, April 21, 2022**

*Board of Directors of MilDef Group AB (publ)*

## Proposed appropriation of profit for 2021

The Board of Directors proposes that the profit in the Parent Company at the disposal of the Annual General Meeting:

	SEK
Retained earnings	18,577,035
Share premium reserve	506,998,236
Comprehensive income for the year	20,569,513
<b>Total</b>	<b>546,144,784</b>

Be distributed in the following manner:

	SEK
Dividend to shareholders, SEK 0.75 per share	27,292,030
Brought forward to new account	518,852,754
<b>Total</b>	<b>546,144,784</b>

Having implemented the proposed disposal of profit, the Parent Company will receive the following equity:

	SEK
Share capital	9,097,343
Share premium reserve	506,998,236
Profit brought forward	11,854,518
<b>Total</b>	<b>527,950,097</b>

MilDef's dividend policy is to distribute 20–40% of profit after tax annually. However, MilDef's non-current development, capital structure and the prevailing market conditions are to be taken into account.

The Board of Directors' proposal is that SEK 27.3 million, or SEK 0.75 per share, be distributed to shareholders. This has been calculated based on the number of shares outstanding as of December 31, 2021, that is, 36,389,373. The consolidated equity/assets ratio amounts to 70.3% (36.0) and, following the distribution of profit, the equity/assets ratio amounts to 69.3%. The proposed record date for entitlement to dividends is May 16, 2022. If the Annual General Meeting approves the proposal, it is anticipated that the dividend will be paid on May 19, 2022.



## Signatures

The Board of Directors and the CEO hereby certify that the Annual Report has been prepared in accordance with the Annual Accounts Act and RFR 2 Accounting for legal entities and provides a true and fair view of the company's position and profit, that the administration report provides a true and fair view of the development of the company's operations, position and profit, while also describing the significant risks and uncertainties faced by the company. The Board of Directors and the CEO hereby certify that the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and give a

true and fair view of the Group's position and results, that the administration report for the Group provides a true and fair view of the development of the Group's operations, position and profit, while also describing the significant risks and uncertainties faced by the companies within the Group. The Annual Report and the consolidated accounts were approved for publication by the Board of Directors on April 21, 2022. The consolidated statement of comprehensive income and balance sheet and the Parent Company income statement and balance sheet are subject to approval by the Annual General Meeting on May 12, 2022.

**The Annual Report and the consolidated accounts were, as stated above, approved for publication by the Board of Directors and the CEO on April 21, 2022.**

Jan Andersson  
Chairman of the Board

Christian Hammenborn  
Board member

Marianne Trolle  
Board Member

Berndt Grundevik  
Board Member

Björn Karlsson  
CEO

Lennart Pihl  
Board member

Charlotte Darth  
Board member

**Our audit report was submitted on April 21, 2022**

Bengt Ekenberg  
Authorized Public Accountant

Andreas Brodström  
Authorized Public Accountant

## Report on the annual report and consolidated financial statements

### Statements

We have carried out an audit of the annual report and consolidated financial statements for MilDef Group AB, org.nr 556893-5414 for the year 2021. The company's annual report and consolidated financial statements are included on pages 61-113 of this document.

In our opinion, the annual accounts and consolidated accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the parent company's financial position as of December 31, 2021 and of its financial results and cash flow for the year in accordance with the Annual Accounts Act. The consolidated financial statements have been prepared in accordance with the Annual Accounts Act and provide a true and fair view in all material respects of the Group's financial position as of 31 December 2021 and of its financial results and cash flow for the year in accordance with international financial reporting standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The annual report is consistent with the other parts of the annual report and consolidated financial statements.

We therefore recommend that the Annual General Meeting adopts the income statement and balance sheet of the Parent Company and the Group.

Our statements in this report on the annual accounts and consolidated accounts are consistent with the content of the supplementary report submitted to the Board of Directors of the Parent Company in accordance with Article 11 of the Auditors' Regulation (537/2014/EU).

### Basis for statements

We have carried out the audit in accordance with International Standards on Auditing (ISA) and good auditing practice in Sweden. Our liability under these standards is described in more detail in the Auditor's Liability section. We are independent in relation to the Parent Company and the Group in accordance with good auditor's practice in Sweden and have otherwise fulfilled our ethical responsibility in accordance with these requirements. This includes that, based on our best knowledge and beliefs, no prohibited services referred to in Article 537/2014/EU of the Auditors' Regulation (537/2014/EU) have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate as a basis for our statements.

