

ANNUAL AND SUSTAINABILITY REPORT

2023

NET SALES, SEK M

1,151

ADJUSTED EBITDA, SEK M

168

OPERATING MARGIN EBITDA

14.6%

WE ARMOR IT.

 **MILDEF**

INFORMATION FOR SHAREHOLDERS

Annual General Meeting

The Annual General Meeting will be held at 4 pm CEST on Thursday, May 23 at MilDef's headquarters in Helsingborg. Information on how to register to attend the meeting and notice of the meeting will be available on the website no later than four weeks prior to the meeting.

Application

Shareholders wishing to participate in the Annual General Meeting must be registered in the share register maintained by Euroclear Sweden AB no later than May 15, 2024 and must notify MilDef of their intention to attend no later than Friday, May 17, 2024. In order to be entitled to participate in the AGM, shareholders with nominee-registered shares must request temporary registration of their shares in their own name in the share register maintained by Euroclear Sweden AB (so-called voting rights registration). Shareholders must inform their nominee of this well in advance of May 15, 2024. Voting rights registration requested by shareholders in time for registration to be carried out by the nominee no later than May 17, 2024 will be taken into account when the share register for the Annual General Meeting is prepared.

Agenda

Details on the agenda for the Annual General meeting will be announced in Post- och Inrikes Tidningar (the Official Swedish Gazette) and in the Swedish newspaper Dagens Industri, and will be available on MilDef's website. Documents can also be obtained from MilDef when registering to attend the AGM.

Dividend proposal

The Board of Directors is proposing to the AGM that a dividend for the 2023 financial year be set at SEK 0.50 per share.

Nomination Committee

The following board members are members of MilDef's Nomination Committee:

- Johan Ståhl, appointed by Svolder AB (publ),
Nomination Committee chair
- Peter Lundkvist, appointed by the Third Swedish
National Pension Fund (AP3)
- Marianne Trolle, who represents her own holding in MilDef
- Björn Karlsson, Chair of the Board of MilDef

Requesting financial information

Financial and other relevant information can be requested from MilDef by post or can be downloaded from the website, where there is also a subscription service for news and financial reports.

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Financial calendar

Interim Report Q1 2024	April 26, 2024
Interim Report Q2 2024	July 25, 2024
Interim Report Q3 2024	October 25, 2024
Year-end report 2024	February 6, 2025

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Production of MilDef's Annual Report 2023

Project management and text
Olof Engvall, Viveca Johnsson
and Marie Jonsson

Design and graphics
Kith Wig Timour

Printer
Adapt Media

Reading guidelines

Figures in parentheses refer to operations in 2022, unless otherwise stated. The Swedish krona (SEK) is the currency used throughout. SEK million is abbreviated to SEK m and thousands to SEK 000. The information presented in the Annual Report regarding markets, competition and future growth constitutes MilDef's assessment, which is based primarily on materials produced internally within the Group and from external sources.

The Company's Sustainability Report is presented on pages 34–49. The formal annual report is presented on pages 53–144. Some figures have been rounded off and, accordingly, tables and calculations do not always add up exactly.





WE ARMOR IT.

Letters. Words. Codes. Coordinates. Orders.

Every moment vital information is transmitted around us and at risk. Enter MilDef. We create rugged IT solutions for the harshest conditions and most challenging environments, which prevent your information from being interrupted, intercepted or disrupted.

Put simply; we armor your IT, when and where the stakes are the highest.

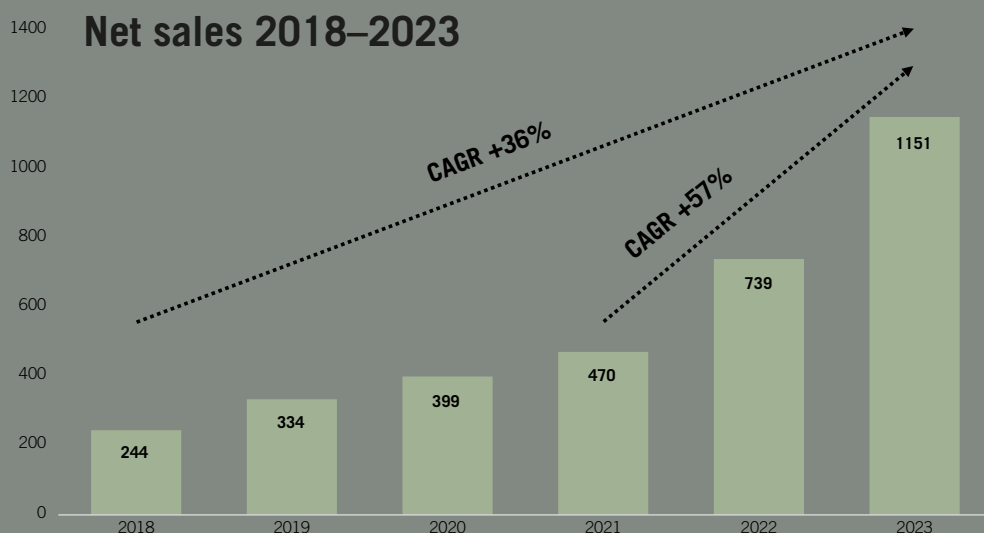


THE YEAR IN BRIEF

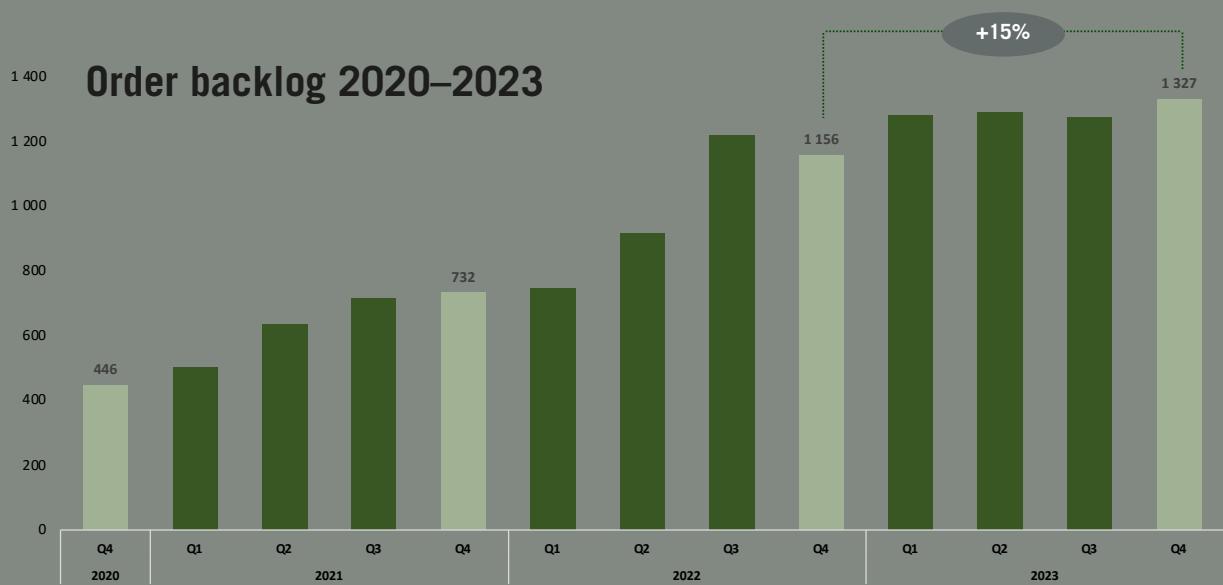
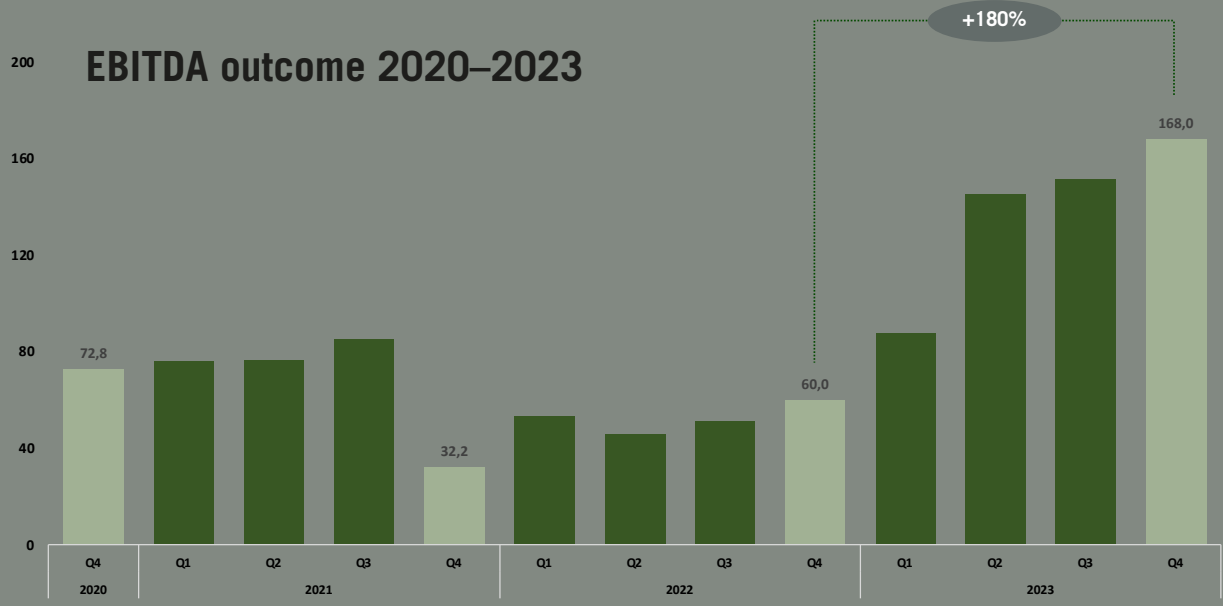
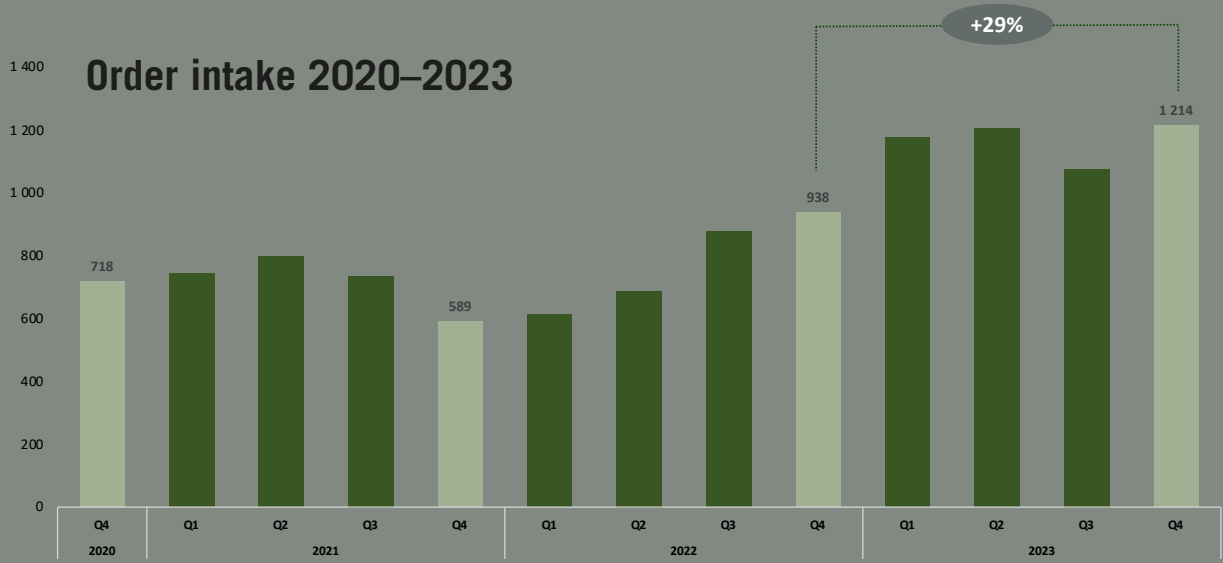
2023 was a groundbreaking year in which MilDef made important advances – both operationally and financially. The Company is reporting record profits, strong growth and clear improvement in cash flow. MilDef is now equipped for a significant increase in demand for European defense technology over the next decade. Given this background, MilDef has never been more relevant, having strategically significant framework agreements in place and being well-prepared to meet the fast-growing demand in the market.

Financial development full year 2023

- Net sales increased by 56% to SEK 1,151 million (739).
- The gross margin was 48.3% (47.7).
- Adjusted EBITDA amounted to SEK 168.0 million (60.0), equivalent to an adjusted operating margin of 14.6% (8.1).
- Operating profit (EBIT) amounted to SEK 108.1 million (29.2), corresponding to an operating margin of 9.4% (4.0).
- Order intake increased by 29% to SEK 1,214 million (938).
- Order backlog as of December 31, 2023 increased by 15% to SEK 1,327 million compared with the same date in 2022 (1,156).
- Operating cash flow amounted to SEK 8.7 million (-95.0).
- Earnings per share after dilution over the last 12-month period amounted to SEK 1.71 (0.37).
- The Board of Directors is proposing that a dividend for the 2023 financial year be set at SEK 0.50 per share.



THE YEAR IN BRIEF



MILDEF HAS NEVER BEEN

Summarizing 2023 I can say that MilDef has advanced its position toward being an important supplier of critical IT infrastructure. We grew our sales by 56% and improved our operating profit by 180%, from SEK 60 million to SEK 168 million. The operating margin amounted to 14.6%. Our order intake increased by 29%, from SEK 938 million to SEK 1,214 million, and our order backlog grew by 15% to SEK 1,327 million.



Market activity steadily increasing

Development in 2023 is based on a higher level of activity in the market. The geopolitical tensions affect our industry and have resulted in the biggest increase in defense investment for 30 years in Europe. Defense budgets are expected to increase incrementally as rearmament relies on an interplay between multiple actors. All aspects need to keep pace with each other. The need for technical solutions, more secure supply chains and rebuilding of stocks is expected to drive demand. This also requires MilDef's delivery capacity to be robust. At MilDef we take this extremely seriously. The dynamics in the market have changed as well. In the past our end-customers had time but limited financial resources; now they have the money but are short on time.

Customer needs in focus

Offering products that are customized for our customers has always been one of MilDef's signature strengths. Since most of MilDef's products are developed in cooperation with the Company's customers, they are guaranteed a relevant offering. During the year we launched some new products that demonstrate MilDef's ability to develop customer-oriented solutions. These included a handheld Android-based device intended for military operations.

Another new product is our next generation Panel PC with a rapidly detachable computer module for increased operational flexibility. Going forward we predict a continuing trend toward more robust computing power, a higher degree of digitalization and soldier-borne IT. MilDef is facilitating digitalization that will make a difference in defense and security.

Accelerated ambitions in the North American market

MilDef has had operations in the USA for many years. In 2023 the Company accelerated its ambitions in the world's largest defense market. Jim Rimay, who has headed Handheld's US operations since 2015, was given responsibility for MilDef's operations in the USA. One strategically important order in 2023 was from a US defense group for which MilDef and Handheld have jointly developed products for the military domain.



MORE RELEVANT

“The Company’s financial development over time is the most important driver of long-term shareholder value.”

Long-term perspective more important than the short-term

The Company’s financial development over time is the most important driver of long-term shareholder value. It is important to remember that MilDef operates in an industry that is above all characterized by volatile order intake over individual quarters. This is a reality we will have to live with in the future as well. I would therefore like to point out that it is better to follow MilDef’s financial performance over a longer time horizon; at least over a rolling 12-month period.

Looking ahead

Increases in military capacity are now imminent in large parts of Europe. We hope to continue to grow based on increased demand for MilDef’s products and raised defense budgets. The initiatives implemented by MilDef over the past few years are aimed at continued growth and an increased order intake in 2024. MilDef sees good potential for the Company to keep creating long-term value for the shareholders and other stakeholders.

I am optimistic about 2024 and in conclusion I would like to thank all of our employees, customers, suppliers and owners for a positive 2023.



President & CEO of MilDef Group

NET SALES, SEK M

1,151

ORDER INTAKE, SEK M

1,214

ADJUSTED EBITDA, SEK M

168





THIS IS MILDEF

MilDef is a systems integrator and full-spectrum supplier of specialized and rugged IT for defense forces, government agencies and critical infrastructure sectors. We develop and offer hardware, software and services to help digitalize important information flows in the toughest conditions and in the most challenging environments.

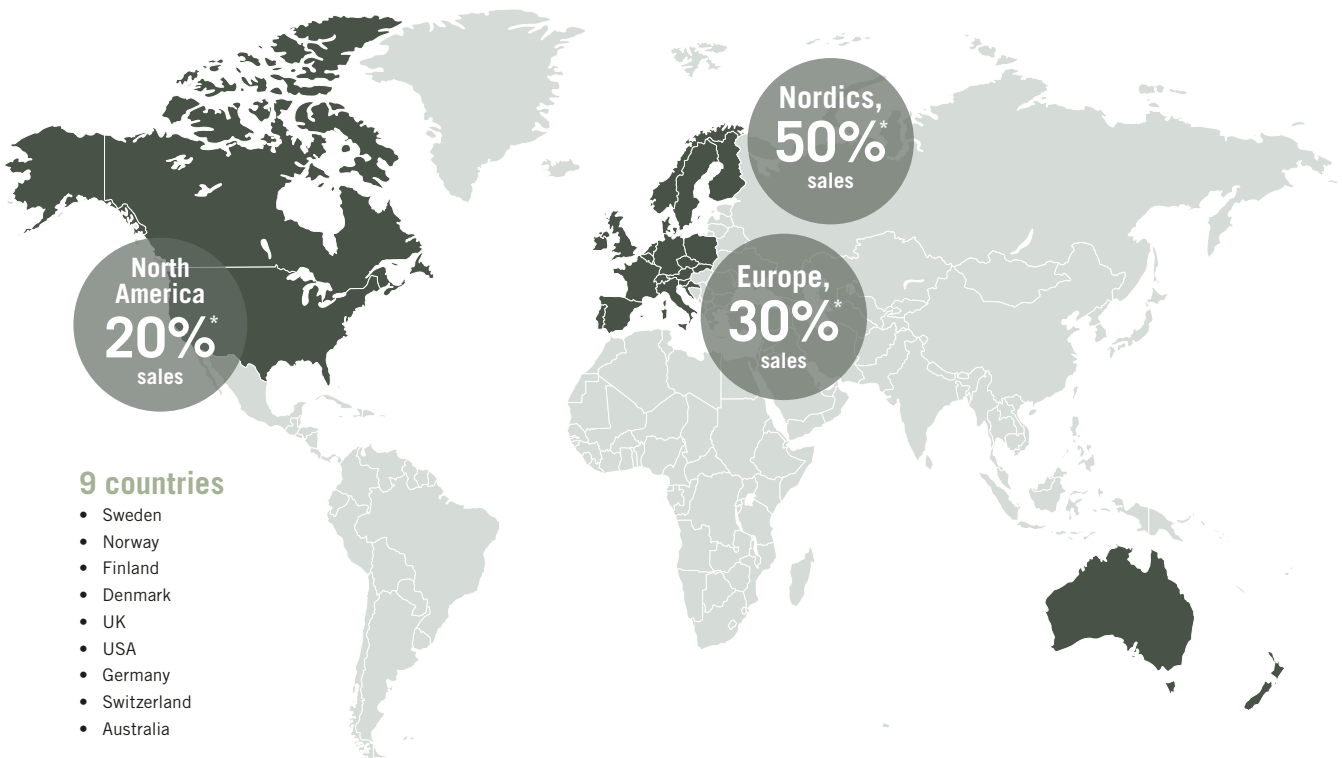
We protect critical information flows and systems, where and when the stakes are highest. We guarantee secure, resilient and reliable IT, which is ultimately not only protecting human lives but also our lifestyle, freedom and democracy; the very foundation of our society.

In close cooperation with our customers, partners and suppliers we integrate durable, reliable and bespoke hardware in highly flexible and customizable systems and solutions; solutions that are rigorously tested – not only in our laboratories and environmental test facilities, but also in real life.

With operations in nine countries and partner networks in more than 40, MilDef had sales of SEK 1,151 million in 2023 and 309 full-time employees at the end of the year.

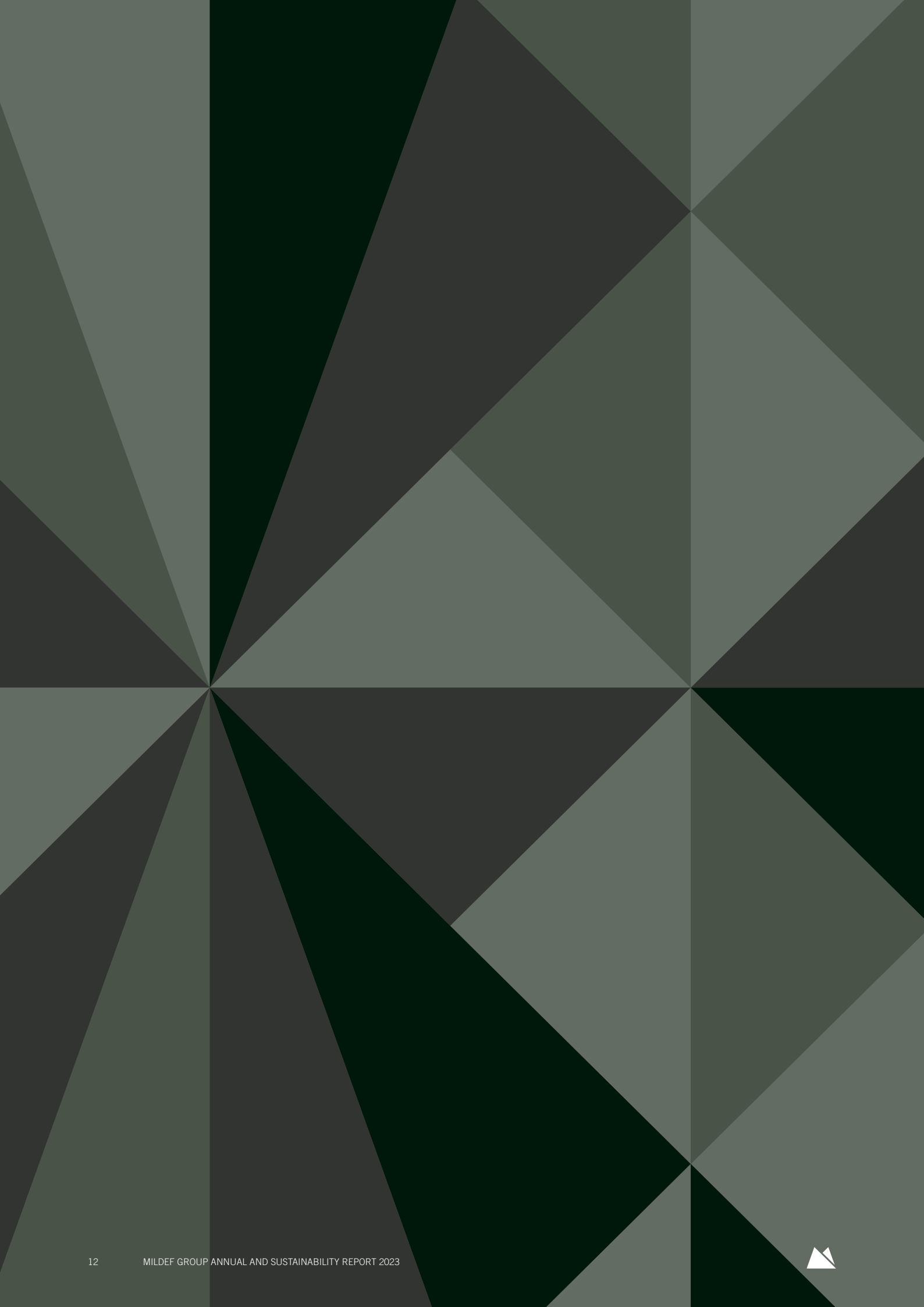
The customers are primarily in defense-related industries, but there is also growth in government agency and critical infrastructure customers, such as in health, other industries and blue light. The customers share a common need for tactical IT solutions, hardware, software and services to digitalize their operations in environments where the strains on IT are considerable. MilDef holds a strong position in its domestic market, the Nordic region, and has strong relationships with international customers. These relationships have been built up over time and are based on trust and delivery reliability.

MilDef in the world



* Approximate percentage





BUSINESS IDEA AND GOAL

Digitalization within the armed forces and of functions that are critical for society is increasing and with it comes increased demand for tactical IT solutions in demanding environments. MilDef is taking an active part in this development and the Company's goal is to be the most reliable partner in the industry. MilDef adds value through industry-leading quality and good delivery precision.

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 requirements of tactical and demanding environments. Quality and robustness are crucial for the success of MilDef's 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 and exceeding expectations – both MilDef's own and those of its customers.

Financial targets

MilDef's four financial targets over time are: to increase sales by at least 25% per year, including acquisitions, and to reach an operating margin (EBITDA) of at least 10% over time.

Over the past six years sales have increased by an average of around 36% per year and the operating margin has averaged around 11.7%. MilDef is planning to grow through a combination of organic and acquisition-driven growth. MilDef also has substantial unutilized potential for exports to several countries and expansion into adjacent market segments. MilDef's target for interest-bearing net debt is for it not to exceed 2.5 times operating profit (EBITDA), other than temporarily.

MilDef's dividend policy is to distribute 20–40% of net profits when this is possible.

To reach its financial targets for growth and profitability MilDef is employing the following strategies:

- Increase market share in existing prioritized markets.
- Implement strategic acquisitions that complement MilDef's current product portfolio and/or provide entry into new markets.
- Continue to invest in product and software development as well as the service offering – for both new products and to further develop existing ones.

The four financial targets

GROWTH

At least 25%

MilDef's target is to grow sales over time by at least 25% per year, including acquisitions.

PROFITABILITY

At least 10%

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

CAPITAL STRUCTURE

Interest-bearing net debt not to exceed

2.5 times EBITDA
other than temporarily.

DIVIDEND POLICY

20–40%

Distribute 20–40% of net profit. MilDef will, however, take long-term development, capital structure and prevailing market conditions into account.



MILDEF AS AN INVESTMENT

Since 1997 MilDef has grown and shown profitability within its global tactical IT niche. Over the past six years the annual sales growth has averaged 36%, which exceeds MilDef's financial target of 25% growth over time. The profitability target is at least 10% EBITDA over time and the average for 2018–2023 was 11.7% adjusted EBITDA.

An attractive market with strong growth factors

- MilDef targets selected markets that have high potential and forecast growth. The Company is focusing on the Nordic region, Europe, the UK, the USA and selected NATO nations.
- Growth is driven by digitalization in demanding environments, expanding defense budgets globally, technical innovations and modernization.
- Long-term customer relationships are crucial for success in this market.

A leading company in the Nordic region in the global rugged electronics niche

- MilDef only has a few direct competitors.
- MilDef is a leading supplier of robust defense electronics in the Nordic region.
- The Nordic countries are important markets and MilDef's presence in the USA, the UK and Europe is generating growth and enabling future expansion.
- Since 2020 MilDef has a multi-year contract in place in the UK involving modernization of the army.
- In 2022 MilDef signed framework agreements with the Swedish Defence Materiel Administration and a NATO nation. Together they are worth SEK 3.7 billion over 20 years.
- MilDef extended its 2023 framework agreement with the Norwegian Defence Materiel Agency.

A well-positioned portfolio for tactical IT solutions

- MilDef continues to broaden its offering to be a comprehensive supplier of tactical IT, i.e. hardware, software and services.
- MilDef has a strong hardware portfolio in three main product segments: network systems, displays and computers.
- The products are designed to handle the most challenging environments and meet strict military specifications.
- Growth takes place both organically and through acquisitions.
- With state-of-the-art production facilities in Sweden (opened in 2020) and Wales (opened in 2022), MilDef has tripled its production capacity.

An efficient organization with high-level engineering expertise and strong industry knowledge

- MilDef has a value-driven corporate culture in which the employees are motivated by doing work that is critical for society and by technological challenges. Their motivation also comes from inspiring working environments, internal career opportunities and training programs.
- MilDef has clearly defined KPIs in place to follow both the Company's and the employees' performance.
- Most of the employees have many years of experience in the defense industry, leadership and international business development.

Strategies for accelerated growth

- MilDef has expanded its operations significantly since inception in 1997.
- From 2018 to 2023 MilDef had an average compound annual growth rate (CAGR) of 36%.
- The average EBITDA margin for 2018–2023 was 11.7 %, with an adjusted EBITDA margin of 14.6% in 2023.
- The growth strategy is based on three important strategic pillars: growth in MilDef's domestic markets in the Nordic region, expansion through partner networks in prioritized markets and defense-driven growth.
- Over the past decade MilDef has completed six successful acquisitions. These have taken MilDef into new geographical markets and expanded the customer offering. The Company has an active and structured process to advance its acquisition agenda.

Dividend policy

- MilDef's target is to distribute an annual dividend of 20–40% of profit after tax. MilDef will, however, take long-term development, capital structure and prevailing market conditions into account.



Why invest in MilDef

- A trusted supplier for the defense industry, government agencies and critical infrastructure.
- A fast-growing market with strong growth factors.
- A leading company in the Nordic Region in the global rugged electronics niche.
- A well-positioned portfolio for comprehensive tactical solutions in hardware, software and services.
- An efficient organization with advanced engineering expertise and strong industry knowledge.
- A well-reputed and established brand.
- A solid financial position and strategies to accelerate growth.



MILDEF'S POSITION IN THE VALUE CHAIN

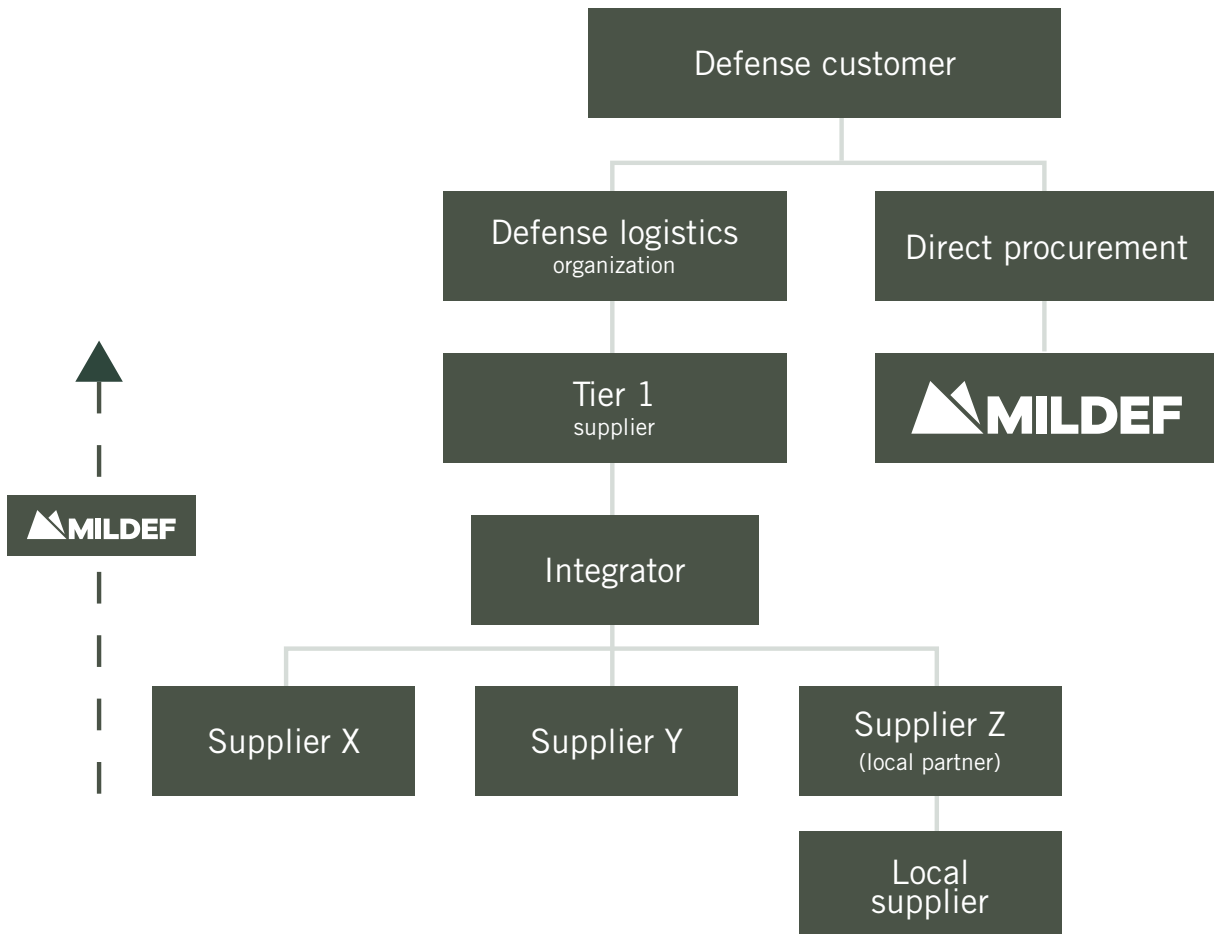
Products and systems in the defense market are characterized by varying degrees of complexity and volume – from products with low complexity and significant repetition, manufactured in long series, to highly complex products produced in small volumes. MilDef's market position and capacity to leverage its know-how and product development between different markets leads to technology transfer that is difficult for the Company's local competitors to achieve.

The value chain for large complex products, platforms and systems in the defense market mainly consists of a number of sub-suppliers delivering subsystems, products and components to a main supplier that manufactures, delivers and is responsible for the end-products and/or systems delivered to end-customers. Suppliers of complex systems and products are often well-established, large, multinational tier 1 corporations that are diversified in terms of products and geographical presence, and have close business relationships with national defense procurement agencies.

MilDef is advancing in the value chain and selling more products directly

Public sector customers use direct contracts and also acquire products through logistics organizations, such as the Swedish Defence Materiel Administration (FMA), the

Norwegian Defence Materiel Agency (NDMA) and the Danish Ministry of Defence Acquisition and Logistics Organization (DALO). As the business volume and complexity grow, so too does the supply chain. In an international scenario there may be local and global sub-suppliers delivering products and services to one or more integration partners, who in turn deliver to a contracted supplier with overall responsibility for a project or program. The relationship between tier 1 suppliers, integrators and sub-suppliers is typically a commercial business-to-business relationship involving private procurement and purchasing contracts. In smaller, complex transactions, contracts may be signed directly by the acquiring agency, such as the Armed Forces in Sweden. Tier 1 suppliers normally deliver product units that are close to the end-product.



