

Annual and Sustainability Report 2022

739^{SEK m}

NET SALES
January – December

938^{SEK m}

ORDER INTAKE
January – December

1,156^{SEK m}

ORDER BACKLOG
December 31, 2022



Information for shareholders

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Thursday, May 25 at 4 pm CEST 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.

REGISTRATION

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 16, 2023 and must notify MilDef of their intention to attend no later than Friday, May 19, 2023. In order to be entitled to participate in the Annual General Meeting, 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 16, 2023. Voting rights registration requested by shareholders in time for registration to be carried out by the nominee no later than May 19, 2023 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 Annual General Meeting.

DIVIDEND PROPOSAL

The Board of Directors recommends to the Annual General Meeting that no dividend be paid to the shareholders for the 2022 financial year. This proposal is made against the background of the Company's rapid growth and hence increased estimated working capital requirement for 2023.

NOMINATION COMMITTEE

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

Ulf Hedlundh, appointed by Svolder AB (publ), Nomination Committee Chair

Peter Lundkvist, appointed by the Third Swedish National Pension Fund (AP3)

Marianne Trolle, own holding

Jan Andersson, Chair of the Board of MilDef Group AB

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.

INVESTOR RELATIONS CONTACT

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FINANCIAL CALENDAR

Interim Report Q1 2023 May 5, 2023

Interim Report Q2 2023 July 27, 2023

Interim Report Q3 2023 October 26, 2023

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READING GUIDELINES

Figures in parentheses refer to operations in 2021, 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 42–53. The formal annual report is presented on pages 79–148. Some figures have been rounded off and, accordingly, tables and calculations do not always add up exactly.

The year in brief

In 2022 MilDef continued to win international business and deliver from a well-filled order backlog. In addition to significant sales growth – growth that has happened up to now without the boost provided by increased defense budgets – the successes within strategic NATO projects continue, especially those relating to vehicle digitalization and modernization. The volume increases have resulted in an improved gross margin, 48% compared with 45% the previous year. Through acquisitions, MilDef strengthened its product and service portfolio and its international presence.

Financial development full year 2022

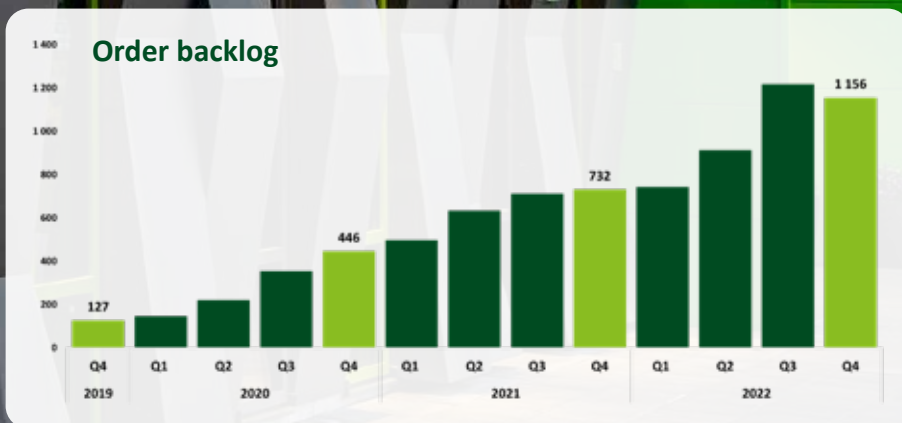
- » Net sales increased by 57% to SEK 738.8 million (469.6).
- » The gross margin was 48% (45).
- » Adjusted EBITDA amounted to SEK 60.0 million (32.2), equivalent to an adjusted operating margin of 8.1% (6.9).
- » Order intake increased by 59% to SEK 938.2 million (589.4).
- » The order backlog increased by 58% to SEK 1,156 million (732).
- » Operating cash flow amounted to SEK -95.0 million (-71.4).
- The Board of Directors recommends to the Annual General Meeting that no dividend be paid to the shareholders for the 2022 financial year.

Production of MilDef's Annual Report 2022

Project management and text: Olof Engvall and Linda Kjellgren

Design and graphics: Sara Blomqvist

Printer: ColourCenter



COMMENTS BY CEO BJÖRN KARLSSON

Proven resilience in challenging times

It has been a tumultuous year with the world being thrust into an unparalleled security situation. We have war in our neighborhood. Sweden and Finland have applied for NATO membership. Interest rates and inflation have risen and markets have swayed under the pressure. I am both proud and humbled as I thank our employees, customers, suppliers and shareholders for their efforts in a year that has been different to say the least.

In 2022 MilDef accelerated its growth journey. Sales increased by 57% and the profit margin rose. The adjusted operating profit (EBIT-DA) increased by 86% and amounted to SEK 60.0 million (32.2), equivalent to an adjusted operating margin of 8.1% (6.9). Strengthened by these outcomes we entered 2023 with a well-filled order backlog, important framework agreements in place and a company ready to deliver even more. We are doing this through international expansion, which has up to now happened without the boost provided by increased defense budgets.

With growing capabilities within hardware, software and services, we are meeting our customers' need for "fewer suppliers who deliver a more comprehensive offering faster," and building better margins and generating more long-term business higher up the value chain.

MilDef is signing more and bigger contracts

In 2022 MilDef announced several important strategic business transactions that will have a positive impact on the Company for years to come. After the challenges of the past few years, with both Brexit and the pandemic, MilDef's activities in the UK and the USA are bouncing back and delivered strong growth in 2022.

In addition to large contracts in both Europe and the USA, long-term framework agreements were signed in the Nordic region. A 20-year framework agreement with the defense forces of an unnamed NATO nation for a value of SEK 2.8 billion will have the biggest financial impact. Also in 2022 a Swedish framework agreement was signed with the Swedish Defence Materiel Administration (FMV) worth an estimated SEK 870 million over a seven-year period. Both of these framework agreements are examples of how MilDef is becoming a key component in the planned growth and modernization of multiple armed forces.

Handheld – our biggest acquisition to date

In line with our objective of implementing one acquisition a year, in the autumn we completed our largest transaction so far in the Company's history. Handheld Group AB is an international group of com-



panies that develops and produces tactical IT and has customers in areas that we define as crucial for society.

The acquisition of Handheld strengthened MilDef in several prioritized areas. An increased market presence in important defense markets provides a springboard for expansion, especially in Germany. Adding products and customers within critical infrastructure enhances our ability to contribute to a more resilient society. Technologically, Handheld brings exciting new possibilities for MilDef's military customer segment as well.

Essentially, Handheld provides increased market entry opportunities, access to new technology for MilDef's defense customers, a stronger offering in a prioritized customer segment and, not least, a number of highly skilled employees who will help us in the next stage of our growth journey.

Production capacity outside Sweden

In 2022 we established our first production facility outside Sweden. The new facility is in the UK and will offer our customers there domestic supply reliability. It is producing MilDef's own products and is initially delivering on a substantial contract from 2020 worth GBP 25 million. The plan is to also use this facility to deliver on international commercial agreements with Commonwealth nations such as Australia, New Zealand and Canada.

Regardless of whether the customers want to do more business with local suppliers or ensure that they have sufficient production capacity if the security environment deteriorates, we can provide production capacity and supply chains in local markets. The UK was the first and several other countries may follow based on the same expansion model.

Macrotrends and long-term effects

It is clear to me that the international reactions to Russia's invasion of Ukraine have the potential to create long-term beneficial effects for

“MilDef exceeded its long-term growth target”

the defense industry. 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. It is important to act decisively on the macrotrends that are now having an extreme impact on our industry, including:

- Significantly increased defense appropriations in many countries for the foreseeable future.
- Strong demand for modernization and digitalization in functions critical for society.
- Demand for domestic and regional supply capacity.
- Nordic, NATO and EU alliances will likely be even more important in the future.

Sights set on a safer and more secure future

The current considerable defense expenditure in multiple markets is unparalleled in modern history. MilDef is well-prepared to do its part for a more resilient society – through a high-tech portfolio as well as strong service expertise.

In conclusion: I would like to express my deep gratitude to everyone who helped us succeed in 2022. We have now launched into an exciting 2023 with a stronger organization, a well-filled order backlog and great business opportunities.



Björn Karlsson, President and CEO of MilDef Group

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This is MilDef's world

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, MilDef meets the unique product requirements for demanding environments.

Three customer segments



DEFENSE



GOVERNMENT AGENCIES



CRITICAL INFRASTRUCTURE

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. With operations in 11 countries and partner networks in more than 80 countries, MilDef had around 300 full-time employees and sales of SEK 739 million at the end of 2022.

Over the past six years the Company has had a compound annual growth rate (CAGR) of 30%. MilDef focuses on the Nordic region, Europe, the UK and the USA. MilDef's largest geographical markets are the Nordic region (62% of net sales in 2022), Europe (excluding the Nordic region) (16% of net sales in 2022) and North America (20% of net sales in 2022). Other countries represented around 2% of net sales in 2022. The customers are primarily in defense-related industries, but there is also growth in areas such as government agencies and critical infrastructure as well as health, various 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.

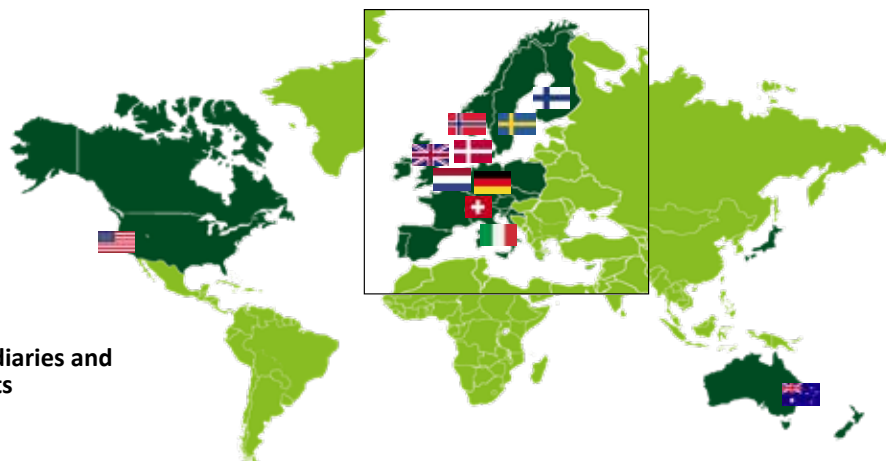
Strong customer relationships near and far

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. Most have been developed over many years or even decades and form a strong foundation for new sales as well as replacement and aftermarket sales.

A strong product portfolio for distinct needs

MilDef's products are characterized by the highest durability – also called ultra-rugged – with functionality and performance assured to withstand tough conditions for long periods. The product portfolio encompasses all the components in an IT system – from servers and client computers to network equipment and intelligent displays, as well as software and services. The relatively high complexity of the products and the technical and logistical management of a broad portfolio of proprietary products require a long-term approach to talent management. Research and development is a prioritized area and a core competency of MilDef. An ongoing and close dialogue with MilDef's customers and partners drives technology and product development forward. In 2022 R&D expenses were equivalent to around 15% of MilDef's revenue. Just over 13% of the employees work in R&D.



MilDef's 11 subsidiaries and prioritized markets

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 goal is to be the most reliable partner in the industry. MilDef adds value through industry-leading quality and high 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 demands 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 or exceeding expectations – both MilDef's own and those of its customers.

Strategy and financial targets

MilDef's financial goal is for sales to increase over time by at least 25% including acquisitions and for the operating margin (EBITDA) to be at least 10%. Over the past six years sales have grown by an average of around 30% per year and the average operating margin has been around 10.7%. MilDef's future development will be based on a combination of organic and acquisition-driven growth. There is significant scope for expansion within tactical IT, the Company's domain. MilDef is planning to expand into several prioritized markets via its

own operations, with partners and through acquisitions. The Company has established a process to realize its acquisition ambitions in a structured way. There are plenty of well-reputed acquisition candidates in both defense and security, as the market is still fairly fragmented. The Company's technical portfolio has substantial unutilized potential for exports to several countries and expansion to 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 financial targets

To reach the 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.

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

2.5x EBITDA

other than temporarily.

Dividend policy

Distribute **20–40%** of net profit.

MilDef will, however, take long-term development, capital structure and the prevailing market conditions into account.





In the news 2022

MilDef frequently communicates news on the Company's growing business via the website, the news service Cision and LinkedIn. Here are a few of the year's most important press releases.



January

MilDef wins contract with Saab

MilDef has won a deal for development and serial production of an advanced computer platform for Saab. The total order value is SEK 21.5 million. The new computer replaces an existing computer platform delivered by MilDef. Based on the standardized form factor that MilDef offers its customers, upgrades and replacement products are cost-effective and fast – important parameters for repeat business.



January

MilDef launches new business unit, Business Sweden

With the aim of strengthening MilDef Sweden and the integration company MilDef Integration Sweden AB acquired in 2021, Business Unit Sweden is launched as a focused unit. This coordinates all business with both government and corporate customers in the Swedish market and also maximizes synergies between products, services and digitalization.



January

MilDef wins orders from BAE Systems Hägglunds

BAE Systems Hägglunds, a world-leading developer and supplier of tracked vehicles for defense and rescue services, has entrusted MilDef with delivering communication equipment for a total order value of SEK 18 million. Deliveries start in 2022. MilDef's communication equipment for BAE Systems Hägglunds involves technology to strengthen cyber defense and upgrade 90 combat vehicles.



February

MilDef opens subsidiary in Finland

To further reinforce MilDef's position in the Nordic market, MilDef Oy, MilDef's first subsidiary in Finland, is now being established. At the helm of the subsidiary will be Eero Valkola, a decorated colonel and former Inspector of Signals in the Army Command of the Finnish Defence Forces, where he was responsible for developing, training and preparedness of the army's C4 system and for cyber defense.



May

MilDef wins system integration contract with the Swedish Defence Materiel Administration (FMV)

MilDef has won a new order within the framework of an existing agreement on integration of tactical IT for the Swedish Armed Forces. The value of the system integration order is SEK 25 million, SEK 15 million of which will be delivered in 2022 and the remainder in 2023.



May

MilDef signs a 7-year framework agreement with the Swedish Defence Materiel Administration and the Armed Forces

The additional framework agreement signed with the Swedish Defence Materiel Administration and the Armed Forces is the Company's most comprehensive framework agreement to date. It encompasses the full scope of MilDef's products in both hardware and software as well as services. The value of deliveries is expected to be around SEK 870 million over the contract term.



June

MilDef is awarded contract in USA worth SEK 50 million

The order, awarded through a global US group of companies in the defense sector, is the single largest transaction to date in USA for tactical IT. The order value is more than SEK 50 million and deliveries will take place during the second half of 2022. Through one of the largest defense companies, MilDef will deliver 400 customized laptops for use within the US Army.



June

MilDef wins new order for upgrade of combat boats

MilDef Integration Sweden AB, a subsidiary of MilDef Group AB, has received two orders with a total value of SEK 15 million for the upgrade of navigation systems in the Swedish Amphibious Corps' Combat Boat 90. The orders are follow-on contracts to previously completed integration work. Delivery will take place in 2022 and 2023. Further orders within the same project are likely.



July

MilDef wins SEK 82 million order in Norway

MilDef will provide technology to a Norwegian defense vehicle program with deliveries in 2022–2023. This is a follow-up order on an existing program and involves a mid-life upgrade of armored vehicles in the M113 series. The customer is NDMA, the Norwegian Defence Materiel Agency.



August

MilDef signs framework agreement worth SEK 2.8 billion

MilDef has signed a 20-year strategic framework agreement with the armed forces of a European NATO country to modernize and digitalize the nation's defense forces. The name of the country cannot be revealed for reasons of national security. The framework agreement is far and away the largest for MilDef so far, estimated at SEK 2.8 billion over 20 years.



September

MilDef acquires Handheld Group

MilDef has acquired all of the shares in Handheld, a company specializing in the rugged computer product segment 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.



September

MilDef carries out a directed new share issue

Based on authorization from the Annual General Meeting on May 12, 2022, MilDef Group AB resolved to carry out a directed issue of 2,343,750 shares at a subscription price of SEK 64 per share.



October

MilDef participates in AUSA 2022

MilDef will be exhibiting at AUSA (Association of the United States Army) Annual Meeting & Exposition in Washington DC. MilDef will showcase its full range of hardware, software and services for tactical IT. For the first time at AUSA, MilDef will present OneCIS, a quantum leap in rapid deployment of IT services at the tactical edge.



November

MilDef wins order from BAE Systems Hägglunds

BAE Systems has placed an order valued at SEK 15 million with MilDef to deliver rugged computers to support maintenance systems for military aircraft. MilDef will deliver 90 rugged RB14 laptop computers to BAE Systems' Air operations at the end of 2022.



November

MilDef establishes production facility in Wales

MilDef has opened a manufacturing facility at the Bro Tathan business park near Cardiff, Wales. The new facility will manufacture MilDef's proprietary tactical IT platform for the GBP 25 million RBSL contract won in 2020 and will provide a non-EU platform for global sales of MilDef's products.



December

MilDef signs additional order for British Army's MIV program

MilDef has received an extension of the previous order from Rheinmetall BAE Systems Land (RBSL) to provide Generic Vehicle Architecture (GVA)-compliant crewstation PCs, servers and ethernet switches for the British Army's Mechanized Infantry Vehicle (MIV) program. Deliveries will take place in 2023–2030 and the order value is SEK 70 million.

MilDef as an investment

Since 1997 MilDef has grown and shown good profitability within its global tactical IT niche. Over the past six years (2017–2022) the annual sales growth has averaged 30%, which exceeds MilDef's financial target of 25% growth with a comfortable margin. The profitability target is at least 10% EBITDA and the average for 2017–2022 was 10.7% adjusted EBITDA.

MilDef's portfolio consists of hardware, services and software. Historically a large majority of the revenue streams have been based on hardware. This is gradually being balanced out with the objective of having three revenue streams of around the same size. Tactical IT solutions are technologically challenging. The high degree of specialization and customization creates natural entry barriers for competitors, which helps to ensure MilDef's access to a global market experiencing strong growth.

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. After having had a stronger focus on growth in the US market in previous years – and while also maintaining this focus – geopolitical developments in Europe have accelerated MilDef's growth ambitions in Sweden, the Nordic region and Europe.
- According to management consulting firm Arthur D. Little, the global market for rugged defense electronics in 2021 was USD 15 billion and is expected to grow by around 4.7% per year to reach around USD 18 billion in 2025.

- This growth is driven by digitalization in demanding environments, growth in defense budgets globally, technical innovations and modernization.
- Rigorous and industry-specific technical requirements make it more difficult for new actors to enter the market and long-term relations are crucial for success in this market.

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

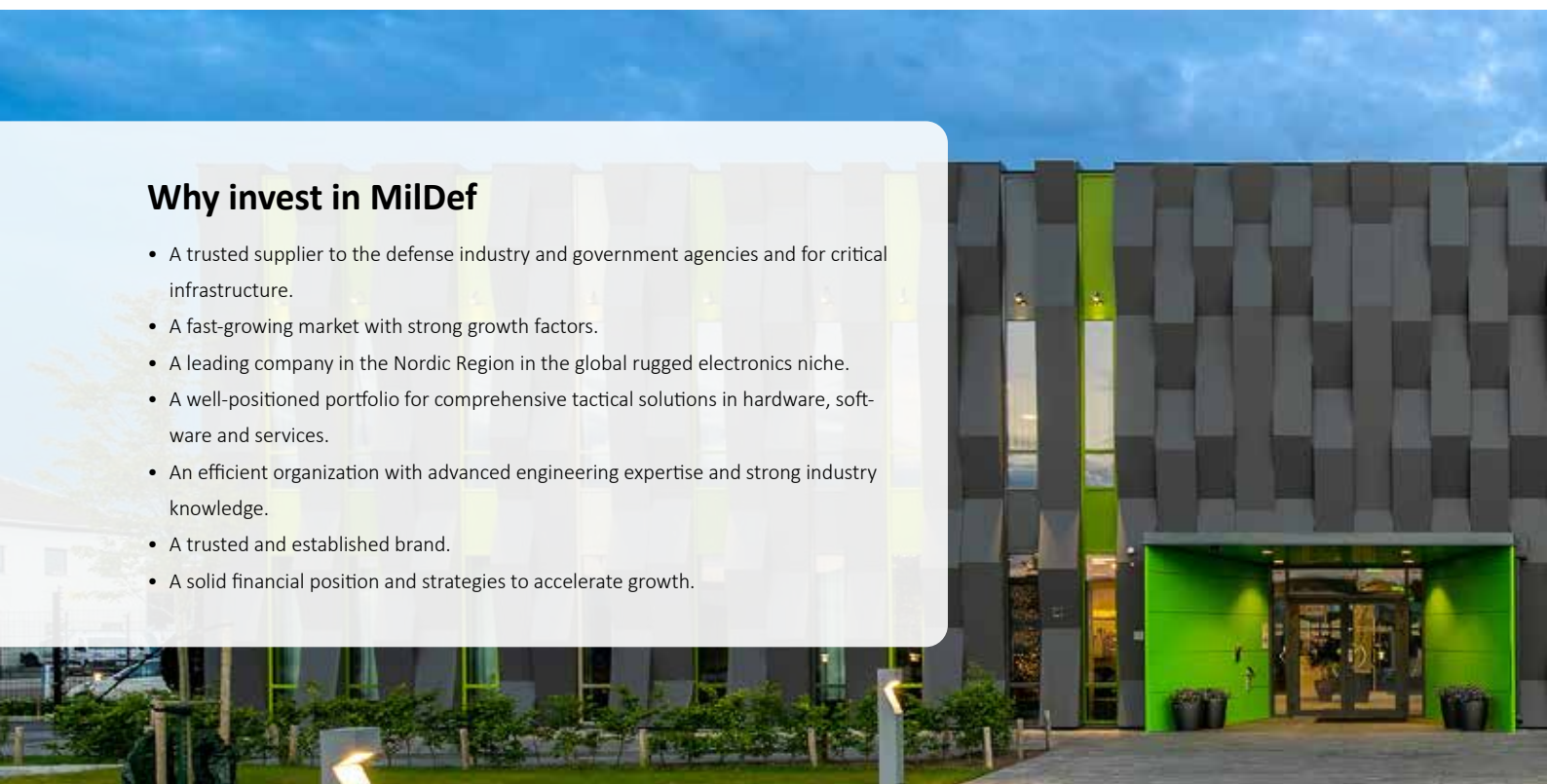
- As a leading supplier of robust defense electronic equipment in the Nordic region.
- MilDef only has a few direct competitors.
- The Nordic countries are important markets and MilDef's presence in the USA, the UK and Europe is generating growth and enabling future expansion.
- MilDef has multi-year contracts in place in the UK involving modernization of the army.
- The Company has signed framework agreements with the Swedish Defence Materiel Administration and a NATO nation worth SEK 3.7 billion over 20 years.

A well-positioned portfolio for tactical IT solutions

- Over the past year MilDef has broadened its offering to be a comprehensive supplier of tactical IT, i.e. hardware, software and services.

Why invest in MilDef

- A trusted supplier to the defense industry and government agencies and for 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 trusted and established brand.
- A solid financial position and strategies to accelerate growth.



- MilDef has a strong hardware portfolio in three main product segments: rugged network systems, rugged displays and rugged computers.
- The products are constructed to handle the most challenging environments and meet strict military specifications.
- Growth in services and software happens both organically and through acquisitions.
- With newly constructed production facilities 2020-2022 in Sweden and Wales, MilDef has tripled its production capacity.

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

- MilDef has a strong and value-driven corporate culture where the employees are motivated to do work that is critical for society and take on technological challenges. Their motivation also comes from inspiring working environments, internal career opportunities and training programs.
- MilDef has clearly defined KPIs to monitor the performance of the Company and the employees, and to facilitate structured improvement initiatives.
- A highly qualified Advisory Board headed by Major General (retd) Berndt Grundevik, formerly Chief of the Swedish Army, provides a bridge between the Company and the end-customers, on both a strategic and operational level.
- Most of the employees have many years of experience in the defense industry, leadership and international business development.

A solid financial position and strategies to accelerate growth

- MilDef has expanded its operations significantly since inception in 1997.
- From 2017 to 2022 MilDef had a compound annual growth rate (CAGR) of 30%.
- The average EBITDA margin for 2017–2022 was 10.7% with an adjusted EBITDA margin of 8.1% in 2022.
- The growth strategy is based on three important strategic pillars: growth on 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 defense 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 the prevailing market conditions into account.