### Particularly important areas

Particularly important areas for the audit are those areas that, in our professional judgment, were the most important for the audit of the annual accounts and consolidated accounts for the period in question. These areas are addressed within the framework of the audit of, and in our position on, the annual report and consolidated financial statements as a whole, but we do not make separate statements on these areas.

### Acquisition analysis and veneration of goodwill

See Notes 3 and 13 in the annual report and consolidated financial statements for detailed information and descriptions of the area.

#### *Description of the area*

During the year, two acquisitions were made in the Group. When preparing acquisition analysis, acquired assets and assumed liabilities, regardless of whether they have been recognised previously or not, shall be identified and assigned amounts corresponding to their fair value on the acquisition date. In cases where earn-outs become relevant, these are also waived in connection with the acquisition analysis.

In order to establish this analysis, access to knowledge of the methods to be used in the analysis and knowledge of the conditions in the acquired business that give rise to values to be reported in the Group are required. The acquisition analysis requires assessments by the management of the Group regarding which assets are to be included in the accounts.

As of December 31, 2021, the Group reports goodwill of SEK 201.2 million, which represents 25% of the balance sheet total. Goodwill shall be subject to an impairment test, which includes both complexity and significant elements of assessments from group management.

According to current regulations, review shall be carried out according to a certain technology where management makes future assessments of the business's both internal and external conditions and plans. Examples of such assessments are future receipts and payments, which require, among other things, assumptions about future market conditions and thus indirectly about how competitors can be expected to act. Another important assumption is which discount rate should be used to take into account that future assessed contributions are associated with risk and are thus worth less than cash and cash equivalents directly available to the Group.

#### *How the area has been taken into account in the audit*

We have taken note of the company's impairment tests to assess whether they are carried out in accordance with the technology prescribed. Furthermore, we have assessed the reasonableness of the future receipts and payments as well as the assumed discount rate by taking part of and evaluating management's budgets. We also interviewed the management.

We have consulted our own valuation specialist to ensure experience and expertise in the field, mainly regarding assumptions related to the external market and competitors and adoption of the discount rate used. An important part of our work has been to evaluate how changes in assumptions can affect the valuation, a sensitivity analysis.

We have consulted valuation specialists in connection with the review of the acquisition analyses that have focused, among other things, on the intangible assets and that the techniques used by group management to impose these assets values in the accounting are consistent with the regulatory framework and established valuation techniques. We have reconciled the values mentioned in the acquisition analysis and that all assets and liabilities have been included. This assessment has been based, among other things, on reconciliation with the acquired companies' accounts, inspection of acquisition agreements entered into, management's assumption regarding earn-out considerations. We have also checked the completeness of the disclosures in the annual report and assessed whether they are consistent with the assumptions that the company has applied in its impairment test and acquisition analysis and whether the information is sufficiently comprehensive to understand management's assessments.

### **Revenue recognition**

See Note 1 in the annual report and consolidated financial statements for applied accounting policies.

#### *Description of the area*

MilDef Group AB generates revenue from sales of hardware, software and services. The share of sales of software and services has increased with the company's fabric during the financial year. When selling hardware, revenue recognition takes place in connection with the delivery of the products. Sales of software and services are based on agreements with customers where revenue recognition is deducted gradually after delivery and performance.

#### *How the area has been taken into account in the audit*

We have tested a selection of the companies' invoicing around the turn of the year to assess whether the companies' accruals and revenue recognition are correct both in terms of product sales and sales of software/services.

We have randomly reconciled the project report, followed up on whether the forecasts for these projects are up to date and thus whether the profit and revenue settlements are fairly calculated.

### **Information other than the annual report and the consolidated report**

This document also contains information other than the annual report and the consolidated financial statements and can be found on pages 2-60 and 118-122. It is the Board of Directors and the CEO who are responsible for the other information.

Our statement regarding the annual accounts and consolidated financial statements does not include this information and we do not make a statement in support of this other information. In connection with our audit of the annual accounts and consolidated accounts, it is our responsibility to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated financial statements. In this review, we also take into account the knowledge we have otherwise acquired during the audit and assess whether the information otherwise appears to contain material misstatements. If, based on the work that has been done regarding this information, we conclude that the other information contains a material misstatement, we are obliged to report this. We have nothing to report on this.