TRENDS

DRIVING THE MARKET

The security situation in the world, which continued to deteriorate in 2023, and decisions to significantly increase defense spending are expected to accelerate the trends presented below. Five of the key factors driving growth in rugged electronics, software and services are identified here.

- 1 Strong increase in defense appropriations** and the fact that for many years there has been structural underinvestment in total defense. In many countries actors are demanding an increase in expenditure to raise the level of security nationally, regionally and globally.
- 2 Modernization** programs are essential in order to meet the goals set out above. To implement this it is necessary to replace old materiel with more modern systems that can handle the increasing demands of modern and digitalized armed forces.
- 3 Digitalization, IoT and AI** are powerful trends that have crucial significance within security, defense and critical infrastructure. Total defense strategies must keep up with technical developments and this means that more is expected of IT systems. The systems require higher performance levels to handle the massive amount of data being used, while also retaining the same level of security – both physically and technically.
- 4 New technologies** are having a significant impact on rugged defense electronics. For example, better sensor systems and various types of remote-controlled craft require more from the electronics that control them.
- 5 The significance of total defense** has grown and this has increasingly expanded the term “defense” to include security in critical functions in society, in addition to military defense. This concept involves armed forces playing an ever-increasing role in emergency management situations. This could include construction and staffing of field hospitals and providing support in connection with natural disasters and other similar extraordinary situations.



2023 – IN THE NEWS

20 NEWS CLIPS

January

MilDef launches a company in Denmark. To further strengthen MilDef's position in Denmark, MilDef Denmark has now been established. This subsidiary will be headed by Claus Larsen, most recently Country Manager for Atos Denmark. He specializes in defense and security, and has served for 20 years as a reserve officer.

MilDef receives an order worth SEK 50 million. In August 2022 MilDef announced a 20-year framework agreement worth SEK 2.8 billion with an unnamed European NATO country's armed forces. Now the first orders under the agreement have been placed to contribute to the digitalization of the country's army.

February

Daniel Ljunggren appointed as the new CEO. After completing an evaluation process the Board decided to make this role permanent and Daniel Ljunggren was appointed CEO on May 26, 2023.

March

MilDef wins an upgrade of Challenger 3 Main Battle Tank. MilDef has been awarded a sub-supplier contract worth SEK 32 million to deliver processors and ethernet switches that meet the criteria for Generic Vehicle Architecture for the British Army's upgraded tanks.

April

MilDef wins order worth SEK 69 million. In connection with the delivery of replacement technology and modernization of a Swedish defense system, MilDef has been entrusted with delivering rugged computers, switches and displays.

May

MilDef recruits new CFO. Viveca Johnsson is appointed as new CFO. Viveca has a solid background in the financial and industrial sectors. She comes to MilDef from Nederman, an industrial company where she has worked since 2013.

MilDef extends framework agreement with the Norwegian Defence Materiel Agency (NDMA). MilDef has signed an extension of its framework agreement with the Norwegian Defence Materiel Agency (NDMA). The agreement, which was originally signed in May 2020, has now been extended for a further two years, from 2023 to 2025.

June

MilDef invests in the USA under the leadership of Jim Rimay. MilDef accelerates its investment in the USA by consolidating MilDef Inc. and the Handheld operations into a strong and focused entity. Jim Rimay, currently CEO of Handheld US Inc., takes over as head of all of MilDef's activities in the USA.

MilDef wins an order from the Swedish Defence Materiel Administration for new command system. MilDef has secured a three-year contract for digitalization of a light supply vessel for the Swedish Amphibious Corps. Command systems will be upgraded and installed in 16 vessels for a value of SEK 37 million.

July

MilDef makes delivery worth SEK 30 million to Astronics. Astronics Corporation is a supplier of advanced technology for global aviation and defense industries. The platform integrates MilDef's product platform with Astronics' portable radio test portfolio, which it delivers to the U.S. Navy.



Handheld wins an agreement for technology for nanodrones. Handheld will develop operator computers for nanodrones to be used by soldiers in the field. The custom-made control computer is based on a 7 inch ultra-rugged Handheld Android tablet. The customer is a global defense group.

MilDef and UMS SKELDAR launch console technology for remote-controlled flight systems. MilDef has designed, developed and manufactured a pilot console for UMS SKELDAR's V-200 platform, which in turn will deliver the unmanned flight system and operator consoles to naval forces.

August

MilDef launches new brand platform. At the DSEI (Defence and Security Equipment International) trade fair in London in September MilDef launched its newly developed brand platform WE ARMOR IT, signifying that MilDef makes both IT and everything the Company works on stronger and more durable.

September

MilDef is awarded a contract in USA worth SEK 35 million. In the third quarter MilDef signed a series of contracts in the US defense market for rugged IT for digitalization of the US army, special units in the US air force, the US Marine Corps and Navy.

MilDef launches groundbreaking Tactical Android Device (T.A.D.). MilDef's Tactical Android Device redefines the Dis-mounted Soldier System. The innovative unit addresses the challenges that military personnel face by offering advanced technical functions and durability.

MilDef launches next generation Panel PC. The newly developed Panel PC has a rapidly detachable computer module for a new level of operational flexibility. The unique display and computer combination will enable groundbreaking use of computers and displays in military operations.

November

MilDef wins strategic hardware order worth SEK 30 million from a European NATO country. MilDef has been contracted to deliver hardware to a European NATO country. At the same time MilDef was further entrusted to deliver tactical IT for new strategic projects within both land and air defense in the same country.

MilDef's subsidiary Handheld secures an order from Makin worth SEK 67 million. MilDef's wholly owned subsidiary Handheld has signed a contract to deliver robust tablets in the Algiz RT10 series to Makin, an international provider of machine control systems. The contract runs for five years.

December

MilDef wins orders from the Swedish Defence Materiel Administration (FMV) worth SEK 45 million. MilDef has signed a number of new contracts with FMV for robust IT equipment for the Swedish Armed Forces. These are products such as computers, laptops and network equipment.

MilDef wins cybersecurity contract worth SEK 97 million. Clavister, a leader in European cybersecurity, has ordered MilDef's hardware to be part of Clavister's Cyber Armour, an integrated cybersecurity system for defense platforms. Deliveries will continue for five years.





CUSTOMER PROMISE

RUGGED, RELIABLE & RESILIENT

We are built tough. We are built to be the one you can depend upon. We are built to never back down or bail out. Rugged, reliable, resilient. It is not just words. It is how our products are made. It is what our products deliver. It is how we make a difference, when and where the stakes are the highest.

SECURITY & PROTECTION

We are the enemy of “oops”. The opposite of wishful thinking. The antidote to short-sightedness. Our reason for being is to give the good cause the upper hand. To stand up for freedom and democracy. To make the world a safer place and to protect the fabric of our society.

FIELD PROVEN

We stand behind our products because we know what they are capable of. We spend huge amounts of money on R&D to test and find out how they perform in the harshest conditions. But the real test is out there in the real world. In the mud. In the cold. In the heat. In the neverending rain. We have been there. Done that. And so have our products.

FLEXIBLE & CUSTOMIZABLE

Working with systems integration means being part of a greater context. Which means that we constantly need to adapt and adjust our way of working as well as align and comply with a wide number of products, systems and solutions. We know the importance of fitting in. Therefore, we do not have a set menu. The products and systems we build are the ones our customers need. More than anything, it is a matter of attitude and mindset. To us, impossible is only temporary. If there is a will, we will surely find a way.

INTEGRITY & TRUST

Our business is built on integrity and trust. Neither of them come in a gift box. They have to be earned. And at MilDef we are hardworking earners. People turn to us because our word and pledge means something. They turn to us because we have always stood up for our beliefs, ideas and actions – and always will. Something that can be costly in the short perspective. But something that always pays off in the long run. For everyone.

UNSTOPPABLE

Unstoppable would be the perfect description of the spirit of MilDef. Of our approach to challenges, difficulties and our customers' needs. Of our responsiveness, alertness and swiftness. And of the success story we have been writing together for the past few decades. But it goes beyond that. Unstoppable is at the very essence of our brand promise and offer. We make sure that the information streams we protect never get interrupted, intercepted or corrupted. We stop at nothing. Literally.



A COMPLETE TACTICAL IT OFFERING

MilDef's product portfolio can be used in very demanding environments. The products are robust to withstand tough conditions for long periods. The product portfolio encompasses all of the components in an IT system – from servers and computers to network equipment and displays, as well as software and services.

MilDef offers a complete IT environment – from servers to network equipment, power supply, storage and more. With configuration and a choice of often bespoke products, customers are able to create systems that solve a large number of technical problems with low integration costs.

MilDef's 19"/2® series

MilDef's 19"/2® series is part of the Group's hardware portfolio and is the most comprehensive component among the products developed in-house by the Company. They meet current criteria for IT infrastructure by delivering high performance on a small surface. The products are designed for customization and their signals, connectors, performance, etc. can be quickly modified.

The modular solution enables flexible and scalable architecture for system construction. By using modular products, customers can easily adapt the system for specific requirements and needs, and add or remove functionality as needed. This makes it possible to build IT systems that are optimal, scalable and cost-effective. A common example of a 19"/2® installation is as an IT system in vehicles, such as troop transport vehicles in the UK or combat boats in Sweden, where key components of the vehicles' IT is based on MilDef's computers, services, switches and displays.

The long lifecycles of the 19"/2® products make them not only sustainable but also able to meet customer expectations of a strategic supplier, while also matching the long lifecycles of most military vehicles.

Displays

MilDef's displays are developed to handle the most demanding environments, in terms of both environmental impact and

electromagnetic threats. They are available as Panel PCs with the latest processor technology or as a display with various interface options. The displays were created to last for a long time without the need for maintenance, which means they can be used for 10+ years without a planned service.

Laptops, tablets and phablets

MilDef has a broad offering of robust computers for mobile use, including laptops, tablets and handheld devices. All models can be further modified through configuration and customization. The range of tablets in various sizes and designs provides mobility and enables them to be installed in restricted spaces in vehicles or boats. MilDef is also rapidly expanding into the wearable devices segment as digitalization down to the individual level increases.

Special electronics

MilDef produces specialized solutions for specific tasks. The Company designs and builds, for example, rugged controllers for remote control of unmanned craft. MilDef can also create customized computers with an integrated battery, detachable hard disk and multiple interfaces to connect to communication equipment and sensors.

Accessories

MilDef offers accessories needed to connect, integrate and use tactical IT equipment in variable environments. The portfolio includes keyboards of various designs, specially adapted cables, media converters and more.



SOFTWARE AND SERVICES

Fast implementation of IT services

MilDef's OneCIS software enables the fast launch of tactical IT services for deployed personnel, tactical units and rapid deployment forces. Combined with MilDef's hardware, this offers a secure, flexible, scalable and implementable tactical IT solution that reduces the risk of manual errors and enables increased operational capacity through its automated and well-tested configurations.

Competitive advantages

- Support for both standalone and network-based systems.
- Fully automatic and standalone launch and configuration of IT services.
- Mobile, secure and flexible tactical IT solution.
- Ability to communicate via NATO's Federated Mission Networking (FMN).

Integration services

MilDef offers experience and expertise throughout the system integration process – from preliminary study and system design to physical integration, installation and maintenance of products and systems.

Customized integrated logistics solutions (ILS) solutions and technical support ensure high accessibility and effectiveness throughout the system's life cycle. MilDef designs and integrates hardware and software such as command and communication systems, navigation systems and sensors such as radar, electronic, warfare and optronic systems. MilDef works

with all types of platforms, objects and facilities, and has carried out projects involving combat vehicles, combat boats, command and control units, and facilities such as command centers, simulators etc.

Research and development

MilDef conducts extensive research and development. The research and development (R&D) department is activated early on in the sales process. As soon as an inquiry is received from a customer, a concept is created that identifies the requirements and specifications, and describes how MilDef intends to realize the product. Both the concept department and later on the project department are helped by having access to MilDef's resource bank of reusable technology, such as electronics, mechanics and software. This phase lays the foundations for one of MilDef's main competitive advantages – the ability to rapidly and cost-effectively customize solutions.

Intellectual property creates advantages

By retaining the intellectual property, future product projects can leverage past development work, which also benefits the customers in the form of guaranteed quality, short delivery times and cost-efficiency. When a project is ordered, a structured project model is initiated where the concept is refined into development specifications. Based on these specifications, development is carried out by one of MilDef's in-house project teams. Prototypes are built by the R&D department in a lab where experts verify both functionality and environmental requirements. MilDef has extensive testing equipment to ensure that the products meet the specifications.



MilDef's service offering

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



FAST-GROWING MARKET

The increase in geopolitical uncertainty in recent years has triggered a radical shift in the defense policies of many countries. With Sweden entering NATO and the strong resolve to build robust defense forces – jointly with our Nordic neighbors – significant investments are now being made in the Nordics as well as in Europe.

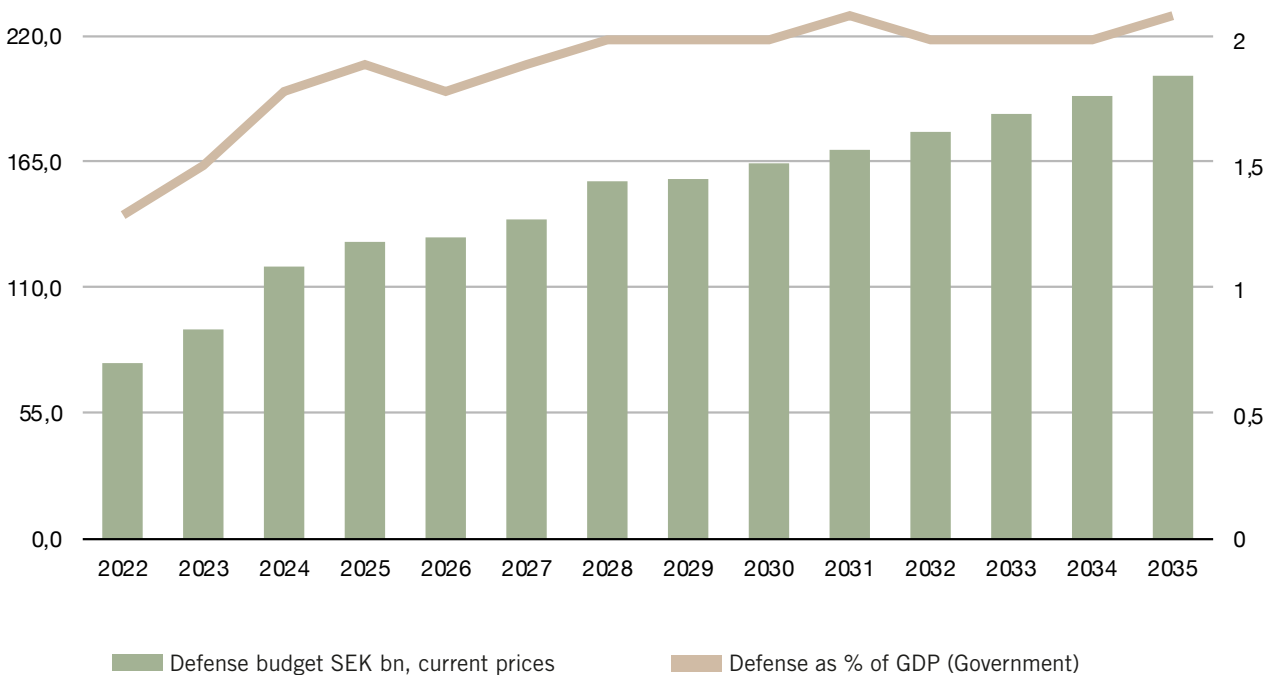
“The historic development in military spending is related to external factors”

When uncertainty grows around the world, countries tend to spend a greater portion of their budgets on defense. After peaking in the 1940s, investments fell before increasing again when the Cold War reached its zenith in the 1980s. After the end of the Cold War and the collapse of the Warsaw Pact, the nations of the world generally reduced their defense appropriations, with the exception of periods of greater uncertainty triggered by events such as the terror attacks in the USA in 2001. We are now in a period of rapid rearmament, as illustrated by the following examples from Sweden, Norway, Denmark and the UK.

Sweden

Sweden is MilDef’s largest market and also the Nordic country with the biggest defense budget. After decades of disarmament and shrinking defense budgets there is now a strong rearmament trend. In its 2024 budget proposal, the Swedish Government allocated an additional amount of around SEK 700 million to military defense. This increases the total budget for military defense by more than SEK 27 billion from 2023 to 2024, an increase of 28%. Altogether the 2024 budget amounts to SEK 119 billion. The budget has thus doubled since 2020 and already by 2024 Sweden will reach the target of defense spending equivalent to 2% of GDP as defined by NATO. The Government’s budget proposal also includes additional amounts of around SEK 1.2 billion for 2025 and around SEK 7.4 billion for 2026.

Swedish government’s financial planning framework



Sweden's planned defense reinforcement 2023–2025

Development of the Swedish war organization is proceeding in line with the country's total defense policy focus for 2021–2025 by strengthening capabilities and units in the existing structure. Development is also taking place to prepare for long-term contributions in line with NATO requirements.

- The army is initiating ongoing procurement of ammunition for field operations as well as explosives and detonators to meet the needs of military units.
- Air defense units are being developed and strengthened through the addition of new air defense systems and re-arming of two air defense battalions with Robotssystem 98 and Air Defense System 103.
- Most of the Swedish Armed Forces' support for Ukraine up to now has consisted of materiel for use by the army's combat units. The period therefore saw procurement begin in order to replace, in particular, combat vehicles, tanks, artillery, support weapons and ammunition.
- To meet the needs of the expanded war organization, and to extend the life of systems until transition can take place, there are ongoing programs to renovate combat vehicles and tanks.
- At the same time replacement and procurement continues of materiel such as small arms, trucks, standard vehicles, new uniform systems and other materiel for soldiers and units.
- Planning of four new surface warfare vessels (YSF 2030 program) will be concluded in 2024–2025.
- Sales of remote-controlled landmine clearance systems and a concept phase for sales of naval mine removal systems have started.
- New logistics support vessels will be procured during the period. Tugboats will be delivered to the Armed Forces in 2024. Procurement of working ships will start in 2024 and of auxiliary ships in 2025.

Development 2026–2030

- Early in the period, full capacity will be reached for air defense system 103 (Patriot), thereby adding anti-ballistic missile defense capability for the Swedish Armed Forces.
- Development of the planned air defense battalion 103/98 will continue through increased integration in air defenses and within units, procurement of command and control systems as well as new sensors.
- Procurement of advanced air defense for brigades and combat units will also begin. This is aimed at increasing defense capabilities against modern fighter jets and cruise missiles. Procurement will include launchers, reconnaissance radar and combat management systems.
- During the period there will also be expanded renovation of the Stridsfordon 90 combat vehicle, including orders for new vehicle platforms. The renovation of existing vehicle platforms will also continue, and armored recovery vehicles and tracked armored personnel carriers will receive new weaponry. The objective is to deliver pre-series, new generation vehicles in 2026 and to receive delivery of vehicle platforms with the current technology level to replace support allocated to Ukraine.
- Modern equipment for signature modification will be procured on an ongoing basis. This includes both general and location-specific masking, decoys as well as training munitions.
- There will also be regular procurement of ammunition for field exercises for the Swedish Armed Forces' war organization, which includes explosives and detonators as well as special charges and mines. Procurement of long-range combat capability for the army's units will start to increase the ability to attack high-value targets from a longer distance.
- Drones in various sizes (UAS/RPAS)25 will be procured to increase the army's capabilities in reconnaissance, tactical control, artillery fire control and impact reporting.
- Naval air defense systems will be developed. This will take place in cooperation with the air force tactical and air defense control system to enable these air defense systems to be integrated.

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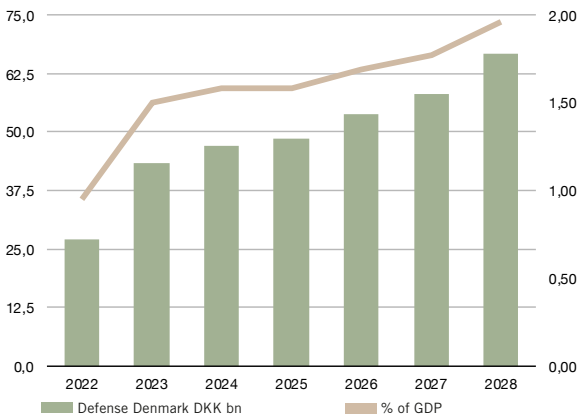
Examples of other nations' defense expansion

Denmark

The armed forces' defense capabilities need to be restored so that new investments, assignments and initiatives can be built on a solid foundation. Therefore around DKK 27 billion has been allocated over the next 10 years to reinforce the armed forces' materiel, buildings, IT and personnel to address accumulated challenges in defense operations. Furthermore, around DKK 11 billion has been allocated for additional investments in materiel and personnel in view of the new security and economic reality, where it will become more expensive and more resources will be required to run the Danish defense forces in the future. In 2024 the Danish defense budget is DKK 36.3 billion, but it will take several more years before the 2% target is reached.

To create the best conditions for build-up and control over the next decade, a team of experts will be appointed to provide recommendations on effective organization.

Denmark's defense budget 2022-2028

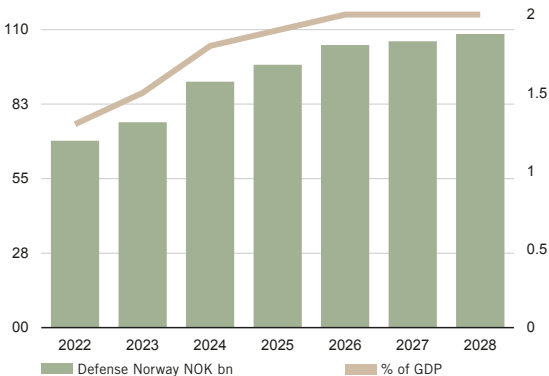


Norway

The upcoming budget increase provides an idea of the new, long-term plan for the armed forces that the Norwegian government is to have in place in 2024.

The government has presented a proposal to raise the 2024 defense budget so that it will approach the 2% target that was previously set for 2026. In the proposal the budget is increased to NOK 90.8 billion, which is NOK 15 billion more than in 2023 (NOK 10.9 billion more if adjusted for inflation, higher income and technology changes).

Norway's defense budget 2022-2028



Around NOK 27 billion is allocated for investments that include F-35 jets, new submarines, surveillance aircraft, maritime helicopters, artillery ammunition, infrastructure and important improvements in information technology (ICT).

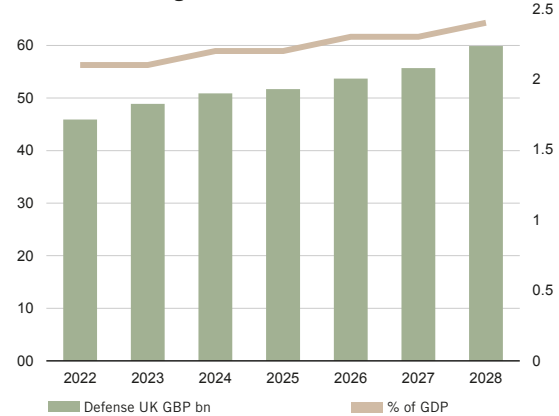
“In 2024 the main priorities are to increase personnel, raise storage capacity, reinforce the territorial defense forces, increase capacity to receive reinforcement from allied forces and improve status awareness in the north.” Press release from Norway's Ministry of Defence on October 6, 2023.

UK

The National Audit Office announced that the Ministry of Defence estimated a shortfall in its budget for new weapons and equipment over the next decade of GBP 16.9 billion – the biggest deficit in the office's annual 10-year forecasts since forecasts were first published in 2012. In the worst case scenario it could rise to GBP 29.8 billion.

In 2024 the defense budget is expected to reach GBP 50.9 billion. The budget is already above 2% of GDP as defined by NATO. Over the next two years defense spending will increase by GBP 5 billion (2023/24 and 2024/25). This additional funding was subsequently confirmed in the spring budget on March 15, 2023, and a further GBP 2 billion per year for the years up to 2027/28 was also announced. This adds a total of GBP 11 billion to the defense budget for this five-year period. The government has stated that the extra funding will help to modernize the UK's defense capacity, and will finance the next phase of the AUKUS submarine program (GBP 3 billion) and replenish stocks (GBP 2 billion).

The UK defense budget 2022-2028



MILDEF'S BUSINESS AND OFFERING

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UK armed forces face £17bn black hole in equipment budget | [ft.com](https://www.ft.com/content/cf4d9a84-23e5-448a-881c-3cdfacd1eb06)
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The UK's armed forces face cuts to fill a record £17 billion black hole in the defence budget | [Daily Mail Online](https://www.dailymail.co.uk/news/article-12821647/The-UKs-armed-forces-face-cuts-record-17-billion-black-hole-defence-budget.html)
<https://www.dailymail.co.uk/news/article-12821647/The-UKs-armed-forces-face-cuts-record-17-billion-black-hole-defence-budget.html>



THREE PATHS TO CONTINUED GROWTH AND EXPANSION

As a leading supplier of tactical IT, MilDef has linked its strategies to expansion within three areas: hardware, software and services. All of these are robust, secure and adaptable – features that are always relevant and even more so in light of increased requirements for efficient IT systems that safeguard defense functions and other critical infrastructure.

Three pillars of growth



GROWTH IN EXISTING MARKETS

With its own representation in nine countries and a network of partners that spans more than 40 countries, MilDef has significant opportunities to grow in its existing markets. With a focus on the Nordic region, the USA, the UK, the EU, selected NATO countries, and carefully selected other markets, MilDef is creating a market situation with factors for repeatable success. The partner model also feeds the acquisition strategy with candidates.

Grow where we are

By accelerating sales of MilDef's "classic" range of products and services, the Company is well-positioned to win market share, above all in the markets where MilDef has its own companies. Through its long-term market presence, the Company also has potential for add-on sales (product upgrades and replacement products) based on previous contracts, thereby generating repeat revenue in areas where MilDef is in a strong position to win new business.

PORTFOLIO STRATEGY

Alongside expanding its range of hardware, MilDef is also aiming for growth in software and services. The services that MilDef delivers range from strategic IT to software-related services and implementation, as well as aftermarket services. Future solutions will increasingly be a combination that includes more components from fewer suppliers.

Grow with hardware and software

Hardware and software represent the technical element of digitalization. This is supplemented by a spectrum of services, from strategic IT including change management, to implementation. An example of expanding the offering through acquisitions is the fast-growing operations of MilDef Integration Sweden AB (acquired in 2021). This company focuses on integration and installation of hardware solutions. Another example is the service offering from Norwegian company Sysint (acquired in 2021) and its rollout of the OneCIS software. A third example is the acquisition of Handheld in 2023.

MilDef has identified good opportunities in so-called infrastructural software, i.e. in operating systems, communications, security, deployment, sensor systems, etc.

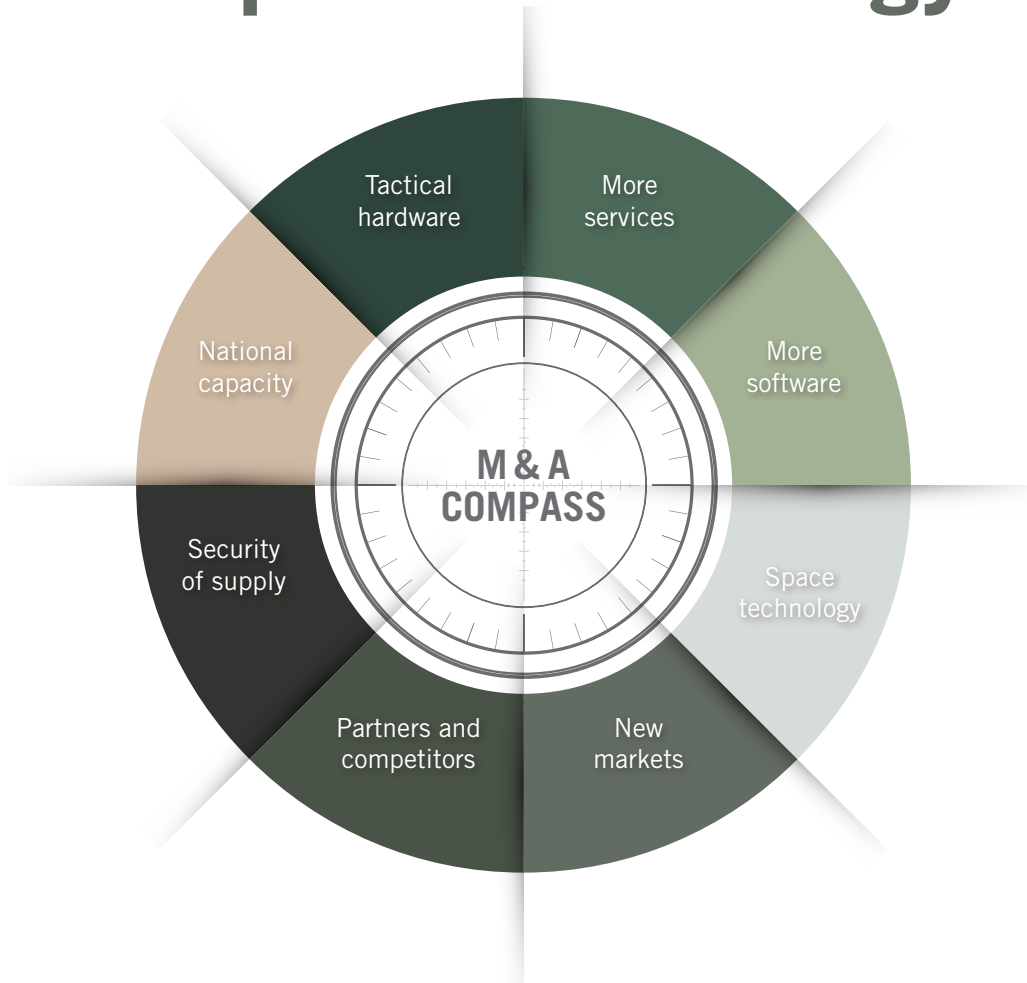
AN ACTIVE ACQUISITION AGENDA

With a structured process to identify, evaluate and implement acquisition candidates, MilDef is seizing opportunities in a fragmented market. MilDef acquires companies with the potential to develop better within the Group than on their own. MilDef's M&A compass is a vision for the types of companies MilDef looks for and evaluates. The strategy includes eight selection criteria with a focus on selecting the right acquisition candidates. Combined with an integration model focused on value-generating benefits and soft integration, the necessary conditions are being created for expansion.

Six acquisitions have been implemented over the past decade. These acquisitions have allowed MilDef to expand its customer offering to add services and software, in addition to the hardware it offers.



Acquisition strategy



A set of criteria must be met in order to qualify as an acquisition candidate

- Untapped potential in the existing offering
- Added value via MilDef's market channels and/or organizational structure
- Compatible corporate culture and values
- Continued engagement of key individuals

MilDef's M&A strategy includes

- A map showing prioritized acquisition targets
- A backlog where M&A opportunities mature
- A plan for valuation and due diligence
- A growth model for successful integration





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.



AN ATTRACTIVE WORKPLACE



“At MilDef we are building an inspiring workplace through community, cooperation and trust. Every individual is important and contributes to our success as we share ideas and grow together.”

Martina Karlsson – CPO

Every day MilDef strives to offer one of the best workplaces in the market, where employees are proud of actively contributing to a better and safer society. The Company’s focus is on creating healthy workplaces where employees feel included, valued and respected. MilDef is building an environment where diversity is celebrated and where each individual is given the opportunity to grow and contribute to a common purpose.

The MilDef Way

MilDef as an employer offers a world of opportunities. An important aspect of the Company’s values is freedom with responsibility, where everyone has a clear ethical and commercial compass to guide them. With this approach the Company lives up to and safeguards its values as expressed in “The MilDef Way”. This is both MilDef’s legacy and its future. With an emphasis on putting the employees first, MilDef promotes a culture of openness, drive and cooperation, where everyone’s voice is heard. The MilDef Way gives employees confidence in the way they work and treat each other and the customers. A culture aimed at promoting engagement and motivating people to do their best every day.

Prioritized initiatives in 2023

Digitalization of HR processes:

- Implementation of a new HR platform aimed at driving productivity and engagement, developing talent, and optimizing our employees’ experience of being united and part of the MilDef family.
- Implementation of a new recruitment platform that streamlines the Company’s offering and assists in finding the right talent and expertise in the market.

Support the core business:

- Support managers and employees in achieving set targets, and develop and equip the organization for the demands of tomorrow.
- Train and engage managers in their areas of responsibility through job rotation.

Leadership

Sustainable leadership based on trust, a business-minded approach and engagement are cornerstones for reaching the Company’s business targets. In 2023 MilDef identified leadership qualities and designed a leadership program that all managers will complete in 2024.

MilDef believes in leadership that inspires and involves every individual. Communication must be clear and easy to follow, creating a framework where employees can easily orientate themselves and take action to achieve common goals. At MilDef trust is built by practicing what we preach, and through mutual respect and trusting each other.

A business mindset is fundamental and includes focusing on the success of the organization as a whole, where results are created that not only benefit MilDef today but also strengthen the Company’s position and impact in the long term.

People at MilDef embrace the challenge of thinking in new ways and setting ambitious goals. MilDef believes that individuals are capable of achieving more than they think they can. Challenging ourselves and each other is a fundamental aspect of the culture, with employees who strive to constantly grow and help realize the Company’s full potential.

“MilDef is committed to diversity and aims for a workforce with a wide variety of talents”

Fast facts

As of December 31, 2023, MilDef had 309 employees, 133 of whom were employed at the Company’s headquarters in Helsingborg. MilDef is committed to diversity and aims for a workforce with a wide variety of talents. At the end of 2023 around 27% of the employees were women. 29% of the Board of MilDef Group AB and 50% of MilDef’s Management Team were women.



MILDEF'S HISTORY

1997

MilDef is founded by Tomas Odelid and Marianne Trolle under the name LogIn.

2007

MilDef launches its own product concept called 19"/2®.

2011

MilDef acquires Terralogic Ltd in the UK.

2015

MilDef restructures to implement its internationalization strategy.