A complete offering in tactical IT solutions

MilDef's product portfolio consists of similar products to those in traditional IT systems, with the difference that they can be used in very demanding environments. Simply put, they need to withstand everything. The major technical differences are that the products have lower electromagnetic radiation and can tolerate cold, heat, vibration and other environmental impacts, and they have a longer life.

MilDef offers its customers a complete IT environment – from servers to network equipment, power supply, storage and more. There are examples where, in a modernization project, a selection of MilDef's products work together to replace earlier solutions that were five times the size and weight with significantly lower performance. With the right configuration and choice of products, customers are able to create systems that solve a large number of technical problems with low integration costs.

MilDef's groundbreaking 19"/2® series

The broadest and most complete part of the hardware portfolio consists of the proprietary products called 19"/2®. The Company's own form factor is half the width, and in some cases half the depth, which provides a higher effect from a smaller area. This miniaturization is key for the many applications where IT performance needs are increasing. The products are designed for customization and their signals, electrical connectors, performance, etc. can be quickly modified.

An example of an installation for 19"/2® is as an IT system in a vehicle or craft, such as a Boxer vehicle in the UK or a combat boat in Sweden, where key aspects of the platforms' IT are based on MilDef's computers, servers and switches. For vehicles like Boxers, each one is equipped with a total of eight MilDef products: three computers for operators, a server for data processing and four switches to connect sensors and other systems in the vehicle's internal network.

Intelligent displays

Similar to the rest of the portfolio, MilDef's intelligent displays are developed to handle the most demanding environments, in terms of both environmental impact and electromagnetic threats. They are available both as PanelPC with the latest processor technology or as a display with various interface options. With significant options for customization such as adding tactile buttons and broad areas of use, these units can be installed in all types of applications. The displays were created to last for a long time and without the need for maintenance, which means they can be used for 10+ years without a planned service.





Laptops, tablets and phablets

MilDef's portfolio also includes a wide range of rugged computers for mobile use, everything from laptops of various sizes and performance levels, to tablets and smaller handhelds. Characteristic of all models is that there are multiple options for adaptation through configuration and that they can be further customized. The range of tablets in various sizes and designs provides added mobility and enables them to be installed in restricted spaces within vehicles or boats. MilDef is also now rapidly expanding into the wearable units segment as digitalization down to the individual level increases.

After the acquisition of Handheld, MilDef is now able to offer an additional series of products including tablets and phablets to supply its customers with semi-rugged products at a lower price. Handheld allows MilDef to also address the Android segment, which was not previously part of the Company's offering.

Special electronics

In addition to the more typical IT products in the portfolio, MilDef also produces specialized solutions for specific tasks. For example, MilDef designs and builds rugged controllers for remote control of unmanned craft. Docking a handheld controller to one of the Company's tablets provides a complete solution for remote control in tactical environments. Another example is a customized computer with an integrated battery for operation, detachable hard disk and multiple interfaces to connect to communication equipment and sensors.



Accessories

MilDef provides a number of accessories necessary to connect, integrate and operate tactical IT equipment in variable environments. The portfolio includes keyboards of various designs, specially adapted cables, media converters that translate between different networks, and much more.

Software and services

Fast implementation of IT services

MilDef's groundbreaking OneCIS software enables the fast launch of tactical IT services for deployed personnel, tactical units and rapid deployment forces. Alongside MilDef's robust hardware this provides a robust tactical IT solution. OneCIS provides secure, flexible, scalable and implementable tactical IT capacity through its automated and well-tested configurations. The software reduces the personnel requirement and the risk of manual errors. It also boosts operational capacity.

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 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, 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.



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

Research and development

MilDef conducts extensive research and development. Although the majority of development projects are financed by customers, the Company uses its own resources to increase the degree of adaptability and reusability. Just over 13% of the employees work within research and development. The research and development (R&D) department is activated early on in the sales process. As soon as an inquiry is received from a customer, a concept is created that identifies the requirements and specifications, and describes in general terms how the Company intends to realize the product. A concept may involve small changes to existing products, so-called variants, or brand new products developed from scratch. Both the concept department and later on the project department are helped by access to MilDef's resource bank of reusable technology, such as electronics, mechanics and software. This phase lays the foundations for one of the Company's biggest competitive advantages – the ability to rapidly and cost-effectively customize products.

Intellectual property creates advantages

It is not normally possible to patent the technology, but by retaining the intellectual property, future product projects can benefit from past development, which also benefits the customers in the form of guaranteed quality, short delivery times and cost-efficiency. When a project is ordered, a structured project model is initiated where the concept is refined into development specifications. Based on these specifications, development is carried out by one of the project teams that MilDef has at its disposal. The main areas of expertise within the project teams are electronics, mechanics, software, system architecture, project management and technical documentation. Prototypes are built by the R&D department in a lab, where experts verify both functionality and environmental requirements. MilDef has extensive testing equipment to ensure that the products meet the specifications.



Subsidiary managing directors summarize 2022

MilDef's world combines the best of centralized business and product development with decentralized sales and customer contacts. Having local teams at each subsidiary ensures local relevance and frequent market contacts. MilDef's local managing directors and sales managers talk about some highlights in 2022.

USA

I'm proud to be able to report both record sales and profits in 2022. Never before has our business achieved these levels. Our success is based on a series of development stages, including the full reopening of markets following Covid-19 lockdowns, increased success in national army programs, visibility and a devoted team. With more than 300 customer relationships and the world's largest defense market at our door, the possibilities are endless. But it is also important to target the right customers whose needs we can meet and whose expectations we can exceed. Our major deal with the US Army for 400 laptops, worth more than SEK 50 million, was one such milestone. This was the result of our entry into the US Army's CHS-5 (common hardware system) program. We also sold this customer our 19"/2* products for its TITAN program. Important milestones on our journey up the value chain. In 2023 we look forward to realizing our ambitious plan to grow MilDef by expanding our business and our organization.

Magnus Pyk – Managing Director, MilDef Inc.



MilDef International

MilDef International's playing field consists of selected countries around the world. Unlike in MilDef's national entities, our sales are mainly through international partners, with the majority of sales to European countries where we do not have our own subsidiaries. We also do business directly with end-customers and many of the large global defense corporations. As MilDef expands, becomes more well-known and gathers strong reference customers, we are growing upwards in the value chain. In many major projects we are now a preferred supplier.

The most important milestone of the year was a framework agreement worth SEK 2.8 billion with an unnamed NATO nation. In 2022, to further strengthen our partner relationships, we arranged an International Partner Day for the first time. This served to further consolidate strong, long-term relationships with our partner companies. With a successful year behind us, we are working alongside our partners to bring about the much-needed digitalization of, above all, European defense forces. With an ever-expanding and comprehensive offering we are on a very exciting growth journey together with our partners.

Patrik Göthberg – Managing Director, MilDef International



Norway

In 2022 we received our biggest order to date for a mid-life upgrade program involving command and control for armored vehicles for the Norwegian Armed Forces. We have also started delivering units from a series for armored combat support vehicles (ACSV). Through these two projects we have positioned MilDef as the partner of choice in tactical IT for the Norwegian Armed Forces. We have also established our second office in Elverum, close to various military camps and army R&D teams. Our focus on industrial cooperation has led to many interesting meetings and opportunities at the exhibitions and expos we participated in, such as Eurosatory in Paris. In 2023 our main focus is the major modernization project MIME, and evaluating how our products and services can be an integrated part of the project. During the year we will continue to equip our organization and prepare our offering for the significant growth we are predicting in Norway over the next decade.

Henning Linnebjerg – Managing Director, MilDef AS



Sweden

In 2022 we firmly positioned ourselves as the new system house in the Swedish market. In addition to a framework agreement with the Swedish Defence Materiel Administration worth SEK 870 million over seven years, we also qualified in a number of procurements regarding complex system integration. We are expecting continued growth in 2023, as both our service and product offerings are scalable to meet the increased defense appropriations. Sweden's future NATO membership will also create additional demand among Swedish customers – demand that we can meet through our smart solutions.

In order to continue to deliver profitable business with high quality in this growing market, our highest priority must be to attract and retain the best talent in the industry. This is how we can make a difference and play a key role in digitalizing the Swedish Armed Forces.

Evelina Hedskog – Managing Director, MilDef Integration Sweden and MilDef Sweden AB



UK

2022 was a crucial year. A new production facility was established at Bro Tathan, a former RAF base in Wales. MilDef has for the first time in its history made a major investment to deliver manufacturing capacity outside Sweden. Six new jobs have been created in Britain in line with our continued commitment to creating value for local community as we continue to grow in the country. MilDef won an extension of the MIV program, which increased the value of the deliveries by 20%. With the situation in Ukraine the UK Ministry of Defence has been focused on its efforts to support Ukraine remotely and numerous urgent operational requirements have been received. This reorientation has not distracted us from the important work of continuing to drive our R&D programs, and MilDef UK is continuing to actively support various new initiatives, such as Human Machine Teaming, etc. In 2023 we are prioritizing delivery of the first British hardware for the MIV program in the second quarter, securing new business within the military territory in the Challenger 2 Life Extension Programme and identifying new opportunities within the air force.

Greg Clark – Managing Director, MilDef Ltd



Finland

2022 marked the start of our strategic investment in a MilDef subsidiary in Finland. The newly established subsidiary's focus during the year was increasing awareness of MilDef and our tactical IT solutions – both in the defense industry and among government agencies. In this build-up phase, networking and face-to-face meetings with representatives of end-customers and partners were imperative to achieve sales success.

During the year the explicit objective has been to establish contact with all major Finnish defense companies, which we managed to do. This is happening at a time when Finland is building up its defense forces, getting ready for NATO membership and forging ever-stronger alliances with its Nordic neighbors.

We are certain that purchasing of computers and network equipment to digitalize defense forces will quickly follow the procurement of weapons systems and ammunition. We look to the future with confidence and we are working hard every day to secure important contracts as Finnish defense forces grow rapidly.

Eero Valkola – Sales Director, MilDef Finland



A growing market

After the end of the Cold War global defense appropriations proceeded to shrink down to around 2% of GDP and many countries invested significantly less than that. The recent increase in geopolitical uncertainty has triggered a shift in the defense policies of many countries. The applications to join NATO by Sweden and Finland, for example, mean that these countries' appropriations should gradually increase to the NATO target of 2% of GDP. For Sweden this will initially lead to an increase of around 40% in its appropriations.

This historic growth in military spending is due to factors in the external environment – as uncertainties in the world increase, countries tend to spend more of their budgets on defense, and vice versa. 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 countries 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. The increase after 2001 is largely due to more being invested by the USA, which accounts for almost 40% of the world's military spending.

Outlook in the Nordic markets

Sweden is currently MilDef's most important market. The total defense bill released by the Government in July 2022 includes a proposal on increasing the total defense budget for the years 2021–2025 by 40% compared with the 2020 budget, which represents a total increase of SEK 27.5 billion. The budget proposal for 2025 is around SEK 91 billion.

Since Russia's invasion of Ukraine in February 2022 Sweden has increased its defense budget significantly. On March 1, 2022 the Swedish Defence Materiel Administration (FMV) issued an initial budget proposal, which was then revised in June 2022. In the revised budget proposal the FMV increased the 2022–2025 budget for the procurement of materials and facilities by 10–25% a year. In absolute num-

bers the new appropriation means an SEK 6 billion increase in the budget for 2025. In light of Sweden's NATO membership application the Government intends to increase the defense budget to 2% of GDP no later than 2028.

Norway increases its military appropriations

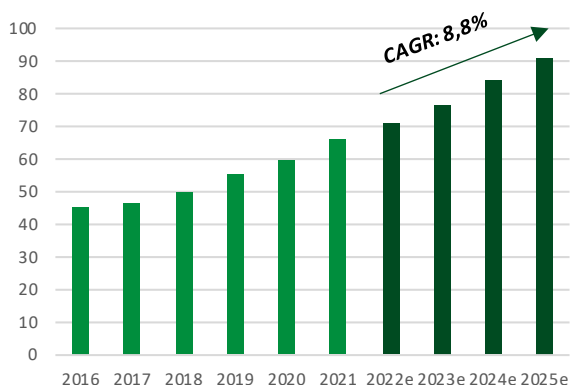
Norway was one of the countries that founded NATO in 1949 and has been an active member ever since. In 2022 Norway decided to increase its defense budget for 2023 by NOK 6.8 billion, or around 10%, to NOK 76 billion. The increased appropriation will primarily be used to modernize the armed forces and to strengthen Norway's military power in its northern regions. The increased appropriation is in response to Russia advancing its positions in Ukraine.

Norway had for many years invested less than 2% of its GDP, but in 2010 it started to turn the declining trend around and by 2021 it was approaching the 2% goal. In the year ahead the budget will exceed 2%, to then return to Norway's long-term goal of investing in line with NATO's goal. As Norway has been increasing its expenditure for several years a relatively small increase will be needed to reach 2%. If the estimate by the International Monetary Fund (IMF) of GDP growth for Norway for 2021–2027 is applied and extrapolated to 2028, and assuming Norway will invest 2% of its GDP in 2028, Norway's military expenditure will increase by 2.7% per year and just over 20% in total.

SWEDEN

The Swedish defense budget will increase by 40% compared with 2020

Sweden's military defense appropriations (SEK bn)

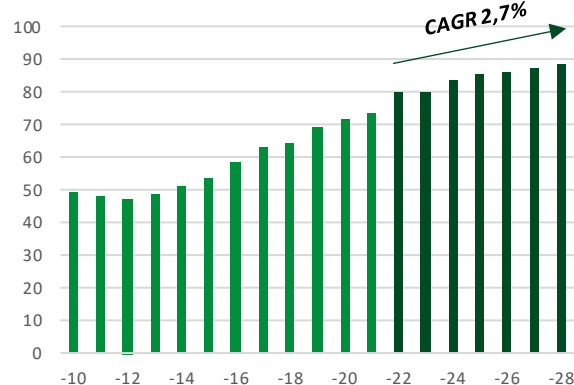


Source: Swedish Government (July 7, 2022), Erik Penser Bank

NORWAY

Defense appropriations will grow by around 3% up to 2028

Norway's military spending (SEK bn)



Source: World Bank, Erik Penser Bank

Denmark digitalizes and modernizes

In 1949 Denmark was one of the 12 founding nations of NATO. Due to its geographically strategic location, Denmark has been a much-valued member of the alliance. Denmark links the Nordic region with the rest of Europe and partly controls the straits to and from the Baltic Sea. In spring 2022 Denmark chose to significantly increase its defense investments. The aim is to reach NATO's 2% goal within just a couple of years. In 2022 Denmark is expected to spend around SEK 53 billion on defense. The country's investments are mainly focused on digitalization, modernization, developing the navy and investing in heavy weapons. The last-named is to reach NATO's second goal of spending 20% of the budget on heavy equipment.

Since the mid-1980s Denmark has spent less than NATO's recommended 2%. Due to these lower levels the country has underinvested to some extent in its defense forces. The country has had a long-term goal of increasing its investments, but in light of Russia's war in Ukraine, Denmark has accelerated this trend in line with other NATO members. If the IMF's estimated GDP growth for Denmark in 2021–2027 is applied and extrapolated to 2028, and assuming that Denmark invests 2% of its GDP in 2028, the nation's military investments will increase by 7.1% a year and just over 60% in total.

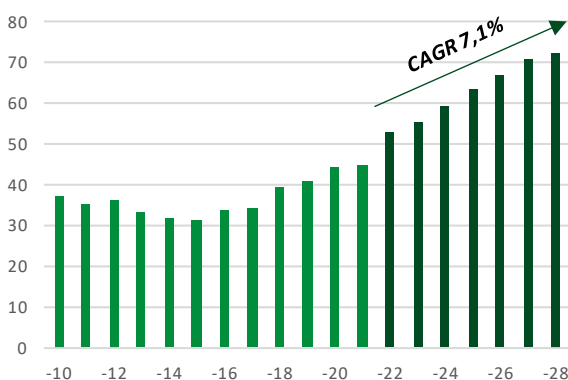
UK expenditure second after the USA

The UK is one of NATO's cornerstones and has been so since the alliance was founded in 1949. The UK's expenditure relative to GDP has in general been a few percentage points lower than US expenditure, but has followed a similar trend. Only during the 2010s did the UK invest less than 2% of GDP. The UK's Secretary of State for Defence has announced that the country will invest at least 3% of GDP, amounting to over GBP 100 billion annually for defense by 2030. The UK has always spent a relatively large sum on its defense but like the rest of the world, it has gradually decreased its expenditure over time. Only in the years 2017–2018 did the country invest less than 2% of GDP and it had already started to increase its investment level before 2022. If the IMF's estimated GDP growth for the UK in the years 2021–2027 is applied and extrapolated to 2028, and assuming that the UK invests 3% of GDP in 2028, the nation's military investments will increase by 5.5% per year or just under 50% in total.

DENMARK

Defense appropriations will grow by around 7% up to 2028

Denmark's military spending (SEK bn)

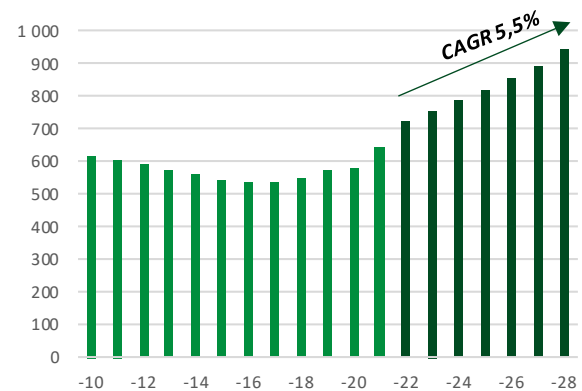


Source: World Bank, IMF, Erik Penser Bank

UNITED KINGDOM

Defense appropriations will grow by around 5.5% up to 2028

The UK's military spending (SEK bn)



Source: World Bank, IMF, Erik Penser Bank

Rugged electronics market overview

A relatively large share of the increased defense capability investments around the world will be spent on digitalization, modernization and upgrading armed forces. The global market for rugged electronics consists of two general end-markets – security and defense (around 68% of the global market) and civil applications (around 32% of the global market). In 2020 rugged computers and rugged networks accounted for 87% (Arthur D. Little, Rugged electronics market study 2021) of the rugged defense electronics market, while rugged displays accounted for the remaining 13%.

The global market for rugged defense electronics in 2020 amounted to around USD 14 billion. The average annual market growth for the 2016–2020 period was 2.4% and is expected to increase to 4.5% in 2020–2025 (Arthur D. Little, Rugged electronics market study 2021).

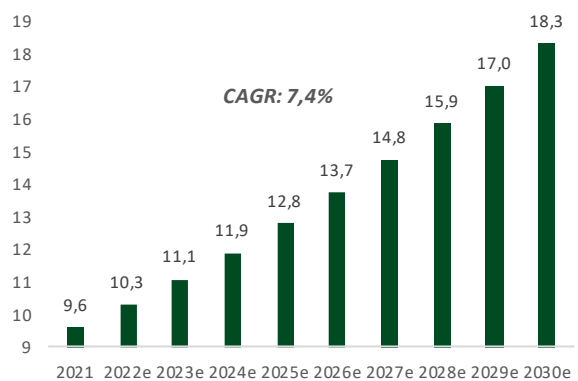
Several macro trends are expected to drive market growth for rugged defense electronics in the years ahead, with development of tactical IT being driven by increased digitalization and continued IoT (Internet of Things) penetration.

Based on increased defense appropriations, countries are financing their modernization programs aiming to replace old systems with new IT systems that are also dimensioned for new technologies, such

as sensor systems, autonomous and remote-controlled vessels, and AI. MilDef is also seeing a trend toward countries increasingly focusing on defending their own borders and territories, which is increasing the significance of total defense. This, in addition to the primary purpose of defense, includes other areas crucial for society. This in turn is driving further change and improved market conditions.

The market for rugged displays is growing by 7% a year

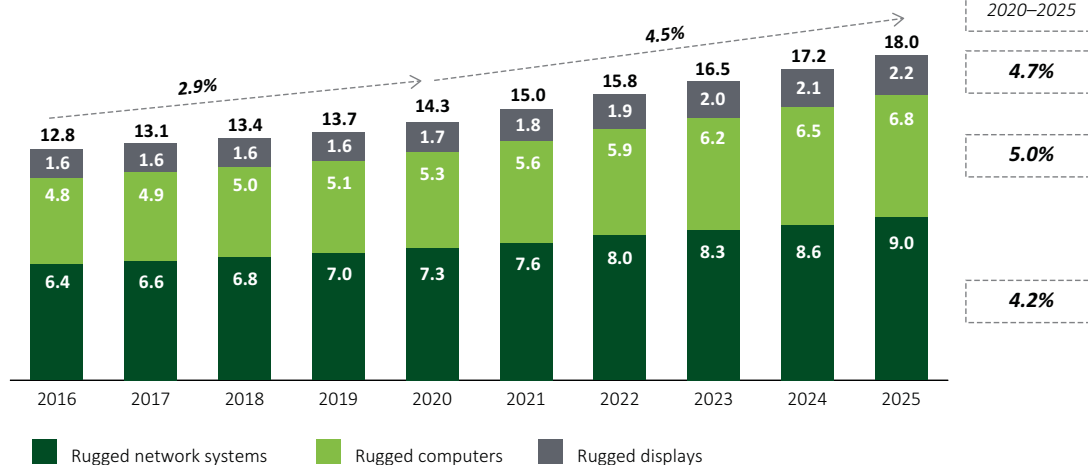
Rugged display market (USD bn)



Source: Precedence Research, Erik Penser Bank

Forecast size of global market for rugged defense electronics

USD bn, Arthur D. Little





MilDef's market position

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

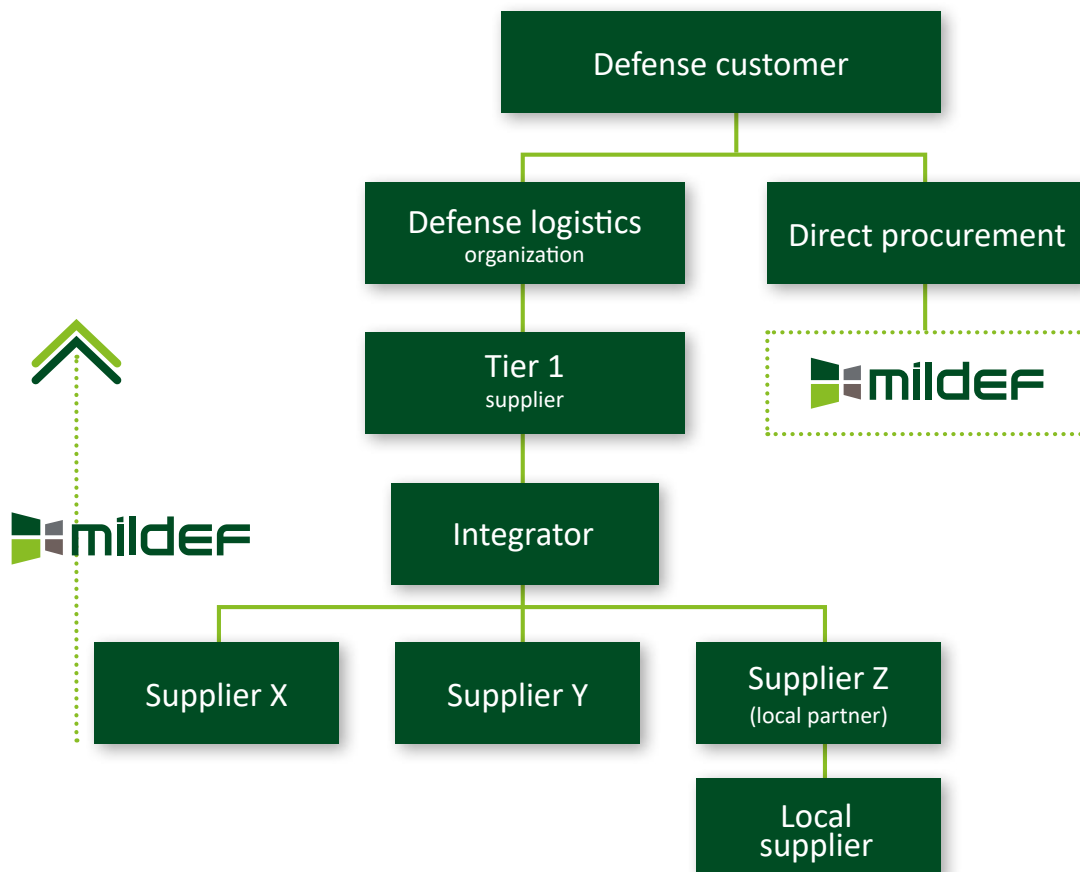
Value chain

Products and systems in the defense market are characterized by varying degrees of complexity and volumes – from products with low complexity and significant repetition, manufactured in long series, to highly complex products produced in relatively small volumes. The value chain for large complex products, platforms and systems in the defense market mainly consists of a number of sub-suppliers supplying subsystems and components to a main supplier that manufactures, delivers and is responsible for the end-products delivered to end-customers. Suppliers of complex systems and products are often well-established, large, multinational tier 1 companies that are diversified in terms of products and geographical presence and have close business relationships with national defense procurement agencies.