### **Responsibilities of the Board of Directors and the CEO**

It is the Board of Directors and the CEO who are responsible for the preparation of the annual accounts and consolidated accounts and that they give a true and fair view in accordance with the Annual Accounts Act and, as regards the consolidated financial statements, 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 an annual report and consolidated financial statements that do not contain any material misstatements, whether due to irregularities or mistakes.

When preparing the annual report and 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 indicate, where applicable, conditions that may affect the ability to continue operations and to use the assumption of continued operation. However, the assumption of continued operation does not apply if the Board of Directors and the CEO intend to liquidate the company, cease operations or have no realistic alternative to doing any of this.

The Audit Committee of the Board shall, without prejudice to the Board's responsibilities and duties in general, monitor the company's financial reporting, among other things.

### **Auditor's responsibility**

Our objectives are to achieve a reasonable degree of certainty as to whether the annual accounts and consolidated financial statements as a whole do not contain any material misstatements, whether due to irregularities or mistakes, and to provide an auditor's report containing our statements. Reasonable assurance is a high degree of assurance, but is no guarantee that an audit carried out in accordance with ISA and good audit practice in Sweden will always detect a material misstatement if one exists. Misstatements may arise on the basis of irregularities or mistakes and are considered material if they can be expected to affect individually or together they can reasonably be expected to influence the financial decisions that users make on the basis of the annual report and consolidated financial statements.

As part of an isa audit, we use professional judgment and have a professionally skeptical attitude throughout the audit. Besides:

- we identify and assess the risks of material misstatements in the annual accounts and consolidated accounts, whether due to irregularities or mistakes, design and carry out audit procedures, among other things, based on these risks and obtain audit evidence that is sufficient and appropriate to form a basis for our Statements. The risk of not detecting a material inaccuracy as a result of irregularities is higher than that of a substantial inaccuracy due to mistakes, as irregularities may include collusion, falsification, intentional omissions, misinformation or breach of internal control.
- we acquire an understanding of the part of the company's internal control that is relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not to comment on the effectiveness of internal control.
- we evaluate the suitability of the accounting principles used and the reasonableness of the board of directors' and ceo's estimates in the financial statements and related disclosures.
- we conclude on the appropriateness of the Board of Directors and the CEO using the assumption of continued operation in the preparation of the annual report and consolidated financial statements. We also draw a conclusion, based on the audit evidence obtained, as to whether there is any material uncertainty factor relating to such events or circumstances that could lead to significant doubts about the company's and the Group's ability to continue operations. If we conclude that there is a material uncertainty factor, we must draw attention in the auditor's report to the disclosures in the annual accounts and consolidated financial statements about the material uncertainty factor or, if such disclosures are insufficient, modify the statement of the annual accounts and consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or circumstances may mean that a company and a group can no longer continue operations.
- we evaluate the overall presentation, structure and content of the annual accounts and consolidated financial statements, including disclosures, and whether the annual accounts and consolidated financial statements reflect the underlying transactions and events in a manner that gives a true and fair view.
- we obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to make a statement regarding the consolidated financial statements. We are responsible for the governance, supervision and execution of the Group Audit. We are solely responsible for our statements.

We must inform the Board of Directors about, among other things, the planned scope and direction of the audit and the timing of it. We must also inform about significant observations during the audit, including any significant deficiencies in internal control that we have identified.

We must also provide the Board with a statement that we have complied with relevant professional ethics requirements regarding independence, and address all relationships and other circumstances that may reasonably affect our independence, as well as, where applicable, measures taken to eliminate the threats or countermeasures that have been taken.

Of the areas communicated with the Board of Directors, we determine which of these areas have been the most important for the audit of the annual accounts and consolidated accounts, including the main assessed risks of material misstatements, and which therefore constitute the areas of particular importance for the audit. We describe these areas in the auditor's report unless laws or regulations prevent disclosure of the matter.

### **Report on other requirements under laws and regulations**

#### **Statements**

In addition to our audit of the annual accounts and consolidated accounts, we have also carried out an audit of the management of the Board of Directors and the CEO of MilDef Group AB for 2021 and of the proposed appropriations regarding the company's profit or loss. We recommend that the General Meeting disposes of the profit in accordance with the proposal in the Annual Report and discharges the members of the Board of Directors and the Ceo from liability for the financial year.