2016

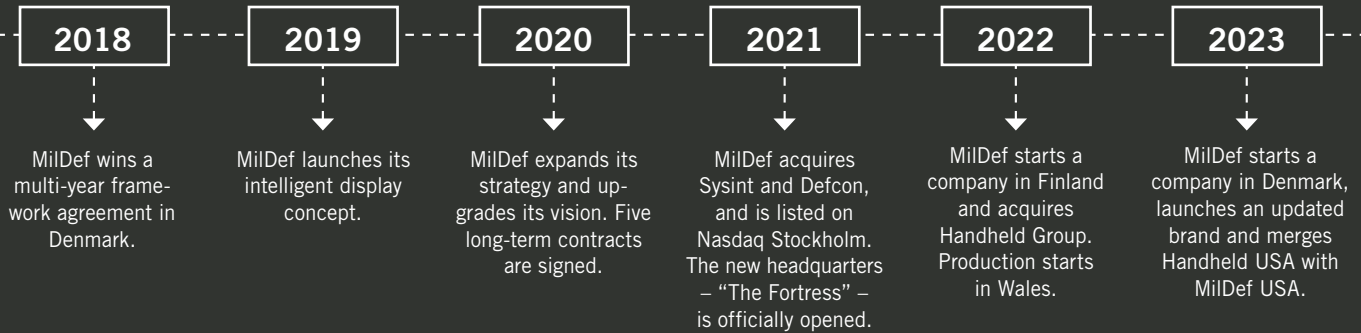
MilDef acquires Amrel's Computer Division in the USA and Bedriftssystemer in Norway.

FROM DISTRIBUTOR TO MANUFACTURING

INTERNATIONALIZATION AND GROWTH



1997–2023



STRATEGIC EXPANSION





SUSTAINABILITY REPORT 2023

MilDef aims to maintain a good balance between business, environmental and social sustainability. This is considered essential in order to meet the needs of the present without compromising the ability of future generations to meet theirs. MilDef always operates in compliance with mandatory requirements, such as applicable laws and regulations, organizational and industry standards, contractual obligations, and any codes of practice.

MilDef Group AB runs a multinational group of companies with a focus on delivering tactical IT solutions.

This report encompasses MilDef Group AB and all of its main processes and subsidiaries.

MilDef's impact within sustainability

MilDef is a global systems integrator and full-spectrum supplier of rugged IT for defense and security applications as well as for national and critical infrastructure sectors. MilDef provides hardware, software and services that protect critical information flows and systems where the stakes are highest. The customers are mainly in defense-related industries, but there is also growth in areas such as health, industry and critical infrastructure.

MilDef's products are sold to customers through MilDef's companies in Sweden, Norway, Finland, Denmark, the UK, Germany, Switzerland, the USA and Australia, and through a network of partners. MilDef was founded in 1997 in Helsingborg, Sweden. MilDef Group has been listed on Nasdaq Stockholm since 2021. As of the report date MilDef has 309 employees.



Marie Jonsson, Director of Quality



SUSTAINABILITY JOURNEY

1997

MilDef founded

2002

ISO 9001 certification¹

2009

ISO 14001 certification²

2014

MCF
MilDef Charity
Foundation founded

1997–2014

Focus and activities in 2023

- Sustainable consumption and production – procedures and instructions in place to promote sustainable production.
- Working environment – MilDef works proactively to promote a good working environment.
- Development of and access to technology – local manufacturing and supply.
- Promote social responsibility in the value chain – terms and requirements flow both upstream and downstream.
- Sustainable resource use – continual improvements in resource efficiency.
- Due diligence – framework implemented for human rights risk assessment.

¹ ISO 9001 – Quality management system

² ISO 14001 – Environmental management system





Focus and activities for the year ahead

- Promote personal development at work – strengthen our staff processes, focusing on leadership and employeeship.
- Promote equality and diversity – increase the share of female leaders through internal development and external recruitment.
- Promote sustainable production and consumption – continuous improvement work to streamline and simplify.
- Promote a sustainable climate – increase our knowledge, awareness and insight.
- Promote a sound value chain free from corruption – strengthen requirements and monitoring of compliance, both internally and externally.

³ ISO 45001 – Occupational health and safety management system

⁴ ISO 26000 – Guidance on social responsibility



SUSTAINABLE DEVELOPMENT

MilDef's contributions to sustainable development

MilDef strives to contribute to sustainable development and acts in accordance with the Sustainable Development Goals (SDG) defined by the UN.

The Company supports the Ten Principles of the UN Global Compact on human rights, labor, environment and anti-corruption. The Company works continually to embed the UN Global Compact and its principles in the company strategy, culture and daily operations, and to engage in collaborative projects that promote the UN's wider SDG targets, especially those relating to sustainable development. Since 2021 MilDef has been a member of the UN Global Compact and has endorsed its Ten Principles.

MilDef has chosen to work systematically on sustainability in order to maximize its contribution and has integrated the ISO 26000 guidance standard on social responsibility in its existing combined management system, which includes work on quality, the environment, and health and safety. In addition to the organizations' social responsibility in line with ISO 26000:2021, MilDef also works with an environmental management system according to ISO 14001:2015, a quality management system according to ISO 9001:2015, and an occupational health and safety management system according to ISO 45001:2018 for which the company are also certified. The Company has certification for all of these standards.

MilDef's analysis of what corporate social responsibility entails for the Company is based on a process incorporating the following:

- Determination of value chain.
- Implementation of stakeholder analysis.
- Implementation of maximization analysis.
- Selection of goals from the SDGs.

The following issues have been prioritized in the maximization analysis:

- Human development and training in the workplace.
- Discrimination and vulnerable groups.
- Consumer service, support and complaint and dispute resolution.
- Climate change mitigation and adaptation.
- Promoting of social responsibility in the value chain.

The evaluation took its starting point in the interests of priority stakeholders, benefits for society and importance to the Group as a whole.

Priority issues were linked to the SDGs and targets where the Company has a positive and/or negative impact. The SDGs that MilDef has chosen to focus on based on the maximization analysis carried out are:



Sustainable Development Goals

MilDef works to promote the UN's 17 Sustainable Development Goals (SDGs). The Company has chosen to focus on the following five goals linked to its strategic development.



Promote personal development at work

Provide an environment where people can grow, develop and reach their personal goals. Together we create a stimulating and developing workplace where we all thrive – facilitating sustainable careers.

SDG 4.3.1, Increase participation in leadership programs.



Promote equality and diversity

People's equal value is an obviousness for us and also a basis for innovation, development and meaningfulness. With us, everyone should have the same opportunities to develop and grow as a person.

SDG 5.5, Increase proportion share of female leaders.



Promote sustainable production and consumption

By strengthening our internal processes, we increase the competitiveness of our portfolio. This means increasing the intelligence of the systems, reducing lead times, improving reusability and much more.

SDG 12.5, Reduce waste.



Promote a sustainable climate

By increasing our knowledge, awareness and insight, we can reduce our impact on the climate and environment, and mature our entire sustainability work.

SDG 13.2.2 Reduce total Greenhouse Gas Emission.



Promote a sound value chain free from corruption

We must operate on the basis that tackling corruption is a prerequisite for sustainability. We want to take responsibility for ensuring that our entire value chain is sustainable, both upstream and downstream. We will especially take our responsibility in those parts of the value chain where we can do the most good.

SDG 16.5.1, Maintain 0 cases of corruption or bribery.



SUSTAINABILITY REPORT 2023

The selected SDGs have been linked to MilDef’s vision, mission, business targets, sustainability strategy and Code of Conduct.

Based on the work outlined above, the Company has drawn up action plans for achieving the goals and established procedures for monitoring, evaluation and learning. The Company’s sustainability-related activities are described in the present Sustainability Report and form part of the overall business planning. As such they are monitored, evaluated and improved on a continual basis.

During 2023 MilDef worked to focus and prioritize its sustainability efforts in the areas where the greatest effects can be achieved (reduced negative impact/increased positive impact).

Contributions to sustainable development are reflected in MilDef’s long-term objectives

- Be a leading supplier of tactical IT in our priority markets.
- Maintain an excellent standard of service for customers and partners.
- Provide and promote a stimulating, challenging and enjoyable working culture.
- Meet the Company’s financial targets with reduced periodic volatility.
- Contribute to a democratic, equal and sustainable world.

Sustainability governance

MilDef’s Board of Directors has overall responsibility for sustainability, with work flowing throughout the organization according to set procedures for roles and responsibilities in the combined management system.

The overarching sustainability approach is driven primarily by the quality assurance unit, which has a dedicated budget and mandate for this purpose. Internal training is provided to disseminate knowledge and increase awareness within the organization.

The Board of Directors	Ethics Council
CEO	QHSE Group
Management Team	OHS
Director of Quality	

MilDef works actively on the principles of corporate social responsibility, both internally with employees and externally with stakeholders. MilDef takes the seven principles in 26000:2021 as a starting point for this work, which is consolidated via the combined management system:

- Clear responsibility, transparency and ethical behavior are primarily ensured through the governance, strategy and compliance management processes.
- Respect for the stakeholders’ interests is integrated in business planning and managed through stakeholder analysis.

- Respect for the the rule of law and international norms of behavior is ensured by means of legal compliance and control of the value chain in the compliance process.
- Respect for human rights is ensured partly through the due diligence process and systematic efforts to promote a good working environment.

Via its combined management system, MilDef applies a variety of policies that are important to its operations within the areas of quality, environment, occupational health and safety and sustainability. These provide a clear direction for the principles and flow through all areas of the organization.

Regulatory compliance, ethics and cultural attitudes are extremely important, and an annual program of refresher training has been set up for all employees. MilDef has defined a structure and process for managing governing documents (policies, procedures and instructions), including ownership and responsibility for compliance with these.

The Group’s policy portfolio includes

- AI Policy
- Anti-corruption and Anti-bribery Policy
- Antitrust and Fair Competition Policy
- Code of Conduct
- Communication Policy
- Finance Policy
- HR Policy
- Information Security and Data Protection Policy
- Insider Policy
- Intellectual Property Policy
- IT Policy
- Quality Policy
- Supplier Code of Conduct
- Sustainable Governance Policy

Responsibility for sustainability efforts is assigned in each policy, and the designated policy owner is responsible for monitoring the policy at Group level. The CEO is responsible for reporting to the Board of Directors annually on policy compliance.

MilDef uses Notisum’s online legal monitoring service, which notifies the Company if any new/updated laws and regulations have been introduced of which it should be aware. In the online platform, MilDef describes how such laws and requirements apply to its business and how it meets the relevant requirements. Notisum carries out regulatory compliance checks in the relevant areas and countries on an annual basis.

The service includes specific lists of legislation on health and safety, environment and production, and covers Sweden, Norway, the UK and the USA.





Stakeholder dialogue

A stakeholder analysis that rates each stakeholder on the basis of impact and interest is carried out in connection with business planning. Those with the highest rating are considered to be priority stakeholders. For MilDef these are employees, customers, investors and suppliers.

MilDef keeps track of stakeholders' views and opinions, including by means of employee surveys, customer surveys, management reviews, and continual gathering of stakeholders' expectations and views from industry and professional associations with which the Company is affiliated. Communication with stakeholders takes several different forms, and MilDef uses methods including surveys, individual and group discussions, digital information, and contact with various industry and professional associations to reach more of its stakeholders.

Sustainability-related information is communicated on an ongoing basis via the Group's website, press releases and social media, as well as through the intranet and other internal channels. Internal and external communication is evaluated on an ongoing basis to maximize its reach and to ensure that the Company is reaching out to the right stakeholders. External communication is managed by the Head of IR & Communications, and there are procedures in place to ensure compliance with any applicable requirements (insider trading, confidentiality, security classification, etc.).

MilDef maintains ongoing dialogue with both external and internal stakeholders, for example via news items, meetings, training and feedback on the Company's sustainability efforts.

Stakeholder	Type	Needs and expectations	Management and dialogue
Employees	Internal	Attractive workplace, good working environment, individual development, sustainability, support, consultation and participation.	Employee development, digital employee handbook, guidance and awareness videos. Management system and intranet available 24/7 for all employees offering a news feed, transparency and two-way reporting paths.
The Board of Directors	Internal	Compliance standards and business processes, delivery of approved budget, Group targets. Support and assistance in strategic processes and business management.	Scheduled meetings in accordance with established annual calendar and extra meetings as required, as well as monthly reporting by the CEO. Continual improvements through business management.
Media	External	News releases, access to images and information. Comments and cooperation.	Investor page on website. All media is handled internally in accordance with an established procedure.
Managers	Internal	Leadership development, business support, participation and consultation.	Training process, HR support, MilNet for managers. Management system and intranet available 24/7 for all employees offering a news feed, transparency and two-way reporting paths.
Subsidiaries	Internal	Group entity, business support.	MilDef Meeting Plan, MilDef Management System, MilNet, internal audits. Corporate departments promote excellence and provide support.
Labor rights organizations	Associated	Compliance with statutory requirements, guidelines and industry standards.	Consultation and transparency.
Management Team	Internal	Compliance standards and business processes, delivery of approved budget, Group targets.	Continual improvements through business management. Business planning, monitoring and strategy work.
Government/authorities	External	Compliance with statutory requirements locally, nationally and globally.	Internal legal department. Legal and regulatory monitoring via Notisum. Annual environmental reports (producer responsibility, F-gases, SCIP), MMS Annual plan.
Customers	Associated	Service level, sustainable enterprise, social responsibility, overall satisfaction, fulfillment of customer requirements.	Customer satisfaction and feedback reviews, ESG ranking. Customer audits and surveys responded to.
Business partners	Associated	Sustainability, cooperation, support.	ESG ranking. Surveys responded to.
Shareholders	Associated	Budget result, sustainability, good transparency and access to information.	Investor page on the website with good transparency. Legal requirements complied with and disclosure requirements met via the website. Designated investor contact.
Competitors	External	Comparison and competition. Competition on equal terms.	Good transparency and information on the website.
Professional and industrial organizations	External	Information, consultation and concerted action.	Monitored.
Local community/neighbors	External	Respect for neighbors and the community at large; noise, pollution, social responsibility.	Good waste management, low-risk facility and low environmental impact. Good transparency, visibility and informative presence. Contribute to jobs, further development and a sustainable society.
Suppliers	Associated	Safe supply chain, sustainability, KPIs. Support to meet MilDef's requirements.	Supply chain process, Finance process. Ensure fulfillment of specifications. Support for transparency and disclosure obligation. Supplier Code of Conduct. Supplier portal.





ENVIRONMENTAL SUSTAINABILITY (ESG)

The overarching aim within environmental responsibility is to protect the environment by actively and measurably striving to reduce the Company's and the customers' environmental impact and to reduce resource use, both in MilDef's own operations and in those of its suppliers. The Company is committed to protecting the environment, preventing pollution, and complying with current and expected future legal requirements.

Climate impact

MilDef strives to reduce its impact on climate and the environment. The Company is aware that its operations have an impact on the environment and, from a sustainability perspective, strives to use and apply resource-efficient materials and functions in buildings and premises connected to the MilDef Group.

Greenhouse gas reduction program

Determining and analyzing significant environmental topics makes it possible to identify measures to reduce or mitigate the impact of greenhouse gases.

Ongoing measures of this nature are summarized below

Energy efficiency

The Group's goal is to make its energy consumption sustainable.

Measures are in progress to lower energy consumption in MilDef's premises: The headquarters in Helsingborg is a gold-certified green building. 100% green electricity is used, around 25% of which is produced locally by photovoltaic panels on the roof. Energy consumption is monitored in premises where this is possible, and measures are identified to lower energy consumption.

Purchasing

The Group's goal is to make its purchasing sustainable. MilDef works with large and well-established manufacturers of good repute and encourages its suppliers to also use materials more efficiently and reduce waste. MilDef is extending its environmental principles to its supply chain, particularly for strategic and important suppliers.

Business travel

The Group's goal is to promote sustainable travel. MilDef is working to lower emissions from business travel. Public transit is used where practical, and vehicles are shared for trips to visit customers and suppliers and attend events.

Teams meetings are encouraged where this is appropriate and can work as an alternative to travel.

In 2022 MilDef launched an initiative to reduce annual carbon dioxide emissions per employee from business-related travel. Data gathering was started, and a procedure implemented to achieve sustainable travel. Efforts to safeguard, automate and refine the data gathering processes are ongoing.

Responsible production

MilDef produces and sells electronic products, and environmental sustainability is taken into account at all stages of the product lifecycle. The Company seeks to ensure a long life for its products, and end-of-life products can easily be dismantled for reuse or recycling.

All end-of-life products can be returned to the headquarters in Sweden.

Producing companies are affiliated to collection systems for electrical equipment, batteries and packaging materials, and waste quantities are reported to the Swedish Environmental Protection Agency or equivalent each year.

Transport of products

The Group's goal is to make its logistics sustainable. For deliveries to customers and transportation of display materials, samples, etc., MilDef strives to maximize capacity utilization and ensure route optimization while using sustainable transport solutions wherever possible, for example by coordinating delivery days. Optimizing packaging makes transport more efficient, saving weight and space.

Packaging materials

The Group's goal is to have a sustainable logistics chain. This means reusing incoming packaging materials whenever possible and being environmentally aware when purchasing new material.

Reducing waste

MilDef's goal is to maintain sustainable waste management. MilDef has several measures in place related to waste reduction and recycling in the workplace, including guidance on the recycling program and initiatives to reduce everyday trash volumes. Waste generation should be prevented whenever possible. If waste is unavoidable, every effort should be made to keep it to a minimum.

- **General waste:** Reuse is to be encouraged throughout the business. All sites have a waste hierarchy to optimize waste management.
- **Hazardous waste:** Procedure for chemicals handling (to minimize hazardous chemicals). All waste is separated and handled in accordance with the waste hierarchy, using the correct disposal streams and documentation.

In general MilDef has been successful in developing and monitoring targets, and metrics are reviewed as part of each company's management review.



SOCIAL RESPONSIBILITY (ESG)

The overarching aim within social sustainability is to promote a better society by acting as a responsible and respectful employer and helping to further social progress at the locations where the Company is active, based on the Code of Conduct. The Company is committed to continual improvement of the working environment and sustainability by promoting a positive health and safety culture.

Social engagement

Ten years after the launch of the MilDef Charity Foundation, 2023 saw a series of donations to people in need. Never before has the Foundation donated such a large amount to young and older individuals in need of help and support. In 2023 a total of SEK 555,000 was donated to seven different, carefully selected organizations in the Helsingborg area. These organizations span everything from protecting victims of domestic violence to giving hope to people with substance abuse problems, offering a safe and dry place to sleep and get a meal, helping young students to finish school, and giving undeserved people the chance to take part in sport. Quite simply, actions that make things a little easier and restore hope to those who have lost hope. The goal is to donate at least 50% of the annual contribution received from MilDef Group AB, and there is full transparency regarding the donation recipients, which are presented on MilDef’s website.

The Foundation is headed by a board of trustees, which meets regularly to drive the work forward and make decisions on applications received and on its own proposals.

Health, safety and wellbeing

MilDef is committed to continually improving occupational health, the working environment, safety and wellbeing. By promoting a positive health and safety culture, work-related risks are identified and eliminated. This is accompanied by methodical efforts to control and prevent elements of risk.

The working environment must reflect a high level of participation and give employees the freedom to make their own decisions and work innovatively. Everyone is to have a sense of job satisfaction, security and belonging, and feel that going to work is fun. The Company has a zero-tolerance approach to any form of discrimination or harassment.

MilDef works strategically to improve its operations by setting and striving to achieve KPIs, which are set and monitored by analyzing objectives and key results (OKR). Progress toward these targets is reviewed by means of regular analysis and inspections as required.

All employees, whatever their duties, are to be given opportunities for consultation, participation and development, and to forge social contacts. Through its focus on the working environment, MilDef seeks to achieve an organization that is efficient in the long term and, at the same time, provides for good physical and mental health, wellbeing and job satisfaction for all employees, and prevents accidents.

It is important to the business that all staff have sufficient training to perform their roles within the organization effectively. The performance management process was updated during the year, partly to ensure that training and awareness needs are identified and the necessary training resources provided.

Training requirements are often role-based but examples of professional development carried out during the year include

- Training in systematic working environment efforts for all managers.
- CPR courses for all staff.
- Introduction to the integrated management system for new employees.
- Increased awareness of policies via nano learning.
- Information security via nano learning.
- Inspirational lectures and preventive health activities during “Wellness Month”.

One of the main goals is to provide and promote a stimulating, challenging and pleasant work culture, and efforts are made to ensure the working environment is as safe as possible. We believe that we achieved this in 2023.



Helsingborgs women’s crisis center – SEK 125,000
The center offers help to women and girls at risk of domestic violence, providing professional help in the form of counselling and advice by phone or email. In 2023 MilDef helped to facilitate safe transport for women experiencing domestic violence as well as emotional support activities for children caught up in such situations.



Skånes stadsmission – SEK 60,000
MilDef supports Skåne city mission, which in turn helps people in vulnerable life situations. This may be people experiencing mental health issues, homelessness or poverty. In 2023 MilDef decided to contribute in particular to setting up city mission operations in Helsingborg, including local activities and a food shop, and on supporting families with children over the Christmas period.



Drivkraft – SEK 50,000
Drivkraft seeks to provide young people with the motivation and energy to finish school, develop socially and make new friends. MilDef has supported Drivkraft Helsingborg for several years. The organization works with local schools to offer mentoring for students and homework assistance.



Respect for human rights

MilDef has a responsibility to respect internationally recognized human rights and is committed to eliminating the risk of its basic processes causing injury to people or infringing on their human rights.

The Company is taking the next steps in its development by integrating human rights due diligence.

Human rights risks and impact assessments are used as a tool to enable MilDef to assess the Company's impact on human rights for both internal and external stakeholders. This method makes it possible to identify and prioritize human rights risks and will help the Company to plan and manage these critical human rights risks effectively.

The first step is identifying risks and being aware of stakeholders who are likely to be impacted by the Company's business activities. MilDef takes into consideration both the risk of human rights violations that have already occurred and those likely to arise throughout the value chain. This includes the Company's direct business activities and the indirect activities of suppliers, contractors or trading partners where there is a risk of involvement in human rights violations.

Responsibility in the supply chain

MilDef seeks to maintain sustainable procurement and purchasing processes. We strengthen our framework on an ongoing basis by adding targets relating to our main areas of impact. On this journey we have implemented our Supplier Code of Conduct as part of every agreement signed, and we work actively to gain acceptance for this in transaction-based purchasing too. Our program for improving the supply chain identifies which suppliers should be prioritized and encourages them to improve their sustainability efforts.

Understanding the effects of our activities through a long and complex value chain presents challenges. MilDef seeks to promote human rights and eliminate bribery and corruption in all parts of our supply chain. We have therefore launched a human rights due diligence program, based on the UN Global Compact. The program helps us to identify areas, regions or suppliers that may potentially present human rights issues.

“Going forward I hope we can introduce further targets in our sustainability framework relating to climate and resource depletion, for example measuring emissions and energy use in our supply chain. By working with our existing and new suppliers, we can take significant steps toward becoming sustainable.”

*Carl-Magnus Eriksson,
Director of Global Supply Chain*





GOVERNANCE (ESG)

The overarching aim is to achieve long-term business sustainability through good business practices and business ethics. Sustainable enterprise is considered to encompass not only how MilDef behaves with respect to the world around it but also how people within the Company behave and treat one another. The aim is to treat one another with great warmth and respect, giving MilDef the security and self-confidence it needs to be able to treat customers and other stakeholders in the same way, while also providing world-class service. Both working at and doing business with MilDef should be a safe and pleasant experience.

Anti-corruption

The Company operates on the basis that tackling corruption is a prerequisite for sustainability. It is therefore important for MilDef to set a good example and apply the same zero-tolerance approach to bribery in all markets and in relation to all of its business partners. This means the Company must never seek or accept business advantages based on unlawful or unethical behavior such as unlawful payments, bribes, kick-backs or other questionable incentives in order to influence someone’s professional duties or to achieve or retain an unfair business advantage.

MilDef assesses the corruption risk in all transactions based on e.g. the corruption index, business chain and customer intelligence. If there is a heightened risk of corruption, MilDef cancels the transaction or carries out a special, in-depth review to ensure that the Company is not contributing to corruption. The anti-corruption system includes internal governing documents and continual training for all employees to increase knowledge of corruption and ensure that business activities are conducted responsibly and correctly.

Responsible sales

A KYC (know your customer) framework is used to ensure that the market actors MilDef chooses to do business with live up to both regulatory and ethical requirements. For ethical reasons, MilDef refrains from doing business in/with nations that are subject to arms embargos, although MilDef’s products are not typically covered by such embargos. The Company also has a generally restrictive attitude to exporting technological products to defense customers in countries outside MilDef’s priority markets (selected EU and NATO countries), which limits both the risk of contributing to corruption and of the products falling into the wrong hands.

Grievance mechanisms

We want to be aware of any grievances affected by the business activities and facilitate reporting of them. To make it possible for grievances to be addressed early and remediated directly, we have established the following Grievance Mechanism Infrastructure:

Internal (for employees):	In the value chain (for workers):	External (for communities):
Employee survey	Supplier agreement	2Secure whistleblower function
OHS Committees	Process audits	Contact details for complaints via the website (email)
MMS Case system	2Secure whistleblower function	
2Secure whistleblower function	Contact details for complaints via the website (RMA)	
Union negotiations		

Complaints from stakeholders are handled via MilDef’s integrated management system, with suggestions for improvements drawn up and implemented as required. To safeguard the whistleblower’s anonymity, an independent external whistleblowing service is made available and can be used to draw attention to serious cases of censurable conditions anonymously. This is valued in particular as it provides an opportunity to find out about matters that for various reasons would otherwise have risked remaining undiscovered. Only if the Company is aware of any irregularities can it change and improve.

Risk management

Every opportunity within the business is associated with one or more risks, and an enterprise risk management (ERM) program

is used to determine which opportunities should be monitored. ERM is a systematic process for taking stock of, assessing and preventing risks within the business. The aim of risk management is to safeguard resources and revenues from threats – both internal and external – as profitably as possible.

The risk strategy involves identifying and assigning responsibility for risks at all organizational levels and is part of the business planning process. Proactive work on risk management is integrated into strategic planning and operational processes. It aims to identify, prioritize and manage potential risks within the respective sustainability areas. Read more about risk and risk management on pages 79-81.





SUSTAINABILITY REPORT 2023

ESG statistics for MilDef	2020	2021	2022	2023
ENVIRONMENT (E)				
1. Electronic products placed on the Swedish market, HQ* (kg)				
Quantity sold	9,563	10,560	6,196	11,678
Recycling rate	0%	80%	62%	54%
2. Batteries placed on the Swedish market, HQ* (kg)				
Quantity sold	349	134	300	487
Recycling rate	4%	8%	22%	8%
3. Waste HQ*, by type (kg)				
Waste (kg)	11,535	14,984	11,109	12,086
Hazardous waste (kg)	1,413	962	396	1,450
Per employee	138	156	96	102
4. Business travel by transport type (MTCO2e)				
Total	18.85	30.96	276.12	339.63
Per employee	0.16	0.19	1.46	1.51
5. Electricity usage HQ* (kWh)				
Electricity	211,381	175,794	258,612	299,966
Heating	127,000	132,882	117,001	119,039
Green energy	100%	100%	100%	100%
6. Water usage HQ* (m3)				
Water	399	388	471	624
Per employee	4.24	3.80	3.93	4.69
SOCIAL RESPONSIBILITY (S)				
1. Major accidents				
Total	0	0	0	0
2. Workplace fatalities				
Total	0	0	0	0
3. Percentage of women				
The Board of Directors	23%	33%	33%	29%
Management Team	25%	10%	20%	50%
Employees	25%	15%	25%	27%
4. Workforce				
Organic net new hires		33	78	56
Total net new hires		68	108	16
5. Donations to charity (SEK 000)				
MilDef Charity Foundation	320	650	200	600
Veterans with Dogs (UK)			100	
Association of the United States Army – AUSA National Scholarship (US)				100
The US Navy Memorial (US)				100
Support for UK Ministry of Defence Project Manager to participate in Invictus Games (UK)				100
GOVERNANCE (G)				
1. Scope of ISO certification				
Number of sites	5	8	12	9
Covered by certification	5	5	9	6
Certification rate	100%	63%	75%	67%
2. Whistleblowing cases				
Corruption	0	0	0	0
Discrimination	0	0	0	0
Workplace bullying	0	0	0	0
Severe human rights issues	0	0	0	0
3. Customer control (Ethics Council)				
Cases tried	NA	2	8	7
Cases rejected	NA	2	4	1

* HQ refers to MilDef's headquarters in Helsingborg.



THE MILDEF SHARE

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

Trading volume and activity

In the period January 2 – December 29, 2023, a total of around 18 million MilDef shares were traded on Nasdaq Stockholm at a value of around SEK 1,349 million. The average daily trading volume was 72,450 shares, equivalent to just over SEK 5.3 million.

Share capital

At year-end 2023 MilDef's share capital amounted to SEK 9,964,891.50, divided into 39,859,566 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 around 10.5% of the capital and votes in the Company. The 10 largest shareholders represented around 50% of the capital and votes. As of December 31, 2023, MilDef had 10,403 shareholders.

Dividend

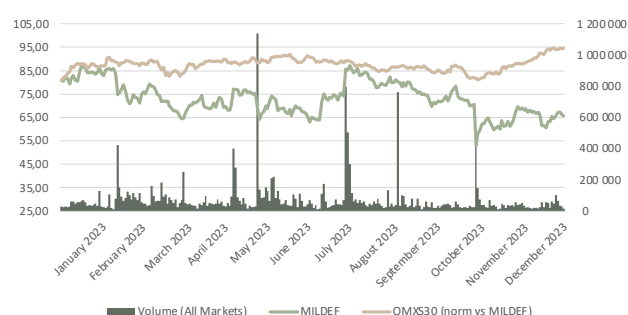
MilDef's target is to distribute 20–40% of profit after tax. MilDef will, however, take long-term development, capital structure and prevailing market conditions into account.

The Board of Directors recommends to the Annual General Meeting that a dividend of SEK 0.50 per share be paid to the shareholders for the 2023 financial year.

Share price movement

The closing price for MilDef's share on December 29, 2023 was SEK 65.60, giving a market capitalization of around SEK 2,614 million. The average share price during the period was SEK 73.91. The share price fell by 18.8% in 2023. Over the same period the OMXS30 index rose by 17.26%.

MilDef share price movement 2023



Ongoing analysis

Analysts following MilDef on an ongoing basis are Erik Golrang, SEB, Fredrik Agardh, SEB, and Hugo Lisjö, Carnegie.

About the MilDef share

Name	MilDef Group AB	LEI code:	9845009F7Q0D56B38270
Stock exchange:	Nasdaq Stockholm	Currency:	SEK
MIC:	XSTO	Listing date:	June 4, 2021
Segment:	Mid Cap	Price on Dec. 31, 2023:	65.60
ISIN code:	SE0016074249	2023 highest (Jul. 31):	90
Symbol:	MILDEF	2023 lowest (Oct. 26):	53



MILDEF'S SHARE

Data per share					
SEK unless otherwise indicated	2023	2022	2021	2020	2019
Earnings per share, before dilution	1.73	0.38	-0.03	1.83	1.64
Earnings per share, after dilution	1.71	0.37	-0.03	1.83	1.64
Dividend per share	0.50 ¹	-	0.75	0.75	0.38
Share price as of December 31	65.60	80.80	52.40	-	-
Dividend yield, % ²	0.76	0.00	1.43	-	-
Equity per share, before dilution	21.19	19.77	15.61	5.71	4.36
Equity per share, after dilution	20.96	19.55	15.61	5.71	4.36

¹⁾ Proposed dividend for 2023

²⁾ Proposed dividend/share price at year-end

MilDef's 10 largest shareholders as of December 31, 2023			
Name	No. of shares	Votes (%)	Capital (%)
MilDef Crete Inc.	4,195,600	10.53%	10.53%
Svolder	2,928,000	7.35%	7.35%
Third Swedish National Pension Fund	2,549,000	6.39%	6.39%
Marianne Trolle	2,412,752	6.05%	6.05%
Daniel Ljunggren	1,963,115	4.93%	4.93%
Carnegie Fonder	1,546,739	3.88%	3.88%
Second Swedish National Pension Fund	1,284,192	3.22%	3.22%
Hellblad Invest AB	1,049,596	2.63%	2.63%
Berenberg Funds	1,037,009	2.60%	2.60%
Adam Mentel	1,002,421	2.51%	2.51%
Subtotal	19,968,424	50.10%	50.10%
Total other shareholders	19,891,142	49.90%	49.90%
Total	39,859,566	100.00%	100.00%

Share capital development					
Year	Transaction	Change in number of shares	Total number of shares	Change in share capital, SEK	Total share capital, SEK
2012	Parent Company 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	2:1 split	12,329,509	24,659,018	-	6,164,754.50
2021	New share issue	10,958,904	35,617,922	2,739,726.00	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	80,378.00	9,097,343.25
2022	New share issue	3,470,193	39,859,566	867,548.25	9,964,891.50





FORMAL ANNUAL REPORT

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CORPORATE GOVERNANCE REPORT

MilDef Group AB (publ) is a Swedish limited company with its registered office in Helsingborg. The Company has been listed on Nasdaq Stockholm since June 4, 2021.

Good corporate governance is fundamental to being able to manage MilDef on behalf of the shareholders in a manner that is as sustainable, responsible and efficient as possible. This in turn improves confidence in the Company in the capital market and among the general public – confidence that is crucial for the freedom to realize the Company's strategies so that MilDef can create value in the long term.

Operations

Digitalization of operations and functions that are critical for society is increasing and with it the need for tactical IT in demanding environments. MilDef is taking an active role in this development. The goal is to be the most reliable partner in the industry. MilDef adds value through industry-leading quality and high delivery precision. As one of Europe's leading groups within tactical IT, MilDef's business concept is to develop, deliver and offer tactical IT products and services for processes and functions that are critical for society. MilDef customizes solutions to be able to meet its customers' specific requirements in the demanding environments in which the solutions are used. MilDef's hardware and software products are combined with services to deliver effective digitalization. At year-end 2023 MilDef consisted of twenty (20) legal entities with just over 300 employees in 10 countries. The Group posted revenue for full-year 2023 of SEK 1,151 million with an adjusted operating EBITDA margin of 14.6%.

Basis of governance

MilDef's governance is based on the Company's Articles of Association, the Swedish Companies Act, other applicable Swedish and foreign laws and regulations, as well as internal governing documents. MilDef's corporate governance is also underpinned by Nasdaq Stockholm's Rulebook for Issuers of Shares and the Swedish Corporate Governance Code ("the Code"). MilDef has followed the Code in all respects during 2023. This Corporate Governance Report has been prepared in accordance with the Swedish Annual Accounts Act and the Code. MilDef's auditors have reviewed the report, and a statement from the auditors has been included. Corporate Governance Reports and other information on corporate governance can be found on MilDef's website: www.mildef.com.

MilDef strives to operate in a sustainable, responsible and efficient manner that creates value for its customers, shareholders, employees, suppliers, the local community and other stakeholders. The Company's strategy and financial targets support this approach. The Company's strategy, financial targets and sustainability ambitions are described in the Annual and Sustainability Report 2023. The highest decision-making body in the Company is the shareholders' meeting. This is normally held once a year in the form of the Annual General Meeting but can also be convened in the form of an extraordinary shareholders' meeting in certain circumstances. The Company organizes the Annual General Meeting, but the shareholders can bring influence to bear and propose items for the meeting agenda.