Public sector customers use direct contracts and also acquire products through logistics organizations, such as the Swedish Defence Materiel Administration (FMV). 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, which 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 deliver what OEM manufacturers need to produce their products. Tier 1 suppliers normally deliver product units that are close to the end product.



Trends driving the market

The worsened security situation in Europe in 2022 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 below.

Five trends driving growth in tactical IT



1

Digitalization and IoT are strong trends that are not only happening in civil society but also have vital significance in the areas of 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.



2

Increased defense appropriations in response to a less secure world 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.



3

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 a modern and digitalized system.



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. Effective and efficient logistics and stable financial and social systems are critical components in the foundation that our defense capabilities rest on. This trend is driving increased appropriations for the sector. More advanced technology and AI are being used increasingly to more efficiently manage these situations, requiring greater computer capacity as well as advanced IT systems.





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, services and software. All of these are robust, secure and adaptable – features that are always relevant and even more so due to increased requirements for efficient IT systems that safeguard defense functions and other critical infrastructure.

MilDef has a growth strategy that combines organic and acquisition-driven growth. MilDef's growth strategy is aimed at expanding the Company both geographically and by adding products and services in new and existing areas.

Three fundamental growth areas for MilDef's future expansion

1

Growth in existing markets

With its own representation in 11 countries and a network of partners that spans more than 80 countries, MilDef has significant opportunities to grow in its existing markets. With a focus on the Nordic region, the USA, the UK, selected EU countries, selected NATO members, and carefully selected other markets, MilDef is creating a market situation with common 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, the Company is well-positioned to grow faster than the market, above all in the 11 markets where MilDef has subsidiaries. The business plans of the sales companies in existing markets include the ambition of increasing the share of long-term contracts and framework agreements. Through its long-term market presence, the Company also has the opportunity of additional sales (such as product upgrades and replacements) based on past transactions, which generates repeat revenue in areas where MilDef is in a strong position to win new business.

2

Portfolio strategy

The tactical IT domain includes the dimensions of hardware, services and software. In addition to a broader range of hardware, for example after the Handheld acquisition, and products developed by MilDef itself, the Company is aiming for significant growth in both software and services. The services that MilDef delivers range from strategic IT to program-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 operational implementation. An example of expanding the offering through acquisitions is the fast-growing operations of MilDef Integration Sweden AB (formerly Defcon, acquired in 2021). This company focuses on integration and installation of hardware services in areas such as the Swedish Armed Forces' platforms on land, in the air and at sea. Another example is the service offering from Norwegian company Sysint (acquired in 2021) and its rollout of the OneCis software, which in 2022 was sold to the armed forces in two countries that are new to MilDef. MilDef has identified good opportunities in so-called infrastructural software, i.e. in operating systems, communications, security, deployment, sensor systems, etc.

3

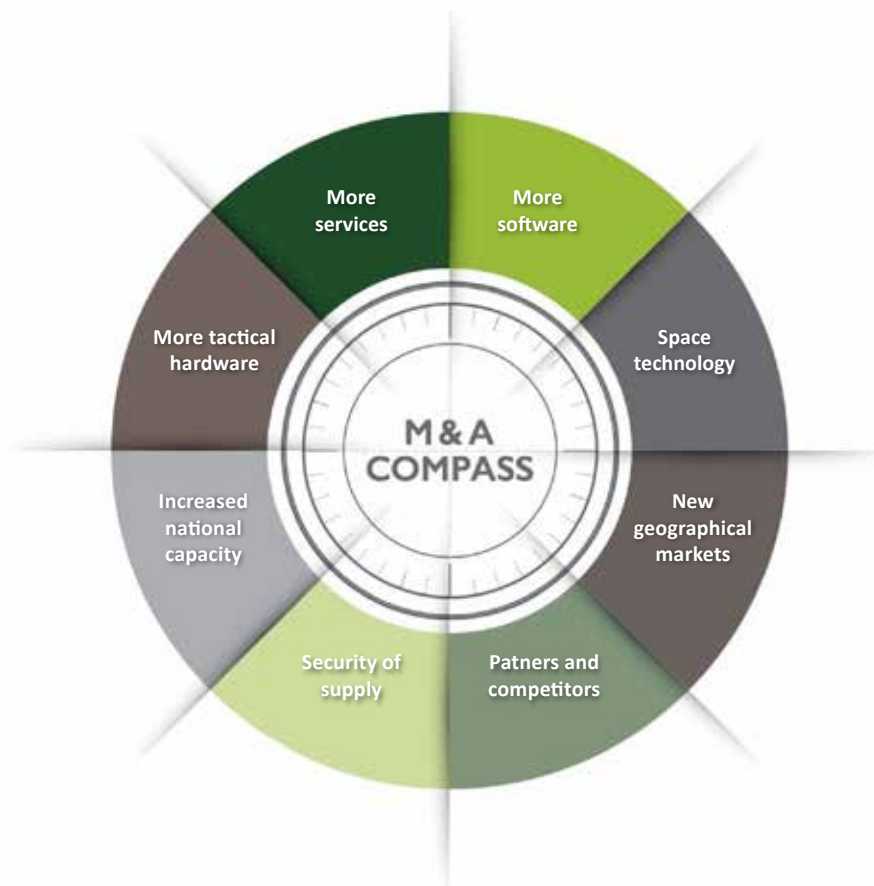
An active acquisition agenda

MilDef's goal is to be the best in the industry at acquisitions. With a structured process to identify, evaluate and implement acquisition candidates, MilDef is seizing opportunities in a fragmented market. MilDef acquires sound companies with the potential to develop better within the Group than on their own. Through a structured and methodical process the Company carries out one or two acquisitions annually. Over the past decade it has completed six acquisitions. These acquisitions have allowed MilDef to broaden its customer offering to add services and software, in addition to the hardware it offers.

Good companies get better

In 2022 MilDef fine-tuned its acquisition process to actively work on and evaluate potential acquisition candidates. An M&A (mergers and acquisition) compass was developed with a clear vision of the type of company MilDef is looking for and will evaluate. 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. By allowing acquired companies to continue to pursue their own development agendas and seeking out positive synergies rather than cost savings, a dynamic network of collaborating organizations is created to maximize opportunities and allow time and joint successes to drive integration initiatives.

Acquisition strategy



A number 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

- 1 A map showing prioritized acquisition targets
- 2 A backlog where M&A opportunities mature
- 3 A plan for valuation and due diligence
- 4 A dedicated M&A unit
- 5 A growth model for successful integration

Expansion with Handheld

In September 2022 MilDef acquired Handheld Group AB which specializes in the rugged computer product segment and has 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 Company's existing verticals.

"The acquisition of Handheld fulfills multiple purposes in MilDef's expansion. From a product perspective, we will become stronger in areas where MilDef had some gaps in the past; organizationally we will gain access to prioritized geographical markets; and operationally both companies are equipped with complementary skills and capabilities. Handheld's successful business in the USA is particularly interesting. We see good potential to jointly gear up in this important market. The companies have small overlaps and complement each other well. We look forward to building something larger and even better together. I'm also delighted to welcome Handheld's employees into the MilDef family," says Björn Karlsson, CEO of MilDef Group.

"It's unusual to find two companies within the same industry that not only complement each other's operations in a good way, but also have a similar corporate culture where strong teamwork is one of the many success factors. I look forward to the opportunities that are now being created and to growing Handheld as part of the MilDef Group. This acquisition will bring multiple synergies and exciting opportunities that will strengthen our business going forward," says Thomas Löfblad, CEO of Handheld Group until February 2023.



Handheld's customer segments

- Public security
- Safety
- Logistics and warehouse management
- Infrastructure
- GIS/Mapping
- Public transit
- Environmental work
- Mining
- Agriculture
- Construction
- Field service
- Forestry
- Industry
- Waste management



How acquisitions are identified



Ola Alfredsson, Chief Business Development Officer. What types of companies is MilDef looking for?

"We're interested in companies that can help us accelerate our strategic expansion. Right now I'm looking closely at companies in the Nordics because a lot is happening in this region, particularly in connection with Sweden's and Finland's approaching NATO membership. This strengthens the Nordic agenda and will generate new joint Nordic initiatives on the customer side. We want to address these. In particular we're looking at the software side, where we want to broaden our IT security/cyber offering."

What does MilDef mean by being the best at buying companies?

"For a while now we've had an increasing number of companies approaching us that see MilDef as an interesting place to grow their business. This is proof of our quality and shows that we're on our way to being the best buyer of companies in the industry. One of the reasons is that we prioritize creating the best possible conditions for companies that are already doing well to be even more successful within MilDef. We have a model where we utilize the strengths of both companies and focus on the synergies created between our organizations. We also consider it important for the management and employees in our acquired companies to be engaged, continue to drive business and remain within the Group."

What determines whether MilDef does a hard or soft integration following an acquisition?

"It depends on the type of operations and the reason we acquired the company. In cases where the company is functioning well, has a strong brand and a unique market position, there is rarely a need for a hard integration. In cases where close cooperation on operations is required to leverage synergies and gains from the acquisition, a faster and more comprehensive integration may be motivated."



Our way of working



“At MilDef we offer an exciting, stimulating and meaningful future in a business where one of our top goals is to contribute to gender equality and effective democracies. MilDef is fortunate to be filled with passionate, knowledgeable and engaged employees who bring a new dimension to our future journey.”

Per Björnson – Interim Head of HR

MilDef prioritizes and will always prioritize being an attractive, unique and healthy workplace, regardless of where on the world map our employees go to work.

Every day MilDef strives to offer the best workplace in the market and to make employees proud of actively contributing to a better and safer society. Digitalizing the world and defending democracies is achieved by providing and safeguarding an environment where people can grow, develop and, together, achieve the company's stated goals. MilDef's attitude and values cultivate a stimulating workplace where people thrive, enabling long and sustainable careers within the Company.

MilDef takes a focused approach to always having the right expertise and the right number of people to deliver successfully. The workplaces are practical, and foster pride and job satisfaction. Rather than a hierarchical structure, MilDef offers and strives to maintain a diverse, networking organization where each and every employee is proud to know their colleagues. At MilDef, collectively we get things done with each other's help. Every day our employees act in accordance with and safeguard the Company's values as expressed in “The MilDef Way.” This is both MilDef's legacy and its future. Ultimately this is about putting our employees first, and providing a feeling of camaraderie and every opportunity to have an influence and a sense of purpose. In the end this will create a dynamic working environment, which in turn will generate better and sustainable results for the Company.

The MilDef Way

MilDef as an employer offers a world of opportunities. An important aspect of our values is providing a climate of freedom with responsibility, which means that neither the subsidiaries nor the individual employees in the Group are micromanaged, but that everyone is to have a clear ethical and commercial compass to guide them. MilDef

maintains high ethical and moral standards that permeate all relationships – both with existing employees and in recruitment. This is also the purpose of the MilDef Way: the Company's core value words that effectively capture the cultural values that are vital for this growing business.

Proactivity – Priority – Integrity – Unity

Prioritized initiatives in 2022

- **People Management Platform:** The launch of a new HR platform that will drive productivity and commitment, develop talent and maximize our employees' experience of being united and part of the MilDef family.
- **Employer branding:** Create visibility and awareness of MilDef through participation in various job fairs and offering study visits. Establish a new recruitment platform that streamlines the offering and helps MilDef find the right talent 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.

Our way of working

MilDef's culture means that the employees are team players, and are dedicated and committed to playing their part in making this a safer world. The employees are MilDef's most important asset, and offering a positive and stimulating working environment is a top priority. Career paths are created within MilDef to give the employees plenty of opportunities to develop, and to move both between departments and the Company's various operations. There are many examples of promotions and employees voluntarily moving between departments and even between countries.



Proactivity

Plan for the future; act today



Priority

Pur 80% effort on the 20% that matters most



Integrity

We say what we do and we do what we say

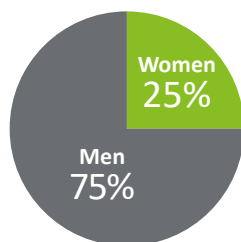


Unity

Work together as one

Fast facts

As of December 31, 2022, MilDef had 291 employees, 124 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 2022 around 25% of the employees were women. 33% of the Board of MilDef Group AB and 22% of the Management Team are women.



Leadership and employeeship

Having the right leadership is a cornerstone for the Company to reach its business goals. MilDef needs to develop its leaders and bring in new talent in order to be able to develop new and profitable businesses.

- The Company’s brand and values are key to achieving increased awareness, commitment and a shared vision, all of which contribute to MilDef’s success.
- MilDef needs to offer the right professional development and focus on identifying and retaining talent.
- The Company needs to find new ways to organize its operations and identify smarter ways of working to be more sustainable and efficient, and to leverage the synergies that exist – both internally within the Company and across the Management Team.
- MilDef is focusing on digitalization to facilitate processes to promote ease of communication and collaboration among the Company’s employees, no matter where they work.
- MilDef is constantly aiming to improve the working environment. The Company promotes good health and works to prevent accidents and work injuries.
- Diversity makes MilDef perform better. The Company needs to continually develop the workforce and recruit more individuals with a diversified background.

Meet the crew

Stefan Krogell – Logistics Coordinator

"I work for MilDef Products as a logistics coordinator. I'm in contact with MilDef's sales company and, with the help of colleagues, I coordinate and plan deliveries to our customers. We have our own development and production processes, and we always adapt to meet the customers' unique specifications. That is a real hallmark for us. I have 15 years of experience of working within the Swedish Armed Forces. I served in both the Amphibious Corps and the Army, and completed three foreign tours, one in Africa and two in Afghanistan. I'm glad I can continue to help make this a better world, but now from a different perspective at MilDef."



Anna Olin – Technical Writer

"I've been a technical writer at MilDef for three years. My job involves taking technically complex information and writing it in a way that's easy to understand. Examples are manuals for customers, training materials for service technicians and assembly instructions for production staff."

What is it like to work at MilDef?

"MilDef is a small company with a familiar feel that's also expanding. It's fantastic to be able to be here and part of a small company in an incredible expansion phase. I have dedicated and knowledgeable colleagues who help to make this a strong and cohesive team. Combined with the development opportunities on offer and a good working environment, this is why I'm happy at MilDef. It feels good to be able to contribute to Sweden's total defense and over time to make people's lives feel safer."



Christoffer Hodell – Integration Specialist

Four years after Christoffer started working on installing technology for the Armed Forces he is involved in some of the most groundbreaking modernization projects around – on land and at sea.

"I really enjoy my work and that's quite simply because it has a purpose and a broader meaning. Being part of building a stronger society with a robust defense is a real driver for me. I also get to work with the most advanced technology, fantastic people and cool technical solutions. In my spare time I love working out, as well as hiking, fishing and other outdoor activities."



Erik Masdal – Software Architect

“I love working with people at MilDef who are committed, skilled, helpful and always go the extra mile to ensure the high quality of our software solutions. It’s a privilege to get to work in our One-CIS team. For me the best feeling in the world is when I create code that solves complex problems and where I can see that the result has improved the solution. That’s when I’m in the zone, and time and space disappear. I really love that feeling.”



Felicia Ahlstrand – Systems Engineer

“I work for MilDef Integration in Stockholm as a mechanical designer and technical project manager. I started in autumn 2020 and before that I studied to be an engineer at KTH Royal Institute of Technology. I have a Bachelor’s degree in design and product development and a Master’s in marine systems. I didn’t know much about MilDef before I joined, but I’m really happy that I took the opportunity to work here. My job is challenging, stimulating, exciting and a lot of fun. One day I’m out in the field measuring a space and its mounting points, the next day I’m in the office working on design. I’ve developed so much during my time at MilDef. To me, the most important thing at a workplace is the colleagues. Without the fantastic colleagues I have today, it wouldn’t matter how exciting or fun my duties were.”



Travis Arnold – Technical Sales Manager

“Switching careers to work in sales after 22 years in the US Army and as a police officer is perhaps not what you might expect. But as I usually say, I received my best education from my many years in the army and the police force, where I was dealing with all sorts of people and challenging situations. I’m a bit of a technical nerd so I love working on MilDef’s advanced offering. Although MilDef is growing really quickly it still feels like a small, familiar company. MilDef’s values match my own and there are opportunities here for me to increase my technical skills while also promoting MilDef’s brand.”



MilDef's history 1997–2022

The early years

MilDef was founded in 1997 by Tomas Odelid and Marianne Trolle under the name LogIn. The combination of an engineer and entrepreneur, and an administrator and strategist, laid the foundation for a successful business launch in the Swedish market. The basic idea was to deliver rugged electronic products to defense customers. At the beginning the business consisted of a product portfolio of laptops from a partner in Taiwan, Crete Systems Inc. (now MilDef Crete). Putting customer needs front and center and delivering modern technology customized to meet customer specifications, MilDef developed its first important relationship, which was with the Swedish Defence Materiel Administration (FMV) in 1998.

Becoming a product company

Right from the early stages MilDef had an ambition to be a product company that was self-sufficient in technology, expertise and resources. While developing customized solutions, service and accessories such as docking stations in the early years, MilDef also focused on conceptual development of its proprietary product concept called 19"/2®. The name comes from the format of the rack for mounting IT equipment with a width of 19" (inches). Using a small form factor that is half the width, and in some cases half the depth, MilDef was able to build modern IT systems with significantly smaller volume. By retaining intellectual property from product development for its customers, the Company was able to expand its offering and resource bank of reusable design in electronics, mechanics and software. Unlike with third-party products, the portfolio of proprietary products made it possible to deliver complete IT systems and created opportunities for additional sales and clearer overall responsibility for the customers' tactical IT environments.

Internationalization through acquisitions and a network of partners

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

In 2011 MilDef completed its first acquisition. The company was Terralogic Ltd in the UK. In the same year the name change from LogIn to MilDef took place. In 2016 two additional acquisitions were completed: Bedriftssystemer AS in Norway and Amrel's Computer Division in the USA. In March 2021 MilDef acquired Sysint in Norway and in June the same year the Swedish company Defcon Solutions. All of the acquisitions have generated growth and profitability, and key individuals have remained within MilDef. In 2022 MilDef completed its biggest acquisition to date when it acquired Handheld. MilDef gained 55 new colleagues and added five new companies to its world map.

Ongoing growth journey

With growth resulting from underlying market factors, stronger distribution channels through partners and acquisitions, MilDef has succeeded in winning major contracts and framework agreements, which led to strong growth between 2017 and 2022. From this platform MilDef believes that the growth potential of the technology and services portfolio can be realized through future strategies that will be implemented now that the first stages in MilDef's development journey are complete.

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



Tomas Odelid founded MilDef – then called Login – in 1997 in Helsingborg with Marianne Trolle. Here Tomas unveils the new company name, MilDef, in 2011.



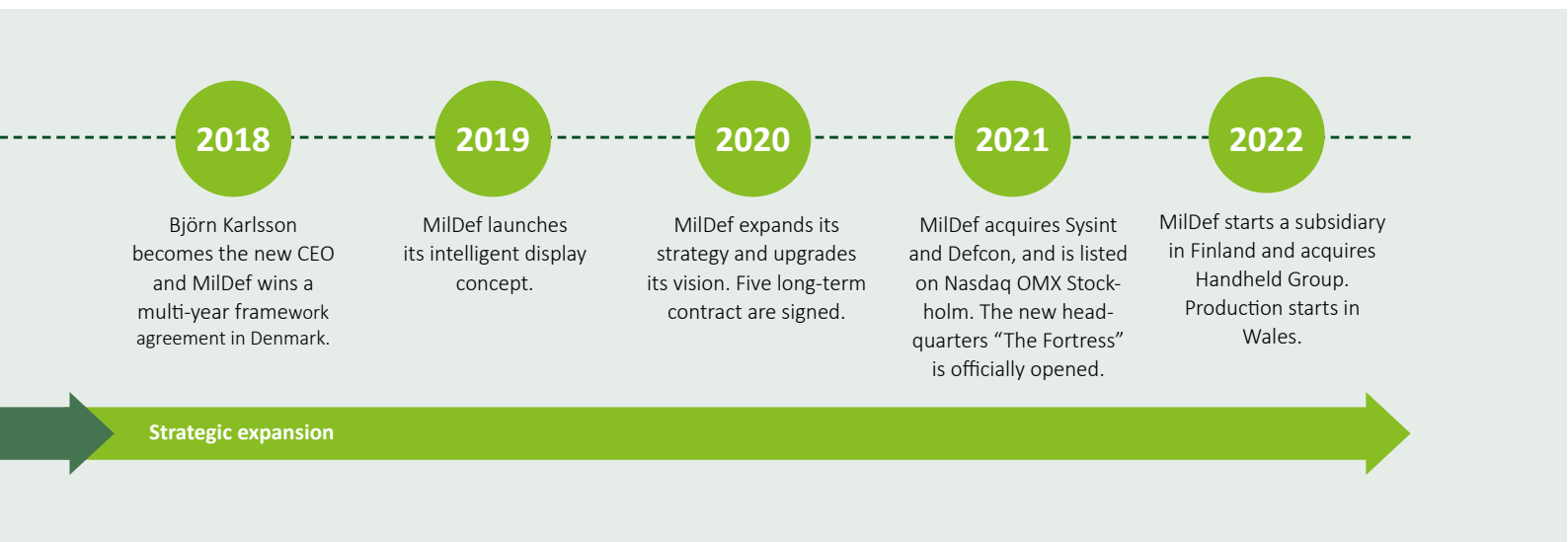
In 2007 MilDef launches its own product concept called 19"/2®. It has become MilDef's signature format.



MilDef acquires Amrel's Computer Division in the USA in 2016.



Handheld was acquired in 2022.



The Fortress – our mother ship

In 2015 the architecture firm JKAB Arkitekter was commissioned to create a futureproof home suitable for a growing MilDef. A dream was fulfilled, not only for MilDef's two founders Tomas Odelid and Marianne Trolle, but also for the architects Fabian Florido and Fredrik Cardell. The Fortress was opened in 2020. Tall, mighty and proud.

4,400 square meters of steel, concrete and glass. But it's not just any building. Far from it. This is a gold-certified workplace for hundreds of employees who are digitalizing the world with groundbreaking hardware, software and services. And speaking about hardware and software:

"The idea for the building design came to us in an instant," says Fabian Florido, and continues. "MilDef's products are rugged and robust computers. We drew our inspiration for the design of the building from colors, shapes and cooling fins. The outside is a visualization of MilDef's robust hardware and also directly resembles the hardware that it is famous for. The interior, on the other hand, represents the softer aspects: the people, warmth and taking pleasure in one's work. Hardware and software in a unique design," concludes Fabian.

"The brief we got from MilDef was very clear. They wanted the building to represent what the Company IS. I'm proud that we were able to honor founder Tomas Odelid's ideas and to take them far into the future with this extraordinary building. Seeing the building today filled with life and activity is a joy for me and my team," says Fredrik Cardell.

At MilDef, Adam Mentel, Vice President MilDef Products, was also instrumental in the project.

"With a bespoke building designed entirely based on our specifications and wishes, we have created a home where we can be more efficient, agile and competitive. We're enormously satisfied with the Fortress. It's a building that is fully adapted to our needs while also being a visual manifestation of the Company's soul. For the employees our headquarters has become more than a work place; it's a symbol of our ambitions and the MilDef community," says Adam.

A successful building for better business

"A person's workplace is their second home. That's why we're focusing on making the workplace a comfortable and happy place. If we can help to make the workplace a happier place, research tells us this makes companies more profitable and successful," says Fabian.

"Safe and strong on the outside – soft and warm on the inside"



With this in mind, the facade was created from prefabricated concrete in a design reminiscent of a military camouflage net, and the cooling fin structure brings to mind MilDef's products. The offices and production units look out onto atriums at the center of the building. These atriums have wooden flooring, vegetation and places for employees to sit, chat and relax. The interiors have contrasting backgrounds with motifs taken from nature, and are inspired by the four basic elements: earth, air, fire and water.

"Seeing the building and the many people inside it in full bloom is a fantastic feeling. This is a project that is close to our heart and is quite simply a new landmark in Helsingborg," concludes architect Fredrik Cardell.