#### **Basis for statements**

We have carried out the audit in accordance with good auditing practice in Sweden. Our liability under this is described in more detail in the auditor's responsibilities section. We are independent in relation to the Parent Company and the Group in accordance with good auditor's practice in Sweden and have otherwise fulfilled our ethical responsibility in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate as a basis for our statements.

#### **Responsibilities of the Board of Directors and the Ceo**

It is the Board of Directors that is responsible for the proposed appropriations regarding the company's profit or loss. When proposing a dividend, this includes, among other things, an assessment of whether the dividend is justifiable taking into account the requirements that the company's and the Group's operating nature, scope and risks place on the size of the parent company's and the Group's equity, consolidation needs, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the management of the company's affairs. This includes, among other things, continuously assessing the financial situation of the company and the Group and ensuring that the company's organization is designed so that the accounting, asset management and the company's financial affairs are otherwise controlled in a reassuring manner.

The Ceo shall manage the day-to-day management in accordance with the Board's guidelines and instructions and, among other things, take the necessary measures for the company's accounting to be fulfilled in accordance with the law and for the administration of funds to be managed in a reassuring manner.

#### **Auditor's responsibility**

Our objective regarding the audit of the administration, and thus our discharge statement, is to obtain audit evidence in order to assess with a reasonable degree of certainty whether any board member or the ceo in any material respect:

- have taken any action or have been guilty of any negligence that may give rise to liability for compensation against the Company, or
- otherwise acted in violation of the Swedish Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective regarding the audit of the proposed appropriation of the company's profit or loss, and thus our statement on this, is to assess with a reasonable degree of certainty whether the proposal is compatible with the Swedish Companies Act.

Reasonable assurance is a high degree of assurance, but no guarantee that an audit carried out in accordance with good auditing practice in Sweden will always detect actions or omissions that may result in liability for compensation against the company, or that a proposal for appropriation of the company's profit or loss is not compatible with the Swedish Companies Act.

As part of an audit according to good audit practice in Sweden, we use professional judgment and have a professionally skeptical attitude throughout the audit. The review of the management and the proposal for appropriations of the company's profit or loss is primarily based on the audit of the accounts. The additional audit procedures performed are based on our professional assessment based on risk and materiality. This means that we focus the review on such measures, areas and conditions that are essential to the business and where deviations and violations would have a special impact on the company's situation. We review and examine decisions made, decision-making documents, measures taken and other circumstances relevant to our discharge statement. As a basis for our statement on the Board of Directors' proposal for appropriations regarding the company's profit or loss, we have reviewed the Board's reasoned opinion and a selection of the basis for this in order to assess whether the proposal is compatible with the Swedish Companies Act.

#### **Auditor's review of the ESEF report**

##### **Statement**

In addition to our audit of the annual accounts and consolidated accounts, we have also carried out a review of the board of directors and the CEO having prepared the annual report and consolidated financial statements in a format that enables uniform electronic reporting (the ESEF report) in accordance with Chapter 16, Section 4a of the Act (2007:528) on the securities market for MilDef Group AB for the financial year 2021.

Our review and statement relate only to the statutory crunch. In our opinion, the ESEF report `daa2c1d92ba90dddb512ce8b6673e52d-7134d53515c3b7f0ecea28a0e49fb5c` has been prepared in a format that essentially enables uniform electronic reporting.

##### **Basis for the statement**

We have conducted audits in accordance with SCA's recommendation RevR 18 The auditor's review of the ESEF report. Our liability under this recommendation is described in more detail in the Auditor's Liability section. We are independent in relation to MilDef Group AB in accordance with good auditor's practice in Sweden and have otherwise fulfilled our ethical responsibility according to these requirements.

We believe that the evidence we have gathered is sufficient and appropriate as a basis for our statement.

##### **Responsibilities of the Board of Directors and the Ceo**

It is the Board of Directors and the Ceo who are responsible for ensuring that the ESEF report has been prepared in accordance with Chapter 16, Section 4a of the Securities Market Act (2007:528), and for the existence of internal control that the Board of Directors and the Ceo deem necessary to draw up the ESEF report without material misstatements, these of which are due to irregularities or mistakes.

##### **Auditor's responsibility**

Our task is to express our opinion with reasonable certainty if the ESEF report is essentially prepared in a format that meets the requirements of Chapter 16, Section 4a of the Securities Market Act (2007:528), on the basis of our review.

RevR 18 requires us to plan and implement our audit procedures to achieve reasonable assurance that the ESEF report is prepared in a format that meets these requirements.