Share capital and shareholders

At year-end 2023 MilDef's share capital amounted to SEK 9,964,891.50, divided into 39,859,566 shares in one share class. All of the shares are ordinary shares carrying the same voting rights.

The shares have a quota value of SEK 0.25. The closing price at year-end was SEK 65.60 and the total market capitalization amounted to SEK 2,615 million. The number of shareholders as of December 31, 2023 was around 10,400. For more information on ownership and share capital, see "The MilDef share".

Insider trading and insider list

MilDef has ambitious goals when it comes to ethically correct behavior. MilDef's Board of Directors has adopted an Insider Policy as part of its efforts to uphold high ethical standards and to ensure that MilDef maintains a good reputation in the eyes of the general public and the capital market. The policy aims to reduce the risks of insider trading and other unlawful actions by providing clear guidance for employees and other stakeholders.

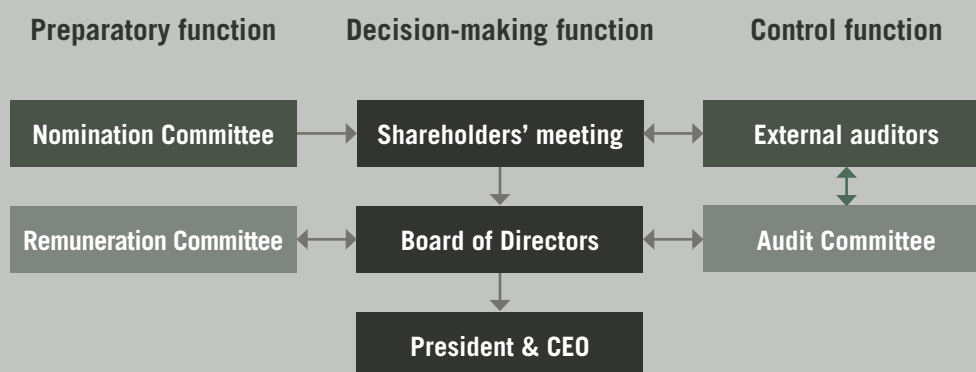
MilDef's corporate governance structure

Shareholders can exercise influence in the Company at the shareholders' meeting, which is the Company's highest decision-making body. Every shareholder has the right to participate in and exercise the voting rights for their shares at the shareholders' meeting, either in person or through a proxy. At the Annual General Meeting, the shareholders elect the members and Chair of the Board and auditor(s), and approve their fees. The Annual General Meeting passes resolutions on adoption of the income statement and balance sheet, allocation of the Company's profit, and discharge from liability for the members of the Board and the CEO. The Annual General Meeting also passes resolutions on principles for the Nomination Committee and principles for remuneration and other terms of employment for the CEO and other senior executives. The Annual General Meeting or extraordinary shareholders' meeting can also pass resolutions to amend the Articles of Association, increase or decrease the share capital, etc. The notice convening the Annual General Meeting is published in *Post- och Inrikes Tidningar* (the Official Swedish Gazette) and on the Company's website. Notice of the meeting is also advertised in the Swedish newspaper *Dagens Industri*.

The Board of Directors' task, on behalf of the shareholders, is to manage MilDef's affairs in the interests of the Company and all the shareholders. The Chair of the Board has a special responsibility to ensure that the Board's work is well organized and conducted efficiently. The Audit Committee and Remuneration Committee are appointed by the Board of Directors. The Company's auditors are appointed by the shareholders' meeting to audit the Company's Annual Report and accounting records, and also the Board of Directors' and CEO's administration. The auditors report to the shareholders at the Annual General Meeting via the Auditor's Report. The Board of Directors adopts a formal work plan for itself and instructions for the CEO. The Board of Directors appoints the CEO, who is



MilDef's overarching corporate governance structure



responsible for the ongoing administration of the Company. The CEO in turn appoints the Management Team.

Nomination Committee

A Nomination Committee is to be formed each year at the initiative of the Chair of the Board, and the rules for the composition of the Nomination Committee are to be adopted by the Annual General Meeting. The Nomination Committee is to consist of four members, one of whom is to be the Chair of the Board. The members of the Nomination Committee are to include a representative of each of the three shareholders with the largest number of votes in the share register maintained by Euroclear Sweden on August 31 in the year prior to the Annual General Meeting, and the Chair of the Board, who is also to convene the first meeting of the Nomination Committee.

If any shareholder waives the right to participate in the Nomination Committee, the next largest shareholder is to be given the opportunity to appoint a member to the Nomination Committee. The chair of the Nomination Committee is to be the member appointed by the shareholder with the largest number of votes, unless the Nomination Committee decides otherwise. Neither the Chair of the Board nor another board member may be the chair of the Nomination Committee. The Nomination Committee is to check in the share register maintained by Euroclear Sweden AB on December 31 to see whether another shareholder has a larger number of votes than any of the shareholders who have appointed members to the Nomination Committee in accordance with the procedure described above. If there has been such a change in the number of votes – and the change is more than marginal – the Nomination Committee is entitled to change its composition as it sees fit or, if the Nomination Committee decides not to change its composition, the shareholder concerned is in any case to be entitled to appoint a representative, who is to be co-opted to the Nomination Committee. Should the Nomination Committee otherwise become aware of a change in the Company's ownership before it has completed its work, the Nomination Committee is entitled to change the composition of the Nomination Committee and/or co-opt a representative/representatives to the Nomination Committee as it sees fit. Should a member leave the Nomination Committee before its work is complete and the Nomination Committee considers it desirable to appoint a replacement, such replacement is to be from the same shareholder or,

if said shareholder is no longer among those with the largest number of votes, from the next largest shareholder by number of votes. Any change to the composition of the Nomination Committee is to be announced immediately.

Each year, a survey of the Board of Directors' work, composition, qualifications, experience and efficiency is conducted among the board members. This survey forms the basis for the Nomination Committee's assessment of whether the Board of Directors should be strengthened with additional expertise or whether there are other reasons to change the composition of the Board. The Nomination Committee usually also meets with the CEO and sometimes also with individual board members. Persons proposed as new board members are interviewed by the Nomination Committee. The Nomination Committee is to consider in particular the requirement to achieve diversity and breadth in the Board of Directors, and to strive for an equal gender distribution. The Nomination Committee assesses the composition of the Board of Directors with respect to its independence and considers all proposals regarding its composition that have been submitted to the Nomination Committee, which may come from other shareholders. The names of the representatives on the Nomination Committee and the shareholders they represent are to be published no later than six months before the Annual General Meeting. Based on the ownership structure on August 31, 2023, a Nomination Committee was constituted for the 2024 Annual General Meeting consisting of Marianne Trolle, representing her own holding; Johan Ståhl, appointed by Svolder AB; Peter Lundkvist, appointed by Tredje AP-fonden; and Björn Karlsson, Chair of the Board of MilDef. Johan Ståhl was appointed chair of the Nomination Committee. Verification of the ownership structure at year-end 2023 did not occasion any change to the Nomination Committee.

The Nomination Committee's proposals are to be presented in the notice convening the shareholders' meeting and on MilDef's website. In connection with this, the Nomination Committee is to provide a reasoned statement on the Company's website regarding its proposal for the Board of Directors, taking into account the provisions of the Code governing the composition of the Board of Directors. In particular, the proposal is to be explained in terms of the requirement to strive to achieve an even gender distribution. The statement is also



to include a brief account of how the Nomination Committee has performed its work and of the Equality Policy that the Nomination Committee has applied in drawing up its proposal. The Nomination Committee is to submit to the Annual General Meeting its proposals for meeting chair, number of board members, Board of Directors, Chair of the Board, auditor, board fees (divided between Chair and other members plus remuneration for committee work), audit fees and, to the extent considered necessary, proposals for changes to the present instructions for the Nomination Committee. The Nomination Committee is to submit a reasoned statement on its proposals to the Annual General Meeting. Shareholders may request to have a matter discussed at the 2024 Annual General Meeting by sending an email to arsstamma@mildef.com by April 4, 2024. However, the Nomination Committee has emphasized that proposals to the Nomination Committee for the 2024 Annual General Meeting should be received no later than January 31, 2024 to allow the Nomination Committee time for constructive discussion of the proposals received. The Nomination Committee's proposals are published in connection with or before the notice convening the Annual General Meeting. Members of the Nomination Committee do not receive remuneration from the Company for their work.

Annual General Meeting for the 2022 financial year

The Annual General Meeting for the 2022 financial year took place on May 25, 2023 in Helsingborg. 53% of the total number of shares and votes were represented at the Annual General Meeting, either in person or by proxy. Jan Andersson, Chair of the Board, was elected as meeting chair. The Annual General Meeting adopted the submitted income statement and balance sheet. The consolidated statement of comprehensive income and statement of financial position were also adopted. The meeting granted discharge from liability for the Board of Directors and the CEO.

In addition, the main resolutions passed were as follows:

Election of Board of Directors and auditor

Jan Andersson, Charlotte Darth, Christian Hammenborn, Lennart Pihl and Marianne Trolle were re-elected as board members, and Björn Karlsson and Bengt-Arne Molin were elected as new members. Berndt Grundevik had declined re-election. Björn Karlsson was elected as Chair of the Board. Öhrlings PricewaterhouseCoopers AB was elected as the Company's auditor for a term of one year, with Eric Salander as Auditor-in-Charge. Audit fees are payable as invoiced.

Fees

The Annual General Meeting approved payment of fees of SEK 400,000 to the Chair of the Board and SEK 200,000 to other shareholder-elected board members who are not employees of MilDef; SEK 100,000 to the chair and SEK 50,000 to other members of the Audit Committee; and SEK 30,000 to the chair and SEK 20,000 to other members of the Remuneration Committee. According to the Company's Guidelines for remuneration of senior executives, consulting fees or other remuneration may be paid to board members who carry out work on the Company's behalf in addition to their board work.

Dividend

Pursuant to the Board of Directors' recommendation, the Annual General Meeting voted not to pay a dividend for the 2022 financial year.

Guidelines for remuneration of senior executives

See "Guidelines for remuneration of senior executives".

Guidelines for authorization of the Board of Directors to issue new shares

The meeting authorized the Board of Directors, on one or more occasions in the period up to the 2024 Annual General Meeting, to decide to issue new shares, with or without waiver of shareholders' preferential rights. The authorization includes the right to decide to issue new shares for payment in kind or by offset or otherwise subject to terms in accordance with the Swedish Companies Act. Further to a decision pursuant to the authorization, the number of shares may be increased by a number equivalent to a maximum of ten (10) per cent of the total number of shares outstanding in the Company at the time the Board first exercises the authorization. The total number of shares comprised by such new issues is to be within the limits on the share capital set out in the Articles of Association. The aim of the authorization, and the reasons for any waiver of shareholders' preferential rights, is to enable the Company to finance the acquisition of entities or activities, or to strengthen the Company's capital base and equity/assets ratio. If shareholders' preferential rights are waived, new share issues pursuant to the authorization must be effected on market terms. The Board of Directors is further authorized, in observance of the above terms, to decide on such other terms as the Board may consider necessary to carry out the share issues.

Composition of the Board of Directors

Pursuant to the Articles of Association, the Board of Directors of MilDef is to consist of 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 permit election of substitutes. The Articles of Association do not contain any other provisions regarding appointment or dismissal of board members. The CEO is not a member of the Board of Directors but is co-opted to all board meetings. Other employees in the Group attend board meetings to present reports or take minutes. For further information on the board members, see Board of Directors.

Independence of the Board of Directors

According to the Code, a majority of the shareholder-elected board members are to be independent of the Company and its management, and at least two of these must also be independent of the Company's major shareholders. The Board of Directors of MilDef is considered to fulfill the applicable requirements on independence. All members except Björn Karlsson are considered to be independent of the Company and its management. The Chair of the Board, Björn Karlsson, was the Company's President & CEO until May 2023 and is therefore not considered independent of the Company and its management. All the members are considered independent of the Company's largest shareholders.

Outgoing board member Berndt Grundevik carried out consulting assignments for MilDef in 2023 for a total of SEK 220,000 (SEK 226,000). The services provided consisted of leading the Company's Advisory Board and other consultancy not considered to be covered by his role on the Board. Berndt Grundevik is therefore not considered independent of the Company and its management.



The Board of Directors' procedures and responsibilities

As well as the board meeting following the AGM, the Board of Directors is to hold at least six scheduled meetings per financial year. Additional board meetings are to be held if required. Each year the Board of Directors draws up a written formal work plan that clarifies the Board's responsibilities and regulates the division of work between the Board and its committees, including the role of the Chair of the Board, the decision-making process within the Board, the Board's meeting plan, notice of board meetings, agenda and minutes, and the Board's work on accounting and audit matters and on financial reporting. The Board has also established instructions for the CEO and adopted other special policies. The Board evaluates the CEO's work on an ongoing basis and, once a year, discusses this particular matter without the Management Team being present. The Board's responsibilities include overseeing the work of the CEO by means of ongoing monitoring during the year and ensuring that the system of organization for managing MilDef's affairs is fit for purpose. The Board's responsibilities further include establishing strategies and goals; drawing up special policies; making decisions on major acquisitions and disposals of entities, on other major capital expenditure, and on investments and loans in accordance with the Financial Policy; issuing financial statements; evaluating operational management; and succession planning. The Board of Directors ensures the quality of financial reporting, partly by means of adopted governing instruments such as the instructions for the CEO, and partly by discussing reports from the Audit Committee in the form of minutes and observations, recommendations and proposals for resolutions and measures. The Board of Directors further ensures the quality of financial reporting by discussing such material in depth at board meetings. As part of its quality assurance work, the Board of Directors also meets the Company's auditor once a year without the CEO or any other member of the Management Team being present.

The role of the Chair

The Chair of the Board organizes and leads the work of the Board, ensuring that it is carried out in accordance with the Swedish Companies Act, other laws and regulations, and the Board of Directors' internal governing instruments. The Chair monitors the Company's activities through ongoing contact with the CEO and is responsible for other board members receiving satisfactory information and decision-making materials. The Chair is responsible for ensuring that board members continuously refresh and deepen their knowledge of MilDef and in other respects receive the requisite training for their board duties to be carried out efficiently. The Chair of the Board is to ensure that the Board's tasks and working methods are evaluated and discussed with the board members on an annual basis, and that the Nomination Committee is informed of the results, with a view to improving the Board's procedures and efficiency. An evaluation of this kind was carried out in 2023, mainly by means of a detailed questionnaire sent to the Board. The results of this evaluation have been presented to the Nomination Committee and to the Board of Directors as a whole.

The Board of Directors' work in 2023

The Board held a total of 12 board meetings during the year. At the scheduled board meetings the CEO and CFO reported on the Group's results and financial position, including the

outlook for the coming quarters. Apart from approval of the annual and interim reports and establishing the business plan and associated financial plan, key matters discussed by the Board during the year were as follows:

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

Remuneration of the Board of Directors

The fee paid to shareholder-elected members of the Board is approved by the Annual General Meeting further to a recommendation from the Nomination Committee. For the period between the 2023 and 2024 Annual General Meetings, the remuneration consists of a fixed amount of SEK 400,000 for the Chair and SEK 200,000 for each of the other members. Remuneration is also payable on an invoice basis for special work (consulting services etc.) carried out by members within their respective areas of expertise, provided such work is approved in advance by the Chair of the Board or by two board members. A fee of SEK 50,000 is paid to each of the two ordinary members of the Audit Committee and SEK 100,000 to the Committee's chair. A fee of SEK 20,000 is paid to members of the Remuneration Committee and SEK 30,000 to the Committee's chair. There are no agreements on pensions, severance pay or other benefits for board members.

Audit Committee

MilDef's Board of Directors includes an Audit Committee. This is to consist of at least three board members appointed by the Board of Directors. The Committee does not have decision-making powers. Its members are appointed each year by the Board at the board meeting following the AGM or when a committee member has to be replaced. The committee members appointed in May 2023 were Lennart Pihl (chair), Charlotte Darth and Christian Hammenborn. The work of the Audit Committee is regulated by special instructions adopted by the Board of Directors as part of its formal work plan. The work focuses on the quality and accuracy of the financial accounting and reporting, work on internal financial control, the Group's compliance with current regulations and, where relevant, transactions between the Group and related parties. In addition, the Audit Committee has recurrent contact with the auditor for the Parent Company and the Group in order to achieve a continuous exchange of views and information between the Board of Directors and the auditor on audit matters. Furthermore, the Committee is to evaluate the audit procedures and establish guidelines for which non-audit services may be procured from MilDef's auditor. The Audit Committee held six meetings in 2023. Minutes are taken of Audit Committee meetings and a verbal report is provided at board meetings.

Remuneration Committee

MilDef's Board of Directors also includes a Remuneration Committee. This is to comprise two board members appointed by the Board of Directors. The Chair of the Board may be chair



of the Remuneration Committee. Other shareholder-elected members of the Remuneration Committee must be independent of the Company and the Management Team. The Remuneration Committee has a dual advisory and preparatory role, preparing matters for discussion and decisions by MilDef’s Board of Directors. The Remuneration Committee works in accordance with a formal work plan adopted by the Board of Directors. The main duties of the Remuneration Committee are making preparations for Board decisions on matters concerning remuneration principles, remuneration and other terms of employment for the Management Team; monitoring and evaluating the variable remuneration program for the Management Team; and monitoring and evaluating the application of the Guidelines for remuneration of senior executives as adopted by the Annual General Meeting, and relevant remuneration structures and remuneration levels in MilDef.

The Board of Directors appoints the committee members each year at the board meeting following the AGM or when a committee member has to be replaced. The committee members appointed in May 2023 were Björn Karlsson (chair) and Jan Andersson. The Remuneration Committee held two meetings in 2023. Minutes are taken of Remuneration Committee meetings and a verbal report is provided at board meetings.

Management Team

The CEO leads the Company’s operations in accordance with the Swedish Companies Act and within the parameters established by the Board of Directors. The CEO, in consultation with the Chair of the Board, produces the necessary information and decision-making materials ahead of board meetings, presents the matters and justifies proposals for resolutions. Further, the CEO is responsible for MilDef’s commercial, strategic

Name	Year elected	Independent*	Board meetings	Audit Committee	Remuneration Committee	Board fee in SEK 000**
Chair of the Board:						
Björn Karlsson	2023	No/Yes	6/12	-	1/2	430
Board members:						
Marianne Trolle	1998	Yes/Yes	12/12	-	-	200
Lennart Pihl	2020	Yes/Yes	12/12	6/6	1/2	300
Christian Hammenborn	2017	Yes/Yes	12/12	6/6	-	250
Charlotte Darth	2020	Yes/Yes	10/12	6/6	-	250
Jan Andersson	2018	Yes/Yes	12/12	-	2/2	220
Bengt-Arne Molin	2023	Yes/Yes	6/12	-	-	200

* Independent of the Company and its management and independent of the Company’s major shareholders.
 ** Including committee fee. The board fees relate to the period from the 2023 Annual General Meeting to the 2024 Annual General Meeting.

Main elements of the Board’s work in 2023

December

- Business plan and budget
- Impairment test
- Evaluation of board work and CEO

October

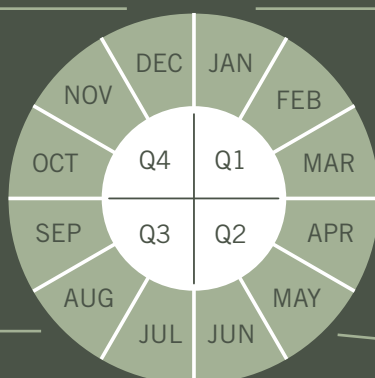
- Interim report Q3 January – September

August

- Revision of strategic plan

July

- Interim report Q2 January – June



February

- Year-end report
- Proposal for allocation of profit
- Report from the auditors

March

- Annual Report
- Proposals and reports for the AGM

April

- Interim report Q1 January – March
- Risk assessment

May

- First board meeting following the AGM: decision on authority to sign for the Company, election of Remuneration Committee and Audit Committee, decision on time and venue for forthcoming scheduled board meetings



and financial development, and leads and coordinates daily operations in line with the Board's guidelines and resolutions. The CEO also appoints the members of the Management Team after consulting with the Chair. The Management Team meets regularly under the leadership of the CEO.

External auditors

At the 2023 Annual General Meeting Öhrlings PricewaterhouseCoopers AB was elected as the Company's auditor for a term of one year, with Eric Salander as Auditor-in-Charge. The auditors have ongoing contact with the Chair of the Board, the Audit Committee and the Management Team. The auditors are engaged to audit the Annual Report and accounting records, as well as the Board of Directors' and the CEO's administration of the Company. The auditors work according to an audit plan that incorporates input from the Board of Directors communicated by the Audit Committee. The auditors report their observations to the Board of Directors. Reporting takes place both during the course of the audit and at the end in connection with the annual report being issued and adopted. The auditors also participate in at least one board meeting per year, at which they describe the audit work and their observations in an auditor's report. As well as the audit, the auditors carried out certain consulting assignments during the year, primarily advising on accounting and tax matters. The external audit has been conducted in accordance with generally accepted auditing principles in Sweden. The audit of financial statements for legal entities outside Sweden is conducted in accordance with statutory requirements and other applicable regulations in the respective country, and in accordance with generally accepted auditing principles. An auditor's report is issued for the legal entities where this is required by local legislation.

Internal audit

MilDef has sophisticated governance and internal control systems. The Board of Directors and the Audit Committee follow up MilDef's assessment of the internal control, including by means of contact with MilDef's auditors, who carry out an internal control audit every year. Based on the above, the Board of Directors has decided not to establish a separate internal audit unit.

Internal control of financial reporting

The responsibilities of the Board of Directors and the CEO with respect to internal control are regulated in the Swedish Companies Act. The Board's responsibilities are also regulated in the Code. Pursuant to the Code, the Board of Directors is to describe how internal control of financial reporting is organized. This forms part of the Corporate Governance Report. The aim of internal control is, first and foremost, to ensure that the Company achieves its goals in terms of expedient and efficient operations, reliable reporting, and compliance with applicable laws and regulations. Internal control of financial reporting is intended to provide reasonable assurance in terms of the reliability of the external financial reporting, and that the external financing reporting has been prepared in accordance with laws and applicable accounting standards. This report on internal control of financial reporting has not been reviewed by the Company's auditors. The starting point for the internal control process is the regulatory framework for internal control issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Control environment

The Board of Directors has overall responsibility for internal control of financial reporting. With a view to creating and maintaining an effective control environment, the Board of Directors has adopted a number of fundamental documents of importance to the financial reporting, including in particular a formal work plan for the Board of Directors and instructions for the CEO. The Board of Directors has further appointed an Audit Committee, the main task of which is to ensure that the established principles for financial reporting and internal control are complied with and that expedient relations are maintained with the Company's auditors. Responsibility for maintaining an effective control environment and the ongoing work on internal control of financial reporting is delegated to the CEO, who reports regularly to the Board of Directors on the basis of established procedures. In addition, reports are received from the Company's auditors. The internal control structure also builds on a management system based on MilDef's organization with clear financial roles, areas of responsibility and delegation of powers. Operational decisions are taken at company level, while decisions on strategy, overarching financial matters, acquisitions and major investments are taken by MilDef's Board of Directors and Management Team. The governing documents on accounting and financial reporting represent the most material elements of the control environment in terms of financial reporting. These documents are updated on an ongoing basis to reflect e.g. changes in accounting standards and legislation.

Risk assessment

The Group conducts ongoing risk assessment to identify material risks associated with financial reporting. Where financial reporting is concerned, the primary risk is considered to lie in material errors in the accounting in terms of accounting records and valuation of assets, liabilities, revenues and costs or other discrepancies. Fraud and losses as a result of embezzlement are another risk. Risk management is built into every process. Different methods are used to evaluate and mitigate risks and to ensure that the risks to which MilDef is exposed are managed in accordance with established policies, instructions and monitoring procedures. These policies, instructions and procedures aim to reduce possible risks, and promote correct accounting, reporting and provision of information.

Control activities

The risks identified regarding financial reporting are managed via the Company's control activities such as authentication in IT systems and authorization verification. The control structure consists of clear roles in the organization that enable an efficient division of responsibilities for specific control activities with a view to discovering or being in time to prevent the risk of errors in reporting. The continual analysis undertaken of the financial reporting and the analysis carried out at Group level are very important in ensuring that the financial reporting is free from material errors. The corporate finance department plays an important role in the internal control process and is responsible for the financial reporting from each entity being correct, complete and on time.



Information and communication

MilDef provides the market with ongoing information on the Group's development and financial position in relevant channels. Policies, guidelines and internal instructions for financial reporting ensure the quality of external communication. Regular updates and notifications of changes in accounting principles, reporting requirements or other information provision are made available and known to the employees concerned on the Group-wide intranet.

Monitoring process

The CEO is responsible for ensuring that the internal control is organized and monitored in accordance with the guidelines adopted by the Board of Directors. The CEO is also responsible for independent objective reviews being carried out with a view to systematically evaluating and proposing improvements to the Group's processes for governance, internal control and risk management. Financial governance and control are carried out by the corporate finance department. Financial data is reported each month, together with a forecast for the current year. MilDef's management conducts a monthly budget follow-up including variance analysis against the financial plan and prior years. Any variance is investigated and assessed with a view to possible internal control activities. In addition, the monthly

figures are discussed with the management of the respective company. The Board of Directors is sent monthly financial reports, and financial reporting is followed up at each board meeting. The Board of Directors and management review the financial reporting ahead of publication of annual and interim reports. A review is conducted of the financial statements for January – September and a full audit is carried out in connection with the annual financial statements. The Company's auditors report their observations to the Board of Directors. The duties of the external auditors also include reviewing the internal control in the Group's subsidiaries on an annual basis.

Articles of Association

Among other things, the Articles of Association set out the Company's business activities, the number of board members and auditors, how the Annual General Meeting is to be convened, handling of items at the Annual General Meeting, and where the meeting is to be held. The shareholders' meeting has full decision-making authority regarding changes to the Articles of Association. The current Articles of Association were adopted at the Annual General Meeting on May 25, 2023, and are available in the "Articles of Association" section of this report and on the Company's website www.mildef.com.

Helsingborg, April 25, 2024
Board of Directors of MilDef Group AB (publ)



THE AUDITOR'S STATEMENT ON THE CORPORATE GOVERNANCE REPORT

To the general meeting of the shareholders in MilDef Group AB, corporate identity number 556893-5414

Engagement and responsibility

It is the board of directors who is responsible for the corporate governance statement for the year 2023 on pages 54-60 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement 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. We believe that the examination has provided us with sufficient basis for our opinions.

Helsingborg April 29 2024

Öhrlings PricewaterhouseCoopers AB

Eric Salander
Authorized Public Accountant

Opinions

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Johan Rönnbäck
Authorized Public Accountant



GUIDELINES FOR REMUNERATION OF SENIOR EXECUTIVES

In accordance with the Swedish Companies Act and the Code, the shareholders' meeting of a public limited company whose shares are admitted for trading on a regulated market is to adopt guidelines for remuneration of senior executives. The following guidelines for remuneration of the Company's senior executives were adopted by the 2022 Annual General Meeting and are applicable until the 2026 Annual General Meeting provided no changes are proposed.

“Other senior executives” refers to members of the Management Team. If members of the Company's Board perform work for the Company alongside their board assignments, these guidelines are to be applied to any remuneration paid to the board members for such work. The guidelines are to be applied to remuneration agreed, and changes made to previously agreed remuneration, after the guidelines were adopted at the 2022 Annual General Meeting. The guidelines do not cover remuneration that is approved by the shareholders' meeting.

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

For information on the Company's business strategy, see www.mildef.com. Successful implementation of the Company's business strategy and protection of the Company's long-term interests, including its sustainability, require the Company to be able to recruit and retain qualified senior executives. This means that the Company must be able to offer market-based and competitive remuneration. These guidelines make it possible to offer senior executives competitive remuneration packages. Variable cash remuneration covered by these guidelines is intended to promote the Company's business strategy and long-term interests, including its sustainability.

Remuneration components

The remuneration is be market-based and consist of fixed cash salary, variable remuneration, other benefits and pension. In addition, the shareholders' meeting may – independently of these guidelines – approve share-based and share price-based incentive programs. Remuneration may also take the form of consulting fees paid to board members who perform work for the Company alongside their board assignment. Performance in relation to criteria for payment of variable cash remuneration must be able to be measured over a period of one year. Variable cash remuneration is to have a predetermined ceiling and may not exceed 35% of the fixed annual cash salary.

Pension

Senior executives are entitled to pension solutions as agreed with the Company. As a rule, pension obligations are to be in the form of a defined-contribution plan and in line with the Company's pension plan, according to which pension provisions of 4.5% are made on salary components up to

7.5 base amounts and 30% on salary components over 7.5 base amounts. This rule may be waived in the case of appointment of new senior executives whose employment contracts already include defined-benefit pension plans or if the senior executive is covered by a defined-benefit pension plan under the provisions of a mandatory union agreement. The pension premiums for defined-contribution pension plans must not exceed 30% of the fixed annual cash salary. No pension provisions are made on variable cash remuneration or other salary benefits, unless required by mandatory union agreements applicable to the executive.

Non-monetary benefits

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

Consulting fee

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

Employment terms in other countries

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

Criteria for award of variable cash remuneration etc.

Variable cash remuneration is to be linked to predetermined and measurable financial targets. These targets are to be formulated with a view to promoting the Company's strategy and



long-term interests, including its sustainability, for example by having a clear link to the strategy or furthering the executive's long-term development. Variable remuneration is divided into three different programs based on gross profit, net sales and operating profit (EBITDA). The criteria for variable cash remuneration are designed to promote the Company's business strategy, long-term interests and sustainability.

The Company's CEO and other senior executives are covered by all three programs.

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

Notice period and severance pay

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

Basis in salary and employment terms

Salary and employment terms for the Company's employees have been taken into account in drawing up the remuneration guidelines. Information on employees' remuneration package, remuneration components, and increase and rate of increase in remuneration over time have formed part of the Remuneration Committee's and the Board's decision-making basis when evaluating the fairness of the guidelines and the limitations they impose. The development in the executive pay gap – the gap between senior executives' remuneration and that of other employees – is reported in the Remuneration Report.

Decision-making processes

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

The Committee's duties include making preparations for Board decisions on proposed guidelines for remuneration of senior executives. The Board is to prepare proposals for new guidelines at least once every four years and present the proposals for approval by the Annual General Meeting. The guidelines are to apply until new guidelines have been adopted by the shareholders' meeting. The Remuneration Committee must

also monitor and evaluate variable remuneration programs for senior executives, the application of remuneration guidelines for senior executives as well as remuneration structures and levels within the Company.

The CEO and other members of the Management Team are not present when the Board discusses and makes remuneration-related decisions that involve them. If a board member provides consulting services to the Company, the board member in question is not entitled to participate in the preparatory work of the Board (or the Remuneration Committee) concerning variable remuneration for the relevant consulting services. The Board of Directors is to prepare an annual Remuneration Report, which is to be submitted to the shareholders' meeting for approval.

Deviations from the guidelines

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



REMUNERATION REPORT 2023

This Remuneration Report explains how the guidelines for remuneration of senior executives adopted by the 2023 Annual General Meeting have been applied during the 2023 financial year. The report also contains details concerning remuneration of the Company's CEO and fees to board members over and above the board fees adopted by the shareholders' meeting. The report has been prepared in accordance with the Swedish Companies Act (2005:551) and the Swedish Corporate Governance Code.

Additional information on remuneration of senior executives required pursuant to Chapter 5, Sections 40–44 of the Swedish Annual Accounts Act (1995:1554) can be found in Note 10 to the consolidated financial statements. For more information on the work of the Remuneration Committee in 2023, see "Corporate Governance Report".

MilDef's development

The Company's development and significant events during the year are reported inter alia in the CEO's presentation, see "CEO's comments".

Board fees and consulting fees

This report does not cover board fees. A resolution on these fees is passed by the Annual General Meeting each year. The current fees are reported in Note 10 to the consolidated financial statements. In 2023 Top Level AB, in which board member Berndt Grundevik is the majority shareholder, carried out consulting assignments for MilDef for a total of SEK 220,000 (SEK 226,000). The services provided consisted of leading the work of the Company's Advisory Board and consultancy not considered to be covered by his role on the Board. It was considered important and beneficial for MilDef to procure the services in question, which were compensated at market rates. The decision to procure these services was made without the involvement of Berndt Grundevik.

MilDef's remuneration guidelines: scope, purpose and deviations

Successful implementation of the Company's business strategy and protection of the Company's long-term interests, including its sustainability, require the Company to be able to recruit and retain qualified employees. The objective of MilDef's guidelines for remuneration of senior executives is therefore to offer a competitive, market-based remuneration package, so as to be able to attract, motivate and retain skilled and qualified employees. These guidelines make it possible to offer competitive, market-based remuneration packages to senior executives.

The remuneration package consists of the following components:

- Fixed cash salary
- Short-term variable cash remuneration
- Pensions and other benefits

Short-term variable cash remuneration is to be linked to predetermined, well-defined and measurable financial criteria. The targets aim to promote MilDef's development in both the short and long term. The measurement period for variable remuneration is generally based on performance over a 12-month period. The variable remuneration must not exceed 35% of the fixed salary and, where applicable legislation permits, is not to be qualifying income for pension or holiday pay purposes.

The criteria for short-term variable remuneration are divided into three different programs based on MilDef's net sales, gross profit and operating profit (EBITDA). Variable remuneration may also be linked to individual criteria. The criteria are to be designed so as to promote the Company's business strategy and long-term interests, including its sustainability. The guidelines can be found in "Guidelines for remuneration of senior executives".

Other non-monetary benefits may include life assurance and health insurance. In total, premiums and other costs associated with such benefits may not exceed 5% of the fixed annual cash salary.

In 2023 the Company followed the applicable remuneration criteria adopted by the 2022 Annual General Meeting. There were no departures from the guidelines or deviations from the decision-making process prescribed by the guidelines for setting the remuneration. No remuneration has been reclaimed. The auditor's statement on the Company's compliance with the guidelines is available at <https://investors.mildef.com/corporate-governance/?lang=en>.

Total remuneration of CEO in 2023 (SEK 000)

Refers to remuneration expensed during the year

President & CEO	Basic salary*	Variable remuneration	Other taxable benefits	Pension cost	Total remuneration	Share of fixed remuneration
Björn Karlsson, January–May	700	0	1	51	752	100%
Daniel Ljunggren, June–December	1,260	0	212*	182	1,654	100%



Share-based incentive program

At an extraordinary shareholders' meeting on April 29, 2021, a resolution was passed to adopt an incentive program ("Incentive program 2021/2025) for the Group's employees by issuing warrants with the subsequent right to subscribe for new shares in MilDef. The fact that the resolution was passed at a shareholders' meeting means it is not covered by these guidelines but should still be seen as being in the same 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 more information, visit www.mildef.com.