Sustainability Report

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

MilDef Group AB runs a multinational group of companies with a focus on delivering tactical IT solutions in an international arena. This report encompasses MilDef Group AB and all of its subsidiaries. All of the main processes at MilDef are covered. As of the report date MilDef has around 300 employees in 11 countries.

MilDef Group develops, supplies and supports tactical IT. The Company customizes its products to meet the customers' specific requirements and need for high quality. MilDef's services save time and increase value for the customers. The software facilitates effective digitalization. MilDef Group operates in the global security and total defense market.

MilDef's contributions to sustainable development

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

MilDef has been a member of UN Global Compact and has endorsed its Ten Principles since 2021.

MilDef has chosen to work systematically with sustainability in order to maximize its contribution. There are several different international guidelines to support this work. In 2022, the company has begun its work to integrate ISO 26000, a guiding ISO standard in social responsibility and corporate social responsibility, into its existing combined management system. This focused work that is being implemented is the biggest change in our sustainability work in 2022.

WE SUPPORT



In addition to the organizations' social responsibility in accordance to ISO 26000:2010 MilDef also works with environmental management systems according to ISO 14001:2015, Quality management system according to ISO 9001:2015 and Occupational health and safety management system according to ISO 45001:2018, which the company is also certified against.

The goals and targets where the Company has both a positive and negative impact were mapped based on MilDef's stakeholder groups. The SDGs that MilDef has chosen to work on based on the maximization analysis carried out are:



SDG: 5.5 Be the best workplace

This is achieved by nurturing an environment where our people can grow, develop themselves, and reach their personal goals. Together we ensure a fun, stimulating workplace where we all thrive; something that enables long sustainable careers in MilDef.

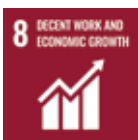
Target: Increase the percentage of women in leadership positions



SDG: 7.2 Resource efficiency

We want to constantly develop our ability to create first-class and sustainable products. This includes finding smarter solutions for resource management to switch to a more circular society.

Target: Increase the percentage of green electricity



SDG: 8.2 Digitalize the world

Through local manufacturing we increase our competitive edge while helping our customers improve their security of supply, and at the same time providing career opportunities in our customer countries.

Target: Growth per employee



SDG: 10.3 Respect human rights

MilDef commits to respect human rights, which means to avoid infringing on the human rights of others and to address impacts where they may occur.

Target: Zero discrimination



SDG: 12.5 Sustainable production

Through proactive R&D we increase the competitiveness of our portfolio. This means efforts to increase intelligence in systems, reduce lead times, improve reusability, reach better scalability, add new capabilities, and more. We strive to secure patents for our unique solutions.

Target: Reduce residual waste



SDG: 16.5 Sustainability from start to finish

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.

Target: Zero corruption

During the year MilDef worked to focus and prioritize its sustainability efforts in the areas where the greatest effects could be achieved (reduced negative impact/increased positive impact). MilDef has been able to complete several different parts of the previous action plan, either by fully integrating them into processes so that they are regarded “hygiene factors” handled within “normal operations”, or by ensuring completion of actions.

ESG ranking

In order to drive ESG performance forwards and know where to point the efforts the organization used Sustainalytics, a Morningstar company, to provide an ESG Risk Rating Report. It is available on <https://investors.mildef.com/>.

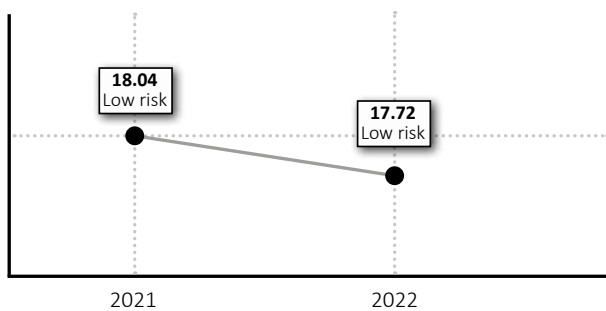
MilDef has made and will continue to make great strides in sustainability in the future. In 2022 the Company continued integrating sustainability aspects into its operations and carried out several projects linked to its sustainability ambitions. Sustainability permeates all work at MilDef, from mission to annual business plans.

Ranking and Risk category



MilDef’s low exposure and rigorous management of material ESG issues mean the Company runs a low risk of experiencing material economic effects from ESG factors. MilDef has not been involved in any significant controversies.

ESG Risk Rating History



Sustainability governance

MilDef’s Management Team has the overall responsibility for sustainability and the work flows throughout the organization according to set procedures for roles and responsibilities in the integrated management system.

The overarching sustainability approach is driven primarily by the quality assurance unit, which has a dedicated budget and mandate to pursue it as it sees fit. The Quality Manager has completed the requisite external training to take on the role of Sustainability Manager and broaden the existing department to encompass all aspects of sustainability. Internal training is provided to disseminate knowledge and increase awareness within the organization.



MilDef works actively with the principles of social responsibility, both internally with employees and externally with stakeholders. MilDef takes the seven principles in ISO 26000:2022 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 principles of a state governed by law and international standards of conduct is ensured by means of legal compliance and control of the value chain in the Compliance process.
- Respect for human rights is addressed in the due diligence process and through systematic efforts to promote a good working environment.

MilDef’s Sustainability Policy, Code of Conduct and Supplier Code of Conduct provide a clear focus for the principles and apply in all parts of the value chain.

Via its combined management system, MilDef applies a number of policies that are important to its operations within the areas of quality, environment, occupational health and safety and sustainability. Regulatory compliance, ethics and cultural attitudes are extremely important, and an annual program of awareness 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.

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 include employees, customers, investors and the Board of Directors.

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 anonymous surveys, individual and group discussions, digital information, and through contacts 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 marketing department, and there are routines in place to ensure compliance with any applicable requirements (insider trading, confidentiality, security classification, etc.).

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 with a news feed, transparency and 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.	Frequent reporting ahead of board meetings, frequent budget reviews. Continuous improvement is ongoing.
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 routine.
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 with a news feed, transparency and 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.	MMS in place, frequent budget reviews. Continuous improvement is ongoing.
Government/ authorities	External	Compliance with statutory requirements locally, nationally and globally.	Legal compliance through 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	External	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, equal terms.	Good transparency and information on the website.
Interest/trade 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, performance indicators, good payment terms. Support to meet MilDef’s requirements.	Delivery process, financial process. Ensure fulfillment of specifications. Support for transparency and disclosure obligation. Supplier Code of Conduct. Supplier portal under development.

Environmental sustainability

The overarching aim within environmental sustainability 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.

MilDef’s Greenhouse Gas Reduction program

Determining and analyzing significant environmental topics makes it possible to identify measures to reduce or mitigate their impact.

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 key 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.

Environmental sustainability in figures

+5%

Solar power

Increased production from own PV cells placed on the headquarters building

-25%

Waste

Generated from activities at the headquarters

0

Incidents

Number of reported incidents with actual environmental impact

• **Responsible production**

MilDef produces and sells electronic products, and environmental sustainability is taken into account at all stages of the product life cycle. 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.

MilDef is affiliated to collection systems for electrical equipment, batteries and packaging materials, and waste quantities are reported to the Swedish Environmental Protection Agency 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. Incoming packaging materials are reused whenever possible. Environmental awareness is important when purchasing new packaging materials.

• **Reducing waste**

MilDef’s goal is to achieve sustainable waste management. MilDef has several measures in place related to waste reduction and recycling in the workplace, including guidance on the recycling program, an initiative to reduce everyday trash volumes, and frameworks for food recycling programs. 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: Routine 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.

1.46

CO₂e

Emissions per employee from business travel (metric ton)

+1

Site

Oslo sales office has moved to 100% fossil-free electricity

83%

Certified

Percentage of sites covered by ISO 14001 certification

0%

High-risk chemicals

Percentage of environmentally hazardous chemicals not classed as low-risk

Social responsibility

MilDef is committed to continually improving the occupational health and safety and sustainability. MilDef promotes a positive health and safety culture. The overall 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 MilDef's Code of Conduct.

Social engagement

Significant sums are donated to charity each year via the MilDef Charity Foundation, founded in 2014 to provide financial support to vulnerable groups in Helsingborg and the surrounding area. The MilDef Charity Foundation strives to contribute to a better tomorrow. Its 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 listed on MilDef's website. Since the MilDef Charity Foundation received SEK 200,000 for the 2021 financial year and chose to donate SEK 400,000 in 2022, its goal was thereby fulfilled. In 2022 more money than ever before was donated to young people and adults in need, including more than SEK 200,000 to victims of the war in Ukraine via the Red Cross and UNHCR.

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.

MilDef Charity Foundation – examples of donations



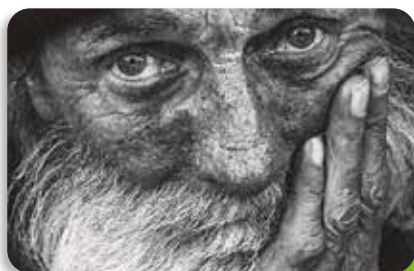
Fotbollsstiftelsen Helsingborg

MilDef was the first company in Helsingborg to support this project giving vulnerable men and women the chance to find a purpose and some joy in life. A donation of SEK 50,000 enabled Gatulaget (the "Street team") to give people with substance abuse problems opportunities to play football, and become part of a community and the ecosystem of Sweden's elite football clubs. Anna Hallström and Marie Jonsson, board members of MilDef Charity Foundation, flank Kenneth Storvik, himself a former top-flight player with Helsingborgs IF.



Helsingborg women's crisis center

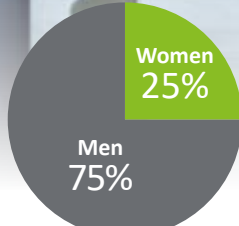
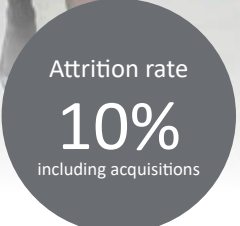
received a donation of SEK 65,000 to boost its work for women and girls at risk of domestic violence. *"We're very grateful for this generous donation, which is making a big difference to women and children who have experienced various forms of abuse. Children in particular need a sanctuary where they can just be children. This grant will enable us to make our playroom better, safer and more fun for children and their mothers,"*says operations manager Jenny Ek.



Hemlösas hus

MilDef Charity Foundation donated SEK 50,000 to the homeless shelter Hemlösas Hus. MilDef has supported the shelter in Helsingborg for several years, with the long-term ambition to eliminate homelessness in Helsingborg. The work builds on five key words: Participation, Compassion, Motivation, Goals and Diversity. The shelter serves as a center for community, providing a safe home environment for the unhoused. One fundamental idea is for the clients themselves to have a significant say in the activities organized at the shelter.





Employees

MilDef strives daily to offer the best workplace in the market and make employees proud of making an active contribution to a better and safer society. Digitalizing the world and defending democracies is achieved by providing and nurturing an environment where people can grow, develop and, together, achieve the Company’s stated goals. MilDef’s attitude and values cultivate a stimulating workplace where people thrive and enjoy long and sustainable careers. The workplaces are practical, and promote a sense of pride and work satisfaction.

Health, safety and wellbeing

MilDef is committed to continually improving occupational health, 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.

Occupational health and safety is to be characterized by a high level of participation and giving 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 policy to any form of discrimination or harassment.

The focus on occupational health, safety and wellbeing is to be a natural element of day-to-day work and also a systematic process involving regular assessment of the working environment and following up on any measures or goals decided on.

MilDef is committed to continually improving its operations by setting and striving to achieve targets for key ratios, which will be set and monitored by analyzing OKRs and KPIs.

Progress toward these targets will be reviewed at Group, company, departmental and individual level by means of regular analysis and inspections as required.

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.

All employees, whatever their duties, are to be given opportunities for influence, development and collaboration, 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, well-

being and job satisfaction for all employees, and prevents accidents. The working environment should be one in which MilDef's employees feel safe and happy; where they can thrive and develop both professionally and as individuals. No one is to suffer ill health or injury as a result of their work.

All managers receive training in the Company's systematic approach to the working environment. Regular CPR courses are offered to all staff and there are defibrillators in all offices.

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. The aim is to give people better opportunities and ensure that MilDef's tactical IT solutions are used with good intentions by preventing and restricting both intentional and unintentional misuse.

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 therefore help the Company to plan and handle 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 risks that are 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.



Responsible enterprise

The overall 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. Whether working at or doing business with MilDef, it should be a safe and pleasant experience.

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 the priority markets (EU and NATO countries), which limits both the risk of contributing to corruption and of the products falling into the wrong hands.

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 bribes in all markets and in relation to all 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, kickbacks 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 export 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.

Whistleblowing

Whistleblowing refers to a situation where a person reports censurable conditions in an entity. This may be things that are unlawful, unethical or otherwise inappropriate. An example would be inappropriate incentives in connection with a public-sector procurement. The Company is keen for attention to be drawn to all types of irregularities linked to its operations and welcomes the enhanced protection for whistleblowers.



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.

Reported cases 2022



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 strate-

gic 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 85–87 in the Annual and Sustainability Report 2022.

The risk management model is based on knowledge of internal processes, vulnerabilities and requirements. To safeguard this knowledge within risk management, responsibility for identifying, assessing and mitigating risks is delegated to each process owner in the organization. Based on the above, MilDef has focused on two areas where it sees several risks and the need for measures. The following sections briefly describe how these areas are managed:



Legislation and other requirements - Anna Hallström, Quality Manager

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. The service clarifies which laws and regulations affect the Company and what MilDef needs to do to comply with them. The Company uses Notisum to carry out annual legal compliance checks for the respective list of legislation in the respective country.

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

Compliance is not only related to legal or regulatory monitoring within the respective country, but also means complying with requirements stemming from various standards or customer-specific criteria. This area has been a specific area of focus in 2022, and work on general compliance with respect to the active agreements that MilDef has entered into will continue in 2023 and beyond in the form of bid management. Bid management fosters collaboration among the various companies in the MilDef Group in order to ensure fulfillment of both new and existing agreements. MilDef sees great value in safeguarding contractual requirements through all parts of the organization as a way to ensure it provides the customer with high-quality products and service. Inter-company collaboration not only leads to an exchange of information and knowledge but also to a shared vision with the customer at its heart.



Responsibility in the supply chain - Carl-Magnus Eriksson, Director of Global Supply Chain

As part of its focus on sustainability, MilDef has specified that all suppliers are to comply with its Supplier Code of Conduct and MilDef's Terms & Conditions. This is monitored by means of self-declarations and physical audits. MilDef's supply chain improvement program identifies which suppliers to prioritize and encourages them to improve their sustainability work. The program focuses on suppliers classified as strategic or important to MilDef. A points system is used to incentivize each supplier to improve the way they work.

The MilDef share

MilDef has been listed on Nasdaq OMX 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 3 – December 30, 2022, a total of around 15.0 million MilDef shares were traded on Nasdaq OMX Stockholm at a value of around SEK 1,004.7 million. The average daily trading volume was 59,236 shares, equivalent to just under SEK 4.0 million.

Share capital

At year-end 2022 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 11% of the capital and votes in the Company. The 10 largest shareholders represented around 53% of the capital and votes.

Dividend

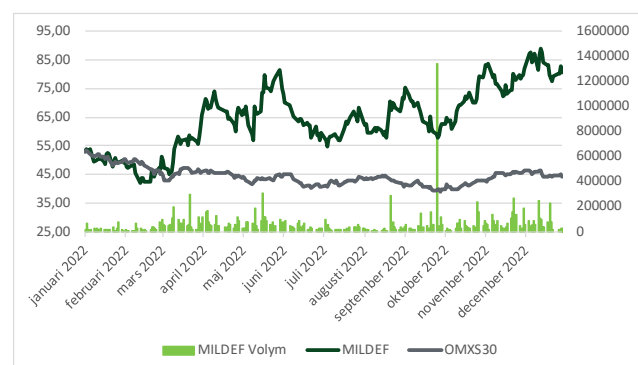
MilDef's target is to distribute 20–40% of profit after tax. MilDef will, however, take long-term development, the capital structure and the prevailing market conditions into account.

The Board of Directors recommends to the Annual General Meeting that no dividend be paid to the shareholders for the 2022 financial year. This recommendation is made against the background of the Company's rapid growth and hence increased estimated working capital requirement in 2023.

Share price movement

The closing price for MilDef's share on December 30, 2022 was SEK 80.80, giving a market capitalization of around SEK 3,221 million. The average share price during the period was SEK 67.04. The share price rose by 54.5% in 2022. Over the same period, OMX Stockholm PI fell by 22.4%.

MilDef share price movement 2022



Ongoing analysis

Analysts following MilDef on an ongoing basis are Erik Golrang, SEB, Fredrik Agardh, SEB, and Hugo Lisjö and Markus Almerud, Erik Penser Bank.

About the MilDef share

Name	MilDef Group AB	LEI code:	9845009F7Q0D56B38270
Stock exchange:	Nasdaq OMX Stockholm	Currency:	SEK
MIC:	XSTO	Listing date:	June 4, 2021
Segment:	Small Cap (from Jan 2023 Mid Cap)	Price on Dec. 31, 2022:	80.80
ISIN code:	SE0016074249	2022 year high (Dec. 12):	90.20
Symbol:	MILDEF	2022 year low (Feb. 10):	40.00

Data per share*(To enable year-on-year comparisons, data for 2018–2020 has been adjusted for the 2:1 share split implemented in April 2021)*

SEK unless otherwise indicated	2022	2021	2020	2019	2018
Earnings per share, before dilution	0.38	-0.03	1.83	0.82	0.52
Earnings per share, after dilution	0.37	-0.03	1.83	0.82	0.52
Dividend per share	0.00 ¹	0.75	0.75	0.38	0.25
Share price as of December 31	80.80	52.40	-	-	-
Dividend yield, % ²	0.00	1.43	-	-	-
Equity per share, before dilution	19.77	15.61	5.71	4.36	3.78
Equity per share, after dilution	19.55	15.61	5.71	4.36	3.78

1 Proposed dividend for 2022

2 Proposed dividend/share price at year-end

MilDef's 10 largest shareholders as of December 31, 2022

Name	No. of shares	Votes (%)	Capital (%)
MilDef Crete Inc.	4,355,600	10.93	10.93
Svolder	2,948,673	7.40	7.40
Third Swedish National Pension Fund (AP3)	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
Björn Karlsson	1,790,821	4.49	4.49
Carnegie Fonder	1,734,145	4.35	4.35
Adam Mentel	1,292,421	3.24	3.24
Martin Gren (Grenspecialisten)	1,165,900	2.93	2.93
Hellblad Invest AB	1,049,596	2.63	2.63
Subtotal	21,262,023	53.34	53.34
Total other shareholders	18,597,543	46.66	46.66
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	8,904,480.50
2021	New share issue	449,939	36,067,861	112,484.75	9,016,965.25
2021	New share issue	321,512	36,389,373	80,378	9,097,343.25
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

Good corporate governance is the basis for managing 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.

Business activities

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 2022 MilDef consisted of twenty two (22) legal entities with around 300 employees in 10 countries. The Group posted revenue for full-year 2022 of SEK 739 million with an adjusted operating EBITDA margin of 8.1%. MilDef has been listed on Nasdaq OMX Stockholm since June 2021.

Basis of governance

MilDef Group AB (publ) ("MilDef" or "the Company") is a Swedish public limited company whose shares are listed on Nasdaq OMX Stockholm. 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 OMX Stockholm's Rulebook for Issuers of Shares and the Swedish Corporate Governance Code ("the Code"). MilDef has followed the Code in all respects during 2022. 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 Report 2022. 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

MilDef's share has been traded on Nasdaq OMX Stockholm since June 2021. At year-end 2022 MilDef's share capital amounted to SEK 9,964,891.50, divided into 39,859,566 shares in one share class with the same number of votes per share. The shares have a quota value of SEK 0.25. The closing price at year-end was SEK 80.80 and the total market capitalization amounted to SEK 3,221 million. The number of shareholders at December 31, 2022 was around 8,800. For more information on ownership and share capital, see pages 54–55 in the Annual Report 2022.

Insider trading and insider list

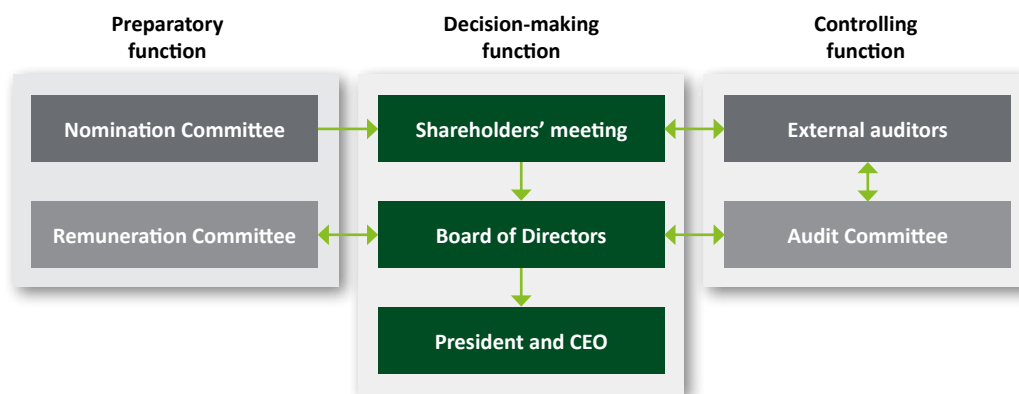
MilDef has ambitious goals when it comes to ethically correct behavior. MilDef's Board of Directors has adopted an Insider Policy as part of its efforts to uphold high ethical standards and to ensure that MilDef maintains a good reputation in the eyes of the general public and the capital market. The policy aims to reduce the risk of insider trading and other unlawful actions and to position the Company for compliance with the relevant regulations.

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 auditors, 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

MilDef's overarching corporate governance structure



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 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 and, 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 December 31, 2022, a Nomination Committee was con-

stituted for the Annual General Meeting 2023 consisting of Marianne Trolle, representing her own holding; Ulf Hedlundh, appointed by Svolder AB; Peter Lundkvist, appointed by Tredje AP-fonden; and Jan Andersson, Chair of the Board of MilDef. Ulf Hedlundh was appointed chair of the Nomination Committee. Verification of the ownership structure at year-end 2022 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 wishing to submit proposals to the Nomination Committee may send an email to valberedning@mildef.com no later than six weeks before the Annual General Meeting but, to allow time for constructive discussion, proposals should be received by the Nomination Committee no later than January 31. 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 2021 financial year

The Annual General Meeting for the 2021 financial year took place on May 12, 2022 in Helsingborg. 38% 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, Marianne Trolle, Christian Hammenborn, Lennart Pihl, Berndt Grundevik and Charlotte Darth were re-elected as board members. Jan Andersson was re-elected as Chair of the Board. Au-

thorized public accountants Bengt Ekenberg and Andreas Brodström, Mazars, were elected as the Company's auditors.

- **Fees**

Board fees of SEK 200,000 for board members not employed in the Company and SEK 400,000 for the Chair of the Board were approved. A resolution was passed to pay separate fees for committee work of SEK 30,000 for members of the Audit Committee and SEK 75,000 for the chair of the Audit Committee, and SEK 20,000 for members of the Remuneration Committee and SEK 30,000 for the chair of the Remuneration Committee. A resolution was further passed that the audit fee should be paid in accordance with an approved invoice.

- **Dividend**

Pursuant to the Board of Directors' recommendation, the meeting voted to pay a dividend of SEK 0.75 per share for the 2021 financial year and that the remaining funds should be carried forward.

- **Guidelines for remuneration of senior executives**

See pages 68–69 in the Annual Report 2022.

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

In accordance with the Board of Directors' proposal, the meeting voted to authorize the Board of Directors, in the period up to the Annual General Meeting in 2023, to decide to issue new shares equal to maximum ten (10) per cent of the total number of shares outstanding in the Company at the time the authorization is exercised. Such new shares may be issued with or without waiver of the shareholders' preferential rights and for payment in cash, by off-set or in kind. The aim of the authorization is to enable the Company to issue shares to finance the acquisition of entities or activities or part thereof, or to strengthen the Company's capital base and equity/assets ratio.

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. See page 72 for further information on the board members.

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 Marianne Trolle are considered to be indepen-

dent of the Company and its management. Board member Marianne Trolle had an operational role in MilDef's Management Team until January 1, 2021, and her direct shareholding makes her one of the major shareholders in MilDef, as a result of which she is not considered independent either of the Company and its management or of the Company's major shareholders. Board member Berndt Grundevik carried out consulting assignments for MilDef in 2022 for a total of SEK 226,000. The services provided involved leading the Company's Advisory Board and other consultancy work not considered to be covered by his role on the board, as a result of which he is not considered independent of the Company and its management. Board member Christian Hammenborn has previously performed legal services for Marianne Trolle, as a result of which he is not considered independent of the Company's major shareholders.