Reasonable assurance is a high degree of security, but is no guarantee that a review carried out in accordance with RevR 18 and good auditing practice in Sweden will always detect a material misstatement if one exists. Inaccuracies may arise due to irregularities or mistakes and are considered material if they can reasonably be expected to influence individually or collectively the financial decisions made by users on the basis of the ESEF report.

The audit firm applies ISQC1 Quality Control to audit firms that perform audits and review of financial statements as well as other assurance assignments and related services and thus has a comprehensive quality control system, which includes documented guidelines and procedures regarding compliance with ethical requirements, professional standards and applicable requirements in law and regulations.

The audit includes obtaining, through various measures, evidence that the ESEF report has been prepared in a format that enables uniform electronic reporting of the annual accounts and consolidated accounts. The auditor chooses the actions to be performed, including by assessing the risks of material misstatements in the reporting, where these are due to irregularities or mistakes. In this risk assessment, the auditor takes into account the elements of internal control that are relevant to how the Board of Directors and the Managing Director produce the basis for the purpose of designing audit procedures that are appropriate in the circumstances, but not for the purpose of making a statement on the effectiveness of internal control. The review also includes an evaluation of the effectiveness and reasonableness of the assumptions of the Board of Directors and the Ceo.

The audit measures mainly include a technical validation of the ESEF report, i.e. if the file containing the ESEF report meets the technical specification set out in commission delegated regulation (EU) 2019/815 and a reconciliation of the ESEF report's compliance with the audited annual accounts and consolidated accounts.

Furthermore, the review also includes an assessment of whether the ESEF report has been labelled with iXBRL enabling a fair and complete machine-readable version of the Group's income statement, balance sheet and equity statements as well as the cash flow statement.

Bengt Ekenberg and Andreas Brodström both active at Mazars AB, Terminalgatan 1, 252 78 Helsingborg were appointed MilDef Group AB's auditors by the Annual General Meeting 2021-03-30, and have been the company's auditors since 2016-04-04.

Helsingborg, 2022-04-21

Bengt Ekenberg  
Authorized Public Accountant

Andreas Brodström  
Authorized Public Accountant

## Multi-year summary

Key ratios, Group		2021	2020	2019	2018	2017
<b>Sales and profit</b>						
Net sales	SEK million	469.6	398.4	334.0	243.8	298.8
Operating profit (EBITDA)	SEK million	20.7	68.5	35.9	24.2	44.0
Adjusted operating profit (EBITDA)	SEK million	32.2	72.8	35.9	22.4	42.2
Operating profit (EBITA)	SEK million	8.2	62.8	35.9	22.4	42.2
Adjusted operating profit (EBITA)	SEK million	19.7	67.1	0.0	0.0	0.0
Operating profit (EBIT)	SEK million	-2.9	56.9	24.9	17.8	35.6
Adjusted operating profit (EBIT)	SEK million	8.6	61.2	0.0	0.0	0.0
Profit after financial items (EBT)	SEK million	-5.3	55.4	25.1	19.2	32.8
Profit for the year	SEK million	-0.7	42.5	19.0	12.1	24.7
<b>Cash flow</b>						
Cash flow from operating activities	SEK million	-55.5	61.7	-7.9	25.8	35.0
Cash flow from investing activities	SEK million	-187.2	-8.6	-2.7	-3.6	-4.2
Cash flow from financing activities	SEK million	362.9	-14.4	-12.0	-17.9	-12.6
Operating cash flow	SEK million	-71.4	53.1	-10.6	22.2	30.8
Cash flow for the year	SEK million	120.3	38.7	-22.6	4.3	18.2
<b>Capital employed and financing</b>						
Total assets	SEK million	808.2	367.9	285.2	178.2	167.6
Capital employed	SEK million	428.3	200.2	172.8	90.4	95.6
Net cash excluding lease liabilities	SEK million	127.8	46.8	9.1	31.5	26.7
Equity attributable to Parent Company shareholders	SEK million	568.2	132.6	101.3	87.7	85.2