Application of performance criteria

The CEO's performance criteria for 2023 are divided into three different parameters based on MilDef's net sales, gross profit and operating profit (EBITDA). Although they are expressed in financial terms, the performance criteria further contribute to alignment with sustainability and the Company's values. The targets for results on each parameter are linked to ambitious internal targets and the award is paid out the following year. Partly because of delayed deliveries due to problems in the supply chain in 2022, only a small amount of variable remuneration was paid to the CEO in the 2023 financial year.

Helsingborg, April 25, 2024
Board of Directors of MilDef Group AB (publ)



BOARD OF DIRECTORS



Björn Karlsson

Chair of the Board
Chair since 2023.

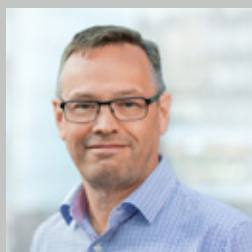
Born	1973
Education	Technical college engineer.
Other current positions	CEO and chairman of the board Simplexor AB.
Previous positions (past five years)	President & CEO of MilDef Group AB. Board member of SOFF (Swedish Security & Defence Industry Association)
Shareholding in the Company	890,821 shares and 30,000 warrants.
Independence	Not independent of the Company and its management. Independent of major shareholders.
Board committees	Chair of the Remuneration Committee.



Jan Andersson

Board member
Member since 2015.

Born	1959
Education	Master of Science (M.Sc.) Computer Engineering, Institute of Technology at Linköping University.
Other current positions	Board member of Addnode Group AB, Gridly AB, Entreprenörinvest Sverige AB, TimeZynk AB, Localize Direct AB, Myloc Holding AB, Innovum Invest AB, Loop Venture AB and Chair of the Board of DH Anticounterfeit AB.
Previous positions (past five years)	Chair of the Board of Fast2 Affärssystem AB.
Shareholding in the Company	650,000 shares.
Independence	Independent of the Company and its management and major shareholders.
Board committees	Member of the Remuneration Committee.



Bengt-Arne Molin

Board member
Member since 2023.

Born	1958
Education	Ph.D. in Electrical Engineering, Lund University.
Other current positions	Founder and CEO of B A Molin AB. Chair of the Board of Lumeo Technology AB and Katam Technologies AB. Board member of Generic Sweden AB.
Previous positions (past five years)	Board member of Auricula AB, Meltspot AB and MultiQ AB.
Shareholding in the Company	–
Independence	Independent of the Company and its management and major shareholders.
Board committees	–



Christian Hammenborn

Board member
Member since 2017.

Born	1965
Education	Master of Laws (LL.M.), Lund University.
Other current positions	Board member of Hammenborn Advokatbyrå AB.
Previous positions (past five years)	Partner, Advokatfirman Lindahl Kommanditbolag
Shareholding in the Company	821 shares.
Independence	Independent of the Company and its management and major shareholders.
Board committees	Member of the Audit Committee.





Marianne Trolle

Board member
Member since 1998.

Born	1956
Education	Studies in economics, law and leadership in Helsingborg.
Other current positions	Board member of Trolle Management AB.
Previous positions (past five years)	–
Shareholding in the Company	2,412,752 shares
Independence	Independent of the Company and its management and major shareholders.
Board committees	–



Charlotte Darth

Board member
Member since 2020.

Born	1968
Education	Master of Science (M.Sc.) Business Administration & Economics, Stockholm University.
Other current positions	Chief Revenue Officer at Future Ordering AB. Chair of the Board of Worldfavor AB. Board of Directors of Fondia Oyj. Chair of the Board of Engage Group AB.
Previous positions (past five years)	CEO of Binero Group AB (publ) Vice President Emerging Technologies at CGI Sweden. Board member of Binero Group AB (publ) and Intervallor AB.
Shareholding in the Company	821 shares.
Independence	Independent of the Company and its management and major shareholders.
Board committees	Member of the Audit Committee.

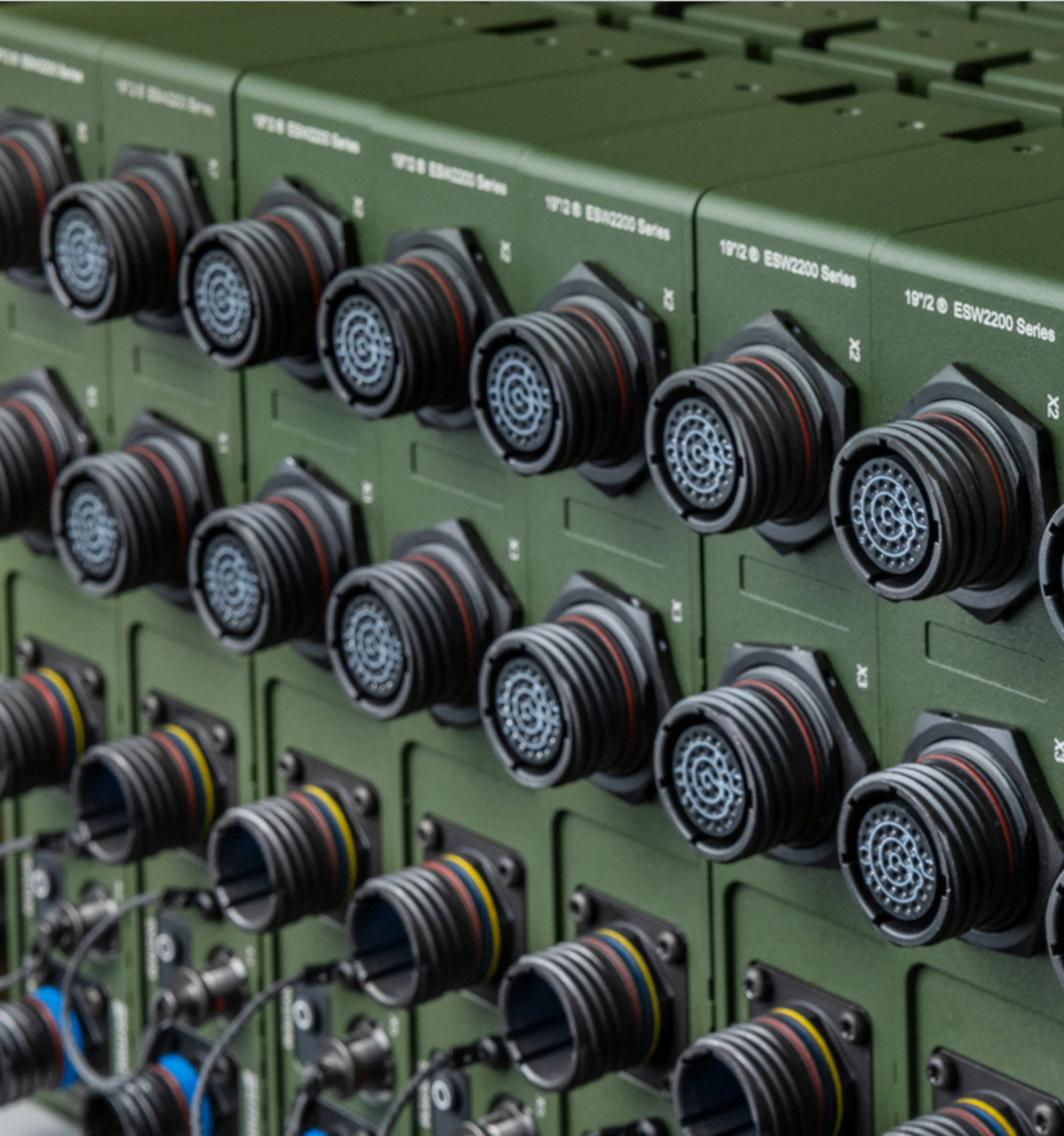


Lennart Pihl

Board member
Member since 2020.

Born	1950
Education	Master of Science (M.Sc.) Business Administration & Economics, Lund University.
Other current positions	Chair of the Board of Haki Safety AB, Myloc Holding AB, Bertex Mail AB, Liljehomens Group AB and Joakim Lagergren Golf AB.
Previous positions (past five years)	Chair of the Board of Nordic Vehicle AB, Green Cargo AB, Nordic Room Improvement Holding AB and INGAPE AB. Board member of Advenica AB, Avega Group AB and Poolia AB.
Shareholding in the Company	821 shares.
Independence	Independent of the Company and its management and major shareholders.
Board committees	Chair of the Audit Committee.





MANAGEMENT TEAM



Daniel Ljunggren

Chief Executive Officer (CEO) since 2023.

Born	1980
Education	Master of Business Administration (MBA), Kristianstad University.
Other current positions	–
Previous positions (past five years)	Chief Financial Officer (CFO), Executive Vice President (EVP).
Shareholding in the Company	1,563,115 shares and 30,000 warrants.



Viveca Johnsson

Chief Financial Officer (CFO) since 2023.

Born	1987
Education	Master of Science (M.Sc.) Business & Economics, Lund University.
Other current positions	–
Previous positions (past five years)	Divisional CFO at Nederman Group, Division Extraction & Filtration Technology.
Shareholding in the Company	–



Karin Svalander

Chief Legal and Compliance Officer since 2020.

Born	1978
Education	Master of Laws (LL.M.), Uppsala University
Other current positions	–
Previous positions (past five years)	CLO at Invono AB, deputy board member of Invono Fund AB.
Shareholding in the Company	2,447 shares and 30,000 warrants.



Fredrik Persson

Deputy CEO since 2023.

Born	1981
Education	Master of Science (M.Sc.), radio electronics and electromagnetic field theory, Faculty of Engineering at Lund University.
Other current positions	CEO of MilDef Products AB.
Previous positions (past five years)	Chief Technology Officer (CTO).
Shareholding in the Company	249,600 shares.



Fredrik Jacobsson

VP Europe & North America since 2024.

Born	1980
Education	Master of Science (M.Sc.) Business and Economics, Lund University.
Other current positions	–
Previous positions (past five years)	Chief Sales Officer (CSO) at MilDef, Interim CEO of Handheld Group AB.
Shareholding in the Company	400,000 shares.



Martina Karlsson

Chief People Officer (CPO) since 2023.

Born	1987
Education	Bachelor of Science (B.Sc.) in Human Resources, Gothenburg University.
Other current positions	–
Previous positions (past five years)	Regional HR Manager, Axis Communications AB.
Shareholding in the Company	1,450 shares.





MILDEF ADVISORY BOARD



**Major General
Berndt Grundevik**

Sweden

Major General Berndt Grundevik served at various leadership levels within the Swedish Armed Forces for more than four decades. He retired in 2017. Grundevik served as Inspector of the Army from 2007 to 2012 and also completed international tours in Israel, Cyprus, Kosovo and South Korea. He currently serves as a senior advisor to a number of defense-focused companies. He was awarded Commander of the Legion of Merit (USA) and the Order of National Security Merit (South Korea), and is a member of the Royal Swedish Academy of War Sciences.



**Major General
Odin Johannessen**

Norway

Major General Odin Johannessen was Chief of the Norwegian Army when he retired in 2019. His career includes serving as Director of Operations within the Norwegian Defence Staff, Commander of Brigade North and Telemark Battalion, and Commandant at the Norwegian Military Academy in Oslo. He served in NATO operations in Bosnia and Herzegovina and Afghanistan. Johannessen is now Director of the Norwegian Business and Industry Security Council, and works in the Norwegian private sector in an advisory capacity on matters relating to industrial espionage, sabotage, terrorism, organized crime, fraud, corruption, digital threats etc.



**Vice Admiral
Carol Pottenger**

USA

Vice Admiral Carol Pottenger has been a pioneer throughout her career, serving for more than 30 years in the United States Navy. She was the first female admiral in US history to command a combat organization. She was also commander of two ships, a logistics force of 30 ships, a Japanese strike group with eight ships and the Navy Expeditionary Combat Command with 40,000 sailors. As the most senior US flag officer while on assignment with NATO, she was responsible for military transformation and sensitive areas such as counterterrorism and cybersecurity. VADM (Ret) Pottenger currently sits on boards in the private, public and third sectors. She is a graduate of Purdue University in Lafayette, Indiana, and in 2007 received an honorary doctorate from that institution.



**Lieutenant General
Arto Rätty**

Finland

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



**Major General
Agner Rokos**

Denmark

Major General Agner Rokos retired from the Danish Armed Forces in 2018. During 40 years in uniform, he served in multiple command and HQ positions, in the army and on joint, national and international assignments. He has extensive experience from UN, NATO and coalition operations, and in international arms control. He commanded at all levels, from platoon to Chief of the Army Operational Command in Denmark.



**Rear Admiral
Jon Pentreath**

UK

Rear Admiral Jon Pentreath was Commander of the UK's Joint Helicopter Command when he retired in 2020. He is a former Royal Navy helicopter pilot and served in Bosnia, Northern Ireland, Iraq and Afghanistan, while commanding at every rank from lieutenant commander upwards. At headquarters he worked in capability development for the Ministry of Defence and Army HQ. Today he is a Director of Cormorant Consulting Ltd, which provides strategic consulting services and expertise to a number of defense and security companies. 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.





DIRECTORS' REPORT

The Board of Directors and Chief Executive Officer of MilDef Group AB (publ) hereby present the Annual Report and consolidated financial statements for the financial year January 1 to December 31, 2023. MilDef Group AB (publ), which has its registered office in Helsingborg, is a public limited liability company and its corporate registration number is 556893-5414.

Operations

Since the start in 1997 MilDef has delivered products and services designed to protect functions that are critical for society. As a specialist in the global tactical IT niche area, the Company meets the unique product requirements for demanding environments. MilDef is a full-spectrum supplier of rugged electronics, complete hardware systems as well as software and services for defense customers, government agencies and critical infrastructure. Digitalization within the armed forces and of functions that are critical for society is increasing and with it comes increased demand for tactical IT solutions. MilDef is taking an active part in this development and the Company's goal is to be the most reliable partner in the industry. MilDef adds value through industry-leading quality and high delivery precision.

At year-end 2023 MilDef consisted of 20 legal entities with over 300 employees in 10 countries. The Group posted revenue for full-year 2023 of SEK 1,151 million with an adjusted operating EBITDA margin of 14.6%. MilDef was listed on Nasdaq Stockholm in 2021 and since January 2023 has been traded on the Mid Cap Index.

Group structure

MilDef Group AB (publ) is the Parent Company in the MilDef Group and has its registered office in Helsingborg, Sweden. MilDef Group AB's direct and indirect wholly owned subsidiaries are listed Note 14 to the Parent Company financial statements, Holdings in Group companies.

The MilDef share and ownership structure

MilDef was initially listed on Nasdaq Stockholm Small Cap on June 4, 2021 in the Industrial Goods and Services sector. The share's ISIN code is SE0016074249. The share is traded under the ticker MILDEF. A trading unit is one (1) share. At year-end 2023 MilDef's share capital amounted to SEK 9,964,891.50, divided into 39,859,566 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 shareholder in terms of votes is MilDef Crete Inc. with a total shareholding of 10.5% of capital and votes in the Company as of December 31, 2023. The 10 largest shareholders represented around 50% of the capital and votes. As far as the Board of MilDef Group AB is aware there are no agreements between major shareholders that restrict the transferability of shares. Nor are there any restrictions on the transferability of shares based on provisions in law or the Articles of Association. There are no restrictions on the number of votes each shareholder may cast at shareholders' meetings.

According to the Articles of Association the Board is to consist of three to eight members with no deputies. The Articles of Association do not contain any other provisions regarding appointment or dismissal of board members or on amendments to the Articles of Association.

Summary of significant events in 2023

To further strengthen MilDef's position in the Nordic market, MilDef established a company in Denmark at the beginning of 2023.

In May Daniel Ljunggren took up the position of President & CEO of MilDef after more than 10 years as the Group's CFO. In May it was also announced that Viveca Johnsson had been recruited as the new CFO; she took up her position in September.

On April 17 the Swedish Defence Materiel Administration (FMV) announced its allocation decision in the procurement process for a system dubbed LSS Mark. There were two parts to this procurement: Central System Support and Unit Integrator. The FMV named MilDef the second best supplier in both areas. After careful consideration, MilDef submitted an application for a review of the Unit Integrator part of the procurement to the Administrative Court; this was rejected during the third quarter. Despite this negative outcome, we believe that we took a clear and important stance in this matter relating to the highly topical issue of Sweden's supply reliability. The prospects are still good for MilDef to deliver significant volumes of hardware and services for next-generation digitalization of Sweden's armed forces.

At the Annual General Meeting on May 25, Jan Andersson, Charlotte Darth, Christian Hammenborn, Lennart Pihl and Marianne Trolle were re-elected as board members, and Björn Karlsson and Bengt-Arne Molin were elected as new members. Berndt Grundevik declined re-election. Björn Karlsson was also elected as Chair of the Board and Öhrlings PricewaterhouseCoopers AB was elected as the Company's auditor for a term of one year, with Eric Salander as Auditor-in-Charge. It was further decided not to pay a dividend for the 2022 financial year in view of the Company's need for capital for long-term development, capital structure and prevailing market conditions.

In the third quarter MilDef launched its handheld Tactical Android Device (T.A.D), redefining soldier-borne digitalization. The innovative unit addresses the challenges that military personnel face by offering advanced technical functions and durability for modern warfare. In the same quarter a newly developed Panel PC was launched with a rapidly detachable computer module for a new level of operational flexibility. The unique display and computer combination enables groundbreaking use of computers and displays in military operations.



The Company's revolving credit facility was increased from SEK 75 million to SEK 120 million in 2023.

MilDef booked several high-value orders in 2023 and signed a number of framework agreements where the end customers are the armed forces of various countries. The year ended on a strong note and included an order from Clavister. This customer is a leader in European cybersecurity for mission-critical applications. The order is for MilDef hardware worth SEK 97 million. The fourth quarter also brought an order worth SEK 67 million from Makin, booked by the subsidiary Handheld.

Financial targets

MilDef has four financial targets for its operations aimed at providing the shareholders with a good return and ensuring long-term value growth.

- **Growth**
MilDef's target is to grow sales over time by at least 25% per year, including acquisitions.
- **Profitability**
MilDef's target is an operating margin (EBITDA) over time of at least 10%.
- **Capital structure**
MilDef's target is for interest-bearing net debt not to exceed 2.5 times operating profit (EBITDA) other than temporarily.
- **Dividend policy**
MilDef's target is to distribute an annual dividend of 20–40% of profit after tax. MilDef will, however, take long-term development, the capital structure and the prevailing market conditions into account.

Employees

The number of employees in the Group, recalculated to full-time equivalents (FTEs), was 309 (291) at year-end. 227 (219) of the employees were men and 82 (72) were women. The average number of FTEs in 2023 was 302, compared with 233 in the previous year.

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 metrics that cannot be directly derived or deduced from the financial statements. These financial metrics are intended to facilitate the Management Team's and investors' analysis of the Group's development. Investors should not regard these alternative performance measures as substitutes for the financial statements prepared in accordance with IFRS, but rather as complements to the statements. Definitions of the alternative performance measures are presented in the section "Definitions of key figures".

Segments

MilDef's operations are treated as one segment as this reflects the Group's business, financial monitoring and manage-

ment structure. MilDef's CEO, who is the chief operating decision-maker, monitors and analyzes results and financial position for the Group as a whole. The CEO does not monitor results on a disaggregated level lower than at consolidation level. The CEO thus also decides on allocation of resources and takes strategic decisions based on consolidation as a whole. Based on IFRS 8, the analysis has concluded that the MilDef Group consists of only one reporting segment.

Seasonal variations

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

Fluctuation in order inflow and sales

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

Order status

Order intake was strong for full year 2023 and, as in previous years, was driven by strong underlying demand for digitalization and modernization among MilDef's end-customers. For January–December 2023 order intake increased by 29% to SEK 1,214 million, compared with SEK 938 million in 2022. The order backlog as of December 31, 2023 remains at a high level, having increased by 15% to SEK 1,327 million compared with the same date the previous year (1,156). SEK 129 million of the order intake for the year is structural growth relating to the acquisition of Handheld.

Net sales and profits

Net sales for full year 2023 increased by 56% compared with the previous year and amounted to SEK 1,151 million (739). Acquisition-driven growth amounted to SEK 128.2 million during the period and is entirely related to the acquisition of Handheld in September 2022. Organic growth was around 47% and acquisition-driven growth made up around 8 percentage points of the total sales growth for January–December 2023.

Gross profit amounted to SEK 556 million (352), equivalent to a gross margin of 48.3% (47.7). The Company's gross margin may vary from quarter to quarter depending on sales volumes and the product and customer mix.

Operating expenses amounted to SEK 448 million (323), of which SEK 66.1 million related to the effect of acquired operating expenses in 2023. There were no non-recurring items during the period. Excluding operating expenses related to Handheld, operating expenses increased by 18%, equivalent to SEK 58.9 million. The increase in expenses was planned for and tracks the Company's steep growth trajectory.



The operating expenses as a percentage of sales amounted to 38.9% (43.7) for full year 2023.

The Company's increased sales and maintained gross margin in the period resulted in a clear improvement in operating profits. Operating profit (EBIT) for full year 2023 amounted to SEK 108.1 million (29.2). There were no non-recurring items. This is equivalent to an operating margin of 9.4% (4.0).

Adjusted operating profit before depreciation/amortization and impairment amounted to SEK 168.0 million (60.0), equivalent to a margin of 14.6% (8.1). Depreciation/amortization and impairment amounted to SEK 59.9 million (30.8), with depreciation of acquisition-related assets accounting for most of the increase. The acquisition of Handheld in 2022 affected the period's adjusted operating profit in the amount of SEK -16.8 million. The adjusted operating profit does not include adjustments for non-recurring items.

Net financial expense for the period amounted to SEK -19.6 million (-10.0). The increase is mainly due to increased interest expense linked to the acquisition loan taken out for the acquisition of Handheld.

The tax effect for the period impacted net profit in the amount of SEK -19.6 million (-5.0). Increased tax costs accompany the Company's good financial development. The tax expense for the period is equivalent to 22.1% of profit after financial items.

Profit after tax amounted to SEK 69.0 million (14.2). Earnings per share before dilution amounted to SEK 1.73 (0.38) and earnings per share after dilution to SEK 1.71 (0.37).

Cash flow

The Group's cash flow for full year 2023 amounted to SEK 24.2 million (-112.4). Operating cash flow for the period amounted to SEK 8.7 million (-95.0). The improvement is explained by higher operating profit as well as somewhat more favorable development of working capital. This was offset to some extent by the higher net interest expense and by higher income tax as a result of profit development.

Cash flow from operating activities amounted to SEK 54.5 million (-76.8). Cash flow from changes in working capital amounted to SEK -90.1 million (-123.4).

Cash flow from investing activities amounted to SEK -68.9 million (-321.3). SEK 31.9 million is for investments in product development and SEK 13.9 million is mostly for investments in production and testing equipment. For full year 2023 contingent considerations from past acquisitions were charged to cash flow in the amount of SEK 23.1 million. The cash flow for the previous year was affected by the acquisition of Handheld.

Cash flow from financing activities amounted to SEK 38.5 million (285.7). Repayment of loans taken out in connection with the acquisition of Handheld amounted to SEK 30 million during the period. No dividend was paid out in 2023, but SEK 27.3 million was paid out in dividends in 2022. Amortization of lease liabilities was charged to financing activities in the amount of SEK -21.4 million (-10.4).

Acquired intangible assets

The Group had recognized goodwill as of December 31, 2023 in the amount of SEK 461.5 million (466.5). Other acquired intangible assets from previous years' acquisitions are brands, customer relationships and software. Customer relationships, software and brands are amortized on a straight-line basis over a 10-year period. Customary impairment tests are carried out in each individual case. For further details, see Note 13, Intangible non-current assets.

Equity

The Group's equity amounted to SEK 844.6 million (787.9) at the end of the period. The equity/assets ratio as of December 31, 2023 was SEK 55% (57).

Net working capital

Net working capital amounted to SEK 386.1 million (305.5) at the end of the period. Higher accounts receivable and an increase in inventory volumes have had a negative impact on working capital. The increase is a consequence of MilDef's growth as well as preparing the Company for further expansion. The negative impact from increased accounts receivable and inventory volumes is offset to some extent by increased accounts payable and other current liabilities. Net working capital in relation to net sales decreased from the same period the previous year to 33.5% (41.4), which was also an improvement compared with 34.8% reported at the end of third quarter.

SEK m	2023	2022
Inventories	290.2	236.5
Accounts receivable	284.5	255.4
Other receivables	92.6	69.9
Accounts payable	-114.0	-105.1
Other current liabilities	-167.2	-151.1
Net working capital	386.1	305.5
<i>as a percentage of net sales LTM (%)</i>	<i>34</i>	<i>41</i>

Net debt and cash and cash equivalents

The net debt including lease liabilities amounted to SEK 285.9 million (254.8) at the end of the period. Cash and cash equivalents as of December 31 amounted to SEK 81.5 million (59.9). At the end of the previous year there was an unutilized revolving overdraft facility of SEK 75.0 million. At the end of 2023 no portion of this remained unutilized. Net debt at the end of the period in relation to adjusted operating profit (EBITDA) over the last 12-month period, excluding the effects of IFRS 16 Leases, amounted to 1.1 (2.8). Calculated including the effects of IFRS 16, the net debt/equity ratio was 1.7 (4.2).

SEK m	2023	2022
Other interest-bearing liabilities	263.9	227.9
Lease liabilities	103.5	86.8
Cash and cash equivalents	-81.5	-59.9
Net debt incl. IFRS 16	285.9	254.8
<i>relative to adjusted operating profit (EBITDA) LTM, times</i>	<i>1.7</i>	<i>4.2</i>



Acquisitions and acquisition analysis

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

There were no acquisitions in 2023.

Outlook

2023 was a year in which MilDef made important advances – both operationally and financially. The company is reporting record earnings, strong growth and a clear improvement in cash flow. The considerable investments in defense now taking place in multiple markets are unique in modern times. In many countries, efforts are now intensifying to modernize and increase defense capabilities. MilDef is well-positioned to meet tougher requirements for domestic supply reliability and delivery capacity. We entered 2024 with a record order backlog and important framework agreements in place, while also being well-prepared to meet the rapidly growing needs of the market.

Research and development

MilDef conducts extensive research and development. This is considered a critical factor for continued organic growth and to penetrate new markets. It is important to quickly identify the customers' changing requirements and transform them into the best solutions for every given market situation. In 2023 further resources were added to the R&D department to handle an increasing number of projects, many of which are highly complex. Around 9% of MilDef's employees work in R&D-related positions.

Significant risks and factors of uncertainty

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

Transactions with related parties

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

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 was not a party in any material dispute at the end of 2023.

Parent Company

The operations of MilDef Group AB (corp. reg. no. 556893-5414), registered office in Helsingborg, Sweden, are primarily focused on the Group's strategic development and Group-wide functions such as HR, IT, finance, etc. Most of the funds from the Group's external financing are held within the Parent Company. At year-end the Parent Company had 45 (42) employees.

Contingent liabilities

There have been no changes in the Group's contingent liabilities, as described in more detail in Parent Company Note 19.

Environmental impact

The Group does not have any operations that require a permit according to current environmental rules.

Sustainability approach

The Group's Sustainability Report for 2023, as presented in this Annual and Sustainability Report, was prepared by MilDef Group AB (publ), corp. reg. no. 556893-5414, which has its registered office in Helsingborg.

Corporate Governance Report

According to the Swedish Annual Accounts Act and the Swedish Corporate Governance Code, ("the Code"), a separate corporate governance report, including a section on internal control, is to be prepared and included in this Annual Report, see Corporate Governance Report. MilDef has no any deviations from the Code to report for 2023.

Guidelines for remuneration and other employment terms for the Management Team in 2023

For a description of this section, see Note 10 in the notes to the Group's financial statements.

Proposal for decision on allocation of profit

The following funds are available to the Annual General Meeting in the parent company:

	SEK
Share premium reserve	729,345,245
Retained earnings	14,479,949
Comprehensive income for the year	-3,200,481
Closing balance, December 31	740,624,713
<i>The Board proposes that the profit be allocated as follows:</i>	
A dividend to the shareholders of SEK 0.50 per share	19,929,783
Carried forward	720,694,930
Total	740,624,713



The Board proposes a dividend for the 2023 financial year of SEK 0.50 per share (SEK 0.00). The proposed record date for the right to receive a dividend is May 27, 2024. If the Annual General Meeting votes in favor of the proposal, the dividend is expected to be paid out on May 30, 2024.

The Board's assessment is that the proposed dividend will not impact MilDef's ability to meet the Group's commitments in the short-term or long-term. When assessing the size of the proposed dividend the Board has taken into account what is required in terms of equity and the consolidation requirements of the Company and the Group, liquidity and position in general, based on the nature and scale of the operations and the associated risks. The proposed dividend is therefore justifiable taking into consideration the precautionary rule in Chapter 17, Section 3, paragraphs 2–3 of the Swedish Companies Act.

Significant events after the end of the year

In February 2024 MilDef signed a Memorandum of Understanding (MoU) with defense company Lockheed Martin to explore an industrial partnership within Sweden's aerospace sector. The contract is initially intended to strengthen opportunities for cooperation around Lockheed Martin's C-130J-30 Super Hercules tactical aircraft for the Swedish air force.

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





RISK AND RISK MANAGEMENT

All business activity is associated with risk. Risks managed correctly can lead to opportunities and add value, while risks managed incorrectly can cause damage and losses. MilDef has a structured and proactive method to identify and manage risk to protect the Company, people and the environment.

The ability to identify, assess and manage risk is a vital aspect of implementing the Company’s strategy as well as in governance and control of the Company. The objective is to gain a good understanding of the risks and their effects, and use this to better support decision-making and to reach long-term goals through carefully considered risk-taking within set parameters. This in turn requires an effective and structured risk management process.

The overall goal of risk management is to ensure that there is a systematic method to identify risks and that they are managed at an early stage. The goal is also to make risk management a natural aspect of day-to-day operations by creating a culture and an awareness of risks among all employees and to educate them on how to manage risks to achieve the goals of the business.

The governing document for risk management is the Group-wide Risk Procedure. The purpose of this document is to define the Company’s approach to risk by stating goals and areas of responsibility. The Chief Executive Officer has ultimate responsibility for the implementation and execution of the risk management process and for reporting continually on risk to the Board. The CEO is also responsible for developing, adapting and monitoring the risk management process. The process of identifying risks that should either be eliminated, prevented or simply identified and monitored is established annually in a risk map. The managing director of each local subsidiary is

responsible for mapping risk and assessing the likelihood that the risks will materialize, as well as their potential effects, preferably in monetary terms if this is possible. The Management Team then defines which risks can be considered acceptable and how risks that are unacceptable should be managed (through action plans) to make them acceptable. The managing director of each local subsidiary is responsible for carrying out risk management within the respective company.

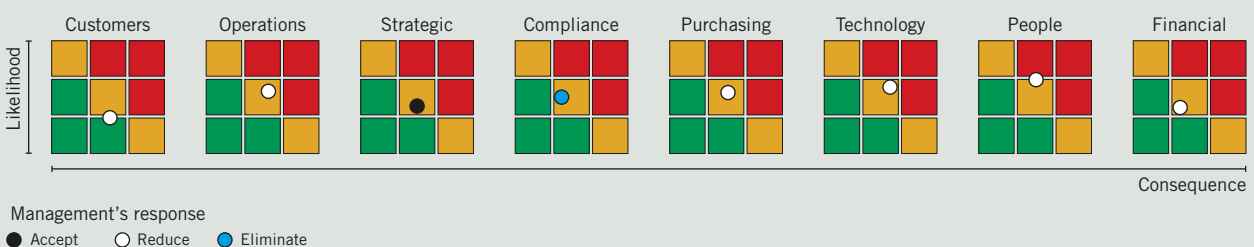
MilDef divides the risks it faces into strategic, operational and financial risks:

Financial risks are managed primarily by the corporate finance department. The responsibilities of the Board of Directors and the CEO for internal control of financial reporting are regulated in the Swedish Companies Act. See the Corporate Governance Report in this Annual Report or www.mildef.com for further information on internal control of financial reporting.

Business risk and strategic risk are managed by the local subsidiaries with support from corporate departments. The overview below presents the overall risks in each risk category and how they are managed.