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 ordinary 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 issues 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 issue 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 documents and 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 auditors 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 2022, 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.

Name	Year elected	Independent ¹	Board meetings ²	Audit Committee	Remuneration Committee	Board fee in SEK 000 ³
Chair of the Board:						
Jan Andersson	2018	Yes/Yes	20/20	-	2/2	430
Board members:						
Marianne Trolle	1998	No/No	20/20	-	-	200
Lennart Pihl	2020	Yes/Yes	20/20	5/5	2/2	295
Christian Hammenborn	2017	Yes/No	20/20	5/5	-	230
Berndt Grundevik	2018	No/Yes	20/20	-	-	200
Charlotte Darth	2020	Yes/Yes	19/20	5/5	-	230

1 Independent of the Company and its management and independent of the Company's major shareholders.

2 Of which seven were per capsulam.

3 Including committee fee. The board fees relates to the period from the Annual General Meeting 2022 to the Annual General Meeting 2023.

The Board of Directors' work in 2022

The Board of Directors held a total of 20 meetings in 2022, seven of which were per capsulam. At the ordinary board meetings the CEO 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 2022 and 2023 Annual General Meetings, the remuneration consists of a fixed amount of SEK 400,000 to the Chair and SEK 200,000 to 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 30,000 is paid to each of the two ordinary members of the Audit Committee and SEK 75,000 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, and 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 2022 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 auditors for MilDef Group AB and the Group in order to achieve a continuous exchange of views and information between the Board of Directors and the auditors on audit matters. Furthermore, the Committee is to evaluate the audit procedures and establish guidelines for which non-audit services MilDef may procure from the Company's auditors. The Audit Committee held five meetings in 2022. Minutes are taken of Audit Committee meetings and a verbal report is provided at board meetings.

External financial information is submitted regularly in the form of:

- Year-end report and interim reports.
- Annual Report.
- Press releases on important news items that it is considered could affect the assessment of MilDef.
- Presentations for financial analysts, investors and the media on the same day as the year-end report and interim reports are published.
- Meetings with financial analysts and investors.

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 are to be independent of the Company and the Management Team. The Remuneration Committee has a dual advisory and preparatory role, preparing matters for discussion and decision 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 issues 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 2022 were Jan Andersson (chair) and Lennart Pihl. The Remuneration Committee held two meetings in 2022. 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 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. Representatives of the Management Team meet the management of each individual entity on an ongoing basis at meetings of the management group.

External auditors

Authorized Public Accountants Bengt Ekenberg and Andreas Brodström, both from the audit company Mazars AB, were elected as the

Company's auditors at the Annual General Meeting 2022 for the period until the end of the next Annual General Meeting. 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 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 have carried out certain consulting assignments during the year, primarily advising on accounting issues. 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 the 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 the 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 routines. 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 issues, acquisitions and major investments are taken by MilDef's Board of Directors and the Management Team. The governing

Main points in the Board's work in 2022

December

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

October

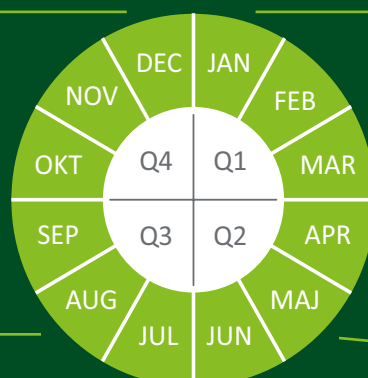
- Interim report Q3 January – September

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 ordinary board meetings

documents on accounting and financial reporting represent the most material elements of the control environment in terms of the 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 limit risks and to ensure that the risks to which MilDef is exposed are managed in accordance with established policies, instructions and monitoring routines. These policies, instructions and routines aim to reduce possible risks, and promote correct accounting, reporting and provision of information.

Control activities

The risks identified regarding the 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 financial reporting and the analysis carried out at Group level are very important in ensuring that financial reporting is free from material errors. The Group's financial department plays an important role in the internal control process and is responsible for 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 Group's financial department. Financial data is reported each month, together with a forecast for the current year. MilDef's management provides 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 the financial reporting is followed up at each board meeting. The Board of Directors and management review financial reporting ahead of publication of the Annual Report 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 12, 2022, and are available on the Company's website www.mildef.com and on pages 146–147 in the Annual Report 2022.

Helsingborg, May 4, 2023

Board of Directors of MilDef Group AB (publ)

Auditors' statement on the corporate governance report

To the shareholders' meeting of MilDef Group AB, corp. reg. no. 556893-5414

Task and assignment of responsibilities

The board of directors is responsible for the corporate governance report for 2022 on pages 58–64 and ensuring that it has been prepared in accordance with the Swedish Annual Accounts Act.

Scope and focus of the review

Our review has been carried out in accordance with RevR 16 Auditor's review of the corporate governance report issued by FAR. This means that our review of the corporate governance report is different in emphasis and significantly smaller in scope compared with

the scope and emphasis of an audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We consider that this review provides adequate grounds for our opinion.

Opinion

A corporate governance report has been prepared. Disclosures in accordance with Chapter 6, Section 6, 2nd paragraph, points 2–6 of the Swedish Annual Accounts Act and Chapter 7, Section 31, 2nd paragraph of the same Act are consistent with the financial statements and the consolidated financial statements, and are in compliance with the Swedish Annual Accounts Act.

Helsingborg, May 4, 2023

Bengt Ekenberg
Authorized Public Accountant

Andreas Brodström
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 Annual General Meeting 2022 and are applicable until the Annual General Meeting 2026 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

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 competitive remuneration packages to senior executives. Variable cash remuneration covered by these guidelines is intended to promote the Company's business strategy and long-term interests, including its sustainability. For 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 e.g. share-based and share price-based incentive programs. 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. Remuneration may also take the form of consulting fees paid to board members who perform work for the Company alongside their board assignments.

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 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 of the CEO. Assessments on variable cash remuneration of other executives are the responsibility of the CEO.

Notice period and severance pay

The contractual notice period is not to exceed twelve (12) months for the CEO and EVP & 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 preparing 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 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 at 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 the Management Team. 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.

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. The Board of Directors is to prepare an annual Remuneration Report, which is to be submitted to the shareholders' meeting for approval.

Remuneration Report

This Remuneration Report explains how the guidelines for remuneration of senior executives adopted by the Annual General Meeting 2022 have been applied during the 2022 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. For more information on the work of the Remuneration Committee in 2022, see the Corporate Governance Report on pages 58–64 of the Company’s Annual Report 2022.

MilDef’s development

The Company’s development and significant events during the year are reported inter alia in the CEO’s presentation on pages 6–7 of the Annual Report 2022.

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 in the Annual Report 2022. In 2022 Top Level AB, in which board member Berndt Grundevik is the majority shareholder, carried out consulting assignments for MilDef for a total of SEK 226,000. 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.

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 and market-based total 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 total remuneration package consists of the following components:

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

Total remuneration of CEO in 2022 (SEK 000)

Refers to remuneration expensed during the year

Name, position:	Fixed remuneration		Variable remuneration		Pension cost	Total remuneration	Percentage of fixed and variable remuneration	
	Basic salary*	Other benefits**	Short-term	Long-term			Fixed remuneration	Variable remuneration
Björn Karlsson, President and CEO:	1,748	3	47	-	122	1,920	98%	2%

* Including payment for vacation taken in cash of SEK 68,000.

** Health insurance.

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 on pages 68–69 of the Annual Report 2022.

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 2022 the Company has followed the applicable remuneration criteria adopted by the shareholders' 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 Auditors' Report on the Company's compliance with the guidelines is available on MilDef's website under Corporate Governance.

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 that these guidelines are not covered 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 set 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 2022 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. Partly because of the prevailing shortage of components on the global components market, MilDef's financial performance came in below the initial expectations, and hence only a small amount of variable remuneration was paid to the CEO in the 2022 financial year.

Helsingborg, May 4, 2023

Board of Directors of MilDef Group AB (publ)

Board of Directors



Jan Andersson,

Chair of the Board
Chair of the Board 2015–2017 and
2018–date.

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, 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.

Holding in the Company: 650,000 shares.

Independence: Independent of the Company and its management and of major shareholders.

Board committees: Chair of the Remuneration Committee.



Marianne Trolle

Board member
Board 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): -

Holding in the Company: 2,412,752 shares.

Independence: Not independent of the Company and its management or of major shareholders.

Board committees: -



Berndt Grundevik

Board member
Board member since 2018

Born: 1956

Education: Swedish Defence University.

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

Previous positions (past five years): -

Holding in the Company: 2,372 shares.

Independence: Not independent of the Company and its management; independent of major shareholders.

Board committees: -



Christian Hammenborn

Board member
Board 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.

Holding in the Company: 821 shares.

Independence: Independent of the Company and its management; not independent of major shareholders.

Board committees: Member of the Audit Committee.



Charlotte Darth

Board member
Board member since 2020.

Born: 1968

Education: Master of Science (M.Sc.) Business Administration & Economics, Stockholm University.

Other current positions: Chair of the board of Worldfavor AB, board member of Fondia Oyj and Relation & Brand AB. Owner of Unipug AB.

Previous positions (past five years):

CEO of Binero Group AB (publ), CEO of Affecto Sweden AB, board member of Binero Group AB (publ) and Intervallor AB.

Holding in the Company: 821 shares.

Independence: Independent of the Company and its management and of major shareholders.

Board committees: Member of the Audit Committee.



Lennart Pihl

Board member
Board member since 2020.

Born: 1950

Education: Master of Science (M.Sc.) Business Administration & Economics, Lund University.

Other current positions: Chair of the board of Midway Holding 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.

Holding in the Company: 821 shares.

Independence: Independent of the Company and its management and of major shareholders.

Board committees: Chair of the Audit Committee and member of the Remuneration Committee.



Management Team



Björn Karlsson, Chief Executive Officer (CEO) since 2018.
Born: 1973.
Education: Technical college engineer, 4-year course in electronics/data.
Other current positions: Board member of SOFF (Swedish Security & Defence Industry Association).
Previous positions (past five years): -.
Holding in the Company: 1,790,821 shares and 30,000 warrants.



Daniel Ljunggren, Chief Financial Officer (CFO) since 2011, Executive Vice President (EVP) since 2020.
Born: 1980.
Education: Master of Business Administration (MBA), Kristianstad University.
Other current positions: -.
Previous positions (past five years): -.
Holding in the Company: 1,963,115 shares and 30,000 warrants.



Evelina Hedskog, Head of Business Unit Sweden since 2022.
Born: 1981.
Education: Master of Science (M.Sc.) Media Technology, KTH Royal Institute of Technology, and Bachelor of Science (B.Sc.) Business, Stockholm University.
Other current positions: CEO of MilDef Sweden AB and MilDef Integration Sweden AB. Officer in the Naval Reserve (LtCdr).
Previous positions (past five years): Chief Business Development Officer (CBDO) MilDef Group, Head of Products and Strategy at Saab AB Business Unit Combat Systems and C4I Solutions.
Holding in the Company: 3,525 shares and 30,000 warrants.



Per Björnson, Chief Operating Officer (COO) since 2021.
Born: 1978.
Education: Officerhögskola/Krigshögskola (Swedish army officer academy), IMD Business School.
Other current positions: -.
Previous positions (past five years): Chief Business Support Officer, Helsingborgs Hamn AB; External signatory for Helsingborgs Hamn Aktiebolag.
Holding in the Company: 7,000 shares and 30,000 warrants.



Karin Svalander, General Counsel 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.
Holding in the Company: 2,447 shares and 30,000 warrants.



Ola Alfredsson, Chief Business Development Officer (CBDO) since 2022.
Born: 1964.
Education: Systems Engineer and Naval Academy, Royal Swedish Navy.
Other current positions: Board member of Advenica AB.
Previous positions (past five years): Counselor, Embassy of Sweden in Washington, D.C., USA. Board member of PrimeKey Solutions AB.
Holding in the Company: 1,621 shares and 30,000 warrants.



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

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): -

Holding in the Company: 539,600 shares.



Olof Engvall: Head of Investor Relations, Communication and Marketing since 2022.

Born: 1968.

Education: Journalism and English studies at Lund University.

Other current positions: Deputy board member of B & T Juridik AB and Chairman of the Board of Engvall Media AB.

Previous positions (past five years): Head of IR & PR at Inwido AB, MD of Engvall Media AB.

Holding in the Company: 9,000 shares and 20,000 warrants.



Fredrik Jacobsson: Chief Sales Officer (CSO) since 2022. From February 2023 interim CEO Handheld Group.

Born: 1980.

Education: Master of Science (M.Sc.) Business and Economics, Lund University.

Other current positions: -

Previous positions (past five years): -

Holding in the Company: 721,600 shares.

MilDef Advisory Board

The MilDef Advisory Board was formed in January 2021 to provide militarily focused support and guidance to ensure that MilDef customizes its strategies and product offerings in its most valuable markets. The Advisory Board is made up of former 2- and 3-star officers resident in the Nordic region, the UK and the USA.



Major General
Berndt Grundevik
Sweden

Major General Berndt Grundevik has 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 has also had international tours in Israel, Cyprus, Kosovo and South Korea. Today he serves as a senior advisor for a number of defense-focused companies and has been a member of the Board of MilDef Group since 2018. He was awarded Commander of the Legion of Merit (USA), and Order of National Security Merit (South Korea) and is a member of the Royal Swedish Academy of War Sciences.



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 flag officer and 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.



Major General
Agner Rokos
Denmark

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



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 has 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.



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 has 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.



**Rear Admiral
Jon Pentreath
United Kingdom**

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 Jon 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.

Interview with Jon Pentreath

What role does tactical IT play in defense capabilities?

Tactical communication has always been a critical capability. It enables allied forces to gain a better situational understanding and to maneuver more effectively. As we have so sadly seen in Ukraine, this is crucial for the future security and stability of our democracies.

What do you contribute as a member of the Advisory Board?

I hope I can contribute to MilDef's growth, particularly in the UK, by providing insight into the strategic context around defense and security, and by helping to boost engagement among our stakeholders.

What role does MilDef play in Europe's defense capabilities?

MilDef will play an increasingly important role as the world becomes digitalized. MilDef has documented experience of producing tactical IT, software and services that can be relied on to continue to function when they're needed the most and under the toughest conditions. Add to this the innovation and agility that comes with being a relatively small company, proven delivery reliability and intimate support, combined with an excellent team, and you have a winning combination!



Directors' Report

The Board of Directors and Chief Executive Officer of MilDef Group AB hereby present the Annual Report and consolidated financial statements for the financial year January 1 to December 31, 2022. MilDef Group AB, 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 2022 MilDef consisted of 22 legal entities with around 290 employees in 11 countries. The Group posted revenue for full-year 2022 of SEK 739 million with an adjusted operating EBITDA margin of 8.1%. MilDef was listed on Nasdaq OMX Stockholm in 2021 and has been traded since January 2023 on the Mid Cap Index.

Group structure

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

The MilDef share and ownership structure

MilDef was initially listed on Nasdaq OMX Stockholm Small Cap on June 4, 2021 in the Industrial Goods and Services sector. The ISIN code is SE0016074249. The share is traded under the ticker MILDEF. A trading unit is one (1) share.

At year-end 2022 MilDef's share capital amounted to SEK 9,964,891.50 million 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 11% of capital and votes in the Company as of December 31, 2022. The 10 largest shareholders represented around 53% 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 the 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 2022

To further reinforce MilDef's position in the Nordic market, the Company established operations in Finland in early 2022.

Two new members joined the Management Team in the first quarter of 2022. On January 1 Fredrik Jacobsson took up the position as the Company's Chief Sales Officer (CSO) and on February 1 Olof Engvall became the Company's Head of Investor Relations, Communication and Marketing.

The Company held its Annual General Meeting in Helsingborg, Sweden on May 12, 2022. The AGM decided to re-elect Jan Andersson as Chair of the Board as well as board members Marianne Trolle, Lennart Pihl, Charlotte Darth, Berndt Grundevik and Christian Hammenborn. The AGM also decided on a dividend for the 2021 financial year of SEK 0.75 per share, equivalent to a total dividend of SEK 27.3 million. The dividend was distributed in the second quarter of 2022.

On September 9 MilDef announced that it had entered into an agreement to acquire all of the shares in Handheld Group AB. The initial purchase consideration was SEK 350 million. The cash consideration amounted to SEK 270 million and was financed within the framework of existing credit facilities, while the remaining SEK 80 million was paid for with 1,126,443 newly issued shares. The acquisition was completed on September 21.

On September 13 MilDef carried out a directed new share issue of 2,343,750 shares, raising SEK 150 million in issue proceeds. The subscription price was SEK 64 per share.

In the fourth quarter MilDef established its first production facility outside Sweden. Located in Cardiff, Wales, the facility produces MilDef's proprietary tactical IT platform.

MilDef's CEO Björn Karlsson informed the Board of Directors in November 2022 that he wishes to resign his position. Björn intends to stay on as CEO until the next Annual General Meeting, when the Company's Executive Vice President and CFO, Daniel Ljunggren, will take over as CEO.

The Company's revolving credit facility was increased by SEK 25 million to a total of SEK 75 million in 2022.

Financial targets

There are four financial targets for MilDef's 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 291 (188) at the end of the year. 219 (147) of the employees were men and 72 (41) were women. The average number of FTEs in 2022 was 233, compared with 190 in 2021.

Segments

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

Alternative performance measures

MilDef applies the guidelines for alternative performance measures issued by ESMA, the European Securities and Markets Authority. Alternative performance measures are financial measures that cannot be directly gleaned or deduced from the financial statements. These financial measures are intended to facilitate 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 on page 145.

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.

Financial overview 2022

Profit/loss items and cash flow are compared with the previous year. The balance sheet items refer to amounts at year-end and are compared with the previous year-end.

Order status

Order intake increased by 59% to SEK 938.2 million (589.4). The order backlog increased by 58% to SEK 1,156 million (732). SEK 49.1 million of the order intake and SEK 136.8 million of the order backlog relate to the acquisition of Handheld Group AB.

At the beginning of December MilDef secured an additional order with the British Armed Forces MIV program for a value of around SEK 70 million. The deliveries will take place in 2023–2024.

In December MilDef announced that it had identified delivery delays in the fourth quarter equivalent to around SEK 60–70 million. The final tally of delivery delays amounted to around SEK 100 million, i.e. additional hardware deliveries worth around SEK 20–30 million have been delayed until 2023. The reason for the delays is the shortage of semiconductor components for MilDef's hardware portfolio. Although no business will be lost due to this, sales and earnings were negatively impacted in the fourth quarter.

Net sales and profits

Net sales in full year 2022 amounted to SEK 738.8 million (469.6), which is equivalent to growth of 57% compared with the previous year. Acquisition-driven growth amounted to SEK 148.1 million for the year. Organic growth was 26% for in 2022, driven by strong underlying demand for digitalization and modernization among MilDef's end-customers. Acquisition-driven growth accounted for 31 percentage points of the total sales growth for 2022.

Gross profit amounted to SEK 352.3 million (210.1), equivalent to a gross margin of 48% (45). The Company's gross margin may vary slightly over time depending on sales volumes and the product and customer mix.

Operating expenses amounted to SEK 323.1 million (213.0), of which SEK 71.9 million relates to acquired operating expenses and SEK 0.0 million to non-recurring items (11.5). Excluding these items, the operating expenses increased by 25%, equivalent to SEK 49.7 million. The increased expenses are a function of the Company's strong growth. The adjusted operating expenses as a percentage of sales amounted to 44% (43).

Operating profit (EBIT) for full year 2022 amounted to SEK 29.2 million (-2.9). Adjusted for non-recurring items, operating profit in 2022 amounted to SEK 29.2 million (8.6), corresponding to an operating margin of 4.0% (1.8).

Adjusted operating profit before depreciation/amortization and impairment amounted to SEK 60.0 million (32.2), equivalent to a margin of 8.1% (6.9). Depreciation/amortization and impairment amounted to SEK 30.8 million (23.6), with acquisitions accounting for most of the increase. The adjusted operating profit does not include non-recurring items of SEK 0.0 million (11.5).

Net financial income/expense for 2022 amounted to SEK -10.0 million (-2.4). The increased expense of SEK 7.6 million is mainly due to increased interest expense and contingent considerations.

Tax for the year was charged to net profit in the amount of SEK -5.0 million (4.6). The previous year's positive contribution related to deferred tax assets based on tax loss carryforwards and temporary differences relating to the Company's listing process.

Profit after tax amounted to SEK 14.2 million (-0.7). Earnings per share before dilution amounted to SEK 0.38 (-0.03) and after dilution to SEK 0.37 (-0.03).

Non-recurring items

Non-recurring items that affect comparability and that have a material impact on profits are important to consider to gain an understanding of underlying business development. The expenses are primarily costs relating to the Company's listing process and acquisitions. For the full year 2022 there were no non-recurring items of this nature. For 2021 the non-recurring items amounted to a net amount of SEK -11.5 million (-4.3).

Cash flow

Cash flow reported for 2022 amounted to SEK -112.4 million (120.3). Operating cash flow amounted to SEK -95.0 million (-71.4). Cash flow from operating activities amounted to SEK -76.8 million (-55.5). Cash flow from changes in working capital amounted to SEK -123.4 million (-65.0). The global component shortage has resulted in MilDef maintaining the amended strategy with respect to critical component inventories, which in turn has led to the Company choosing to increase its stocks to improve lead times for customers.

Cash flow from investment activities amounted to SEK -401.3 million (-187.2), of which SEK -303.1 million (-171.2) is related to acquisitions made during the year. Cash flow from investments in property, plant and equipment and intangible assets amounted to SEK -18.0 (-16.4).

Cash flow from financing activities amounted to SEK 365.7 million (362.9). To finance the acquisition of Handheld Group AB, the Company carried out a new share issue worth a net amount of SEK 143.2 million and took out a loan of SEK 200.0 million. The previous year the Company carried out a new share issue in connection with the listing on Nasdaq OMX Stockholm. 2022 was impacted by dividends paid to the shareholders in the amount of SEK -27.3 million (-17.4). Amortization of interest-bearing liabilities and lease liabilities was charged to financing activities in the amount of SEK -30.2 million (-39.0).

Acquired intangible assets

The Group had recognized goodwill as of December 31, 2022 in the amount of SEK 466.6 million (201.2). Other acquired intangible assets amounted to SEK 56.0 million (89.9) in 2022 and related to an acquired brand. The previous year's acquisitions related to 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.

Capitalized product development increased in 2022 to SEK 56.2 million (10.7). Acquisitions for the year amounted to SEK 13.2 million (5.0). The increase compared with the previous year is explained by increased capitalization within MilDef of SEK 4.6 million and capitalizations carried out by the recently acquired Handheld Group of SEK 3.6 million. SEK 37.2 million was also added through the acquisition.

The Company's investments in property, plant and equipment in 2022 amounted to SEK 13.4 million (12.5), of which SEK 8.6 million (2.7) was for right-of-use assets.

Equity

The Group's equity amounted to SEK 787.9 million (568.2) at year-end. The equity-assets ratio as of December 31, 2022 was SEK 57% (70).

Net working capital

Net working capital amounted to SEK 305.6 million (148.0) at year-end. Higher accounts receivable and an increase in inventory volumes have had a negative impact on working capital. The increase is a consequence of the Company's growth. The negative impact from increased accounts receivable and inventory volumes is offset to some extent by increased accounts payable and other current liabilities. Net working capital in relation to net sales increased by 9 percentage points, from 32% for the previous year, to 41% as of December 31, 2022.

Net debt and cash and cash equivalents

The net debt including lease liabilities amounted to SEK 254.8 million (-67.1) at the year-end. Cash and cash equivalents as of December 31 amounted to SEK 59.9 million (67.1). At year-end there was also an unutilized revolving overdraft facility of SEK 75.0 million (50.0). Net debt at year-end in relation to adjusted operating profit (EBITDA) over the past 12-month period, excluding the effects of IFRS 16 Leases, amounted to 2.8 (-1.5). When calculated including the effects of IFRS 16 the net debt/equity ratio was 4.2 (-2.1).

Acquisitions during the year

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. Handheld Group's headquarters is in Lidköping and it operates globally through subsidiaries in Germany, Switzerland, Italy, Finland, the Netherlands, the UK, Australia and the USA.