## Multi-year summary

Key ratios, Group		2021	2020	2019	2018	2017
<b>Per share data, SEK*</b>						
Number of shares outstanding as of Dec 31	NUMBER	36,389,373	11,618,422	11,618,422	11,618,422	11,020,000
Average number of shares before dilution	NUMBER	26,243,169	11,618,422	11,618,422	11,498,738	11,020,000
Average number of shares after dilution	NUMBER	26,243,169	11,618,422	11,618,422	11,498,738	11,020,000
Earnings per share before dilution	SEK	-0.03	1.83	0.82	0.52	1.12
Earnings per share after dilution	SEK	-0.03	1.83	0.82	0.52	1.12
Equity per share, before dilution	SEK	15.61	5.71	4.36	3.78	4.05
Equity per share, after dilution	SEK	15.61	5.71	4.36	3.78	4.05
Cash flow per share, before dilution	SEK	-2.72	4.57	-0.91	1.93	2.79
Cash flow per share, after dilution	SEK	-2.72	4.57	-0.91	1.93	2.79
Dividend per share	SEK	0.75	0.75	0.38	0.25	0.61
Share price as of December 31	SEK	52.40	-	-	-	-
Yield	%	1.43	-	-	-	-
<b>Key ratios</b>						
Gross margin	%	44.7	45.7	37.4	37.6	33.5
Operating margin (EBITDA)	%	4.4	17.2	10.7	9.9	14.7
Adjusted operating profit (EBITDA)	%	6.9	18.3	10.7	9.9	14.7
Operating margin (EBITA)	%	1.7	15.8	10.7	9.2	14.1
Adjusted operating profit (EBITA)	%	4.2	16.8	10.7	9.2	14.1
Operating margin (EBIT)	%	-0.6	14.3	7.4	7.3	11.9
Adjusted operating profit (EBIT)	%	1.8	15.4	7.4	7.3	11.9
Profit margin (EBT)	%	-1.1	13.9	7.5	7.9	11.0
Return on capital employed	%	0.0	30.6	19.7	24.8	36.3
Return on equity	%	-0.2	36.4	20.1	14.0	33.6
Equity/assets ratio	%	70.3	36.0	35.5	49.2	50.8
<b>Other</b>						
No. employees at end of year	NUMBER	188	119	93	86	76
Average number of employees	NUMBER	154	97	85	81	75

\*To enable comparisons between years, the period 2017–2020 has been adjusted for the 2:1 share split implemented in April 2021.



## Definitions

### NUMBER OF OUTSTANDING SHARES

Number of registered shares less repurchased shares, held by the Company.

### RETURN ON EQUITY

Profit after tax attributable to owners of the parent as a percentage of average equity.

### RETURN ON CAPITAL EMPLOYED

Profit after financial revenue as a percentage of average capital employed.

### EBIT

Earnings before interest and taxes according to the income statement.

### EBITDA

Earnings before interest, taxes, depreciation and amortization of property, plant and equipment and intangible asset.

### NON-RECURRING ITEMS

Non-recurring items are specific material items that are reported separately because of their size or frequency, e.g. restructuring costs, impairment, divestments and acquisition-related expenses.

### NET DEBT

Non-current and current interest-bearing liabilities less financial income-bearing assets.

### OPERATING CASH FLOW

Cash flow from operating activities and cash flow from investing activities excluding acquisitions and divestments of intangible assets and of property, plant and equipment.

### ORGANIC GROWTH

Annual growth in net sales excluding acquisition-related net sales, calculated as an increase in net sales excluding acquisition-related net sales compared with the previous year, expressed as a percentage.

### WORKING CAPITAL

Current assets, excluding cash and cash equivalents and current tax assets, less interest-free current liabilities, excluding current tax liabilities.

### OPERATING MARGIN

Operating profit as a percentage of net sales.

### EQUITY/ASSETS RATIO

Equity as a percentage of total assets.

### CAPITAL EMPLOYED

Equity plus interest-bearing net debt.

### EARNINGS PER SHARE BEFORE DILUTION

Profit after tax attributable to owners of the parent as a percentage of average number of outstanding shares.

### EARNINGS PER SHARE AFTER DILUTION

Profit after tax attributable to owners of the parent as a percentage of average number of outstanding shares plus average number of shares added upon conversion of outstanding convertibles and warrants.

# Articles of Association

for

## **MilDef Group AB**

corp. reg. no. 556893-5414

### **1 Company name**

The registered name of the company is MilDef Group AB. The company shall be a public liability company (publ).

### **2 Registered office**

The Board of Directors shall be based in Helsingborg, Sweden.

### **3 Operations**

The company's operations shall be to own and manage shares in subsidiaries and engage in activities compatible therewith. The company shall also provide Group-wide services including management, legal, HR and financial services facilitating the operational activities of the subsidiaries.