Risk map



EXTERNAL ENVIRONMENT AND MARKET RISKS

Customers		Risks associated with customers are assessed from an overall perspective and based on revenue streams and contract levels. Our ability to deliver tactical IT is not covered by this area.
Non-compliance with contractual obligations	Toll gate process, compliance matrix	
Loss of strategic Nordic accounts	Dedicated account managers, building business areas, framework agreements	
Loss of strategic account (other)	Dedicated account managers	
Compliance with laws and other requirements		Risks in this area are linked to the ability to apply and adapt to new and existing government regulations and laws.
Regulatory requirements to implement and ensure cybersecurity compliance	Training, recruitment, external consultants	
New laws and regulations	Business intelligence, training, consultants, local partners	
Unforeseen requirements due to infringement of third party intellectual property rights	Business intelligence, consultants, local partners, due diligence process	
Technology		Risks associated with technology relate to our technical systems and threats against them, such as cyber threats.
IT disruptions	Redundant environment, continuity planning for critical functions	
Cybersecurity threats	Investments, training, business intelligence	
Unforeseen requirements due to infringement of third party intellectual property rights	Business intelligence, consultants, local partners, due diligence process	
Strategic		Strategic risks are primarily related to high-level political and social aspects and are often difficult to influence due to their nature.
Political/economic conflicts (USA/China)	Purchasing in the EU/USA	
Old partners and future requirements	Communication, cooperation, agreements, partnership programs	
Shared right to use the name MilDef	Separation through brand positioning, discussion of name change	



OPERATIONAL RISKS

Operations	Risks associated with business operations are linked to our ability to deliver and be efficient.
Global supply chains impact our ability to deliver	Purchasing, working virtually, digitalization, succession planning for production
Exposure to corporate espionage	Training, investments to meet protective security procurement requirements
Production capacity impacted by external events	Fire safety system, multiple suppliers of critical functions (IT, electricity), established business continuation plan
Purchasing and delivery management	Risks associated with suppliers and supply chains that impact our ability to deliver and safeguard the business.
Dependence on a single supplier	Dual purchasing channels, agreements, design specifications
MilDef Crete's capacity to deliver	Made in Sweden/EU, IP rights, common suppliers
Chinese influence/control over critical suppliers	Dual purchasing channels in the EU/USA
People and organizational structure	Risks associated with people and the Company's organizational structure relate to talent, employer branding, ability to retain employees and our culture.
Immature leadership in the organization that can lead to inefficiency	Leadership training, communication, clear authority structure and expectations
Difficulty recruiting and retaining certain talent	Employer branding, cooperation
The Group's core values and Code of Conduct not being implemented in all parts of the organization, resulting in subcultures	Training, communication

FINANCIAL RISKS

Financial	Financial risks are traditional risks that can jeopardize cash flow, financial strength and profits.
Increased costs due to currency fluctuations	Agreements
Large sums tied to contracts	Supplier contracts, share risks with customers
Increased costs relating to customs duties, with a potential impact on production competitiveness	Made in X concept







FINANCIAL STATEMENTS AND NOTES

THE GROUP



Consolidated statement of comprehensive income

SEK m	Note 1-3	2023	2022
Net sales	4	1,151.3	738.8
Cost of goods sold		-595.0	-386.5
Gross profit		556.3	352.3
Selling expenses		-282.8	-206.3
Administrative expenses		-85.9	-67.2
Research and development expenses		-80.7	-49.0
Other operating income	5	6.6	7.4
Other operating expenses	5	-5.4	-8.0
Operating profit	6, 7,8 ,9,10	108.1	29.2
Financial income	11	9.5	1.2
Financial expense	11	-29.1	-11.2
Profit after financial items		88.6	19.2
Income tax	12	-19.6	-5.0
Net profit for the year		69.0	14.2
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss			
Change in translation reserve for the year		-12.2	9.6
Other comprehensive income		-12.2	9.6
Total comprehensive income for the year		56.8	23.8
Profit for the year attributable to:			
Owners of the parent		69.0	14.2
Non-controlling interests		-	-
Net profit for the year		69.0	14.2
Comprehensive income for the year attributable to:			
Owners of the parent		56.8	23.8
Non-controlling interests		-	-
Comprehensive income for the year		56.8	23.8
Earnings per share		2023	2022
Number of shares at year-end		39,859,566	39,859,566
Weighted average number of shares in the period before dilution		39,859,566	37,400,988
Weighted average number of shares in the period after dilution		40,301,066	37,844,488
Earnings per share before dilution (SEK)		1.73	0.38
Earnings per share after dilution (SEK)		1.71	0.37



Consolidated balance sheet

SEK m	Note 1-3	Dec. 31, 2023	Dec. 31, 2022
Non-current assets			
Intangible assets			
	13		
Capitalized product development		68.5	56.2
Goodwill (business combinations)		461.5	466.5
Other acquired intangible assets		114.9	132.3
Other intangible non-current assets		0.3	0.4
Total intangible non-current assets		645.2	655.3
Property, plant and equipment			
	14		
Leasehold improvements		8.0	8.3
Equipment, fixtures and fittings		13.5	8.8
Right-of-use assets		100.5	85.2
Total property, plant and equipment		122.0	102.3
Financial non-current assets			
Other non-current receivables	15	0.3	0.3
Total financial non-current assets		0.3	0.3
Deferred tax assets	12	9.5	14.3
Total non-current assets		777.0	772.2
Inventories etc.			
	16		
Products in progress		2.5	4.5
Finished products and goods for resale		283.4	231.8
Advance payments to suppliers		4.4	0.2
Total inventories		290.2	236.5
Current receivables			
Accounts receivable	17	284.5	255.4
Tax assets		12.8	16.7
Other receivables		23.1	20.6
Contract assets	23	42.2	18.7
Prepaid expenses and accrued income	18	14.3	13.9
Total current receivables		377.0	325.3
Cash and cash equivalents		81.5	59.9
Total current assets		748.7	621.7
TOTAL ASSETS		1,525.7	1,393.9



Consolidated balance sheet

SEK m	Note 1-3	Dec. 31, 2023	Dec. 31, 2022
Equity and liabilities			
Equity	19		
<i>Equity attributable to owners of the parent</i>			
Share capital		10.0	10.0
Other capital contributions		729.3	729.3
Translation reserve		-3.1	9.0
Retained earnings incl. profit for the year		108.6	39.6
Total equity attributable to owners of the parent		844.6	787.9
Total equity		844.6	787.9
Non-current liabilities			
Deferred tax liabilities	12	32.6	35.1
Non-current interest-bearing liabilities	20.21	132.5	174.8
Lease liabilities for right-of-use assets	2	76.4	70.6
Total non-current liabilities		241.5	280.5
Current liabilities			
Current interest-bearing liabilities	20.21	131.4	53.1
Lease liabilities for right-of-use assets		27.1	16.2
Provisions for warranties	22	1.7	0.7
Contract liabilities	23	32.1	11.4
Accounts payable		114.0	105.1
Tax liabilities		9.2	11.2
Other liabilities		45.4	55.6
Accrued expenses and deferred income	24	78.7	72.2
Total current liabilities		439.7	325.5
TOTAL EQUITY AND LIABILITIES		1,525.7	1,393.9



Consolidated statement of changes in equity

SEK m	Share capital	Other capital contributions	Translation reserve	Retained earnings incl. profit for the year	Total equity attributable to owners of the parent	The Group
Opening balance, January 1, 2022	9.1	507.0	-0.6	52.7	568.2	568.2
Net profit for the year	-	-	-	14.2	14.2	14.2
Other comprehensive income						
Change in translation reserve for the year	-	-	9.6	-	9.6	9.6
Total other comprehensive income for the year	-	-	9.6	-	9.6	9.6
Total comprehensive income for the year	-	-	9.6	14.2	23.8	23.8
Transactions with shareholders in their capacity as owners						
New share issues	0.9	229.1	-	-	230.0	230.0
Issue costs	-	-6.8	-	-	-6.8	-6.8
Dividend to shareholders	-	-	-	-27.3	-27.3	-27.3
Closing balance, December 31, 2022	10.0	729.3	9.0	39.6	787.9	787.9
Opening balance, January 1, 2023	10.0	729.3	9.0	39.6	787.9	787.9
Net profit for the year	-	-	-	69.0	69.0	69.0
Other comprehensive income						
Change in translation reserve for the year	-	-	-12.2	-	-12.2	-12.2
Total other comprehensive income for the year	-	-	-12.2	-	-12.2	-12.2
Total comprehensive income for the year	-	-	-12.2	69.0	56.8	56.8
Transactions with shareholders in their capacity as owners						
New share issues	-	-	-	-	-	-
Issue costs	-	-	-	-	-	-
Dividend to shareholders	-	-	-	-	-	-
Closing balance, December 31, 2023	10.0	729.3	-3.1	108.6	844.6	844.6



Consolidated cash flow statement

SEK m	Note 1-3	2023	2022
Operations			
Operating profit		108.1	29.2
Adjustments for non-cash items:			
Depreciation, amortization and impairment charged to operating profit		59.9	30.8
Other	25	8.6	-1.2
Total		68.5	29.6
Interest received		16.1	2.6
Interest paid		-35.6	-7.2
Taxes paid		-12.6	-7.6
Cash flow from operating activities before changes in working capital		-32.0	-12.2
Increase (-) / decrease (+) in inventories		-55.8	-98.2
Increase (-) / decrease (+) in operating receivables		-62.1	-59.2
Increase (+) / decrease (-) in operating liabilities		27.8	34.0
Changes in working capital		-90.1	-123.4
Cash flow from operating activities		54.5	-76.8
Cash flow from investing activities			
Investments in intangible assets		-31.9	-13.2
Investments in property, plant and equipment		-13.9	-4.8
Acquisition of subsidiaries, net of acquired cash and cash equivalents		-23.1	-303.1
Change in other non-current receivables		-	-0.2
Cash flow from investing activities		-68.9	-321.3
Cash flow from financing activities			
Dividend		-	-27.3
New share issues		-	143.2
Increase in liabilities to credit institutions		89.9	200.0
Repayment of interest-bearing liabilities		-30.0	-19.8
Repayment of lease liabilities		-21.4	-10.4
Cash flow from financing activities		38.5	285.7
Cash flow for the year		24.2	-112.4
Change in cash and cash equivalents			
Cash and cash equivalents at beginning of period		59.9	169.2
Exchange rate difference in cash and cash equivalents		-2.6	3.1
Cash flow for the year		24.2	-112.4
Cash and cash equivalents at end of period		81.5	59.9
Unutilized credit		-	75.0
Available liquidity		81.5	134.9



Notes to the consolidated financial statements

Note 1. Accounting principles

Conformity with laws and standards

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

Conditions when preparing the Group's financial statements

The functional currency of the Parent Company is Swedish crowns or kronor (SEK), which is also the reporting currency of the Parent Company and the Group. Financial statements are always presented in SEK unless otherwise indicated. All amounts are rounded off to the nearest million, unless otherwise stated.

Assets and liabilities are recognized at historic cost, other than certain financial assets and liabilities which are measured at fair value. The balance sheet items under the headings current assets and current liabilities are expected to be recovered or paid within 12 months. All other balance sheet items are expected to be recovered or paid later.

Preparation of the financial statements in accordance with IFRS requires the Board of Directors and management to make estimates and assumptions that affect the application of the accounting principles and the carrying amounts of assets, liabilities, revenue and expenses. These estimates and assumptions are based on past experience and knowledge of the industry in which MilDef operates and which are deemed reasonable under prevailing circumstances. The results of estimates and assumptions are then used to determine the carrying amounts of assets and liabilities which are not otherwise clearly evident based on other sources. Actual outcomes may deviate from these estimates and assumptions. The estimates and assumptions are reviewed on a regular basis and the effect of changes to them is recognized in the income statement. Estimates made by the Board and management when applying the accounting principles in accordance with IFRS may have a material impact on the financial statements, and estimates and judgments that may lead to significant adjustments in the financial statements in subsequent years are described in more detail in Note 3. The accounting principles for the Group described below have been applied consistently for all periods that are presented in the Group's financial statements, unless otherwise indicated below.

New and amended standards applied by the Group

New and amended standards and improvements and interpretations that entered into force in 2023 have not had any material impact on the consolidated financial statements for the financial year.

New and amended standards and interpretations that have not yet entered into force

The Group has not yet started applying the new and changed standards and interpretations that have been issued but that entered into force for financial years beginning on January 1, 2023 or after. Management's assessment is that these, upon initial application, will not have any material effect on the consolidated financial statements.

Consolidated financial statements

The consolidated financial statements encompass the Parent Company MilDef Group AB and the companies over which the Parent Company has a direct or indirect controlling influence (subsidiaries). A controlling influence exists if MilDef Group AB has influence over the investment holding, is exposed to or has the right to variable returns from its holding and can exercise its influence over the holding to impact the returns. When determining if a controlling influence exists, shares that potentially carry voting rights are taken into account, as is whether de facto control exists.

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

Intra-Group transactions, balance sheet items and unrealized gains and losses on transactions between Group companies are eliminated. The accounting principles applied by subsidiaries have, where applicable, been amended to guarantee consistent application of the Group's principles.

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

Functional currency and reporting currency

Items included in the financial statements for the various entities in the Group are measured in the currency used in the economic environment where the entity in question is mainly active (functional currency). In the consolidated financial statements the Swedish krona (SEK) is used as the Group's reporting currency.

The Group applies the current day method, whereby assets and liabilities of entities with a functional currency other than SEK are translated at the closing day exchange rate and the income statements are translated at the average exchange rates for the year. The translation differences that arise are recognized directly in other comprehensive income. The amount is recognized separately as reserves in equity.

When divesting an entity that has a functional currency other than SEK, the cumulative translation differences attributable to the divested entity are reclassified from equity to profit for the year.



Transactions and balance sheet items

Transactions in foreign currencies are translated to the functional currency using the exchange rates in effect on the transaction date or the date the items are remeasured. Exchange rate gains and losses arising when paying for these transactions, and in the translation of monetary assets and liabilities in foreign currencies at the closing day rate, are recognized in the income statement.

Exchange rate gains and losses related to loans and cash and cash equivalents are recognized in the income statement as financial income or financial expense.

All other exchange rate gains and losses are recognized net under "Other operating income" or "Other operating expenses" in the income statement.

Intangible assets*Research and development*

The work of developing an intangible asset internally is divided between a research phase and a development phase.

All expenditure in the Group's research phase is recognized as an expense as it arises. Expenditure to develop an asset is recognized as an asset (capitalized product development) if all of the following conditions are met:

- it is technically possible to complete the intangible asset so that it can be used or sold,
- the entity intends to complete the intangible asset and to use or sell it,
- conditions exist to use or sell the intangible asset,
- it is probable that there will be future economic benefits from the intangible asset,
- necessary and adequate technical, financial and other resources exist to complete development and to use or sell the intangible asset, and
- the cost of developing the intangible asset can be reliably measured.

If not all of the above criteria are met, the development costs are recognized as operating expenses as they arise. If it is not possible to recognize an internally produced intangible asset, the development expenses are expensed in the period they arise.

Goodwill

Goodwill arising in connection with acquisitions of companies and operations is measured according to IFRS 3 Business Combinations and is recognized as an intangible asset. Goodwill is tested at least once a year, or when indications exist, to identify if there is any impairment. Goodwill is recognized at cost minus accumulated impairment losses.

To assess if impairment exists, the recoverable amount is determined by estimating discounted future cash flows for the entity to which the goodwill is attributed. The calculation is based on the lowest cash-generating unit. The MilDef Group conducts impairment tests on three cash-generating units. Goodwill recognition is presented in Note 13.

Customer relationships

Customer relationships acquired through business combinations are recognized at fair value on the acquisition date. Customer relationships are measured at cost less amortization and any accumulated impairment losses. Customer relationships are tested annually, and if there is an indication of a decrease in value, to determine if there is any impairment. Any impairment losses are charged to operating profit.

Brands

Brands acquired through business combinations are recognized at fair value on the acquisition date. Brands are amortized over their estimated useful life. Brands are tested annually, and if there is an indication of a decrease in value, to determine if there is any impairment. Any impairment losses are charged to operating profit.

Other intangible non-current assets

Other intangible non-current assets, including software and acquired exclusivity agreements, are recognized at cost less accumulated amortization and any impairment losses.

Amortization

Amortization is recognized in the income statement, calculated based on the useful lives of the intangible assets. Amortization is on a straight-line basis. Estimated useful lives and amortization methods:

- Capitalized product development: 5 years
- Exclusivity agreements: 5 years
- Customer relationships: 10 years
- Brands: 10 years
- Software: 10 years
- Other intangible non-current assets: 10 years

Useful life is reassessed annually and development not yet completed is tested for impairment at least once a year, whether or not there is any indication of a decrease in value.



Property, plant and equipment

Property, plant and equipment are recognized as assets if it is probable that future economic benefits from them will flow to the Group and the cost of the assets can be reliably calculated. Property, plant and equipment are recognized at cost less accumulated depreciation and any impairment losses. Cost includes the purchase price plus expenses directly attributable to the asset in order to bring it to the location and condition so that it can be used in the intended manner. Examples of directly attributable expenses are delivery and handling costs, installation costs and any fees for consulting services.

Additional expenditures

Additional expenditures are added to cost only if it is probable that the future economic benefits associated with the additional expenditures will flow to the Group and cost can be reliably calculated.

All other additional expenditures are expensed in the period in which they arise. Repairs are expensed on an ongoing basis.

Depreciation

Depreciation is recognized on a straight-line basis based on the asset's cost and over its estimated useful life.

Estimated useful lives:

- Leasehold improvements: 5 years or over the term of the lease
- Equipment, fixtures and fittings: 3–5 years
- Right-of-use assets: over the term of the lease
 - Leases: 1–10 years
 - Vehicle leases: 3–5 years

Impairment of non-financial assets

The value of intangible non-current assets that have an indefinite useful life, such as goodwill, is not amortized but is instead tested annually for impairment. Property, plant and equipment and intangible non-current assets the definite useful life of which can be determined are tested for impairment if there is any indication that the asset may have depreciated in value. Impairment losses are recognized in accordance with IAS 36. When calculating impairment, the Group establishes the recoverable amount of the asset. The recoverable amount is the higher of net realizable value and the value in use. When assessing value in use the future cash flow discounted to present value is calculated using a pre-tax discount factor, applying a weighted average cost of capital (WACC). An impairment is recognized when the carrying amount of the asset exceeds its recoverable amount. Impairments are recognized through profit or loss.

Inventories

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale. Cost is measured using the first-in, first-out (FIFO) formula and includes expenditures that have arisen from acquisition of inventory assets and from bringing them to their present location and condition. For semi-manufactured or finished goods produced by the Company, cost consists of direct manufacturing expenses and a reasonable portion of indirect manufacturing expenses based on normal capacity.

Financial assets

Most of the Group's financial assets are accounts receivable, contract assets, cash and cash equivalents and other receivables.

The Group classifies and measures its financial assets based on the business model that addresses the asset's contracted cash flows and the nature of the asset. Financial assets are classified in one of the following categories: financial assets measured at amortized cost; financial assets measured at fair value through other comprehensive income; and financial assets measured at fair value through profit or loss. At present the Group only has financial assets that are not normally sold outside the Group and the purpose of holding them is to obtain contractual cash flows.

Financial assets measured at cost

All financial assets are classified as financial assets measured at amortized cost applying the effective interest method. When financial assets are acquired, the expected credit losses are recognized on an ongoing basis during the period they are held, normally taking into account credit loss risk in the subsequent 12-month period. If the credit risk is materially increased, a reserve is recognized for the credit losses that are expected to materialize during the whole term of the asset. MilDef applies the simplified method to calculate credit losses, i.e. the provision for expected credit losses is calculated based on the full lifetime of the receivable. This is based on historical data on payment collection patterns and the counterparty's ability to pay. Based on historical data, the expected credit losses are extremely limited.

Cash and cash equivalents

Cash and cash equivalents, in both the balance sheet and the statement of cash flows, include cash, bank balances and other short-term investments maturing within three months of the date of acquisition.

Equity

Share capital

Ordinary shares are classified as share capital.

Other capital contributions

Consist of amounts paid above the quota (par) value when shares are issued.



Issue costs

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

Retained earnings

Consist of all past earnings after tax, excluding non-controlling interests, less dividends.

Translation reserve

The net of the currency translation difference for foreign subsidiaries.

Dividends

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

Financial liabilities

The Group's financial liabilities belong to the category of financial liabilities measured at amortized cost, applying the effective interest method, with the exception of liabilities relating to contingent considerations, which are measured at fair value according to level 3 in the fair value hierarchy.

Provisions

Provisions are legal or informal obligations that are attributable to the financial year or previous financial years and that on the closing day are certain or likely to exist but where the date and the amounts that will be realized are uncertain. Provisions are made for warranties.

Contingent liabilities

A contingent liability exists if there is a possible obligation stemming from past events, the occurrence of which depends on one or more uncertain future events, and where the obligation is not recognized as a liability or provision because it is not likely that an outflow of resources will be required or the size of the obligation cannot be estimated with sufficient reliability. Information is provided unless the likelihood of an outflow of resources is extremely small.

Income tax

Income tax recognized consists of current tax and deferred tax. Taxes are recognized in the income statement unless they relate to items recognized directly in equity. In such cases the tax is also recognized in equity. Deferred tax is calculated according to the balance sheet method based on all material temporary differences. A temporary difference exists when the carrying amount of an asset or liability differs from the tax base. Deferred tax is calculated by applying the tax rate that has been enacted or substantively enacted as of the closing day and that is expected to apply when the tax asset in question is realized or the tax liability is settled. Deferred tax assets are recognized only to the extent it is probable that a future tax surplus will be available against which the temporary differences can be offset.

Revenue from contracts with customers

Revenue from contracts with customers is recognized when the performance obligation has been met and control of the goods or services has been transferred to the customer. This assessment should be viewed from the customer's perspective taking into account indications such as the transfer of ownership and risk, customer acceptance, physical possession and the right to invoice. An assessment must also be made of whether control is transferred on a specific date or over time.

Standard products and services

Standard products and standard services are regarded as separate and distinct performance obligations. Revenue is recognized on a specific date when control of the goods or services is transferred to the customer. The contract terms and conditions may vary, but the transfer normally takes place and the revenue is recognized upon delivery or, if the contract includes installation for the customer, when the installation is complete.

Customized products and services

Certain products and services involve customized solutions. This type of contract is often binding for the customer and the obligations of both parties are clearly defined for the duration of the contract. Revenue for customized products is recognized over time if the degree of completion can be measured with certainty and there is a binding right to payment over the term of the contract. The degree of completion is measured based on performance completion. If the criteria described above for revenue recognition over time are not met, the revenue is recognized according to the same method as for standard products and services. The transaction price for contracts of this type is represented by payments based on degree of completion or on the invoice dates specified in the contract. If invoices are issued at specific agreed times, contract assets or contract liabilities will arise. Contract assets also arise where the performance obligation has been met and there is an unconditional right to payment but an invoice has not yet been issued.

Contracts with customers where the performance obligation has not yet been met

As MilDef has no customer contracts with a term of more than one year, the simplification rule is applied whereby no disclosure is necessary on the scope of contracts entered into but not yet fulfilled.

Leases

When new leases are signed a right-of-use asset and a lease liability are recognized in the balance sheet. Cost consists of the discounted remaining lease payments for the non-cancellable lease term. Any extensions are included if the Group is reasonably certain that they will be used. Lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be easily determined, which is



normally the case for the Group's leases, the lessee's marginal interest rate is to be used. This is the rate the individual lessee would have to pay to borrow the necessary funds to purchase an asset of the same value as the right-of-use asset in a similar economic environment and with similar terms and guarantees.

The lease may be modified during the lease term and if so the lease liability and right-of-use assets are remeasured.

Lease payments are divided between repayment of the lease liability and payment of interest. The Group's significant leases consist of leases for real estate used in business operations and vehicle leases. The Company applies the relief rules for leases where the underlying asset is of low value and the lease term is short. These leases are recognized as an expense during the period of use.

Employee benefits

Liabilities for wages, salaries and other remuneration, and paid leave, where the liability is expected to be settled within 12 months of the end of the financial year, are recognized as current liabilities at the amounts that are expected to be paid when the liabilities are settled, without taking any discounting into account. The expense is recognized as and when the services are performed by the employees.

Defined contribution plans

The Group's pension plans for post-employment benefits are all in the form of defined contribution pension plans. With these plans the Company pays fixed contributions to a separate legal entity. Once the contribution is made the Company has no further obligations. Remuneration for employees in the form of wages, salary and pension is recognized when the employee has performed the service the remuneration is for.

Severance pay

A provision is recognized in connection with termination of employment only if the Company is obligated to end employment before the normal date. In such cases the full amount is charged directly to the income statement.

Financial income and expense

Financial income and expense consist of interest income and borrowing costs, and any exchange rate differences not related to operations. They also include realized disposals of financial assets as well as impairment losses/reversals of past impairment losses on these financial assets. Borrowing costs directly related to purchases, construction or production of qualifying assets are recognized as part of the cost of these assets. Qualifying assets are assets that necessarily take a substantial period of time to prepare for their intended use or sale. Capitalization ceases when all of the activities necessary to prepare the asset for its intended use or sale are substantially complete. All other borrowing costs are expensed when they arise. The Group has no capitalized borrowing costs.

Statement of cash flows

The statement of cash flows is prepared in accordance with the indirect method, whereby the net profit/loss is adjusted for transactions not involving payments received or made during the year, and for any income and expenses relating to cash flow from investing or financing activities. Cash and cash equivalents include cash, bank balances and other short-term investments maturing within three months of the date of acquisition.

Operating segments

MilDef's CEO, who is the chief operating decision-maker, monitors and analyzes results and financial position for the Group as a whole. The CEO does not monitor results on a disaggregated level lower than at consolidation level. The CEO thus also decides on allocation of resources and takes strategic decisions based on consolidation as a whole. Based on IFRS 8, the analysis has concluded that the MilDef Group consists of only one reporting segment.

Geographical areas

Most production takes place in Sweden. The Group also purchases products from external suppliers. Sales by geographies are presented in Note 4.

Operating expenses

The income statement is categorized by function. The functions are as follows:

- Cost of goods sold consists of costs for handling goods and manufacturing costs, including payroll expenses, the cost of materials, purchased services, the cost of premises, and impairment of property, plant and equipment and intangible assets.
- Administrative expenses are mainly the cost of business administration. Common expenses are board fees, legal fees, auditor's fees and payroll expenses for administrative personnel.
- Selling expenses are expenses for the Company's internal sales and marketing department as well as external marketing and sales expenses.
- Research and development expenses are recognized separately and include self-financed new and further development of products such as materials for prototypes, as well as payroll expenses.
- Other operating income and expenses relate to secondary activities such as exchange rate differences on operation-related items.



Note 2. Financial risk management

The Board of Directors of MilDef Group AB has established a Group-wide Risk Management Policy which describes how financial risks within the Group's operations are managed. The objective is for financial risks to be identified and actively managed for the purpose of reducing negative impacts on the Group's profits, competitiveness and financial freedom.

The financial risks are defined as:

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

Currency risk

Transaction risk

Definition

Transaction risk is the risk of changes in exchange rates negatively affecting profitability and the Group's financial position. Transaction exposure occurs when the Group's companies purchase in one currency and sell in another currency. The main rule in limiting the Group's transaction exposure is for the supply company to sell to the distributor in the distributor's local currency. The transaction risk is thereby limited for the distributor.

A significant portion of the Group's sales and purchases are in currencies other than SEK. This is shown in the table below. Currency hedging is not normally applied except in some cases at the subsidiary level. No currency hedging was applied in 2023. The risks are primarily limited by the way contracts are drafted (currency clauses) or by quotes being given in the entity's own cost currency. In the case of more substantial risk exposure, individual assessments are made to determine where hedging may be needed.



Invoicing by currency

The Group's net flows in the form of customer and supplier invoices by currency are as follows:

A +/- 10% shift in exchange rates would have the following effect on earnings:

SEK m	Effect +10%	Effect -10%
EUR	6.4	-6.4
GBP	0.8	-0.8
NOK	18.7	-18.7
USD	0.5	-0.5
AUD	0.3	-0.3
DKK	7.7	-7.7

The table above is based on the Group's net flows in these currencies.

Exchange rate gains and losses relating to operations are recognized net under "Other operating income" or "Other operating expenses."



Translation risk*Definition*

Translation risk is the risk that translation differences represent in the form of a change in equity.

When foreign subsidiaries' balance sheets in local currency are translated to SEK, a translation difference arises as a consequence of the current year being translated at a different closing exchange rate than the previous year. The income statement is translated using an average exchange rate for the year, while the balance sheet is translated at the exchange rate on December 31. Translation exposure constitutes the risk that the translation difference represents in the form of a change in equity.

The Group's net investments in foreign currency amounted to SEK 71.0 million (48.4) at the end of 2023. The main currencies are USD, SEK 53.3 million (40.5) and NOK, SEK 18.2 million (21.4). The Group does not hedge this risk.

Interest rate risk*Definition*

Interest rate risk is the risk of the Group's profitability and financial position being negatively affected by changes in current interest rate levels.

Interest rate risk exists when the cost of the Company's borrowing changes when market interest rates are changed. Management monitors market development on an ongoing basis. The loan terms contain covenants linked to performance measures. The Group's bank loans carry variable interest rates with a fixed interest period of 1–3 months. Assets pledged in connection with borrowings are presented in Note 20.

Calculated based on interest-bearing credit facilities carrying variable interest rates as of December 31, 2023, a one percentage point change in the market interest rate would affect the Group's earnings by SEK -2.8 million (1.9).

The table below shows the effective interest rate on the closing day and the maturity structure of the financial liabilities.

2023, SEK m	Nominal interest rate	Nominal amount	Within 6 months	6–12 months	1–2 years	2–5 years	After 5 years	Total
Bank loans	6.14%	162.5	19.9	19.4	136.7	-	-	176.0
Overdraft facility	5.25%	120.0	3.2	3.2	123.4	-	-	129.7
Contingent considerations			12.3	-	-	-	-	12.3
Undiscounted lease payments			11.5	15.0	22.7	42.0	21.9	113.0
Accounts payable			114.0	-	-	-	-	114.0
Total			160.9	37.5	282.8	42.0	21.9	545.1

2022, SEK m	Nominal interest rate	Nominal amount	Within 6 months	6–12 months	1–2 years	2–5 years	After 5 years	Total
Bank loans	1.03%	192.5	16.0	15.9	31.6	133.2	-	196.6
Overdraft facility		-	-	-	-	-	-	-
Contingent considerations			23.1	-	12.3	-	-	35.4
Undiscounted lease payments			7.0	9.4	15.1	35.5	29.0	95.9
Accounts payable			105.1	-	-	-	-	105.1
Total			151.2	25.3	59.0	168.7	29.0	433.1

If surplus liquidity arises, it is first invested in short-term interest-bearing securities with extremely low risk. Maturities for short-term interest-bearing securities are normally 3–12 months.

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. Following the acquisition of Handheld, the liquidity and financing risk is currently considered to be at an acceptable level. Net debt (incl. IFRS 16) in relation to adjusted EBITDA is 1.7 (4.2) compared with the long-term target of maximum 2.5. SEK 30 million (30) of the bank loan will be repaid in 2024. Both the bank loan and overdraft facility expire in July 2025. There is an option to extend the bank loan by 1+1 years. On the closing day the financial liabilities in the table above amounted to SEK 545.1 million (433.1). At the end of the previous year there was an unutilized revolving overdraft facility of SEK 75.0 million. At the end of 2023 no portion of this remained unutilized. At year-end cash and cash equivalents amounted to SEK 81.5 million (59.9).

Credit and counterparty risk*Definition*

Credit risk in transactions is the risk that the counterparty will not meet its financial obligations. MilDef is exposed to credit risk in its operations based on transactions with counterparties, mainly customers. The maximum credit risk exposure regarding accounts receivable was SEK 284.5 million (255.4) as of December 31, 2023. Cash and cash equivalents are only deposited in cash or similar accounts and the Group only uses credit institutions with a high credit rating to minimize credit risk.



Accounts receivable

The risk of losses is the risk that customers will be unable to pay for products that have been delivered due to their financial positions. MilDef sells to a limited number of customers, who have good solvency, which significantly reduces the risk, and currently the risk of customer losses is considered low. MilDef systematically performs credit assessments before entering into commercial arrangements with new customers. When exporting products, advance payments or in some cases bank guarantees are usually required. Part of MilDef's sales is to various countries' armed forces, with the majority of the remainder to major companies.

Fair value

Carrying amounts coincide with fair value for all of the Group's financial assets and liabilities. The Group's financial assets are in the category of financial assets measured at amortized cost and financial liabilities are in the category of financial liabilities measured at amortized cost, with the exception of contingent considerations.

Contingent considerations from acquisitions of entities are measured at fair value according to level 3 of the fair value hierarchy. This means that several significant inputs used in the measurement model are not based on observable market data. There are contingent considerations in connection with the acquisitions of MilDef Integration Sweden AB and Sysint AS. A discounted cash flow method is used to calculate the present value of the expected outflows from the Group in connection with settlement. The significant unobservable inputs used in the calculation are a risk-adjusted discount rate of 8% and probability-adjusted expected cash flows. At year-end 2022 interest-bearing liabilities included contingent considerations of SEK 35.4 million. Contingent considerations of SEK 10.6 million (11.4) for Sysint AS and SEK 12.5 million (0.0) for MilDef Integration Sweden AB were paid in 2023. The contingent consideration for Sysint AS is therefore settled. The expected outstanding cash flow relating to MilDef Integration Sweden AB amounts to SEK 12.5 million and the interest-bearing debt to SEK 12.3 million.

Capital management

MilDef's capital structure target is to ensure the Group's ability to continue as a going concern to generate returns for the shareholders and benefits for other stakeholders, and to have an optimal capital structure taking into account the cost of capital. Shareholder dividends, new share issues or sales of assets are examples of actions the Group can employ to adjust its capital structure. MilDef defines capital as the sum of equity and the Group's net debt, totaling SEK 1,130.5 million (1,042.7).

MilDef has four financial targets for its operations aimed at providing the shareholders with a good return and ensuring long-term value growth:

- Growth – Grow sales over time by at least 25% per year, including acquisitions.
- Profitability – Operating margin (EBITDA) over time of at least 10%.
- Capital structure – Interest-bearing net debt not to exceed 2.5x EBITDA, other than temporarily.
- Dividend policy – Distribute 20–40% of net profit. MilDef will, however, take long-term development, capital structure and prevailing market conditions into account.

The Board of Directors is proposing that the dividend for the 2023 financial year be set at SEK 0.50 per share.



Note 3. Uncertainty in estimates and judgments

Estimates and judgments are evaluated on an ongoing basis and based on historical experience and other factors, including expectations regarding future events that are considered reasonable under the prevailing circumstances. Management makes estimates and assumptions regarding the future and this affects the carrying amounts recognized. The key estimates and assumptions where there is a significant risk of the need for material adjustments to carrying amounts in future financial years are outlined below.

Useful life of intangible assets and property, plant and equipment

Key sources of uncertainty in estimates

The Group's Management Team establishes estimated useful lives and associated amortization/depreciation of the Group's intangible non-current assets and property, plant and equipment. These estimates are based on past knowledge of the useful lives of similar assets. Useful life and estimated residual value are tested on every closing day and adjusted as needed. The useful life is 5–10 years for intangible non-current assets and 1–10 years for property, plant and equipment, see Note 1.

Testing of goodwill impairment

Key sources of uncertainty in estimates

Every year the Group tests for impairment of goodwill according to the accounting principle described in the section "Impairment of non-financial assets" in Note 1. The value is estimated based on management's estimates of future cash flows, which are mainly based on internal budgets and forecasts. As of December 31, 2023, goodwill was recognized in the amount of SEK 461.5 million (466.5).

Testing for impairment requires management to consider various aspects, in particular any events that have occurred that may impact the value of goodwill, as well as the assumptions used in cash flow forecasts and whether cash flow discounts are reasonable. Any changes made to assumptions may result in a different outcome and a different future financial position. For further information on goodwill impairment testing, see Note 13.

Recovery of value of development expenses

Key sources of uncertainty in estimates

The Group invests substantial sums in research and development. Recognition of development expenses as assets in the balance sheet requires estimates to be made and an expectation that the product capitalized will be technically and commercially viable in the future and that future economic benefits are likely. Each quarter an assessment is made of whether development expenses already capitalized are still commercially viable and can continue to generate economic benefits. If this is not the case, an impairment loss is recognized. As of December 31, 2023, capitalized product development was recognized at SEK 68.5 million (56.2).

Deferred tax assets

Key sources of uncertainty in estimates

Every year management conducts an impairment test for deferred tax assets relating to tax loss carryforwards. Deferred tax assets are only recognized if it is deemed probable that a future tax surplus will be available. Deferred tax assets relating to tax loss carryforwards amounted to SEK 2.3 million (7.1) at the end of 2023. See also Note 12.