Acquisitions and acquisition analysis

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

Outlook

In 2022 MilDef accelerated its growth journey. Sales increased by 57%, which is significantly higher than our financial growth target. The adjusted operating profit (EBITDA) increased by 86% and amounted to SEK 60.0 million (32.2), equivalent to an adjusted operating margin of 8.1% (6.9). Strengthened by these outcomes, MilDef entered 2023 with a well-filled order backlog, important framework agreements in place and a company ready to deliver.

The considerable investments in defense now taking place in multiple markets are unparalleled in modern history. 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. In addition to selectively seizing the opportunities that the new landscape offers, in 2023 MilDef is focusing specifically on its Nordic domestic markets, building a strong organization and fine-tuning its NATO offering. This is a strong foundation for the substantial expansion we are expecting in the Company's future. MilDef is well-prepared to contribute to a more resilient society – with both a high-tech portfolio and strong service expertise.

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 identify the customers' changing requirements and transform them into the best solutions for every given market situation. In 2022 resources were added to the R&D department to handle an increasing number of projects, many of which are highly complex. Around 13% of MilDef's employees work in R&D-related positions.

Significant risks and/or factors of uncertainty

Being exposed to various levels of risk is part of doing business. The Group's risk management involves identifying, measuring and mitigating negative outcomes from these risks, while also working constantly to manage potential risks to keep them within the parameters that are acceptable to the Management Team and the Board. The Management Team works on preventing potential risks from developing into damage and/or losses. Efforts are also made to limit the impact of damage that has already happened. The risks that MilDef expects to be exposed to are strategic, operational, financial and legal risks. There is also a risk of incidents that could threaten the Company's good standing and reputation.

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 is not a party in any material dispute.

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 42 (30) employees.

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 of 2022, as presented on pages 42–53 in this Annual Report, is established by MilDef Group AB (publ), corp. reg. no. 556893-5414, with 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 pages 58–65. MilDef is not reporting any deviations from the Code in 2022.

Guidelines for remuneration and other employment terms for the Management Team in 2022

See Note 10.

Proposal for decision on allocation of profit

The following Parent Company funds are at the disposal of the Annual General Meeting:

Share premium reserve	729,345,245
Retained earnings	11,854,519
Comprehensive income for the year	2,625,431
Total SEK	743,825,431

The Board of Directors proposes that the profit at the disposal of the Annual General Meeting be allocated as follows:

Carried forward	743,825,431
Total SEK	743,825,431

The Board of Directors proposes that no dividend be paid out for the 2022 financial year. This proposal is made against the background of the Company's rapid growth rate and estimated increased working capital requirement in 2023.

Significant events after the end of the year

In August 2022 MilDef announced a 20-year framework agreement worth SEK 2.8 billion with an unnamed European NATO country's armed forces. In January 2023 the first orders were placed under the agreement. The value of this initial transaction is around SEK 50 million and is for deliveries during the period 2023–2024. The order is for prototype development and system design with a focus on digitalization, infrastructure and security.

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

On February 17 the Board of Directors announced its decision to make Daniel Ljunggren's interim position as CEO of the MilDef Group permanent.

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



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 pro-

cess 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.

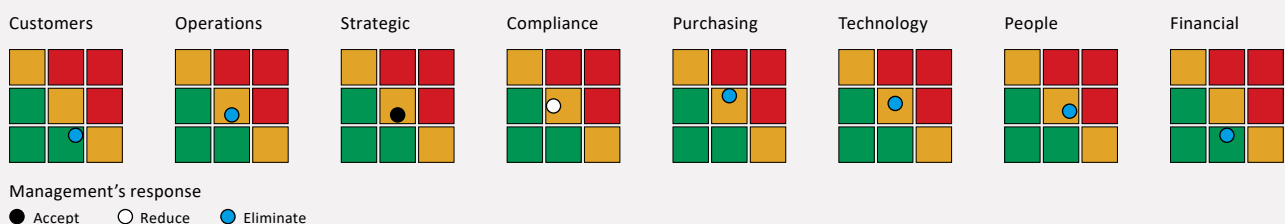
MilDef divides the risks it faces into strategic, operational and financial risks:

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	Dedicated account management (offset), 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.
Companies under foreign influence	Establishing local presence
Knowledge of regulatory requirements	Training, recruitment, consultants, local partners
New laws and regulations	Business intelligence, training, consultants, local partners
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
Inadequate control of 3rd party software in the portfolio	Dedicated account management, certification
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
Political instability affecting the defense sector	Critical infrastructure segment



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	Purchases, working virtually, digitalization, succession planning for production
Manual routines	Digitalization, changed routines, continual improvement
Business intelligence at low level	Data-driven decisions, system support, communication

Purchase 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 distribution 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.
Difficulties recruiting certain talent	Employer branding, cooperation
High workload	Recruiting, consultants, system support
Important areas of expertise	Training, recruiting, outsourcing

Financial risks

Financial	Financial risks are traditional risks that can jeopardize cash flow, financial strength and profits.
Major accounts receivable	Credit policy, approval processes etc.
Large sums tied to contracts	Supplier contracts, risk shared with customers
Increased costs due to currency fluctuations	Agreements



Consolidated statement of comprehensive income

SEK m	Note 1–3	2022	2021
Net sales	4	738.8	469.6
Cost of goods sold		-386.5	-259.5
Gross profit		352.3	210.1
Selling expenses		-206.3	-114.4
Administrative expenses		-67.2	-59.0
Research and development expenses		-49.0	-40.4
Other operating income	5	7.4	4.3
Other operating expenses	5	-8.0	-3.5
Operating profit	6, 7, 8, 9, 10	29.2	-2.9
Financial income	11	1.2	2.8
Financial expense	11	-11.2	-5.2
Profit after financial items		19.2	-5.3
Tax on profit for the year	12	-5.0	4.6
Net profit for the year		14.2	-0.7
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss			
Change in translation reserve for the year		9.6	1.5
Total comprehensive income for the year		23.8	0.8
Profit for the year attributable to:			
Owners of the parent		14.2	-0.7
Non-controlling interests		-	-
Net profit for the year		14.2	-0.7
Comprehensive income for the year attributable to:			
Owners of the parent		23.8	0.8
Non-controlling interests		-	-
Comprehensive income for the year		23.8	0.8
Earnings per share		2022	2021
Number of shares at year-end		39,859,566	36,389,373
Weighted average number of shares in 2022 before dilution		37,400,988	26,243,169
Weighted average number of shares in 2022 after dilution		37,844,488	26,243,169
Earnings per share before dilution (SEK)		0.38	-0.03
Earnings per share after dilution (SEK)		0.37	-0.03

Consolidated balance sheet

SEK m	Note 1–3	Dec. 31, 2022	Dec. 31, 2021
Non-current assets			
Intangible assets 13			
Capitalized product development		56.2	10.7
Acquired intangible assets		598.7	285.2
Other intangible assets		0.4	0.5
Total intangible assets		655.3	296.4
Property, plant and equipment 14			
Leasehold improvements		8.3	7.2
Equipment, fixtures and fittings		8.8	7.3
Right-of-use assets		85.2	59.8
Total property, plant and equipment		102.3	74.3
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	14.3	5.6
Total non-current assets		772.2	376.6
Current assets			
Inventories etc. 16			
Products in progress		4.5	0.7
Finished products and goods for resale		231.8	80.0
Advance payments to suppliers		0.2	5.0
Total inventories		236.5	85.8
Current receivables			
Accounts receivable	17	255.4	136.2
Tax assets		16.7	8.2
Other receivables		20.6	9.0
Contract assets	17	18.7	9.9
Prepaid expenses and accrued income	18	13.9	13.4
Total current receivables		325.3	176.7
Cash and cash equivalents		59.9	169.2
Total current assets		621.7	431.7
TOTAL ASSETS		1,393.9	808.2

Consolidated balance sheet

SEK m	Note 1-3	Dec. 31, 2022	Dec. 31, 2021
Equity and liabilities			
Equity			
<i>Equity attributable to owners of the parent</i>			
Share capital		10.0	9.1
Other capital contributions		729.3	507.0
Translation reserve		9.0	-0.6
Retained earnings		25.4	53.4
Net profit for the year		14.2	-0.7
Total equity attributable to owners of the parent		787.9	568.2
Total equity		787.9	568.2
Non-current liabilities			
Deferred tax liabilities	12	35.1	23.5
Non-current interest-bearing liabilities	20, 21	174.8	31.7
Lease liabilities for right-of-use assets	2	70.6	52.1
Total non-current liabilities		280.5	107.3
Current liabilities			
Current interest-bearing liabilities	20, 21	53.1	9.7
Lease liabilities for right-of-use assets		16.2	8.6
Provisions for warranties	22	0.7	0.8
Contract liabilities	23	11.4	1.6
Accounts payable		105.1	39.5
Tax liabilities		11.2	5.4
Other liabilities		55.6	28.3
Accrued expenses and deferred income	24	72.2	38.8
Total current liabilities		325.5	132.7
TOTAL EQUITY AND LIABILITIES		1,393.9	808.2

Consolidated changes in equity

SEK m	Share capital	Other capital contributions	Translation reserve	Retained earnings incl. profit for the year	Total equity attributable to owners of the parent	Non-controlling interests	The Group
Opening balance, January 1, 2021	5.8	58.1	-2.1	70.7	132.5	0.0	132.5
Comprehensive income for the year			1.5	-0.7	0.8		0.8
New share issues	3.3	473.3			476.6		476.6
Issue costs		-24.4			-24.4		-24.4
<i>Transactions with shareholders in their capacity as owners</i>							
Dividend to shareholders				-17.4	-17.4		-17.4
Closing balance, December 31, 2021	9.1	507.0	-0.6	52.7	568.2	0.0	568.2
Opening balance, January 1, 2022	9.1	507.0	-0.6	52.7	568.2	0.0	568.2
Comprehensive income for the year			9.6	14.2	23.8		23.8
New share issues	0.9	229.1			230.0		230.0
Issue costs		-6.8			-6.8		-6.8
<i>Transactions with shareholders in their capacity as owners</i>							
Dividend to shareholders				-27.3	-27.3		-27.3
Closing balance, December 31, 2022	10.0	729.3	9.0	39.6	787.9	0.0	787.9

Consolidated cash flow statement

SEK m	Note 1-3	2022	2021
Operations			
Operating profit		29.2	-2.9
Adjustments for non-cash items:			
Depreciation, amortization and impairment charged to operating profit		30.8	23.6
Other	25	-1.2	-0.5
Total		29.6	23.1
Interest received		2.6	2.8
Interest paid		-7.2	-5.2
Taxes paid		-7.6	-8.2
Cash flow from operating activities before changes in working capital		-12.2	9.6
Increase (-) / decrease (+) in inventories		-98.2	-28.6
Increase (-) / decrease (+) in operating receivables		-59.2	6.1
Increase (+) / decrease (-) in operating liabilities		34.0	-42.5
Changes in working capital		-123.4	-65.0
Cash flow from operating activities		-76.8	-55.5
Investing activities			
Investments in intangible assets	13	-13.2	-5.6
Investments in property, plant and equipment	14	-4.8	-10.8
Acquisition of subsidiaries, net of acquired cash and cash equivalents	28	-303.1	-171.2
Change in other non-current receivables	15	-0.2	0.5
Cash flow from investing activities		-321.3	-187.2
Financing activities			
Dividend to shareholders		-27.3	-17.4
New share issues		143.2	389.3
Borrowings	26	200.0	30.0
Repayment of interest-bearing liabilities	26	-19.8	-30.0
Repayment of lease liabilities	26	-10.4	-9.0
Cash flow from financing activities		285.7	362.9
Cash flow for the year		-112.4	120.3
Change in cash and cash equivalents			
Cash and cash equivalents, January 1		169.2	46.8
Exchange rate difference in cash and cash equivalents		3.1	2.1
Cash flow for the year		-112.4	120.3
Closing balance, cash and cash equivalents		59.9	169.2

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 Financial 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 Group's functional currency is Swedish crowns or kronor (SEK), which is also the reporting currency of the Parent Company and the Group. Financial statements are always presented in SEK unless otherwise indicated. All amounts are rounded off to the nearest 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 2022 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, 2022 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 non-current 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 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.

Other intangible assets

Other intangible assets, which include acquired assets such as brands, exclusivity agreements and customer relationships, 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 and on a straight-line basis.

Estimated useful lives and amortization methods:

- Technology rights: 5 years
- Capitalized development expenses: 5 years
- Exclusivity agreements: 5 years
- Customer relationships: 10 years
- Software: 10 years
- Brands: 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.

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.

Property, plant and equipment

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

Additional expenditures

Additional expenditures are added to cost only if it is probable that the future economic benefits associated with the additional expenditures will flow to the Group and cost can be reliably calculated. All other additional expenditures are expensed in the period in which they arise. Repairs are expensed on an ongoing basis.

Depreciation

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

Estimated useful lives:

- Plant and machinery: 5 years
- Leasehold improvements – installations: 5 years
- right-of-use assets: over the term of the lease

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.

Financial assets

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

Financial assets measured at cost

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

When financial assets are acquired, the expected credit losses are recognized on an ongoing basis during the period they are held, normally taking into account credit loss risk in the subsequent 12-month period. If the credit risk is materially increased, a reserve is recognized for the credit losses that are expected to materialize during the whole term of the asset. MilDef applies the simplified method to calculate credit losses. This is based on historical data on payment collection patterns and the counterparty's ability to pay. Based on historical data, the 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.

Contingent liabilities

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

Income tax

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

Revenue from contracts with customers

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

Standard products and services

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

Customized products and services

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

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

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

Leases

When new leases are signed a right-of-use asset and a lease liability are recognized in the balance sheet. Cost consists of the discounted remaining lease payments for the non-cancellable lease term. Any extensions are included if the Group is reasonably certain that they will be used. Lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be easily determined, which is normally the case for the Group's leases, the lessee's marginal interest rate is to be used, 2.8% (2.5), which is the rate the individual lessee would have to pay to borrow the necessary funds to purchase an asset of the same value as the right-of-use asset in a similar economic environment and with similar terms and guarantees.

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

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

Employee benefits

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

Defined contribution plans

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

Severance pay

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

Financial income and expense

Financial income and expense consist of interest income and borrowing costs, and any exchange rate differences not related to operations. They also include realized 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 cash receipts and payments 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 concludes 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, royalty income, and the sale of administrative services to other companies in the same Group.

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.

A significant portion of the Group's sales and purchases are in currencies other than SEK. Currency hedging is not normally applied except in some cases at the subsidiary level. 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 where hedging may be needed.

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

If the Swedish krona had weakened or strengthened by 10%, with all other variables being the same, the restated profit after tax as of December 31, 2022 would have been SEK 2.1 million lower (0.3 higher), largely due to gains and losses upon restatement of current receivables and liabilities. The corresponding effect on the Parent Company would have been SEK 0.0 million (0.1).

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 a weighted 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 48.4 million (20.8) at the end of 2022. The main currencies are USD, SEK 40.5 million (10.9) and NOK, SEK 21.4 million (12.6). 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 currently do not contain any financial limitation clauses linked to key ratios. Assets pledged in connection with borrowings are presented in Note 20. 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.

Calculated based on financial interest-bearing assets and liabilities carrying variable interest rates as of December 31, 2022, a one percentage point change in the market interest rate would affect the Group's earnings by SEK-2.5 million (1.1). The corresponding effect on the Parent Company would be SEK-0.0 million (-0.4).

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 with acceptable terms. The liquidity and financing risk is currently considered to be at an acceptable level. On the balance sheet date the financial liabilities measured at amortized cost amounted to SEK 421.0 million (115.0).

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 financial assets was SEK 366.7 million (333.4) as of December 31, 2022. 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 and contract assets

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.

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 risk-adjusted discount rates and probability-adjusted expected cash flows. The model MilDef uses had a discount rate of 8% and an expected cash flow of SEK 36.6 million as of December 31, 2022. Contingent considerations are included in interest-bearing liabilities in the amount of SEK 35.4 million (41.3).

Specification of each category:

Financial assets measured at amortized cost	2022	2021
Accounts receivable	255.4	136.2
Contract assets and accrued income	18.7	16.9
Other receivables	3.7	0.4
Cash and cash equivalents	59.9	169.2
Total financial assets	337.7	322.7

Financial liabilities are measured at amortized cost	2022	2021
Lease liabilities	86.8	60.7
Other interest-bearing liabilities	192.5	-
Accounts payable	105.1	39.5
Other liabilities	0.4	0.2
Accrued expenses	8.7	3.6
Total financial liabilities	393.5	104.0

Maturity analysis for payments for contractual financial liabilities (nominal amounts):

Group as of December 31, 2022 Maturing:	Within 3 months	3–12 months	1–5 years	After 5 years	Total
Lease liabilities	3.5	12.9	50.5	29.0	95.9
Other interest-bearing liabilities	7.5	22.5	120.0	42.5	192.5
Accounts payable	105.1	-	-	-	105.1
Other liabilities	0.4	-	-	-	0.4
Accrued expenses	8.7	-	-	-	8.7
Total	125.2	35.4	170.5	71.5	402.6

Group on December 31, 2021 Maturing:	Within 3 months	3–12 months	1–5 years	After 5 years	Total
Lease liabilities	2.3	6.6	30.5	26.9	66.3
Other interest-bearing liabilities	-	-	-	-	-
Accounts payable	39.5	-	-	-	39.5
Other liabilities	0.2	-	-	-	0.2
Accrued expenses	3.6	-	-	-	3.6
Total	45.6	6.6	30.5	26.9	109.6

The maturity structure of contractual payment obligations relating to the Group's financial liabilities is presented in the tables above. The amounts in these tables are discounted amounts and, accordingly, it is not possible to reconcile these amounts with the amounts recognized in the balance sheet. Amounts in foreign currency are translated to SEK at the exchange rate on the closing day.

Capital management

MilDef's capital structure goal 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 1,012.7 million (501.1).

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, the capital structure and the prevailing market conditions into account.

The Board of Directors recommends to the Annual General Meeting that no dividend be paid to the shareholders for the 2022 financial year.

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. As a consequence, the carrying amounts will only in exceptional cases correspond to the actual amounts. The key estimates and assumptions where there is a significant risk of the need for material adjustments to carrying amounts in future financial years are outlined below.

Useful life of intangible assets and property, plant and equipment by country***Key sources of uncertainty in estimates***

The Group's Management Team establishes estimated useful lives and associated amortization/depreciation of the Group's intangible 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 of intangible non-current assets is 5–10 years and for property, plant and equipment, 1–10 years, 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" 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, 2022 goodwill was recognized in the amount of SEK 466.6 million (201.2).

When testing for impairment, management needs 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

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, 2022 capitalized product development was recognized at SEK 52.6 million (10.7). The change is mainly due to acquisitions.

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 7.1 million (0.0) at the end of 2022. The change compared to the comparison period was mainly due to the acquisition of Handheld Group, which added deferred tax assets attributable to previous capitalized amounts. 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 or loss 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 15.1 million (15.2) as of December 31, 2022, 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 also MilDef Group's profits.

Contingent considerations are recognized in non-current or current interest-bearing considerations in a total amount of SEK 35.4 million (41.3). The effect on profit of changed assumptions regarding contingent considerations amounts to SEK 2.1 million (0.0) and is recognized under financial expense.

Leases**Important sources of uncertainty in estimates and judgments when applying the Group's accounting principles**

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. 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 interest 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. The average weighted marginal interest rate on January 1, 2022 was 2.5% and as of December 31, 2022, 2.8%.

Note 4. Revenue

	2022	2021
Net sales		
Sweden	253.2	162.5
Rest of Nordics (excl. Sweden)	203.5	173.2
Europe (excl. Nordics)	119.4	80.2
North America	151.1	51.0
Other countries	11.6	3.0
Total	738.8	469.9

Revenue from external customers is reported by geography based on the billing address. MilDef has one customer that accounts for more than 10% of the Group's sales. In 2022 sales to this customer amounted to SEK 140.0 million.

The Group's intangible assets and property, plant and equipment by country	2022	2021
Sweden	628.1	257.1
Norway	113.7	112.7
USA	7.9	0.7
UK	3.9	0.2
Germany	4.0	-
Total	757.6	370.7

Note 5. Other operating income/expenses

	2022	2021
Exchange gain on operating receivables/liabilities	7.4	4.1
Exchange loss on operating receivables/liabilities	-8.0	-3.2
Other	0.0	-0.1
Total	-0.6	0.8

Note 6. Nature of expense method

	2022	2021
Cost of materials	381.3	243.6
Other costs	69.3	52.3
Personnel costs	227.6	153.8
Depreciation/amortization	30.8	23.6
Other operating expenses	8.4	3.5
Total	717.4	476.8

Note 7. Audit fees

	2022	2021
Mazars:		
Audit assignment	2.1	1.7
Audit-related activities besides the audit assignment	0.5	0.6
Tax advisory services	0.7	0.3
Other services	0.0	0.0
Total	3.3	2.6
Other:		
Audit assignment	0.4	-
Other services	0.0	-
Total	0.4	-

The audit assignment consists of an examination of the annual accounts and accounting records, as well as the CEO's and the Board's administration of the Company, other tasks that are incumbent upon the Company's auditors in order to prepare the audit report, as well as advice or other assistance required as a result of observations made during such review tasks.

Note 8. Depreciation/amortization and impairment

	2022	2021
Right-of-use assets	11.1	9.6
Capitalized product development	4.9	2.3
Exclusivity agreements	-	1.1
Customer relationships	6.9	5.8
Brands	1.4	-
Software	2.4	1.9
Other intangible non-current assets	0.1	0.1
Leasehold improvements	0.9	0.7
Equipment, fixtures and fittings	3.1	2.2
Total	30.8	23.6

Note 9. Leases

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

Amounts recognized in the income statement	2022	2021
Depreciation – Cost of goods sold	0.9	0.8
Depreciation – Administrative expenses	6.2	5.4
Depreciation – Selling expenses	2.1	1.8
Depreciation – Research and development expenses	1.9	1.6
Interest expense for lease liabilities (included in financial expense)	1.9	1.6
Expenses relating to low-value and short-term leases	3.1	2.3
Revenue from subleasing of right-of-use assets	0.0	0.0
Total	16.1	13.6

The total cash flow on the balance sheet attributable to rental agreements and leases amounts to SEK-12.3 million (-10.6), of which SEK-1.9 million (1.6) 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. A maturity analysis of lease liabilities is presented in Note 2. For a specification of right-of-use assets, see Note 14.

Note 10. Employees and personnel costs etc.

Number of employees 2022	Sweden	Norway	United Kingdom	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 as of Dec 31	213	33	13	23	1	7	1	291
Percentage of men (%)	77	70	69	74	100	71	100	75

Number of employees 2021	Sweden	Norway	United Kingdom	USA	Finland	Germany	Switzerland	Total
Average number of employees	147	25	8	10	-	-	-	190
Percentage of men (%)	78	80	63	70	-	-	-	77
Number of employees as of Dec 31	143	28	7	10	-	-	-	188
Percentage of men (%)	79	75	71	80	-	-	-	78

In calculating the average number of employees, account has been taken of the number of months for which acquired companies have been part of the Group during the year.

Gender balance in management	2022	2021
Board of Directors	6	6
Percentage of men	67	67
Management Team	9	8
Percentage of men	78	75

Wages, salaries and other remuneration	2022	2021
Wages, salaries and other remuneration etc.	167.9	112.3
(Of which salaries and other remuneration of the Board, CEO and senior executives)	12.8	11.2
(Of which bonus to the Board, CEO and senior executives)	0.3	0.0
Pension costs, defined-contribution plans	13.2	9.8
(Of which for the Board, CEO, senior executives and other key persons)	2.1	1.8
Social security contributions	39.7	26.5

Senior executives consist of members of the Management Team. Other key persons comprise board members. In 2022, the group comprising the CEO, senior executives and board members numbered 15 persons (14). There are no agreements in place concerning severance pay.

Salaries and other remuneration of senior executives

2022, SEK 000	Basic pay/Director's 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

2021, SEK 000	Basic pay/Director's fee	Variable remuneration	Other benefits	Pension cost	Total
Chair of the Board Jan Andersson	375	-	-	-	375
Board member Lennart Pihl	255	-	-	-	255
Board member Charlotte Darth	205	-	-	-	205
Board member Marianne Trolle	175	-	-	-	175
Board member Christian Hammenborn	205	-	-	-	205
Board member Berndt Grundevik	175	-	-	-	175
Chief Executive Officer Björn Karlsson	1,680	-	4	123	1,807
Other senior executives (7)	7,784	-	346	1,655	9,785
Total	10,854	0	350	1,778	12,982

Guidelines for remuneration of senior executives

The following guidelines for remuneration of the Company's senior executives were adopted by the Annual General Meeting 2022 and are applicable until the Annual General Meeting 2026 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

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

Remuneration components

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

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 12 months for the CEO and EVP & CFO, and six months for other senior executives. No severance pay is payable.