### **4 The company's share capital**

The share capital shall amount to at least SEK 6,160,000 but shall not exceed SEK 24,640,000.

### **5 Number of shares in the company**

The minimum number of shares shall be 24,650,000 and the maximum number of shares shall be 98,600,000.

### **6 Composition of the Board of Directors**

The Board of Directors shall consist of at least three and at most eight ordinary members with no deputies. The Board of Directors is elected annually by the Annual General Meeting until the end of the ensuing Annual General Meeting.

### **7 The company's auditors**

To audit the company, at least one and at most two registered auditing companies or at least one and at most two auditors shall be appointed by the Annual General Meeting. The assignment as auditor shall apply until the end of the Annual General Meeting held in the ensuing financial year.

### **8 Convening of General Meetings**

Notice of an Annual General Meeting or Extraordinary General Meeting shall be issued by advertisement in the Swedish Official Gazette (Post- och Inrikes Tidningar), as well as on the company's website. The fact that a General Meeting has been convened shall be published in Swedish national daily newspaper Dagens Industri.

### **9 Matters to be addressed by the Annual General Meeting**

The Annual General Meeting shall address the following matters.

- 1 Preparation and approval of a voting list.
- 2 Election of a chairman for the Meeting.
- 3 Election of a keeper of the minutes.
- 4 Election of two people to verify the minutes.
- 5 Examination of whether the Meeting has been duly convened.

6 Approval of the agenda.

7 Address by the CEO

8 Presentation of the prepared Annual Report, the auditors' report, as well as the consolidated accounts and the auditors' report for the Group.

9 Resolutions

a. on the adoption of the income statement and the balance sheet as well as the consolidated income statement and the consolidated balance sheet.

b. on the allocation of the Company's profit or loss in accordance with the approved Balance Sheet and, where applicable, on the date of payment.

c. on the discharge from liability of the Board members and the CEO.

10 Determination of the number of Board Members and auditors.

11 Determination of remuneration of Board Member.

12 Determination of fees for auditor/auditors.

13 Election of the Board of Directors.

14 Election of auditor/auditors.

15 Regarding other matters to be addressed by the General Meeting in accordance with the Swedish Companies Act or the Articles of Association.

## **10 Participation in the Annual General Meeting**

To participate in the Annual General Meeting, shareholders must register with the company no later than the date specified in the notice convening the Meeting, at which time the number of assistants shall also be stated. This date may not be a Sunday, another public holiday, a Saturday, a Midsummer Eve, a Christmas Eve or a New Year's Eve, and it must not take place before the fifth working day prior to the General Meeting.

## **11 Power of attorney**

The Board of Directors shall collect powers of attorney in accordance with the procedure set out in Chapter 7, Section 4, second paragraph of the Companies Act.

## **12 Postal voting**

The Board of Directors may decide, ahead of a General Meeting, that shareholders should be able to exercise their voting rights by mail (or via a comparable digital system). The Board of Directors shall provide such information in connection with the notice convening the Annual General Meeting. In such as case, the notice convening the Meeting shall clearly state the procedure and the approach.

## **13 Financial year**

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

## **14 CSD clause**

The Company's shares are registered in a central securities depository pursuant to the Swedish Financial Instruments Registration Act (1998:1479).

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These Articles of Association were adopted by the Annual General Meeting of April 29, 2021.

**We digitalize the world  
Where the stakes are the highest,  
the requirements are the toughest,  
and when technology has game-changing potential**

**Financial calendar:**

Interim report Q1 2022.....	April 28, 2022
Annual General Meeting 2022.....	May 12, 2022
Interim report Q2 2022.....	July 28, 2022
Interim report Q3 2022.....	October 27, 2022

**For further information contact:**

**MilDef Group AB**

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**About MilDef**

*MilDef was founded in 1997 in Helsingborg, Sweden, and is a supplier of tactical IT for demanding environments. Tactical IT includes rugged electronics, software and services. MilDef's products are currently sold to more than 160 customers through MilDef's subsidiaries in Sweden, Norway, Finland, the UK and the USA, and through a network of partners in more than 30 countries, mainly within the EU. MilDef is listed on Nasdaq Stockholm.*

**[www.mildef.com](http://www.mildef.com)**



MilDef Group AB  
Corp. Reg. No. 556893-5414