Inventory obsolescence assessment

Key sources of uncertainty in estimates

Inventory is assessed every month to determine if there is any impairment. An impairment loss is recognized in cost of goods sold at the amount of inventory which, after careful evaluation, is considered to be obsolete. If actual obsolescence is different from the estimates or if management makes future adjustments to the assumptions made, changes in value may affect profit for the year as well as the Company's financial position. An obsolescence scale has been applied consistently by the Group. According to the obsolescence scale, all items of inventory older than two years are measured at 0% of cost. The reserve for inventory obsolescence amounted to SEK 21.3 million (16.4) as of December 31, 2023, see Note 16.

Contingent considerations

Key sources of uncertainty in estimates

The carrying amount of contingent considerations is normally based on expected profit development within the acquired operations in coming years. Contingent considerations are considerations for holdings that have already been acquired. If profit development is not as expected, this will affect the carrying amount of contingent considerations and thus MilDef Group's profits.

Contingent considerations are recognized in non-current or current interest-bearing liabilities in a total amount of SEK 12.3 million (35.4). The effect on profit of changed assumptions regarding contingent considerations amounts to SEK 0.0 million (2.1) and is recognized under financial expense.

Leases

Key sources of uncertainty in estimates

When recognizing rental agreements and leases there is some element of subjectivity in the estimates and judgments made in terms of the ability to exercise extension, termination and purchase options, estimated useful lives of agreements/leases that are extended on an ongoing basis if neither party terminates the contract, and the actual expected useful lives of assets within the framework of existing agreements/leases. From a materiality perspective, for the Group this primarily relates to property leases where these estimates may have a material effect on the Company's financial position. Underlying discount factors are an additional component that affects carrying amounts of rental agreements and leases within the Group. To calculate the carrying amount, MilDef applies an estimated, relevant marginal borrowing rate for each currency or asset class to best reflect the assets in the rental agreement or lease and also financial commitments in a fair and true way.



Note 4. Revenue

	2023	2022
Net sales		
Sweden	427.4	253.2
Rest of Nordics (excl. Sweden)	261.7	203.5
Europe (excl. Nordics)	231.3	119.4
North America	185.0	151.1
Other countries	46.0	11.6
Total	1,151.3	738.8

Revenue from external customers is reported by geography based on the billing address. The Group has two customers that individually represent more than 10% of the Group's sales. Sales to these two customers in 2023 amounted to SEK 327 million.

In 2022 the Group had one customer that represented more than 10% of sales (SEK 140 million).

The Group's intangible non-current assets and property, plant and equipment by country	2023	2022
Sweden	648.1	628.1
Norway	105.4	113.7
USA	5.6	7.9
UK	5.0	3.9
Germany	3.1	4.0
Other	0.1	0.0
Total	767.3	757.6

Note 5. Other operating income/expenses

	2023	2022
Exchange gain on operating receivables/liabilities	6.6	7.4
Exchange loss on operating receivables/liabilities	-4.4	-8.0
Other	-1.0	0.0
Total	1.2	-0.6

Note 6. Nature of expense method

	2023	2022
Cost of materials	587.5	381.3
Other costs	102.3	69.3
Personnel costs	301.7	227.6
Depreciation/amortization	59.9	30.8
Other operating expenses	5.4	8.4
Total	1,056.8	717.4



Note 7. Audit fees

	2023	2022
Öhrlings PricewaterhouseCoopers AB:		
Audit engagement	3.3	0.4
Audit-related activities besides the audit engagement	0.1	-
Tax advisory services	0.1	-
Other services	-	-
Total	3.5	0.4
Mazars:		
Audit engagement	1.5	2.1
Audit-related activities besides the audit engagement	0.2	0.5
Tax advisory services	1.4	0.7
Other services	0.0	-
Total	3.1	3.3
Other:		
Audit engagement	0.0	-
Audit-related activities besides the audit engagement	-	-
Tax advisory services	-	-
Other services	-	-
Total	0.0	0.0

The audit engagement consists of examination of the annual financial statements and accounting records, as well as the CEO and Board's administration of the Company, other tasks that are incumbent upon the Company's auditors in order to prepare the Auditor's Report, as well as advice or other assistance required as a result of observations made during such examination or performance of such other tasks.

Note 8. Depreciation/amortization and impairment

	2023	2022
Right-of-use assets	22.8	11.1
Capitalized product development	17.3	4.9
Customer relationships	6.8	6.9
Brands	5.7	1.4
Software	2.3	2.4
Other intangible non-current assets	0.1	0.1
Leasehold improvements	1.2	0.9
Equipment, fixtures and fittings	3.7	3.1
Total	59.9	30.8



Note 9. Leases

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

Amounts recognized in the income statement	2023	2022
Depreciation – Cost of goods sold	1.8	0.9
Depreciation – Administrative expenses	12.8	6.2
Depreciation – Selling expenses	4.3	2.1
Depreciation – Research and development expenses	3.9	1.9
Interest expense for lease liabilities (included in financial expense)	3.8	1.9
Expenses relating to low-value leases	0.3	3.1
Expenses for short-term leases	0.1	-
Total	27.0	16.1

Lease payments for short-term leases (where the lease period is 12 months or less) or lease assets of low value (underlying asset value below USD 5,000) are recognized as operating expenses in the income statement and are hence not included in the right-of-use assets or lease liabilities.

If the lease contains variable lease payments not based on an index or interest rate, it is also recognized as an operating expense in the income statement. Any service components in a lease are separated from the leased asset and recognized as an operating expense in the income statement.

The total cash flow attributable to rental agreements and leases recognized on the balance sheet amounts to SEK -25.2 million (-12.3), of which SEK -3.8 million (-1.9) is for interest expense recognized in cash flow from operating activities. The remaining cash flow is included as part of consolidated cash flow from financing activities.

Note 10. Employees and personnel costs etc.

Number of employees 2023	Sweden	Norway	United Kingdom	USA	Finland	Germany	Switzerland	Total
Average number of employees	224	33	14	22	1	6	1	302
Percentage of men (%)	74	74	64	75	100	80	100	74
Number of employees Dec. 31	230	35	16	19	1	7	1	309
Percentage of men (%)	73	77	63	79	100	71	100	73

Number of employees 2022	Sweden	Norway	UK	USA	Finland	Germany	Switzerland	Total
Average number of employees	174	31	11	14	1	2	0	233
Percentage of men (%)	80	69	70	77	100	71	100	78
Number of employees Dec. 31	213	33	13	23	1	7	1	291
Percentage of men (%)	77	70	69	74	100	71	100	75

Gender balance in the Management Team (as of December 31)	2023	2022
Board of Directors	7	6
Percentage of men (%)	71	67
Management Team	6	9
Percentage of men (%)	33	78

Wages, salaries and other remuneration	2023	2022
Wages, salaries and other remuneration etc.	218.0	167.9
(Of which salaries and other remuneration of the Board, CEO and other senior executives)	14.7	12.9
(Of which bonus to the Board, CEO and other senior executives)	0.3	0.3
Pension costs, defined-contribution plans	17.8	13.2
(Of which for the Board, CEO, senior executives and other key individuals)	2.2	2.1
Social security contributions	53.0	39.7

Senior executives consist of members of the Management Team. Other key individuals comprise board members. At year-end 2023, the group comprising the CEO, senior executives and board members numbered 13 persons (15). There are no agreements in place concerning severance pay.



Salaries and other remuneration of senior executives

2023, SEK 000	Basic salary/ Board fee	Variable remuneration	Other benefits	Pension cost	Total
Chair of the Board Björn Karlsson	430	-	-	-	430
Board member Jan Andersson	220	-	-	-	220
Board member Lennart Pihl	300	-	-	-	300
Board member Charlotte Darth	250	-	-	-	250
Board member Marianne Trolle	200	-	-	-	200
Board member Christian Hammenborn	250	-	-	-	250
Board member Bengt-Arne Molin	200	-	-	-	200
CEO Björn Karlsson (until 05/2023)	700	0	1	51	752
CEO Daniel Ljunggren (from 06/2023)	1,260	0	212*	182	1,654
Other senior executives (8)	10,293	232	408	1,947	12,880
Total	14,103	232	621	2,180	17,136

2022, SEK 000	Basic salary/ Board fee	Variable remuneration	Other benefits	Pension cost	Total
Chair of the Board Jan Andersson	430	-	-	-	430
Board member Lennart Pihl	295	-	-	-	295
Board member Charlotte Darth	230	-	-	-	230
Board member Marianne Trolle	200	-	-	-	200
Board member Christian Hammenborn	230	-	-	-	230
Board member Berndt Grundevik	200	-	-	-	200
Chief Executive Officer Björn Karlsson	1,680	47	4	122	1,853
Other senior executives (8)	9,070	265	472	1,947	11,754
Total	12,335	312	476	2,069	15,192

Guidelines for remuneration of senior executives

The following guidelines for remuneration of the Company's senior executives were adopted by the 2022 Annual General Meeting and are applicable until the 2026 General Meeting provided no changes are proposed.

"Other senior executives" refers to members of the Management Team. If members of the Company's Board perform work for the Company alongside their board assignments, these guidelines are to be applied to any remuneration paid to the board members for such work. The guidelines are to be applied to remuneration agreed upon, and changes made to previously agreed remuneration, after the guidelines were adopted at the 2022 Annual General Meeting. The guidelines do not cover remuneration that is approved by the shareholders' meeting.

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

Successful implementation of the Company's business strategy and protection of the Company's long-term interests, including its sustainability, requires the Company to be able to recruit and retain qualified senior executives. This means that the Company must be able to offer market-based, competitive remuneration. These guidelines make it possible to offer senior executives competitive remuneration packages. Variable cash remuneration covered by these guidelines is intended to promote the Company's business strategy and long-term interests, including its sustainability. For further information on the Company's business strategy, see www.mildef.com.

Remuneration components

The remuneration is market-based and consist of fixed cash salary, variable remuneration, other benefits and pension. In addition, the shareholders' meeting may – independently of these guidelines – approve share-based and share price-based incentive programs. Remuneration may also take the form of consulting fees to board members who perform work for the Company alongside their board assignment. Performance in relation to criteria for payment of variable cash remuneration must be able to be measured over a period of one year. Variable cash remuneration is to have a predetermined ceiling and may not exceed 35% of the fixed annual cash salary.

Pension

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



Non-monetary benefits

Other benefits may include life assurance and health insurance. In total, premiums and other costs for such benefits may not exceed 5% of the fixed annual cash salary. The CEO has a gross salary deduction for his car, hence the CEO gives up part of his salary to pay for the car. Other reported taxable benefits increase as a result by SEK 162,000 SEK and should not be seen as a non-monetary benefit. Thus, the CEO's non-monetary benefits are less than 5 percent of the fixed annual cash salary.

Consulting fee

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

Employment terms in other countries

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

Criteria for award of variable cash remuneration etc.

Variable cash remuneration is to be linked to predetermined and measurable financial targets. These targets are to be formulated with a view to promoting the Company's strategy and long-term interests, including its sustainability, for example by having a clear link to the strategy or furthering the executive's long-term development. Variable remuneration is divided into three different programs based on gross profit, net sales and operating profit (EBITDA), as well as general cost savings. The criteria for variable cash remuneration are designed to promote the Company's business strategy, long-term interests and sustainability. The Company's CEO and other senior executives are covered by all three programs. At the end of measurement period, it must be established to what degree the targets have been met. Assessments of whether financial targets have been achieved are to be based on established financial data for the period in question. The Remuneration Committee is responsible for making the assessment on variable cash remuneration for the CEO. Assessments on variable cash remuneration for other executives are the responsibility of the CEO.

Notice period and severance pay

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

Basis in salary and employment terms

Salary and employment terms for the Company's employees have been taken into account in drawing up the remuneration guidelines. Information on employees' total remuneration, remuneration components, and increase and rate of increase in remuneration over time have formed part of the Remuneration Committee's and the Board's decision-making basis when evaluating the fairness of the guidelines and the limitations they impose. The development in the executive pay gap – the gap between senior executives' remuneration and that of other employees – is reported in the Remuneration Report.

Decision-making processes

The Board's Remuneration Committee makes a proposal and the Board of Directors decides on salary and other terms for the CEO. The CEO makes a recommendation and the Remuneration Committee decides on salary and other terms for other senior executives. The Committee's duties include making preparations for Board decisions on proposed guidelines for remuneration of senior executives. The Board is to prepare proposals for new guidelines at least once every four years and present the proposals for approval by the Annual General Meeting. The guidelines are to apply until new guidelines have been adopted by the shareholders' meeting. The Remuneration Committee must also monitor and evaluate variable remuneration programs for senior executives, the application of remuneration guidelines for senior executives as well as remuneration structures and levels that apply within the Company. The Remuneration Committee members are independent of the Company and Management Team. The CEO and other members of the Management Team are not present when the Board discusses and makes decisions on remuneration matters that affect them. If a board member provides consulting services to the Company, the board member in question is not entitled to participate in the preparatory work of the Board (or the Remuneration Committee) concerning variable remuneration for the relevant consulting services.

Deviations from the guidelines

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

Remuneration of senior executives

The remuneration package for the CEO and other senior executives consists of fixed salary, variable remuneration, pension and other benefits. These remuneration components are based on the Guidelines for remuneration of senior executives adopted by the 2022 Annual General Meeting. The tables above show the actual cost of remuneration and other benefits paid to the Board of Directors, President & CEO and other senior executives for the 2023 and 2022 financial years. The senior executives, together with the CEO, make up the Management Team. The board fees for 2023 were set at the Annual General Meeting in May 2023 and relate to the period until the next Annual General Meeting.

Remuneration of the Board of Directors

The 2023 Annual General Meeting approved payment of fees for the period until the end of the next Annual General Meeting of SEK 400,000 to the Chair of the Board and SEK 200,000 to other shareholder-elected board members who are not employees of MilDef; SEK 100,000 to the chair and SEK 50,000 to other members of the Audit Committee; and SEK 30,000 to the chair and SEK 20,000 to



other members of the Remuneration Committee. According to the Company's Guidelines for remuneration of senior executives, consulting fees or other remuneration may be paid to board members who carry out work on the Company's behalf in addition to their board work.

Remuneration of other senior executives

Remuneration of the President & CEO comprises basic salary, variable remuneration, pension and other benefits. The President & CEO receives a basic salary, excluding payment for vacation taken in cash, of SEK 2,160,000. The variable remuneration paid to the President & CEO cannot exceed 35% of the basic salary. Any bonus payments and the size of these is related to the level of achievement of predefined annual targets. Other senior executives' remuneration consists of basic salary, variable remuneration, pension and other benefits. The variable remuneration paid to other senior executives can amount to 35% of the basic salary. Any bonus payments and the size of these is determined by the CEO on the basis of achievement of financial targets.

Remuneration Committee

For information on the Company's preparatory and decision-making process concerning remuneration of senior executives, see the Corporate Governance Report.

Incentive program

At an extraordinary shareholders' meeting on April 29, 2021, a resolution was passed to adopt an incentive program ("Incentive program 2021/2025) for the Group's employees by issuing warrants with the subsequent right to subscribe for new shares in MilDef. If the warrants are fully exercised, the share capital may be increased by a maximum of SEK 110,375 through the issue of 441,500 shares, equivalent to dilution of around 1.1%. The right to acquire warrants is based on the following principles with respect to allocation categories: (i) CEO and members of the Management Team: maximum 30,000 warrants per participant; (ii) other senior executives and key individuals: maximum 15,000 warrants per participant and (iii) other employees: maximum 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 which is planned to be 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.

Note 11. Financial items

	2023	2022
Exchange gain not relating to operations	1.6	0.4
Interest income	7.9	0.8
Financial income	9.5	1.2
Exchange loss not relating to operations	0.0	-0.6
Interest expense	-28.2	-7.8
Other financial expense	-0.9	-2.8
Financial expense	-29.1	-11.2

Note 12. Tax

Tax recognized in the income statement	2023	2022
Current tax for the year	-15.6	-9.0
Deferred tax	-2.9	3.4
Prior year adjustments	-1.0	0.6
Total	-19.6	-5.0

Deferred tax expense/income for the year	2023	2022
Tax relating to change in loss	-3.4	2.4
Tax relating to change in temporary differences	-0.4	0.1
Tax relating to appropriations	-0.2	0.9
Revaluation of tax loss carryforwards	1.2	-
Total	-2.9	3.4



Tax on profit for the year	2023	2022
Earnings before tax according to the income statement	88.6	19.2
Tax according to the Parent Company tax rate (20.6%)	-18.2	-4.0
Reconciliation of recognized tax		
Non-taxable income	0.1	0.2
Non-deductible expenses	-2.4	-1.0
Expenses recognized via equity	-	1.4
Effect of change in temporary differences	0.6	-0.1
Non-capitalized tax loss carryforwards	-0.2	0.5
Revaluation of deferred tax relating to tax loss carryforwards	3.8	-1.1
Tax relating to previous years	-1.0	0.6
Difference in Group's tax rates in different countries	-2.2	-1.5
Recognized tax expense/income	-19.6	-5.0

Deferred tax assets/deferred tax liabilities 2023	Deferred tax assets	Deferred tax liabilities	Net
Intangible non-current assets	1.3	-28.8	-27.5
Property, plant and equipment	0.5	0.0	0.5
Financial assets	0.1	-0.1	0.1
Current assets	5.3	-2.7	2.6
Current liabilities	0.0	-1.1	-1.1
Tax loss carryforwards	2.3	0.0	2.3
Total	9.5	-32.6	-23.2

Deferred tax assets/deferred tax liabilities 2022	Deferred tax assets	Deferred tax liabilities	Net
Intangible non-current assets	3.5	-31.3	-27.8
Property, plant and equipment	0.3	0.0	0.3
Current assets	3.1	-2.9	0.2
Current liabilities	0.3	-0.2	0.1
Tax loss carryforwards	7.1	0.0	7.1
Untaxed reserves	-	-0.7	-0.7
Total	14.3	-35.1	-20.8

Reconciliation of net deferred tax liability	2023	2022
Tax liability, January 1	-20.8	-17.9
Translation difference on translation of foreign subsidiaries	0.5	-0.2
Additions via business combinations	-	-6.1
Recognized via the income statement	-2.9	3.4
Tax liability, December 31	-23.2	-20.8

Deferred tax assets are valued at the maximum amount likely to be recovered based on the taxable profit for the current and future years. The Group has unutilized tax loss carryforwards of SEK 17.9 million (48.4), SEK 6.6 million of which (13.0) are unrecognized, as it is considered uncertain whether they will be able to be used due to uncertainty as to when sufficient taxable profit will be generated in the future. Tax loss carryforwards do not expire.

No tax is recognized in other comprehensive income.



Note 13. Intangible non-current assets

2023, SEK m	Capitalized product development	Goodwill (business combinations)	Exclusivity agreements	Customer relationships	Brands	Software	Other intangible non-current assets	Total
Cost								
Opening balance, January 1	96.9	466.6	10.4	84.8	56.5	23.8	1.2	740.2
Additions for the year	31.9	-	-	-	-	-	-	31.9
Divestments for the year	-2.5	-	-	-	-	-	-	-2.5
Reclassification for the year	-0.5	-	-	-	-	-	-	-0.5
Additions as a result of acquisitions	-	-	-	-	-	-	-	0.0
Translation difference	-	-5.1	-0.4	-2.3	0.0	-1.6	-	-9.3
Closing balance, December 31	125.8	461.5	10.0	82.5	56.5	22.2	1.2	759.8
Depreciation/amortization and impairment								
Opening balance, January 1	-40.7	-	-10.4	-27.1	-1.5	-4.4	-0.8	-84.8
Amortization for the year	-17.3	-	-	-6.8	-5.7	-2.3	-0.1	-32.2
Divestments for the year	0.7	-	-	-	-	-	-	0.7
Translation difference	-	-	0.4	1.0	0.0	0.3	-	1.7
Closing balance, December 31	-57.3	0.0	-10.0	-32.8	-7.2	-6.3	-0.9	-114.6
Carrying amount, December 31, 2023	68.5	461.5	0.0	49.7	49.3	15.9	0.3	645.2
2022, SEK m								
Cost								
Opening balance, January 1	46.5	201.2	9.1	81.7	-	22.5	1.2	362.2
Additions for the year	13.2	261.2	-	-	56.0	-	-	330.4
Divestments for the year	0.0	-	-	-	-	-	-	0.0
Reclassification for the year	0.0	-	-	-	-	-	-	0.0
Additions as a result of acquisitions	37.2	-	-	-	0.4	-	-	37.6
Translation difference	-	4.1	1.4	3.1	0.1	1.3	-	9.9
Closing balance, December 31	96.9	466.6	10.4	84.8	56.5	23.8	1.2	740.2
Depreciation/amortization and impairment								
Opening balance, January 1	-35.8	-	-9.1	-18.3	0.0	-1.9	-0.7	-65.7
Amortization for the year	-4.9	-	-	-6.9	-1.4	-2.4	-0.1	-15.7
Divestments for the year	-	-	-	-	-	-	-	0.0
Translation difference	-	-	-1.4	-1.9	-0.1	-0.1	-	-3.4
Closing balance, December 31	-40.7	0.0	-10.4	-27.1	-1.5	-4.4	-0.8	-84.8
Carrying amount, December 31, 2022	56.2	466.6	0.0	57.7	55.0	19.4	0.4	655.3



Amortization is recognized in comprehensive income as follows:	2023	2022
Cost of goods sold	1.8	0.1
Selling expenses	19.9	11.4
Administrative expenses	2.9	1.7
Research and development expenses	7.5	2.4
Total	32.1	15.6

Business combinations

Goodwill has arisen in connection with business combinations. MilDef applies IAS 38 Intangible assets, which means that goodwill and assets with indefinite useful life are not amortized. However, an impairment test in accordance with IAS 36 is performed each year, or more frequently if there are indications of impairment. This involves comparing the Group's carrying amounts for these assets with their estimated value in use based on their discounted future cash flows. If the value in use is lower than the carrying amount, an impairment loss is recognized. The assets are thus recognized at cost minus accumulated impairment losses.

Impairment test

The most recent analysis to test for any impairment of goodwill was performed on December 31, 2023. The MilDef Group prepares a budget for one year at a time. This means that cash flows for the first year in the useful life are based on the budget established by the Board of Directors. Cash flows to the end of the useful life are estimated by extrapolating the cash flow based on the budget drawn up and assumptions on organic sales growth, working capital requirements and gross profit margins during the useful life.

- Organic sales growth for years 2–5 is calculated with a certain degree of caution based on the Group's historical experience. The estimated growth rate varies for different acquisitions based on their order status, market situation, expected price development etc. A lower growth rate has been assumed for periods after year 5, corresponding to a conservative estimate of the long-term growth rate for the industry.
- The working capital requirement during the useful life is calculated based on the Group's historical experience and assumed organic sales growth, and on other considerations.
- The gross profit margin is based on established budgets for the respective cash-generating unit.

The discount rate is calculated based on a weighted required rate of return plus a standard tax rate. The estimated pre-tax discount rate for acquired entities is in the range 12.4–13.3% (12.1–12.2). The discount rate represents a current assessment of risks specific to the MilDef Group and the respective acquisition. Calculation of the discount rate has been based on specific conditions in the Group and derives from its weighted average cost of capital (WACC). The capital cost of equity is based on the expected return for the Group's investors, while the cost of the Group's debts is based on the interest-bearing liabilities that MilDef is obliged to realize. Group-specific risk is taken into account using an individual beta factor, which is evaluated each year on the basis of generally available market data.

The three cash-generating units – MilDef Integration Sweden AB (known as Defcon Solution AB at the time of acquisition), Sysint AS and Handheld Group – operate within the same general industry. Although the geographical markets are weighted slightly differently, the overall risk profile is assessed to be fairly uniform. The same assumptions regarding discount rate have therefore been applied to all three, with the exception of the small company premium in 2023.

The same uniform assessment also applies to expected future cash flow beyond 2028, which has been extrapolated using an estimated average long-term growth rate, or terminal growth rate, of 2.0% (2.0).

Sensitivity analysis

A sensitivity analysis has been performed regarding the key assumptions applied in impairment testing. The following assumptions have been tested for sensitivity:

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

None of the above assumptions have resulted in impairment of any of the Group's cash-generating units, for which reason no impairment loss needs to be recognized.

Goodwill by cash-generating unit	2023	2022
Sysint AS	69.6	74.6
MilDef Integration Sweden AB	130.7	130.7
Handheld Group AB	261.2	261.2
Total	461.5	466.5

See also Note 28.



Note 14. Property, plant and equipment

	2023	2022
<i>Leasehold improvements</i>		
Cost		
Opening balance, January 1	9.9	7.8
Additions for the year	0.9	1.4
Divestments for the year	-	-
Reclassifications for the year	-	-
Additions as a result of acquisitions	-	0.6
Translation difference	0.0	0.1
Closing balance, December 31	10.8	9.9
Depreciation/amortization and impairment		
Opening balance, January 1	-1.6	-0.7
Amortization for the year	-1.2	-0.9
Divestments for the year	-	-
Additions as a result of acquisitions	-	0.0
Translation difference	0.0	0.0
Closing balance, December 31	-2.8	-1.6
Carrying amount, December 31	8.0	8.3
<i>Equipment, fixtures and fittings</i>		
Cost		
Opening balance, January 1	20.5	15.9
Additions for the year	8.5	3.4
Divestments for the year	-0.0	0.0
Reclassification for the year	-	0.0
Additions as a result of acquisitions	-	1.1
Translation difference	-0.1	0.1
Closing balance, December 31	28.8	20.5
Depreciation/amortization and impairment		
Opening balance, January 1	-11.7	-8.6
Amortization for the year	-3.7	-3.1
Divestments for the year	0.0	0.0
Additions as a result of acquisitions	-	0.0
Translation difference	0.1	0.0
Closing balance, December 31	-15.3	-11.7
Carrying amount, December 31	13.5	8.8



	2023	2022
<i>Right-of-use assets</i>		
Cost		
Opening balance, January 1	107.2	72.2
Additional right-of-use assets	42.7	8.6
Additions as a result of acquisitions	-	27.4
Completed contracts	-8.5	-2.0
Reclassification for the year	-	-
Translation differences	-0.6	1.0
Closing balance, December 31	140.8	107.2
Depreciation/amortization and impairment		
Opening balance, January 1	-22.0	-12.4
Amortization for the year	-22.8	-11.1
Completed contracts	4.1	2.0
Reclassification for the year	-	-
Translation differences	0.4	-0.5
Closing balance, December 31	-40.3	-22.0
Carrying amount, December 31	100.5	85.2

As of December 31, right-of-use assets were recognized at a carrying amount of SEK 100.5 million (85.2), comprising leased property at SEK 87.2 million (80.0) and leased vehicles at SEK 13.3 million (5.1).

Amortization is recognized in comprehensive income as follows:

Cost of goods sold	2.3	1.2
Selling expenses	14.3	7.5
Administrative expenses	5.3	2.9
Research and development expenses	6.0	3.6
Total	27.8	15.2

Note 15. Other non-current receivables

	2023	2022
Opening balance, January 1	0.3	0.3
Additional rent deposit	-	0.1
Adjustment of receivables from employees	0.0	-0.1
Translation difference	0.0	0.0
Total	0.3	0.3



Note 16. Inventories

	2023	2022
Inventories including obsolescence reserve		
Products in progress	2.5	4.5
Finished products and goods for resale	300.4	248.2
Advance payments to suppliers	8.6	0.2
Total	311.5	252.9
Change in obsolescence reserve		
Opening balance, January 1	-16.4	-15.2
Change in obsolescence reserve	-5.8	-2.7
Disposals	1.0	1.5
Exchange rate differences	0.0	0.0
Obsolescence reserve as of December 31	-21.3	-16.4
Carrying amount, December 31	290.2	236.5

The direct material cost for operations as a whole amounted to SEK 587.5 million (381.3) during the year, including a negative adjustment to the obsolescence reserve of SEK 4.0 million (0.9). The obsolescence reserve for finished products and goods for resale is SEK 21.3 million (16.4), equivalent to 7% (6) of the inventory value before deduction for obsolescence.

Note 17. Accounts receivable

	2023	2022
Accounts receivable	284.5	255.4
Total	284.5	255.4
Age analysis, accounts receivable		
Accounts receivable not past due	223.0	211.7
Accounts receivable 1–30 days past due	32.4	30.3
Accounts receivable 31–90 days past due	20.6	10.6
Accounts receivable >90 days past due	8.6	2.8
Total	284.5	255.4

MilDef applies the simplified method to calculate credit losses. This is based on historical data on payment collection patterns and the counterparty's ability to pay. Based on historical data, the expected credit losses are extremely limited. The Group did not recognize any credit losses during the year.

As of December 31, 2023, accounts receivable of SEK 61.5 million (43.7) were due within the Group, for which no requirement to recognize an impairment loss is considered to exist. The maximum credit risk exposure as of the closing day is the fair value of accounts receivable, which corresponds to the carrying amount.

No assets have been pledged as security for recognized receivables.

Note 18. Prepaid expenses and accrued income

	2023	2022
Prepaid rent	4.5	3.5
Prepaid vehicle leases	0.2	0.2
Prepaid insurance	1.5	2.1
Prepaid marketing expenses	0.5	1.1
Prepaid bank fees	0.4	0.8
Prepaid R&D	2.7	0.8
Prepared IT service	3.0	0.8
Other items	1.6	4.6
Total	14.3	13.9



Note 19. Equity and number of shares

As of December 31, 2023 the registered share capital consisted of 39,859,566 ordinary shares with a quota value of SEK 0.25 per share. All of the shares are fully paid. No shares are owned by the Company itself or its subsidiaries. Shareholders are entitled to dividends, and the shareholding carries a right to vote at the Annual General Meeting with one vote per share.

No. of shares	No. of shares	Share capital	Other capital contributions	Total
As of 1 January 2022	36,389,373	9.1	507.0	516.1
New share issue	3,470,193	0.9	229.1	230.0
Issue costs	-	-	-6.8	-6.8
As of December 31, 2022	39,859,566	10.0	729.3	739.3
New share issue	-	-	-	-
Issue costs	-	-	-	-
As of December 31, 2023	39,859,566	10.0	729.3	739.3

Reserves within equity

The consolidated equity includes a translation reserve. The translation reserve covers all exchange rate differences arising on translation of financial statements from foreign entities that have prepared their statements in a currency other than the Group's reporting currency (SEK).

Incentive program 2021/2025

At an extraordinary shareholders' meeting on April 29, 2021, a resolution was passed to adopt an incentive program ("Incentive program 2021/2025") for the Group's employees by issuing warrants with the subsequent right to subscribe for new shares in MilDef. If the warrants are fully exercised, the share capital may be increased by a maximum of SEK 110,375 through the issue of 441,500 shares, equivalent to dilution of around 1.1%. The warrants have been transferred on market terms at a price that was established based on an estimated market value on the grant date using the recognized Black-Scholes model. The calculation was carried out by an independent appraisal institution. Each warrant entitles the holder to subscribe for one new share in MilDef. Registration to subscribe for shares can take place from September 1, 2024 until August 31, 2025. The Company reserves the right to buy back warrants if the participant's employment is terminated or if the participant wishes to transfer the warrants. Buy-back may take place at the market price of the warrants at the time the preferential right is exercised. There were no other instruments with dilutive effect as of December 31, 2023.

Note 20. Pledged assets

	2023	2022
Chattel mortgages	67.5	97.5
Shares in subsidiaries	0.2	0.2
Total	67.7	97.7

Contingent liabilities

Guarantee commitments for Handheld Group AB	5.5	3.1
Total	5.5	3.1

Note 21. Interest-bearing liabilities including lease liabilities

	2023	2022
Long-term borrowing		
Liabilities to credit institutions	132.5	162.5
Contingent consideration	-	12.3
Lease liabilities	76.4	70.6
Short-term borrowing		
Liabilities to credit institutions	119.1	30.0
Contingent consideration	12.3	23.1
Lease liabilities	27.1	16.2
Total borrowing	367.5	314.7

MilDef has a SEK 250 million credit facility with SEB, running until July 2025, with an option to extend for two years.

Utilized credit including cash and cash equivalents amounted to SEK 81.5 million (134.9).

MilDef's overdraft facility amounts to SEK 120.0 million (75.0), of which SEK 120.0 million had been utilized on the closing day (0.0).



Note 22. Provisions for warranties

	2023	2022
Opening balance, January 1	0.7	0.8
Additions during the year	1.0	0.0
Reversed during the year	0.0	-0.1
Translation difference	0.0	0.0
Closing balance, December 31	1.7	0.7

Note 23. Contract assets and contract liabilities

	2023	2022
Contract assets		
Work performed but not yet invoiced	42.2	18.7
Total	42.2	18.7

	2023	2022
Contract liabilities		
Advance payments from customers	32.1	11.4
Total	32.1	11.4

As of January 1, 2023, contract liabilities amounted to SEK 11.4 million (1.6), of which SEK 6.9 million (0.5) was recognized as revenue in 2023. The majority of the contract liabilities as of January 1, 2023 are expected to be recognized as revenue in 2024.

As of December 31, 2023, contract liabilities amounted to SEK 32.1 million (11.4). The closing balance of contract liabilities is higher than in 2022 because of a higher order intake, resulting in advance payments. The majority of the contract liabilities are expected to be recognized as revenue in 2024.

Note 24. Accrued expenses and deferred income

	2023	2022
Accrued payroll expenses	31.4	27.4
Accrued social insurance contributions	15.8	11.1
Prepaid service contracts	16.0	23.4
Project work invoiced but not completed	9.3	4.1
Other items	6.1	6.2
Closing balance, December 31	78.7	72.2

Note 25. Other items with no cash flow impact

	2023	2022
Change in warranty risk reserve	1.0	-0.1
Translation differences on intra-Group transactions	1.4	-1.1
Capital gain/loss on disposal of non-current assets	-2.3	-
Capital gain/loss on early termination of lease	8.5	-
Total	8.6	-1.2



Note 26. Change in liabilities from financing activities

	Interest-bearing liabilities	Lease liabilities	Total financial liabilities
Opening balance, January 1, 2023	227.9	86.8	314.7
Cash flow	36.0	-21.1	14.9
Acquisitions	-	-	-
New and amended right-of-use agreements	-	38.0	38.0
Translation differences	-1.0	-0.2	-1.2
Other	1.1	-	1.1
Closing balance, December 31, 2023	263.9	103.5	367.5

	Interest-bearing liabilities	Lease liabilities	Total financial liabilities
Opening balance, January 1, 2022	41.4	60.7	102.1
Cash flow	180.2	-10.4	169.8
Acquisitions	0.8	-	0.8
New and amended right-of-use agreements	-	36.0	36
Translation differences	0.7	0.5	1.2
Other	4.8	-	4.8
Closing balance, December 31, 2022	227.9	86.8	314.7

Note 27. Transactions with related parties

The Group works closely with the holding company MilDef Crete Inc. in Taiwan. The table below provides a summary:

	Sales of goods and services to related parties	Purchase of goods from related parties	Liabilities to related parties as of Dec. 31	Receivables from related parties as of Dec. 31
MilDef Crete Inc.	0.0	103.6	1.7	13.9

There were no other transactions with related parties. The transactions relate to the period January 1 – December 31, 2023.