Basis in salary and employment terms

Salary and employment terms for the Company's employees have been taken into account in drawing up the remuneration guidelines. Information on employees' total remuneration, remuneration components, and increase and rate of increase in remuneration over time have formed part of the Remuneration Committee's and the Board's basis for decisions when evaluating the fairness of the guidelines and the limitations they impose. 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 remuneration-related decisions that involve them. If a board member provides consulting services to the Company, the board member in question is not entitled to participate in the preparatory work of the Board (or the Remuneration Committee) concerning variable remuneration for the relevant consulting services.

Deviations from the guidelines

The Board may temporarily deviate from the guidelines in full or in part if 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.

Guidelines for remuneration of senior executives

The total remuneration of 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 Annual General Meeting 2022. The tables above show the actual cost of remuneration and other benefits paid to the Board of Directors, CEO (also President) and other senior executives for the 2022 and 2021 financial years. The senior executives, together with the CEO, make up the Management Team. The board fees for 2022 were set at the Annual General Meeting in April 2022 and relate to the period until the next Annual General Meeting.

Remuneration of the Board of Directors

Fees are paid to the Chair and other members of the Board in accordance with the resolution passed at the Annual General Meeting. The Annual General Meeting in April 2022 passed a resolution to pay a total fee of SEK 1,585,000 to the Board, to be divided among the members as follows: SEK 400,000 to the Chair of the Board and SEK 200,000 to each of the other shareholder-elected members not employed in the Company; SEK 75,000 to the chair of the Audit Committee and SEK 30,000 to each of the other members; and SEK 30,000 to the chair of the Remuneration Committee and SEK 20,000 to the other member.

Remuneration of other senior executives

Remuneration of the President and 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 1,680,000. 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. 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 on pages 58–65.

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 144,500 through the issue of 578,000 shares, equivalent to dilution of around 1.4%. 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 OMX 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. See Note 19 for more information on the incentive program.

Note 11. Financial items

	2022	2021
Exchange gain not relating to operations	0.4	0.1
Interest income	0.8	0.1
Option program	0.0	2.6
Financial income	1.2	2.8
Exchange loss not relating to operations	-0.6	-0.4
Interest expense	-7.8	-4.8
Other financial expense	-2.8	-
Financial expense	-11.2	-5.2

Note 12. Tax

Tax recognized in the income statement	2022	2021
Current tax for the year	-9.0	-2.2
Deferred tax	3.4	6.8
Prior year adjustments	0.6	-
Total	-5.0	4.6

Deferred tax expense/income for the year	2022	2021
Tax attributable to change in loss	2.4	1.2
Tax relating to change in temporary differences	0.1	-0.4
Tax relating to appropriations	0.9	5.5
Changed corporate tax rate	-	0.5
Total	3.4	6.8

Tax on profit for the year	2022	2021
Earnings before tax according to the income statement	19.2	-5.3
Tax according to the Parent Company tax rate (20.6%)	-4.0	1.1

Reconciliation of recognized tax

Non-taxable income	0.2	0.1
Non-deductible expenses	-1.1	-1.1
Expenses recognized via equity	1.4	5.0
Effect of change in temporary differences	-	-0.9
Non-capitalized tax loss carryforwards	0.5	-0.2
Revaluation of deferred tax relating to tax loss carryforwards	-1.1	-
Effect of standard income on opening balance of tax allocation reserve	0.0	0.1
Tax attributable to previous years	0.6	-
Difference in Group's tax rates in different countries	-1.5	0.5
Recognized tax expense/income	-5.0	4.6

Deferred tax assets / deferred tax liabilities 2022	Deferred tax assets	Deferred tax liabilities	Net
Intangible 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

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

	2022	2021
Reconciliation of net deferred tax liability		
Tax liability, January 1	-17.9	-4.4
Translation difference on translation of foreign subsidiaries	-0.2	-0.7
Additions via business combinations	-6.1	-19.6
Recognized via the income statement	3.4	6.8
Tax liability, December 31	-20.8	-17.9

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 48.4 million (11.4), SEK 13.0 million of which (11.4) 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 assets

	2022	2021
<i>Capitalized product development</i>		
Cost		
Opening balance, January 1	46.5	41.5
Additions for the year	13.2	5.0
Additions as a result of acquisitions	37.2	-
Closing balance, December 31	96.9	46.5
Amortization and impairment		
Opening balance, January 1	-35.8	-33.5
Amortization for the year	-4.9	-2.3
Closing balance, December 31	-40.7	-35.8
Carrying amount, December 31	56.2	10.7
<i>Goodwill</i>		
Business combinations		
Opening balance, January 1	201.2	-
Additions for the year	261.2	201.6
Translation difference	4.2	-0.4
Closing balance, December 31	466.6	201.2
Carrying amount, December 31	466.6	201.2

See Note 28 for further information on business combinations.

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, 2022. 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. A lower growth rate has been assumed for periods after year 5, corresponding to the estimated long-term growth rate for the industry.
- The working capital requirement during the useful life is calculated with the aid of the Group's historical experience and assumed organic sales growth.
- 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 discount rate after tax is 10.0% (9.8). The discount rate represents a current assessment of risks specific to MilDef. 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, Sysint AS and Handheld Group AB – 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.

The same uniform assessment also applies to expected future cash flow beyond 2027, which has been extrapolated using an estimated average long-term growth rate, or terminal growth rate, of 1.0% (1.0).

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.

Goodwill per cash-generating unit	2022	2021
Sysint AS	74.6	70.5
MilDef Integration Sweden AB	130.7	130.7
Handheld Group AB	261.3	-
Total	466.6	201.2

See also Note 28.

	2022	2021
<i>Exclusivity agreements</i>		
Cost		
Opening balance, January 1	9.0	8.1
Translation difference	1.4	0.9
Closing balance, December 31	10.4	9.0
Amortization and impairment		
Opening balance, January 1	-9.0	-7.1
Amortization for the year	-	-1.1
Translation difference	-1.4	-0.8
Closing balance, December 31	-10.4	-9.0
Carrying amount, December 31	0.0	0.0
<i>Customer relationships</i>		
Cost		
Opening balance, January 1	81.7	13.0
Additions for the year	0.0	67.5
Translation difference	3.1	1.2
Closing balance, December 31	84.8	81.7
Amortization and impairment		
Opening balance, January 1	-18.3	-11.4
Amortization for the year	-6.9	-5.8
Translation difference	-1.9	-1.1
Closing balance, December 31	-27.1	-18.3
Carrying amount, December 31	57.7	63.4
<i>Brands</i>		
Cost		
Opening balance, January 1	-	-
Additions for the year	56.0	-
Additions as a result of acquisitions	0.4	-
Translation difference	0.1	-
Closing balance, December 31	56.5	-
Amortization and impairment		
Opening balance, January 1	-	-
Amortization for the year	-1.4	-
Translation difference	-0.1	-
Closing balance, December 31	-1.5	-
Carrying amount, December 31	55.0	-

	2022	2021
<i>Software</i>		
Cost		
Opening balance, January 1	22.5	-
Additions for the year	0.0	22.4
Translation difference	1.3	0.1
Closing balance, December 31	23.8	22.5
Amortization and impairment		
Opening balance, January 1	-1.9	-
Amortization for the year	-2.4	-1.9
Translation difference	-0.1	0.0
Closing balance, December 31	-4.4	-1.9
Carrying amount, December 31	19.4	20.6
<i>Other intangible assets</i>		
Cost		
Opening balance, January 1	1.2	0.6
Additions for the year	-	0.6
Closing balance, December 31	1.2	1.2
Amortization and impairment		
Opening balance, January 1	-0.7	-0.6
Amortization for the year	-0.1	-0.1
Closing balance, December 31	-0.8	-0.7
Carrying amount, December 31	0.4	0.5
Amortization is recognized in comprehensive income as follows:		
Cost of goods sold	0.1	2.1
Selling expenses	11.5	7.6
Administrative expenses	1.7	-
Research and development expenses	2.4	1.4
Total	15.7	11.1

Note 14. Property, plant and equipment

	2022	2021
<i>Leasehold improvements</i>		
Cost		
Opening balance, January 1	7.8	0.5
Additions for the year	1.4	3.5
Divestments for the year	0.0	-0.6
Reclassifications for the year	0.0	4.3
Additions as a result of acquisitions	0.6	0.2
Translation difference	0.1	0.0
Closing balance, December 31	9.9	7.8
Depreciation and impairment		
Opening balance, January 1	-0.7	-0.4
Depreciation for the year	-0.9	-0.7
Divestments for the year	0.0	0.6
Additions as a result of acquisitions	0.0	-0.2
Translation difference	-	-
Closing balance, December 31	-1.6	-0.7
Carrying amount, December 31	8.3	7.2
<i>Equipment, fixtures and fittings</i>		
Cost		
Opening balance, January 1	15.9	8.8
Additions for the year	3.4	6.3
Divestments for the year	0.0	-0.1
Reclassification for the year	0.0	0.6
Additions as a result of acquisitions	1.1	0.2
Translation difference	0.1	0.0
Closing balance, December 31	20.5	15.9
Depreciation and impairment		
Opening balance, January 1	-8.6	-6.3
Depreciation for the year	-3.1	-2.2
Divestments for the year	-	0.0
Additions as a result of acquisitions	-	-0.1
Translation difference	0.0	0.0
Closing balance, December 31	-11.7	-8.6
Carrying amount, December 31	8.8	7.3

	2022	2021
<i>Construction in progress</i>		
Cost		
Opening balance, January 1	-	4.0
Additions for the year	-	-
Reclassification for the year	-	-4.0
Closing balance, December 31	-	0.0
Carrying amount, December 31	-	0.0
<i>Right-of-use assets</i>		
Cost		
Opening balance, January 1	72.2	70.4
Additional right-of-use assets	8.6	2.7
Additions as a result of acquisitions	27.4	-
Completed contracts	-2.0	-1.7
Reclassification for the year	0.0	0.5
Translation differences	1.0	0.4
Closing balance, December 31	107.2	72.2
Depreciation and impairment		
Opening balance, January 1	-12.4	-3.9
Depreciation for the year	-11.1	-9.6
Completed contracts	2.0	1.7
Reclassification for the year	0.0	-0.3
Translation differences	-0.5	-0.2
Closing balance, December 31	-22.0	-12.4
Carrying amount, December 31	85.2	59.8
Amortization is recognized in comprehensive income as follows:		
Cost of goods sold	1.2	1.8
Selling expenses	7.4	6.0
Administrative expenses	2.9	2.5
Research and development expenses	3.6	2.3
Total	15.1	12.6

Note 15. Other non-current receivables

	2022	2021
Opening balance, January 1	0.3	0.4
Additional customs guarantee	0.0	0.0
Additional rent deposit	0.1	-
Adjustment of receivables from employees	-0.1	-0.1
Translation difference	0.0	0.0
Closing balance, December 31	0.3	0.3

Note 16. Inventories

Inventories including obsolescence reserve	2022	2021
Products in progress	4.5	0.7
Finished products and goods for resale	248.2	95.2
Advance payments to suppliers	0.2	5.0
Total	252.9	101.0
Change in obsolescence reserve	2022	2021
Opening balance, January 1	-15.2	-14.2
Change in obsolescence reserve	-2.0	-2.0
Disposals	1.5	1.0
Additions as a result of acquisitions	-0.7	-
Exchange rate differences	0.0	-
Obsolescence reserve as of December 31	-16.4	-15.2
Carrying amount, December 31	236.5	85.8

The direct material cost for operations as a whole amounted to SEK 381.3 million (243.6) during the year, including a negative adjustment to the obsolescence reserve of SEK 0.9 million (1.1). The reserve for finished products and goods for resale is SEK 16.4 million (15.2), equivalent to 6% (15) of the inventory value before deduction for obsolescence.

Note 17. Accounts receivable and contract assets

	2022	2021
Accounts receivable and contract assets	274.1	146.1
Total	274.1	146.1
Age analysis, accounts receivable and contract assets	2022	2021
Accounts receivable and contract assets not past due	230.4	115.5
Accounts receivable 1–30 days past due	30.3	19.6
Accounts receivable 31–90 days past due	10.6	8.3
Accounts receivable >90 days past due	2.8	2.7
Total	274.1	146.1

MilDef applies the simplified method to calculate credit losses using 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, 2022, accounts receivable of SEK 43.7 million (30.6) were due within the Group, for which no requirement to recognize an impairment loss is considered to exist. The maximum exposure for credit risk as of the closing day is the fair value of accounts receivable and contract assets, which corresponds to the carrying amount. No assets have been pledged as security for recognized receivables. Contract assets refer to project work completed but not invoiced.

Note 18. Prepaid expenses and accrued income

	2022	2021
Prepaid rent	3.5	2.6
Prepaid car leases	0.2	0.1
Prepaid insurance	2.1	1.6
Prepaid marketing expenses	1.1	0.2
Prepaid bank fees	0.8	-
Prepaid R&D	0.8	-
Prepared IT service	0.8	0.4
Accrued income, projects	-	7.0
Other items	4.6	1.5
Total	13.9	13.4

Note 19. Equity and number of shares

As of December 31, 2022 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
Opening balance, January 1, 2021	11,618,422	5.8	58.1	63.9
New share issue	12,441,442	3.3	473.3	476.6
Issue costs	-	-	-24.4	-24.4
Share split (2:1)	12,329,509	-	-	-
Closing balance, December 31, 2021	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
Closing balance, December 31, 2022	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 entitlement to subscribe for new shares in MilDef, to be implemented in two stages. If the warrants are fully exercised, the share capital may be increased by a maximum of SEK 144,500 through the issue of 578,000 shares, equivalent to dilution of around 1.4%. A total of 490,500 options were subscribed for in stages I and II, 49,000 of which have been bought back. The warrants have been transferred on market terms at a price that was established based on an estimated market value at the grant date, SEK 5.92 or SEK 6.91 respectively, 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. The strike price is SEK 48.55/share per exercised option. 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, 2022.

Note 20. Pledged assets

	2022	2021
Chattel mortgages	97.5	30.0
Assets in subsidiaries	0.1	-
Total pledged assets	97.6	30.0

Note 21. Interest-bearing liabilities

	2022	2021
Long-term borrowing		
Bank loans	162.5	-
Contingent consideration	12.3	31.7
Lease liabilities	70.6	52.1
Short-term borrowing		
Bank loans	30.0	-
Contingent consideration	23.1	9.7
Lease liabilities	16.2	8.6
Total borrowing	314.7	102.1

During the year MilDef entered into an SEK 250 million credit facility with SEB, running until July 13, 2025, with an option to extend for two years. Unutilized credit including cash and cash equivalents amounted to SEK 134.9 million (219.3). Overdraft facility granted amounts to SEK 75.0 million (50.0), of which SEK 0 million had been utilized on the closing day (0).

Note 22. Provisions for warranties

	2022	2021
Opening balance, January 1	0.8	0.9
Reversed during the year	-0.1	-0.1
Closing balance, December 31	0.7	0.8

Note 23. Contract liabilities

Of the SEK 1.6 million recognized as contract liabilities as of December 31, 2021, SEK 0.5 million was recognized as revenue in 2022.

The contract liabilities relate to advance payments from customers.

Note 24. Accrued expenses and deferred income

	2022	2021
Accrued payroll expenses	27.4	15.6
Accrued social insurance contributions	11.1	8.3
Prepaid service contracts	23.4	-
Project work invoiced but not completed	4.1	11.2
Other items	6.2	3.7
Total	72.2	38.8

Note 25. Other items with no cash flow impact

	2022	2021
Change in warranty risk reserve	-0.1	-0.1
Translation difference on intra-Group transactions	-1.1	-0.8
Other	-	0.4
Total	-1.2	-0.5

Note 26. Change in liabilities from financing activities

	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	36.0
Translation differences	0.7	0.5	1.2
Other	4.8	-	4.8
Closing balance, December 31, 2022	227.9	86.8	314.7

	Interest-bearing liabilities	Lease liabilities	Total financial liabilities
Opening balance, January 1, 2021	-	66.7	66.7
Cash flow	-	-9.0	-9.0
Contingent considerations	41.4	-	41.4
New and amended right-of-use agreements	-	2.7	2.7
Translation differences	-	0.2	0.2
Other	-	0.1	0.1
Closing balance, December 31, 2021	41.4	60.7	102.1

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	126.7	0.0	6.7

There were no other transactions with related parties. The transactions relate to the period January 1 – December 31, 2022.

In 2022 Top Level AB, in which board member Berndt Grundevik is the majority shareholder, carried out consulting assignments for MilDef for a total of SEK 225,600. 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

Acquisition 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. The acquisition analysis was based on measurements of net assets and identifiable intangible assets which have not yet been fully established. The acquisition analysis is therefore considered preliminary.

Handheld Group's revenue prior to the acquisition amounted to SEK 143.9 million and revenue after the acquisition to SEK 66.7 million. 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 operating profit after the acquisition to SEK 0.8 million. 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.

Acquisitions 2021

Acquisition of Sysint AS

On March 11, 2021 MilDef acquired all of the shares in the Norwegian service and software provider Sysint AS ("Sysint"). Sysint is an IT company with a service offering aimed at Norwegian public-sector and industrial customers. For two decades Sysint has delivered IT services to defense actors, government agencies and sectors critical for society, such as health and energy. Software product development includes the NATO-compliant system OneCIS for fast and secure rollout of IT systems. This complements MilDef's hardware offering and creates a strong, comprehensive offering for MilDef's customers, and good potential both for further development locally and exports to other markets.

The initial purchase consideration of 711,087 newly issued shares in MilDef and a cash portion of NOK 49.3 million was paid on completion. 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 Sysint's operating profit in 2021 and 2022, contingent considerations of maximum NOK 22 million may become payable. The acquisition analysis is based on a sum of NOK 20 million becoming payable.

External transaction costs for the acquisition totaled around SEK 0.4 million and were mainly attributable to costs for local lawyers and other advisors. These costs are recognized in administrative expenses in the Group's income statement and are included in operating activities in the cash flow statement.

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

The goodwill of NOK 70.5 million that arose in connection with the acquisition is mainly attributable to the Company's expertise and processes within the market for IT services for defense actors, government agencies and sectors critical for society, such as health and energy. Coordination gains with MilDef's other entities are also expected. Sysint's revenue prior to the acquisition amounted to NOK 17.7 million and revenue after the acquisition to NOK 70.6 million. Total revenue for Sysint in 2021 was therefore NOK 88.3 million. Sysint's operating profit prior to the acquisition amounted to NOK 5.6 million and

operating profit after the acquisition to NOK 10.2 million. Total operating profit for Sysint in 2021 was therefore NOK 15.8 million. Operating profit refers to profit reported in Sysint and does not include amortization of goodwill.

Acquisition of MilDef Integration Sweden AB

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

The total purchase consideration consisted of 321,512 newly issued shares in MilDef and a cash portion of SEK 145 million, excluding any contingent consideration. The shares representing part of the consideration transferred have been calculated at fair value based on the published share price on the acquisition date. The contingent consideration is based on anticipated operating profit in 2021, 2022 and 2023. The maximum contingent consideration for the whole period amounts to SEK 40 million. The acquisition analysis is based on the maximum purchase consideration for 2022 and 2023.

In connection with the acquisition, existing customer relationships were identified at a total value of SEK 45.0 million.

The goodwill of SEK 130.7 million that arose in connection with the acquisition is mainly attributable to the Company's expertise and processes within the market for integration services for the defense market in Sweden. Coordination gains with MilDef's other entities are also expected. MIS's revenue prior to the acquisition amounted to SEK 50.3 million and revenue after the acquisition to SEK 56.9 million. Total revenue for MIS in 2021 was therefore SEK 107.2 million. MIS's operating profit prior to the acquisition amounted to SEK 6.0 million and operating profit after the acquisition to SEK 6.4 million. Total operating profit for MIS in 2021 was therefore SEK 12.4 million. Operating profit refers to profit reported in MIS 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 acquisitions on the Group's cash and cash equivalents.

	Handheld Group AB SEK m	Sysint AS NOK m	MilDef Integration Sweden AB SEK m
Total purchase consideration	350.0	112.2	181.3
Intangible assets – customer relationships	-	22.5	45.0
Intangible assets – software	-	22.5	-
Intangible assets – brands	56.5	-	-
Intangible assets – capitalized product development	37.4	-	-
Property, plant and equipment	29.3	-	0.1
Deferred tax assets	5.0	-	-
Other non-current receivables	-	0.4	-
Inventories	57.6	-	0.4
Accounts receivable	27.2	16.1	16.3
Other current receivables	21.8	7.2	13.1
Cash and cash equivalents	-	20.7	1.6
Non-current interest-bearing liabilities	-20.4	-	-
Deferred tax liabilities	-11.5	-9.9	-9.3
Accounts payable	-17.5	-7.8	-5.9
Current interest-bearing liabilities	-40.3	-	-
Other current liabilities	-56.3	-30.0	-10.7
Acquired identifiable net assets	88.8	41.7	50.6
Goodwill	261.2	70.5	130.7
Total acquired net assets	350.0	112.2	181.3
Cash flow attributable to the acquisition			
Purchase consideration paid	350.0	49.3	145.0
Cash in acquired entity	33.1	-20.7	-1.6
Net outflow of cash and cash equivalents	383.1	28.6	143.4

In addition to the recognized impact on the Group's cash and cash equivalents already mentioned in connection with acquisitions, in 2022 MilDef also adjusted part of the contingent consideration for the acquisition of Sysint AS in 2021. The adjustment amounted to SEK 11.4 million (0.0) and was paid to the previous owners. The likelihood of this adjustment and remaining contingent consideration for Sysint AS are estimated to be equivalent to the maximum outcome of the outstanding possible consideration. The changed estimates in relation to outstanding contingent considerations have impacted the income statement by SEK 2.1 million in 2022. This transaction-related cost is recognized as a financial expense.

The fair value of acquired assets and liabilities is largely consistent with the carrying amount, with the exception that intangible assets have been 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 August 2022 MilDef announced a 20-year framework agreement worth SEK 2.8 billion with an unnamed European NATO country's armed forces. In January 2023 the first orders were placed under the agreement. The value of this initial transaction is around SEK 50 million and is for deliveries during the period 2023–2024. The order is for prototype development and system design with a focus on digitalization, infrastructure and security.

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

On February 17 the Board of Directors announced their decision to make Daniel Ljunggren's interim position as CEO of the MilDef Group permanent.

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





Parent Company income statement

SEK m	Notes 1–2	2022	2021
Net sales	3, 4	79.3	64.0
Other operating income	8	-	2.2
Selling expenses		-28.8	-23.0
Administrative expenses		-31.5	-37.8
Research and development expenses		-20.4	-16.9
Other operating expenses	8	-0.8	-0.2
Operating profit	3, 4, 5, 6, 7, 9	-2.2	-11.7
Financial income	10	5.7	2.6
Financial expense	10	-9.5	-3.6
Profit after financial items		-6.0	-12.7
Year-end appropriations	11	8.7	33.3
Profit before tax		2.7	20.6
Tax on profit for the year	12	0.0	0.0
Net profit for the year		2.7	20.6
Parent Company statement of comprehensive income			
Net profit for the year		2.7	20.6
Other comprehensive income		-	-
Comprehensive income for the year		2.7	20.6

Parent Company balance sheet

SEK m	Notes 1–2	Dec. 31, 2022	Dec. 31, 2021
Non-current assets			
Property, plant and equipment			
	13		
Leasehold improvements		6.5	7.1
Equipment, fixtures and fittings		3.0	2.8
Total property, plant and equipment		9.5	9.9
Financial non-current assets			
Holdings in Group companies	14	780.6	430.6
Total financial non-current assets		780.6	430.6
Total non-current assets		790.1	440.5
Current assets			
Current receivables			
Receivables from Group companies		173.6	41.6
Tax assets		8.7	0.4
Other receivables		1.7	0.0
Prepaid expenses and accrued income	15	5.6	4.2
Total current receivables		189.6	46.2
Cash and bank balances		51.5	202.2
Total current assets		241.1	248.4
TOTAL ASSETS		1,031.2	688.9
EQUITY AND LIABILITIES			
Equity			
	16		
Restricted equity			
Share capital		10.0	9.1
Total restricted equity		10.0	9.1
Unrestricted equity			
Share premium reserve		729.3	507.0
Retained earnings		11.8	18.5
Net profit for the year		2.7	20.6
Total unrestricted equity		743.8	546.1
Total equity		753.8	555.2
Untaxed reserves	17	3.6	5.5
Non-current liabilities			
Non-current interest-bearing liabilities		174.8	31.7
Total non-current liabilities		174.8	31.7
Current liabilities			
Current interest-bearing liabilities		53.1	9.7
Accounts payable		3.2	1.8
Liabilities to Group companies		30.0	73.7
Other current liabilities		2.4	3.9
Accrued expenses and deferred income	18	10.3	7.4
Total current liabilities		99.0	96.5
TOTAL EQUITY AND LIABILITIES		1,031.2	688.9

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, 2021	5.8	58.1	36.0	99.9
Comprehensive income for the year			20.6	20.6
New share issues after share issue expenses	3.3	448.9	-	452.2
<i>Transactions with shareholders in their capacity as owners</i>				
Dividend to shareholders	-	-	-17.4	-17.4
Closing balance, December 31, 2021	9.1	507.0	39.1	555.2
Opening balance, January 1, 2022	9.1	507.0	39.1	555.2
Comprehensive income for the year			2.7	2.7
New share issues after share issue expenses	0.9	222.3	-	223.2
<i>Transactions with shareholders in their capacity as owners</i>				
Dividend to shareholders	-	-	-27.3	-27.3
Closing balance, December 31, 2022	10.0	729.3	14.5	753.8

Parent Company cash flow statement

SEK m	Note	2022	2021
Operations			
Operating profit		-2.2	-11.7
Adjustments for non-cash items:			
Depreciation, amortization and impairment charged to operating profit		1.7	1.5
Other		5.5	-
Total		7.2	1.5
Interest received		5.7	2.6
Interest paid		-9.5	-3.6
Taxes paid		-8.3	-4.2
Cash flow from operating activities before changes in working capital		-7.1	-15.4
Increase (-) / decrease (+) in operating receivables		-143.3	1.0
Increase (-) / decrease (+) in operating liabilities		-40.9	-30.3
Change in working capital		-184.2	-29.3
Cash flow from operating activities		-191.3	-44.7
Investing activities			
Investments in property, plant and equipment		-1.4	-6.8
Acquisition of subsidiaries		-270.0	-171.2
Cash flow from investing activities		-256.4	-178.0
Financing activities			
Dividend to shareholders		-27.3	-17.4
New share issues		143.2	389.3
Increase in liabilities to credit institutions		200.0	30.0
Decrease in liabilities to credit institutions		-18.9	-30.0
Group contributions from subsidiaries		15.0	46.0
Cash flow from financing activities		297.0	417.9
Cash flow for the year		-150.7	195.2
Change in cash and cash equivalents			
Cash and cash equivalents, January 1		202.2	7.0
Cash flow for the year		-150.7	195.2
Cash and cash equivalents, December 31		51.5	202.2
Unutilized credit		75.0	50.0
Available liquidity		126.5	252.2

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 Financial Reporting Board (RFR), RFR 2. Under 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.

Material differences between the Group and Parent Company accounting principles

Intangible assets

In accordance with IAS 38 Intangible assets, product development expenses are capitalized only in the Group. However, such expenses are expensed in both the Parent Company and the individual subsidiaries.

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

	2022	2021
Net sales		
Sales within the EU	52.9	46.3
Sales outside the EU	26.4	17.7
Total	79.3	64.0

Note 4. Intra-Group purchases and sales

	2022	2021
Percentage of sales to Group companies	100%	100%
Percentage of purchases from Group companies	0%	0%

Net sales relates to revenue for intra-Group services.

Note 5. Lease payments

	2022	2021
Operating leases		
Lease payments for the year	10.1	8.8
Outstanding lease payments fall due as follows:		
Within one year	10.1	8.9
Later than one year but within five years	37.7	35.6
Later than five years	26.6	29.2
Total	74.4	73.7

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

Note 6. Nature of expense method

	2022	2021
Other costs	33.9	36.5
Personnel costs	45.0	39.7
Depreciation/amortization and impairment	1.8	1.5
Other operating expenses	0.8	0.2
Total	81.5	77.9

Note 7. Audit fees

	2022	2021
Mazars AB:		
Audit assignment	0.7	0.7
Audit-related activities besides the audit assignment	0.5	0.5
Tax advisory services	-	0.2
Total	1.2	1.4

The audit assignment 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 review tasks.

Note 8. Other operating income/expenses

	2022	2021
Donations to the MilDef Charity Foundation	-0.7	-0.2
Exchange gain relating to operations	1.4	3.3
Exchange loss relating to operations	-1.5	-1.1
Total	-0.8	2.0

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

	2022	2021
Average number of employees	36	31
Percentage of men	60	58
Number of employees as of December 31	42	30
Percentage of men	62	63

Gender balance in management	2022	2021
Board of Directors	6	6
Percentage of men	67	67
Management Team	9	9
Percentage of men	78	78

Wages, salaries and other remuneration	2022	2021
Board of Directors & CEO	3.4	2.0
Other employees	25.8	23.2
Total	29.2	25.2

Social insurance contributions

All employees	14.4	12.0
<i>Of which pension expenses</i>		
Board of Directors & CEO	0.1	0.1
Other employees	4.2	3.5
Total	4.3	3.6

For further information, see Note 10 on page 104.

Note 10. Financial items

	2022	2021
Interest income	5.3	2.6
Exchange gain not relating to operations	0.4	-
Financial income	5.7	2.6
Exchange loss not relating to operations	-0.6	-0.4
Interest expense	-8.9	-3.2
Financial expense	-9.5	-3.6

Note 11. Year-end appropriations

	2022	2021
Group contributions received	6.8	15.0
Reversal of tax allocation reserve	2.7	19.8
Change in accelerated depreciation/amortization	-0.8	-1.5
Total	8.7	33.3

Note 12. Tax on profit for the year

	2022	2021
Current tax expense (-)/tax income (+)		
Current tax for the year	0.0	0.0
Deferred tax	-	-
Total	0.0	0.0
Tax on profit for the year		
Earnings before tax according to the income statement	2.7	20.6
Tax according to the Parent Company tax rate (20.6%)	-0.6	-4.4
Reconciliation of recognized tax		
Effect of standard income/expense on tax allocation reserve	0.0	-0.1
Expenses recognized via equity	1.4	5.0
Non-taxable income	0.0	-
Non-deductible expenses	-0.8	-0.5
Recognized tax expense	0.0	0.0

Note 13. Property, plant and equipment

	2022	2021
Leasehold improvements		
Cost		
Opening balance, January 1	7.8	0.0
Additions for the year	0.2	7.8
Closing balance, December 31	8.0	7.8
Depreciation and impairment		
Opening balance, January 1	-0.7	-
Depreciation for the year	-0.8	-0.7
Closing balance, December 31	-1.5	-0.7
Carrying amount, December 31	6.5	7.1
Equipment, fixtures and fittings		
Cost		
Opening balance, January 1	3.9	0.9
Additions for the year	1.1	3.0
Closing balance, December 31	5.0	3.9
Depreciation and impairment		
Opening balance, January 1	-1.1	-0.3
Depreciation for the year	-0.9	-0.8
Closing balance, December 31	-2.0	-1.1
Carrying amount, December 31	3.0	2.8

Note 14. Holdings in Group companies

	2022	2021
Cost		
Opening balance, January 1	443.6	78.2
Additions for the year	350.0	294.4
Shareholders' contributions paid	-	71.0
Closing balance, December 31	793.6	443.6
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	780.6	430.6

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
MilDef Oy, 3325523-7, Espo, Finland	1,000	100	0.0
Sysint AS, 825 838 392, Oslo, Norway	30,000	100	113.1
Handheld Group AB, 556556-2799, Lidköping, Sweden	4,374,000	100	350.0
<i>Handheld Group 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 Italia SRL, 10065441007, Rome, Italy</i>	10,000	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 Finance AB, 556835-0259, Lidköping, Sweden</i>	50,000	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			780.6

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

Note 15. Prepaid expenses and accrued income

	2022	2021
Prepaid rent	2.3	2.0
Prepaid insurance	1.2	0.9
Prepaid marketing expenses	0.1	0.2
Prepaid bank fees	0.8	-
Prepaid IT services	0.3	0.4
Other items	0.9	0.7
Total	5.6	4.2

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 (36,389,373) and the share capital amounts to SEK 9,964,891.50 (9,097,343.25).

No. of shares	No. of shares	Share capital	Other capital contributions	Total
Opening balance, January 1, 2021	11,618,422	5.8	58.1	63.9
New share issue	12,441,442	3.3	473.3	476.6
Issue costs	-	-	-24.4	-24.4
Share split (2:1)	12,329,509	-	-	-
Closing balance, December 31, 2021	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
Closing balance, December 31, 2022	39,859,566	10.0	729.3	739.3

Note 17. Untaxed reserves

	2022	2021
Tax allocation reserve	-	2.7
Accelerated depreciation/amortization	3.6	2.8
Total	3.6	5.5

Note 18. Accrued expenses and deferred income

	2022	2021
Accrued payroll expenses	5.0	3.8
Accrued social insurance contributions	4.4	1.9
Other items	0.9	1.7
Total	10.3	7.4

Note 19. Contingent liabilities

	2022	2021
Guarantee commitments for liabilities in subsidiaries	3.1	2.3

Note 20. Proposal for allocation of profit

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

	SEK
Share premium reserve	729,345,245
Retained earnings	11,854,519
Comprehensive income for the year	2,625,431
Total	743,825,195

To be allocated as follows:

	SEK
Carried forward	743,825,195
Total	743,825,195

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

	SEK
Share capital	9,964,891
Share premium reserve	729,345,245
Retained earnings	14,479,949
Total	753,790,085

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 May 4, 2023. 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 25, 2023.

The Annual Report and consolidated financial statements were, as stated above, approved for issuance by the Board of Directors and CEO on May 4, 2023.

Jan Andersson
Chair of the Board

Christian Hammenborn
Board member

Marianne Trolle
Board member

Berndt Grundevik
Board member

Björn Karlsson
CEO

Lennart Pihl
Board member

Charlotte Darth
Board member

Our auditor's report was issued on May 4, 2023

Bengt Ekenberg
Authorized Public Accountant

Andreas Brodström
Authorized Public Accountant

Report on the annual accounts and consolidated financial statements

Opinions

We have audited the annual accounts and the consolidated financial statements of MilDef Group AB, corp. reg. no. 556893-5414 for the year 2022. The annual accounts and the consolidated financial statements are included in pages 79–136 of this document.

In our opinion, the annual accounts have been prepared in accordance with the Swedish Annual Accounts Act and, in all material respects, give a true and fair view of the parent company's financial position as of December 31, 2022 and its financial performance and cash flow for the year in accordance with the Annual Accounts Act. The consolidated financial statements have been prepared in accordance with the Annual Accounts Act and, in all material respects, give a true and fair view of the group's financial position as of December 31, 2022 and its financial performance and cash flow for the year in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The directors' report is consistent with the other parts of the annual accounts and consolidated financial statements.

We therefore recommend that the shareholders' meeting 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 financial statements are consistent with the content of the additional report that has been submitted to the parent company's board of directors in accordance with the Audit Regulation (537/2014/EU) 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. To the best of our knowledge and belief, we confirm that no prohibited services referred to in the Audit Regulation (537/2014/EU) 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.

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 financial statements for the period concerned. These matters were addressed in the context of our audit of, and in forming our opinion on, the annual accounts and consolidated financial statements as a whole, but we do not provide a separate opinion on these matters.

Acquisition analysis and valuation of goodwill

See Notes 3, 13 and 28 in the annual accounts and consolidated financial statements for detailed disclosures and descriptions of the matter.

Description of the matter

The group carried out one acquisition during the year. In preparing the acquisition analysis, assets acquired and liabilities assumed, whether or not they were previously recognized, are identified and provision made at amounts corresponding to their fair value on the acquisition date. Should contingent considerations be relevant, these are also estimated in connection with the acquisition analysis.

Preparing this analysis requires knowledge of the methods to be used in the analysis and of which circumstances in the acquired entity give rise to amounts to be recognized in the group. The acquisition analysis requires the management team to exercise judgment as to which assets are to be recognized.

As of December 31, 2022 the group recognized goodwill of SEK 466.6 million, representing 33% of total assets. Goodwill is subject to annual impairment testing, incorporating both complexity and significant elements of judgment by the management team.

In accordance with the relevant regulations, the impairment testing is to be performed using a certain method, whereby the management team makes forecasts of the company's environment, both internal and external, and plans. Examples of such estimates are future receipts and payments, which among other things requires assumptions regarding future market conditions and hence, indirectly, how competitors can be expected to act. Another important assumption is the discount rate that should be applied to take into consideration that estimated future receipts are associated with risk and hence are valued lower than cash and cash equivalents directly available to the group.

How our audit addresses the matter

We have familiarized ourselves with the company's impairment tests in order to assess whether they are performed in accordance with the prescribed method. We have further assessed the reasonableness of the future receipts and payments and the assumed discount rate by familiarizing ourselves with and evaluating the management team's budgets. We have also interviewed the management team.

We have consulted our own valuation specialist so as to guarantee the required experience and expertise in the matter, particularly regarding assumptions linked to the external market and competitors and concerning the discount rate applied. A sensitivity analysis to evaluate how changes in the assumptions may affect the valuation has been an important part of our work.

We have consulted a valuation specialist in connection with our review of the acquisition analysis, which among other things focused on the intangible assets and on ensuring that the methods the management team used to assign values to these assets in the financial statements is consistent with the regulations and established valuation methods. We have verified that the values included in the acquisition analysis exist and that all the assets and liabilities have been included. Among other things this assessment has been based on reconciliation with the financial statements of the acquired group, inspection of acquisition agreements entered into and management's assumptions regarding contingent considerations. We have also checked the completeness of the disclosures in the financial statements and assessed whether they are consistent with the assumptions the company has applied in its impairment testing and acquisition analysis, and whether the information is comprehensive enough to understand management's judgments.

Revenue recognition

See Note 1 to the annual accounts and consolidated financial statements for details of the accounting principles applied.

Description of the matter

MilDef Group AB generates revenue from sales of hardware, software and services. The proportion of sales of software and services has increased as a result of acquisitions. Where sales of hardware are concerned, revenue is recognized in connection with delivery of the products. Sales of software and services are based on agreements with customers where revenue is recognized successively after delivery and performance.

How our audit addresses the matter

We have tested a sample of the companies' invoicing around year-end to assess the accuracy of the companies' accruals and revenue recognition, both for product sales and sales of software/services.

We have, on a random basis, checked completed projects against the project accounts, followed up whether the forecasts for these projects have been updated and, hence, whether the profit and revenue recognition have been estimated fairly. We tested a sample of the revenue transactions recognized during the year by tracing them to documented proof that delivery or receipt had taken place.

Other information than the annual accounts and consolidated financial statements

This document also contains other information than the annual accounts and consolidated financial statements, and this is found on pages 1–78 and 143–148. The board of directors and chief executive officer are responsible for this other information.

Our opinion on the annual accounts and consolidated financial statements does not cover this 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 financial statements, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated financial statements. 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 directors and chief executive officer

The board of directors and chief executive officer are responsible for preparation of the annual accounts and consolidated financial statements and that they give a true and fair view in accordance with the Annual Accounts Act and, concerning the consolidated financial statements, in accordance with IFRS as adopted by the EU. The board of directors and chief executive officer are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated financial statements, the board of directors and chief executive officer are responsible for the assessment of the parent 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 chief executive officer intend to liquidate the company, to cease operations or have no realistic alternative but to do so.

Without prejudice to the board of directors' responsibilities and tasks in general, one of the tasks of the audit committee is to oversee the company's financial reporting process.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated financial statements 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 financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting principles applied and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and CEO.
- Conclude on the appropriateness of the board of directors' and chief executive officer's use of the going concern basis of accounting in preparing the annual accounts and consolidated financial statements. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated financial statements, including the disclosures, and whether the annual accounts and consolidated financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the board of directors of, among other matters, the planned scope and timing of the audit. We must also inform the board of directors of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them concerning all relationships and other matters that may reasonably be thought to have a bearing on our independence, and where applicable, steps or countermeasures taken to eliminate threats.

Of the matters communicated to the board of directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated financial statements, including the risks of material misstatement assessed to be most important and which are therefore the key audit matters. We describe these matters in the auditor's report unless laws or regulations preclude disclosure of the matter.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated financial statements, we have also audited the administration of the board of directors and chief executive officer of MilDef Group AB for the year 2022 and the proposed appropriations of the company's profit or loss.

We recommend to the shareholders' meeting that the profit be appropriated in accordance with the proposal in the directors' report and that the members of the board of directors and chief executive officer 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 directors and chief executive officer

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's equity, need to strengthen the balance sheet, 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 CEO is to manage the ongoing administration according to the board of directors' guidelines and instructions and among other matters take the measures necessary to fulfill the company's accounting in accordance with law and to manage the company's assets in a safe manner.

Auditor's responsibilities

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 chief executive officer in any material respect:

- has undertaken any action or been guilty of any omission that can give rise to liability for damages against 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 for damages against the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss are based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment, taking a starting point in risk and materiality. This means that we focus the examination on such actions, matters and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions made, decision data, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the board of directors' proposed appropriations of the company's profit or loss, we examined the board of directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

Observation

The following observation does not affect the opinions above. On a small number of occasions during the financial year, the company has paid value added tax late and has therefore not been in compliance with the Swedish Tax Procedures Act. The delays are the result of staff changes. The oversights have not had any consequences for the company beyond interest on late payments.

The auditor's examination of the ESEF report

Opinion

In addition to our audit of the annual accounts and consolidated financial statements, we have also examined whether the board of directors and chief executive officer have prepared the annual accounts and consolidated financial statements 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 2022 financial year.

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' responsibilities section. We are independent of MilDef Group AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our professional ethical responsibility 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 chief executive officer

The board of directors and chief executive officer are responsible for the preparation of the ESEF report in accordance with Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the board of directors and chief executive officer deem necessary to prepare the ESEF report without material misstatements, whether due to fraud or error.

Auditor's responsibilities

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 audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented guidelines and procedures regarding compliance with professional ethical requirements, professional standards, and 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 financial statements. 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 report by the board of directors and chief executive officer, 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 chief executive officer.

The procedures mainly include validation of whether the ESEF report has been prepared in a valid XHTML format and checking that the ESEF report is consistent with the audited annual accounts and consolidated financial statements.

The procedures further include an assessment of whether the group's income statement, balance sheet, statement of changes in equity, cash flow statement and notes in the ESEF report have been marked with iXBRL tags in accordance with the provisions of the ESEF Regulation.

Bengt Ekenberg and Andreas Brodström, both from the audit company Mazars AB, Terminalgatan 1, 252 78 Helsingborg, were appointed as MilDef Group AB's auditors by the Annual General Meeting on May 12, 2022, and have been the Company's auditors since April 4, 2016.

Helsingborg, May 4, 2023

Bengt Ekenberg
Authorized Public Accountant

Andreas Brodström
Authorized Public Accountant

Auditor's report on the statutory sustainability report

To the general meeting of MilDef Group AB, id nr. 556893-5414

It is the board of directors who is responsible for the statutory sustainability report that it has been prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR's 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.

A statutory sustainability report has been prepared.

Helsingborg, 2023-05-04

Bengt Ekenberg
Authorized Public Accountant

Andreas Brodström
Authorized Public Accountant

Five-year summary

Key figures		2022	2021	2020	2019	2018
Sales and profit						
Net sales	SEK m	738.8	469.6	398.4	334.0	243.8
Operating profit (EBITDA)	SEK m	60.0	20.7	68.5	35.9	24.2
Adjusted operating profit (EBITDA)	SEK m	60.0	32.2	72.8	35.9	22.4
Operating profit (EBITA)	SEK m	44.8	8.2	62.8	35.9	22.4
Adjusted operating profit (EBITA)	SEK m	44.8	19.7	67.1	0.0	0.0
Operating profit (EBIT)	SEK m	29.2	-2.9	56.9	24.9	17.8
Adjusted operating profit (EBIT)	SEK m	29.2	8.6	61.2	0.0	0.0
Profit after financial items (EBT)	SEK m	19.2	-5.3	55.4	25.1	19.2
Net profit for the year	SEK m	14.2	-0.7	42.5	19.0	12.1
Cash flow						
Cash flow from operating activities	SEK m	-76.8	-55.5	61.7	-7.9	25.8
Cash flow from investing activities	SEK m	-401.3	-187.2	-8.6	-2.7	-3.6
Cash flow from financing activities	SEK m	365.7	362.9	-14.4	-12.0	-17.9
Operating cash flow	SEK m	-95.0	-71.4	53.1	-10.6	22.2
Cash flow for the year	SEK m	-112.4	120.3	38.7	-22.6	4.3
Capital employed and financing						
Total assets	SEK m	1,393.9	808.2	367.9	285.2	178.2
Average capital employed	SEK m	886.5	428.3	200.2	172.8	90.4
Net debt/net cash excl. lease liabilities	SEK m	168.0	127.8	46.8	9.1	31.5
Equity attributable to owners of the parent	SEK m	787.9	568.2	132.6	101.3	87.7

Five-year summary

Key figures		2022	2021	2020	2019	2018
Data per share, SEK*						
Number of outstanding shares, December 31	NUMBER	39,859,566	36,389,373	11,618,422	11,618,422	11,618,422
Average number of shares, before dilution	NUMBER	37,400,988	26,243,169	11,618,422	11,618,422	11,498,738
Average number of shares, after dilution	NUMBER	37,844,488	26,243,169	11,618,422	11,618,422	11,498,738
Earnings per share, before dilution	SEK	0.38	-0.03	1.83	0.82	0.52
Earnings per share, after dilution	SEK	0.37	-0.03	1.83	0.82	0.52
Equity per share, before dilution	SEK	19.77	15.61	5.71	4.36	3.78
Equity per share, after dilution	SEK	19.55	15.61	5.71	4.36	3.78
Operating cash flow per share, before dilution	SEK	-2.38	-2.72	4.57	-0.91	1.93
Operating cash flow per share, after dilution	SEK	-2.36	-2.72	4.57	-0.91	1.93
Dividend per share	SEK	0.00	0.75	0.75	0.38	0.25
Share price at 31 December	SEK	80.80	52.40	-	-	-
Dividend yield	%	0.00	1.43	-	-	-
Performance measures						
Gross margin	%	48.0	44.7	45.7	37.4	37.6
Operating margin (EBITDA)	%	8.1	4.4	17.2	10.7	9.9
Adjusted operating profit (EBITDA)	%	8.1	6.9	18.3	10.7	9.9
Operating margin (EBIT)	%	6.1	1.7	15.8	10.7	9.2
Adjusted operating profit (EBITA)	%	6.1	4.2	16.8	10.7	9.2
Operating margin (EBIT)	%	4.0	-0.6	14.3	7.4	7.3
Adjusted operating profit (EBIT)	%	4.0	1.8	15.4	7.4	7.3
Profit margin (EBT)	%	2.6	-1.1	13.9	7.5	7.9
Return on capital employed	%	3.7	0.0	30.6	19.7	24.8
Return on equity	%	2.1	-0.2	36.4	20.1	14.0
Equity/assets ratio	%	56.5	70.3	36.0	35.5	49.2
Other						
Number of employees at year-end	NUMBER	291	188	119	93	86
Average number of employees	NUMBER	233	154	97	85	81

* To enable year-on-year comparisons, data for 2018–2020 has been adjusted for the 2:1 share split implemented in April 2021.

Definitions

NUMBER OF OUTSTANDING SHARES

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

RETURN ON EQUITY

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

RETURN ON CAPITAL EMPLOYED

Profit after financial 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 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 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, less interest-free current liabilities, excluding current tax liabilities.

OPERATING MARGIN

Operating profit as a percentage of net sales.

EQUITY/ASSETS RATIO

Equity as a percentage of total assets.

CAPITAL EMPLOYED

Equity plus interest-bearing net debt.

EARNINGS PER SHARE, BEFORE DILUTION

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

EARNINGS PER SHARE, AFTER DILUTION

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

Articles of Association

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 Business activities

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 12, 2022.



Financial calendar:

Interim Report Q1 2023.....	May 5, 2023
Annual General Meeting 2023	May 25, 2023
Interim Report Q2 2023.....	July 27, 2023
Interim Report Q3 2023.....	October 26, 2023
Year-End Report 2023	February 8, 2024

For further information contact:

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We digitalize the world

where the stakes are the highest, requirements are the toughest,
and when technology has game-changing potential