In 2023 Top Level AB, in which board member Berndt Grundevik is the majority shareholder, carried out consulting assignments for MilDef for a total of SEK 220,000. The services provided consisted of leading the Company's Advisory Board and consultancy not considered to be covered by his role on the board. It was considered important and beneficial for MilDef to procure the services in question, which were compensated at market rates. The decision to procure these services was made without the involvement of Berndt Grundevik.

Disclosures on remuneration of senior executives are provided in Note 10.



Note 28. Acquisitions

Acquisitions 2023

No acquisitions were made in 2023.

Acquisitions 2022

Acquisition of Handheld Group AB

On September 21, 2022, MilDef acquired all of the shares in Handheld Group AB ("Handheld"), a company specializing in rugged computers with an international customer base. The acquisition accelerates MilDef's strategy for profitable growth, adds a complementary product segment, expands the customer base and strengthens MilDef's international footprint, including an increased presence in prioritized markets such as the USA and Germany. MilDef sees an opportunity for significant commercial synergies in multiple areas, including through cross-selling in product segments in the companies' existing verticals.

The initial purchase consideration was SEK 350 million. The cash consideration was SEK 270 million and was financed within the framework of existing credit facilities, while the remaining SEK 80 million was paid in the form of 1,126,443 newly issued shares. The shares representing part of the consideration transferred have been calculated at fair value based on the published share price on the acquisition date. In favorable circumstances, relating to Handheld Group AB's operating profit in 2022, a contingent consideration of maximum SEK 100 million could become payable. No contingent consideration is included in the calculation of the goodwill on consolidation. No contingent consideration has been paid.

There are no external transaction costs relating to the acquisition.

In connection with the acquisition, the brand was identified as having a total value of SEK 56 million.

The goodwill of SEK 261.2 million that arose in connection with the acquisition can mainly be attributed to commercial synergies as a result of cross-selling in product segments in the companies' existing verticals. Coordination gains with MilDef's other entities are also expected. Some items in the acquisition analysis shown below have been adjusted compared with the preliminary acquisition analysis in the Annual Report 2022.

The value for goodwill recognized is unchanged.

Handheld Group's revenue prior to the acquisition amounted to SEK 143.9 million and to SEK 66.7 million after the acquisition. Total revenue for Handheld Group in 2022 was therefore SEK 210.6 million. Handheld Group's operating profit prior to the acquisition amounted to SEK -9.0 million and to SEK 0.8 million after the acquisition. Total operating profit for Handheld Group in 2022 was therefore SEK -8.2 million. Operating profit refers to profit reported in Handheld Group and does not include amortization of goodwill.

Transferred consideration, goodwill and impact on cash and cash equivalents

The table below provides information on purchase consideration, goodwill and the impact of the acquisition of Handheld on the Group's cash and cash equivalents.



Note 28. Acquisitions

2022	Handheld Group AB SEK m
Total purchase consideration	350.0
Intangible non-current assets – brands	56.5
Intangible non-current assets – capitalized product development	37.4
Property, plant and equipment	29.3
Deferred tax assets	5.3
Inventories	57.6
Accounts receivable	27.2
Other current receivables	21.8
Cash and cash equivalents	3.1
Non-current interest-bearing liabilities	-20.4
Deferred tax liabilities	-13.2
Accounts payable	-17.5
Current interest-bearing liabilities	-43.3
Other current liabilities	-54.8
Acquired identifiable net assets	88.8
Goodwill	261.2
Total acquired net assets	350.0
Cash flow attributable to the acquisition	
Purchase consideration paid	350.0
Cash in acquired entity	33.1
Net outflow of cash and cash equivalents	383.1

In addition to the recognized impact on the Group's cash and cash equivalents already mentioned in connection with acquisitions, in 2023 MilDef adjusted part of the contingent considerations for the acquisitions of Sysint AS and MilDef Integration Sweden AB from 2021. The adjustment, which was paid to the previous owners, amounted to SEK 10.6 million (11.4) for Sysint AS and SEK 12.5 million (0.0) for MilDef Integration Sweden AB. The contingent consideration for Sysint AS is therefore settled. The probable outcome of this adjustment and remaining contingent consideration for MilDef Integration Sweden AB is estimated to be equivalent to the maximum outcome of the outstanding possible consideration. This corresponds to the previous year's assessment of outstanding contingent considerations.

The fair value of acquired assets and liabilities is largely consistent with the carrying amount, with the exception of intangible assets identified in connection with acquisitions, and the net value of acquired assets is essentially the same as their gross value.

No portion of the recognized goodwill is assessed to be deductible for income tax purposes.



Note 29. Significant events after the closing day

In February 2024 MilDef signed a Memorandum of Understanding (MoU) with defense company Lockheed Martin to explore an industrial partnership within Sweden's aerospace sector. The contract is initially intended to strengthen opportunities for cooperation around Lockheed Martin's C-130J-30 Super Hercules tactical aircraft for the Swedish air force.

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







FINANCIAL STATEMENTS AND NOTES

PARENT COMPANY



Parent Company income statement

SEK m	Notes 1–2	2023	2022
Net sales	3, 4	96.5	79.3
Selling expenses		-34.6	-28.8
Administrative expenses		-39.2	-31.5
Research and development expenses		-25.3	-20.4
Other operating expenses	8	-1.9	-0.8
Operating profit	3, 4, 5, 6, 7, 9	-4.6	-2.2
Financial income	10	19.3	5.7
Financial expense	10	-19.2	-9.6
Profit after financial items		-4.5	-6.1
Year-end appropriations	11	1.4	8.7
Net profit for the year		-3.0	2.6
Income tax	12	-0.2	0.0
Net profit for the year		-3.2	2.6
Parent Company statement of comprehensive income			
Net profit for the year		-3.2	2.6
Other comprehensive income		-	-
Comprehensive income for the year		-3.2	2.6



Parent Company balance sheet

SEK m	Notes 1–2	Dec. 31 2023	Dec. 31, 2022
Non-current assets			
Property, plant and equipment	13		
Leasehold improvements		6.1	6.5
Equipment, fixtures and fittings		2.3	3.0
Total property, plant and equipment		8.3	9.5
Financial non-current assets			
Holdings in Group companies	14	781.3	780.6
Total financial non-current assets		781.3	780.6
Total non-current assets		789.6	790.1
Current assets			
Current receivables			
Receivables from Group companies		288.7	173.6
Tax assets		7.9	8.7
Other receivables		1.1	1.7
Prepaid expenses and accrued income	15	5.8	5.7
Total current receivables		303.5	189.7
Cash and bank balances		36.1	51.6
Total current assets		339.6	241.2
TOTAL ASSETS		1,129.1	1,031.3
EQUITY AND LIABILITIES			
Equity	16		
Restricted equity			
Share capital		10.0	10.0
Total restricted equity		10.0	10.0
Unrestricted equity			
Share premium reserve		729.3	729.3
Retained earnings		14.5	11.9
Net profit for the year		-3.2	2.6
Total unrestricted equity		740.6	743.8
Total equity		750.6	753.8
Untaxed reserves	17	3.6	3.6
Non-current liabilities			
Non-current interest-bearing liabilities		132.5	174.8
Total non-current liabilities		132.5	174.8
Current liabilities			
Current interest-bearing liabilities		166.2	53.1
Accounts payable		4.7	3.2
Liabilities to Group companies		54.9	30.0
Other current liabilities		3.5	2.5
Accrued expenses and deferred income	18	13.2	10.4
Total current liabilities		242.4	99.1
TOTAL EQUITY AND LIABILITIES		1,129.1	1,031.3



Parent Company statement of changes in equity

SEK m	Share capital	Share premium reserve	Retained earnings incl. profit for the year	Total equity
Opening balance, January 1, 2022	9.1	507.0	39.1	555.2
Comprehensive income for the year			2.7	2.7
<i>Transactions with shareholders in their capacity as owners</i>				
New share issues after share issue expenses	0.9	222.3	-	223.2
Dividend to shareholders	-	-	-27.3	-27.3
Closing balance, December 31, 2022	10.0	729.3	14.5	753.8
Opening balance, January 1, 2023	10.0	729.3	14.5	753.8
Comprehensive income for the year			-3.2	-3.2
<i>Transactions with shareholders in their capacity as owners</i>				
New share issues after share issue expenses	-	-	-	-
Dividend to shareholders	-	-	-	-
Closing balance, December 31, 2023	10.0	729.3	11.3	750.6



Parent Company cash flow statement

SEK m	2023	2022
Operations		
Operating profit	-4.6	-2.2
Adjustments for non-cash items		
Depreciation, amortization and impairment charged to operating profit	2.0	1.7
Other	-1.1	5.5
Total	0.9	7.2
Interest received	18.1	5.7
Interest paid	-17.2	-9.5
Taxes paid	-8.8	-8.3
Cash flow from operating activities before changes in working capital	-7.1	-7.1
Increase (-) / decrease (+) in operating receivables	-114.7	-143.3
Increase (+) / decrease (-) in operating liabilities	30.2	-40.9
Changes in working capital	-84.4	-184.2
Cash flow from operating activities	-91.5	-191.3
Investing activities		
Investments in property, plant and equipment	-0.8	-1.4
Acquisition of subsidiaries	-23.8	-270.0
Cash flow from investing activities	-24.6	-271.4
Financing activities		
Dividend to shareholders	-	-27.3
New share issues	-	143.2
Increase in liabilities to credit institutions	123.8	200.0
Decrease in liabilities to credit institutions	-30.0	-18.9
Group contributions from subsidiaries	6.8	15.0
Cash flow from financing activities	100.6	312.0
Cash flow for the year	-15.4	-150.7
Change in cash and cash equivalents		
Cash and cash equivalents, January 1	51.5	202.2
Cash flow for the year	-15.4	-150.7
Closing balance, cash and cash equivalents	36.1	51.6
Granted, unutilized credit	-	75.0
Available liquidity	36.1	126.6



Notes to the Parent Company financial statements

Note 1. Accounting principles

Parent Company accounting and valuation principles

The Parent Company financial statements are prepared and presented in accordance with the Swedish Annual Accounts Act and the Recommendations of the Swedish Corporate Reporting Board (RFR), RFR 2. Under the recommendations in RFR 2, the Parent Company must apply all IFRS standards and statements approved by the EU wherever possible within the framework of the Annual Accounts Act and taking into account the connection between accounting and taxation. The recommendation includes which exemptions from IFRS are to be taken into account and which additions are to be made. The differences between the accounting principles for the Parent Company and the Group are described below:

Classification and presentation

The Parent Company income statement and balance sheet are presented in accordance with the schedule contained in the Annual Accounts Act. The main difference compared with IAS 1 Presentation of Financial Statements, which is applied to the presentation of the consolidated financial statements, is recognition of financial income and expense, non-current assets and equity, and having provisions as a separate heading.

Shares and holdings in Group companies

Holdings in Group companies are recognized at cost after deduction for any impairment losses. The cost includes acquisition-related expenses and any contingent considerations. If there are indications of a loss in value of the holdings in Group companies, the recoverable amount is calculated. If the recoverable amount is lower than the carrying amount, an impairment loss is recognized. The impairment loss is recognized in "Income from holdings in Group companies."

Leases

The Parent Company applies the exemption from IFRS 16 Leases, which means that all leases are recognized at cost on a linear basis over the lease term.

Untaxed reserves

The amounts set aside as untaxed reserves represent taxable temporary differences. Because of the link between accounting and taxation, the deferred tax liability is recognized in the Parent Company as part of the untaxed reserves.

Group contributions and shareholders' contributions

Shareholders' contributions are recognized directly in equity for the recipient and capitalized under shares and holdings for the donor, in so far as no impairment is required. Group contributions paid to subsidiaries are to be viewed as shareholders' contributions. In accordance with RFR 2, Group contributions to or from MilDef's Group companies are recognized in the Parent Company income statement.

Financial instruments

The Parent Company applies the exemption in IFRS 9 Financial Instruments. Among other things this means that financial instruments are measured initially at cost but that the same method as for the Group is applied to calculating the credit loss reserve.

Note 2. Estimates and judgments

Key sources of uncertainty in estimates

MilDef applies the simplified method to calculate credit losses. This is based on historical data on payment collection patterns and the counterparty's ability to pay. Based on historical data, the expected credit losses are extremely limited. The Parent Company has not recognized any credit losses during the year, neither concerning accounts receivable nor receivables from Group companies, and no loss reserve is considered necessary for these receivables.

Note 3. Revenue

	2023	2022
Net sales		
Sales within the EU	72.7	52.9
Sales outside the EU	23.8	26.4
Total	96.5	79.3



Note 4. Intra-Group purchases and sales

	2023	2022
Percentage of sales to Group companies	100%	100%
Percentage of purchases from Group companies	0	0

Net sales relate to revenue for intra-Group services.

Note 5. Lease payments

	2023	2022
Operating leases		
Lease payments for the year	10.2	10.1
Outstanding lease payments fall due as follows:		
Within one year:	9.7	10.1
Later than one year but within five years:	37.0	37.7
Later than five years:	17.1	26.6
Total	63.7	74.4

The most material leases relate to lease of real estate used in business operations.

Note 6. Nature of expense method

	2023	2022
Other costs	40.2	34.0
Personnel costs	57.0	45.0
Depreciation/amortization and impairment	2.0	1.8
Other operating expenses	1.9	0.8
Total	101.1	81.5

Note 7. Audit fees

	2023	2022
Öhrlings PricewaterhouseCoopers AB:		
Audit engagement	1.2	-
Audit-related activities besides the audit engagement	0.1	-
Tax advisory services	0.1	-
Other services	-	-
Total	1.4	-
Mazars:		
Audit engagement	0.7	0.7
Audit-related activities besides the audit engagement	-	0.5
Tax advisory services	-	-
Other services	-	-
Total	0.7	1.2

The audit engagement consists of examination of the annual financial statements and accounting records, as well as the CEO and Board's administration of the Company, other tasks that are incumbent upon the Company's auditors in order to prepare the Auditor's Report, as well as advice or other assistance required as a result of observations made during such examination or performance of such other tasks.



Note 8. Other operating income/expenses

	2023	2022
Donations to the MilDef Charity Foundation.	-1.0	-0.7
Exchange gain relating to operations	10.2	1.5
Exchange loss relating to operations	-11.1	-1.6
Total	-1.9	-0.8

At the Annual General Meeting of MilDef Group AB on April 4, 2013, a resolution was passed to establish a charity foundation. Each year, 1% of the Group's operating profit is to be donated to the Foundation. The purpose of the Foundation, using the funding received, is to work to improve conditions for people who are economically or socially vulnerable. The Foundation was registered with the Skåne County Administrative Board on July 9, 2014, under organization number 802478-1604.

Note 9. Employees and personnel costs

	2023	2022
Average number of employees	44	36
Percentage of men (%)	54	60
Number of employees as of December 31	45	42
Percentage of men (%)	51	62

Gender balance in management	2023	2022
Board of Directors	7	6
Percentage of men (%)	71	67
Management Team	6	9
Percentage of men (%)	33	78

Wages, salaries and other remuneration	2023	2022
Board of Directors & CEO	4.1	3.4
Other employees	32.2	25.8
Total	36.3	29.2

Social insurance contributions		
All employees	18.0	14.4
<i>Of which pension expenses</i>		
Board of Directors & CEO	0.2	0.1
Other employees	5.1	4.2
Total	5.3	4.3

For further information, see Group Note 10.



Note 10. Financial items

	2023	2022
Interest income	18.3	5.3
Exchange gain not relating to operations	1.0	0.4
Financial income	19.3	5.7
Exchange loss not relating to operations	-	-0.6
Interest expense	-18.3	-6.3
Other financial expense	-0.8	-2.6
Financial expense	-19.2	-9.6

Note 11. Year-end appropriations

	2023	2022
Group contributions received	1.4	6.8
Reversal of tax allocation reserve	-	2.7
Change in accelerated depreciation/amortization	0.0	-0.8
Total	1.4	8.7

Note 12. Tax on profit for the year

	2023	2022
Current tax expense (-) / tax income (+)		
Current tax for the year	0.0	0.0
Prior year adjustments	-0.2	-
Total	-0.2	0.0
Tax on profit for the year		
Earnings before tax according to the income statement	-3.0	2.6
Tax according to the Parent Company tax rate (20.6%)	0.6	-0.5
Reconciliation of recognized tax		
Effect of standard income/expense on tax allocation reserve	-	-0.0
Expenses recognized via equity	-	1.4
Non-taxable income	0.0	0.0
Non-deductible expenses	-0.7	-0.8
Recognized tax expense	-0.2	0.0



Note 13. Property, plant and equipment

	2023	2022
<i>Leasehold improvements</i>		
Cost		
Opening balance, January 1	8.0	7.8
Additions for the year	0.3	0.2
Closing balance, December 31	8.4	8.0
Depreciation and impairment		
Opening balance, January 1	-1.5	-0.7
Depreciation for the year	-0.8	-0.8
Closing balance, December 31	-2.3	-1.5
Carrying amount, December 31	6.1	6.5
<i>Equipment, fixtures and fittings</i>		
Cost		
Opening balance, January 1	5.0	3.8
Additions for the year	0.5	1.1
Closing balance, December 31	5.4	5.0
Depreciation and impairment		
Opening balance, January 1	-2.0	-1.0
Depreciation for the year	-1.2	-1.0
Closing balance, December 31	-3.2	-2.0
Carrying amount, December 31	2.3	3.0



Note 14. Holdings in Group companies

	2023	2022
Cost		
Opening balance, January 1	793.6	443.6
Additions for the year	0.6	350.0
Shareholders' contributions paid	-	-
Closing balance, December 31	794.3	793.6
Impairment losses		
Opening balance, January 1	13.0	13.0
Impairment losses for the year	-	-
Closing balance, December 31	13.0	13.0
Carrying amount, December 31	781.3	780.6

Specification of holdings in Group companies

Group company / Corp. reg. no. / Registered office	No. of shares	Ownership (%)	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
MilDef A/S, 43989014, Ballerup, Denmark	400,000	100	0.6
MilDef Oy, 3325523-7, Espoo, Finland	1,000	100	-
Handheld Group AB, 556556-2799, Lidköping, Sweden	4,374,000	100	350.0
<i>Handheld Europe AB, 556635-3495, Lidköping, Sweden</i>	1,000	100	
<i>Handheld Scandinavia AB, 556643-9526, Lidköping, Sweden</i>	1,000	100	
<i>HHCS Handheld Finland OY, 2089502-4, Lahti, Finland</i>	100	100	
<i>HHCS Handheld USA Inc., 26212872, Corvallis, USA</i>	1,000,000	100	
<i>Handheld Benelux BV, 1537360, Enschede, Netherlands</i>	10,000	100	
<i>Handheld APAC PTY LTD, 146981526, Victoria, Australia</i>	1,000	100	
<i>Handheld Germany GmbH, 91612811085, Freilassing, Germany</i>	100	100	
<i>Handheld Swiss GmbH, 422378549, Landquart, Switzerland</i>	100	100	
<i>Handheld UK LTD, 7847370, Warwickshire, UK</i>	100	100	
Total			781.3



Note 15. Prepaid expenses and accrued income

	2023	2022
Prepaid rent	2.4	2.3
Prepaid insurance	0.6	1.2
Prepaid marketing expenses	-	0.1
Prepaid bank fees	0.4	0.8
Prepaid IT services	2.0	0.3
Other items	0.4	0.9
Total	5.8	5.7

Note 16. Equity

One share in MilDef Group AB has a quota value of SEK 0.25. The number of shares is 39,859,566 (39,859,566) and the share capital amounts to SEK 9,964,891.50 (9,964,891.50).

No. of shares	No. of shares	Share capital	Other capital contributions	Total
As of 1 January 2022	36,389,373	9.1	507.0	516.1
New share issue	3,470,193	0.9	229.1	230.0
Issue costs	-	-	-6.8	-6.8
As of December 31, 2022	39,859,566	10.0	729.3	739.3
New share issue	-	-	-	-
Issue costs	-	-	-	-
As of December 31, 2023	39,859,566	10.0	729.3	739.3

Note 17. Untaxed reserves

	2023	2022
Accelerated depreciation/amortization	3.6	3.6
Total	3.6	3.6

Note 18. Accrued expenses and deferred income

	2023	2022
Accrued payroll expenses	4.3	5.0
Accrued social insurance contributions	3.8	4.4
Other items	5.0	1.0
Total	13.2	10.4

Note 19. Contingent liabilities

	2023	2022
Guarantee commitments for subsidiaries' liabilities	5.5	3.1
Total	5.5	3.1



Note 20. Proposal for allocation of profit

The following profit of the Parent Company is at the disposal of the Annual General Meeting:

	SEK
Share premium reserve	729,345,245
Retained earnings	14,479,949
Comprehensive income for the year	-3,200,481
Closing balance, December 31	740,624,713

The Board proposes that the profit be allocated as follows:

A dividend to the shareholders of SEK 0.50 per share	19,929,783
Carried forward	720,694,930
Total	740,624,713

After implementation of the proposed allocation of profit, equity in the Parent Company is as follows:

Share capital	9,964,891
Share premium reserve	729,345,245
Retained earnings	-8,650,315
Total	730,659,821

MilDef's policy regarding dividends is to distribute an annual dividend of 20–40% of profit after tax. MilDef will, however, take long-term development, the capital structure and the prevailing market conditions into account.

The Board proposes that SEK 19.9 million, or SEK 0.50 per share, is distributed as dividends to the shareholders. This is calculated on the number of outstanding shares as of 31 December 2023, i.e. 39,859,566. The equity/assets ratio for the Group is 55.4% (56.5) and after allocation of earnings, the equity/assets ratio is 54.0%. The proposed record date for the right to receive a dividend is May 27, 2024. If the Annual General Meeting votes in favor of the proposal the dividend is expected to be paid out on May 30, 2024.



Signatures

The Board of Directors and CEO hereby certify that the annual accounts have been prepared in accordance with the Swedish Annual Accounts Act and RFR 2, Accounting for Legal Entities, and give a true and fair view of the Company's financial position and results, and that the Directors' Report provides a true and fair overview of the development in the Company's operations, financial position and results, and describes significant risks and factors of uncertainty facing the Company. The Board of Directors and CEO hereby certify that the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as

adopted in the EU, and give a true and fair view of the Group's financial position and results, and that the Directors' Report for the Group gives a true and fair view of the development in the Group's operations, financial position and results, and describes significant risks and factors of uncertainty facing the companies in the Group. The annual accounts and the consolidated financial statements were approved for issuance by the Board of Directors on April 25, 2024. The consolidated statement of comprehensive income and balance sheet and the Parent Company income statement and balance sheet will be subject to adoption by the Annual General Meeting on May 23, 2024.

The Annual Report and consolidated financial statements were, as stated above, approved for issuance by the Board of Directors and CEO on April 25, 2024.

Björn Karlsson
Chair of the Board

Lennart Phil
Board member

Marianne Trolle
Board member

Bengt Arne Molin
Board member

Jan Andersson
Board member

Christian Hammenborn
Board member

Charlotte Darth
Board member

Daniel Ljunggren
CEO

Our auditor's report was issued on April 29, 2024

Eric Salander
Authorized Public Accountant
Chief Accountant

Johan Rönnbäck
Authorized Public Accountant



To the general meeting of the shareholders of MilDef Group AB, corporate identity number 556893-5414

Report on the annual accounts and consolidated accounts

Opinions

annual accounts and consolidated accounts of the company are included on pages 72-130 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company and the group as of 31 December 2023 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2023 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 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 to provide a basis for our opinions.

Our audit approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts, but we do not provide a separate opinion on these matters.

Particularly significant area

Valuation of intangible assets

Reference to note 1 and note 13 in the annual report.

The value of the intangible assets as of 31 December 2023 amounts to SEK 645.2 million and constitutes a significant part of the group's balance sheet. In accordance with IFRS, the group makes an annual assessment of the value of the assets, which is based on the calculation of discounted future cash flows.

Some of the assumptions and assessments the management makes regarding future cash flows and conditions are complex and have a major impact on the calculation of the value in use. This applies in particular to the following; growth rate, profit margins, and discount rate. Changes in these assumptions could lead to a change in the reported value of intangible assets and goodwill, whereby we consider this to be a particularly significant area. No need for impairment has been identified by management in the impairment tests that have been carried out.

How our audit considered the particularly significant area

In our audit, we have assessed the calculation model used and challenged the material assumptions used by management in their tests.

We have assessed the reasonableness of the budget presented by management and approved by the board by evaluating historical outcomes against established budgets.

We have compared the growth in the terminal value with independent forecasts concerning economic growth and assessed whether the assumptions used are within a reasonable range.

We have also assessed the discount rate (weighted average cost of capital ("WACC")) against comparable businesses and assessed whether the assumptions used are within a reasonable range.

We have also evaluated the management's assessment of how the group's calculation models are affected by changes in assumptions and compared this with the information presented in the annual report related to impairment tests.

We have also assessed the accuracy of the information that appears in the annual report.

Other Information than the annual accounts and consolidated accounts

The audit of the annual accounts and consolidated accounts for the financial year 2022 has been performed by another auditor who submitted an audit report dated May 4, 2023 with unmodified statements in the Report on the annual accounts and consolidated accounts.



Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-53, 62-65 samt 137-144.. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Director's and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Report on other legal and regulatory requirements

The auditor's examination of the administration of the company and the proposed appropriations of the company's profit or loss

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Director's and the Managing Director of MilDef Group AB for the year 2023 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Director's and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Director's and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group' equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:



- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisorsansvar. This description is part of the auditor's report.

The auditor's examination of the ESEF report

Opinion

In addition to (my) our audit of the annual accounts [and consolidated accounts], we have also examined that the Board of Directors (and the Managing Director) have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the ESEF report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for MilDef Group AB for the financial year 2023.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the ESEF report has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for Opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the ESEF report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of MilDef Group AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled my (our) ethical responsibilities in accordance with these requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of ESEF report in accordance with the Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors (and the Managing Director) determine is necessary to prepare the ESEF report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the ESEF report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

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

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the ESEF report.

The firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the ESEF report has been prepared in a format that enables uniform electronic reporting of the annual accounts [and consolidated accounts]. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design audit procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the ESEF report by the Board of Directors (and the Managing Director), but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a validation that the ESEF report has been prepared in a valid XHTML format and a reconciliation of the ESEF report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the consolidated statement of financial performance, financial position, changes in equity, cash flow and disclosures in the ESEF report have been marked with iXBRL in accordance with what follows from the ESEF regulation.

Öhrlings PricewaterhouseCoopers AB, P.O. box 4009, SE-203 11 Malmö, Sweden, was appointed auditor of MilDef Group AB by the general meeting of the shareholders on May 23, 2023 and has been the company's auditor since May 25, 2023.

Malmö 29 April 2024

Öhrlings PricewaterhouseCoopers AB

Eric Salander	Johan Rönnbäck
Authorized Public Accountant	Authorized Public Accountant



AUDITOR'S REPORT ON THE STATUTORY SUSTAINABILITY REPORT

To the general meeting of the shareholders in MilDef Group AB, corporate identity number 556893-5414

Engagement and responsibility

It is the board of directors who is responsible for the statutory sustainability report for the year 2023 on pages 34-49 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

Helsingborg den 29 april 2024

Öhrlings PricewaterhouseCoopers AB

Eric Salander
Authorized Public Accountant

Opinion

A statutory sustainability report has been prepared.

Johan Rönnbäck
Authorized Public Accountant



Five-year summary

Key figures		2023	2022	2021	2020	2019
Sales and profit						
Net sales, SEK m	SEK m	1,151	739	470	398	334
Operating profit (EBITDA)	SEK m	168.1	60.0	20.7	68.5	35.9
Adjusted operating profit (EBITDA)	SEK m	168.1	60.0	32.2	72.8	35.9
Operating profit (EBITA)	SEK m	140.2	44.8	8.2	62.8	35.9
Adjusted operating profit (EBITA)	SEK m	140.2	44.8	19.7	67.1	35.9
Operating profit (EBIT)	SEK m	108.1	29.2	-2.9	56.9	24.9
Adjusted operating profit (EBIT)	SEK m	108.1	29.2	8.6	61.2	24.9
Profit after financial items (EBT)	SEK m	88.6	19.2	-5.3	55.4	25.1
Net profit for the year	SEK m	69.0	14.2	-0.7	42.5	19.0
Cash flow						
Cash flow from operating activities	SEK m	54.5	-76.8	-55.5	61.7	-7.9
Cash flow from investing activities	SEK m	-68.9	-321.3	-187.2	-8.6	-2.7
Cash flow from financing activities	SEK m	38.5	285.7	362.9	-14.4	-12.0
Operating cash flow	SEK m	8.8	-95.0	-71.4	53.1	-10.6
Cash flow for the year	SEK m	24.2	-112.4	120.3	38.7	-22.6
Capital employed and financing						
Total assets, SEK m	SEK m	1,526	1,394	808	368	285
Average capital employed	SEK m	1,157	887	428	200	173
Net debt/net cash excl. lease liabilities	SEK m	-182	-168	128	47	9
Equity attributable to owners of the parent	SEK m	845	788	568	133	101



Five-year summary

Key figures		2023	2022	2021	2020	2019
Data per share, SEK*						
Number of outstanding shares, December 31	NUMBER	39,859,566	39,859,566	36,389,373	23,236,844	23,236,844
Average number of shares, before dilution	NUMBER	39,859,566	37,400,988	26,243,169	23,236,844	23,236,844
Average number of shares, after dilution	NUMBER	40,301,066	37,844,488	26,243,169	23,236,844	23,236,844
Earnings per share, before dilution	SEK	1.73	0.38	-0.03	1.83	1.64
Earnings per share, after dilution	SEK	1.71	0.37	-0.03	1.83	1.64
Equity per share, before dilution	SEK	21.19	19.77	15.61	5.71	4.36
Equity per share, after dilution	SEK	20.96	19.55	15.61	5.71	4.36
Operating cash flow per share, before dilution	SEK	0.22	-2.54	-2.72	2.29	-0.46
Operating cash flow per share, after dilution	SEK	0.22	-2.51	-2.72	2.29	-0.46
Dividend per share	SEK	0.50	-	0.75	0.75	0.38
Share price as of December 31	SEK	65.60	80.80	52.40	-	-
Dividend yield	%	0.76	0.00	1.43	-	-
Performance measures						
Gross margin	%	48.3	47.7	44.7	45.7	37.4
Operating margin (EBITDA)	%	14.6	8.1	4.4	17.2	10.7
Adjusted operating margin (EBITDA)	%	14.6	8.1	6.9	18.3	10.7
Operating margin (EBITA)	%	12.2	6.1	1.7	15.8	10.7
Adjusted operating margin (EBITA)	%	12.2	6.1	4.2	16.8	10.7
Operating margin (EBIT)	%	9.4	4.0	-0.6	14.3	7.4
Adjusted operating margin (EBIT)	%	9.4	4.0	1.8	15.4	7.4
Profit margin (EBT)	%	7.7	2.6	-1.1	13.9	7.5
Return on capital employed	%	10.1	3.4	0.0	30.6	19.7
Return on equity	%	8.5	2.1	-0.2	36.4	20.1
Equity/assets ratio	%	55.4	56.5	70.3	36.0	35.5
Other						
Number of employees at year-end	NUMBER	309	291	188	119	93
Average number of employees	NUMBER	302	233	154	97	85



Definitions

Number of shares outstanding

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 income 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 non-current assets.

Non-recurring items

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

NET DEBT

Long-term and short-term interest-bearing liabilities less income-bearing financial assets.

Operating cash flow

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

Organic growth

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

Working capital

Current assets, excluding cash and cash equivalents and current tax assets, minus 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 the 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

of

MilDef Group AB
corp. reg. no. 556893-5414

Article 1 Business name

The Company's business name is MilDef Group AB. The Company is to be a public limited company (*Sv. publ*).

Article 2 Registered office

The registered office is to be in Helsingborg, Sweden.

Article 3 Operations

The Company's activities are to be owning and managing shares in subsidiaries, preferably with operations within technology and the total defense and security sectors and activities compatible with these. In addition, the Company is to provide Group-wide services such as services within management, legal, HR and finance with a view to facilitating operations for the subsidiaries.

Article 4 Share capital

The minimum share capital is to be SEK 6,162,500 and the maximum SEK 24,650,000.

Article 5 Number of shares in the Company

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

Article 6 Composition of the Board of Directors

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

Article 7 Auditors

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

Article 8 Notice convening shareholders' meetings

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

Article 9 Agenda of Annual General Meeting

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

1. Election of person to chair the meeting.
2. Preparation and approval of the voting list.
3. Election of one or two persons to check the minutes.
4. Verification of whether the meeting has been duly convened.
5. Approval of agenda.
6. Presentation of the annual accounts and Auditor's Report and of the consolidated financial statements and Auditor's Report for the Group.
7. Resolutions concerning
 - a. adoption of the income statement and balance sheet and of the consolidated income statement and consolidated balance sheet;
 - b. distribution of the Company's profit or loss according to the adopted balance sheet;
 - c. discharge from liability of the members of the Board and the CEO.



8. Determination of number of board members and auditors.
9. Establishment of board fees.
10. Establishment of fees for auditor(s).
11. Election of Board of Directors.
12. Election of auditor(s).
13. Any other business duly referred to the meeting in accordance with the Swedish Companies Act or the Articles of Association.

Article 10 Attendance at shareholders' meetings

To be able to attend the shareholders' meeting, the shareholder must notify the Company by the date specified in the meeting notice, stating the number of companions. This date must not be a Saturday, a Sunday, Midsummer Eve, Christmas Eve, New Year's Eve or any other public holiday, and must not fall earlier than on the fifth weekday before the meeting.

Article 11 Proxies

The Board of Directors may collect proxies in accordance with the procedure set out in Chapter 7, Section 4, 2nd paragraph of the Swedish Companies Act.

Article 12 Postal voting

In advance of a shareholders' meeting the Board of Directors may decide to allow the shareholders to vote by mail (or via a comparable digital system) before the meeting. Information to this effect is to be provided in connection with the meeting notice. The meeting notice must clearly describe the procedure and how it is to be carried out.

Article 13 Financial year

The Company's financial year is to follow the calendar year.

Article 14 Record day provision

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

These Articles of Association were adopted at the Annual General Meeting on May 25, 2023



Financial calendar:

Interim Report Q1 2024	April 26, 2024
Annual General Meeting 2024	May 23, 2024
Interim Report Q2 2024	July 25, 2024
Interim Report Q3 2024	October 25, 2024
Year-End Report 2024	February 6, 2025

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