



ANNUAL REPORT 2021

DARE to DUG!

Veg of Lund AB (publ)

Corporate registration number: 559054-4655

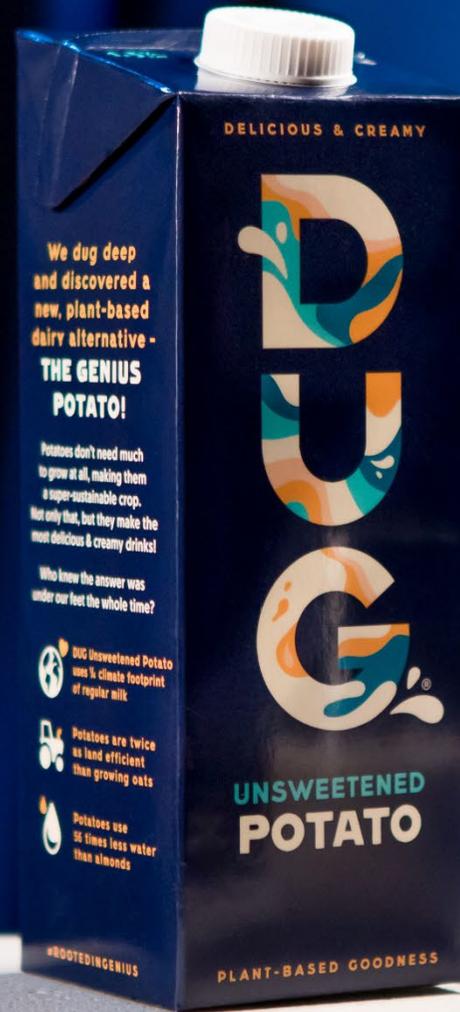


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"Veg of Lund" refers to Veg of Lund AB (publ), reg.no. 559054-4655.
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The audited annual report of Veg of Lund AB consists of the pages 20–34. The annual report is published in Swedish and English, with the Swedish version being the original. Sustainability priorities are integrated in the annual report as a whole.

The Veg of Lund AB share is traded on Nasdaq First North Growth Market
Ticker: VOLAB | ISIN code: SE0013281979
Number of shares and votes: 12,244,336
Certified Adviser: Mangold Fondkommission AB, telephone: +46 8-5030 15 50,
e-mail: ca@mangold.se

The figures presented in this annual report are, in some cases, rounded. As a result, table totals may not tally exactly. All figures are stated in Swedish kronor (SEK) unless otherwise specified. 'TSEK' refers to SEK thousands, 'MSEK' to SEK millions, and 'BnSEK' to SEK billions. References are found on page 9. Information in the annual report relating to future conditions, such as statements and assumptions regarding Veg of Lund's future development and market conditions, is based on the circumstances prevailing at the time of publication. Forward-looking statements reflect the company's current views and expectations about future events and financial and operational developments and is always subject to uncertainties as it relates to and depends on circumstances beyond Veg of Lund's control. No assurance is therefore given, either explicitly or implicitly, that estimates made in the annual report relating to future conditions will materialize. ©2022 Veg of Lund AB.

VEG OF LUND IN BRIEF

Veg of Lund AB develops unique plant-based foods meeting consumers' demands for taste and sustainability. The company has roots in research at Lund University and owns patented methods for developing new food categories in the fast-growing market for plant-based foods.

Veg of Lund's climate-smart and tasty products are sold in Europe and Asia under the DUG® brand. The company's share is listed on Nasdaq First North Growth Market under the ticker VOLAB since February 2020.

Products and patents for the planet

Veg of Lund is based on research by Professor Eva Tornberg at Lund University. She took up the challenge of creating the ultimate plant-based beverage, adapted for a lifestyle where more people want vegetarian equivalents. She discovered that potato and rapeseed oil had the right properties, but there was a challenge in mixing the two together (like oil and water).



Eva Tornberg is a researcher and Veg of Lund's Head of Research and Development. She developed the patents that became the foundation for Veg of Lund in 2016. Originating from her vision and expertise in identifying new combinations of various proteins, the aim was to create tasty and healthy plant-based products that respond to consumers' more and more apparent demand for health-oriented and climate-smart meal choices.



Today, Veg of Lund is a company with both patents and products that help consumers make lifestyle choices that benefit the planet.

DUG® is launched, attracts a lot of attention

In May 2021, Veg of Lund launched its second plant-based beverage, which was given the name DUG® and presented in three flavours. DUG® has a well-balanced and creamy taste profile, and the content is healthy and free of allergens.

When we choose what to eat and drink, taste and texture are important factors, and Veg of Lund has been successful in introducing beverages with an international appeal.

Already in 2018, the company's smoothie won the "Best convenience food" award, and at this year's World Food Innovation Awards, the company's potato-based beverage, DUG®, was crowned winner in the Best Allergy-Friendly Product category. It also achieved high rankings in three other categories and won a special award in the Best Plant-Based Beverage category. A total of 276 products from 22 countries participated in the international jury-decided award.

Why the name DUG?

The choice of the English word 'dug' alludes to how Veg of Lund dug right were it stood to uncover the answer underground: 'We dug deep and discovered a new plant-based dairy alternative'. The sustainability profile of DUG® is among the strongest on the market, with a quarter of the carbon footprint compared with milk of animal origin, with efficient use of land, and very low water consumption.



Veg of Lund aims to become a leader in several categories

Veg of Lund's vision is to become a leading operator in the international market for plant-based food, by developing and supplying innovative products for consumers that are conscious about health and the environment.

Together with Scandi Standard, Veg of Lund intends to advance the joint development project relating to white and red meat substitutes to market launch.



Veg of Lund is continuously broadening its patent portfolio and intends to transfer its patented technology to product development in the most interesting segments, such as ice cream and cream products. Concepts and branding will be developed for establishment and growth within these segments.

The focus in 2022 is to increase sales of DUG®, partly through our own organisation and partly in cooperation with licensees in countries with high demand for plant-based foods.

The future of plant-based beverages

The Market research company Grand View Research ("GVR") estimates global sales of plant-based beverages in 2021 at USD 23.2 billion. GVR estimates an average annual growth rate of 12.5 percent for the market until 2028, when it is estimated to reach USD 52.6 billion.¹

The largest regional market in 2020 was Asia/Oceania, accounting for 44 percent of sales of dairy alternatives. This was followed by North America, with around 27 percent, and Europe, with around 20 percent.

MILESTONES IN 2021

Quarter 1

- Financing secured the DUG® development
- Agreement with sales broker in the United States
- DUG® named winner in three categories at the World Food Innovation Awards

Quarter 2

- Annual General Meeting of Veg of Lund AB
- DUG® launched in the strategic markets Sweden, the United Kingdom and China

Quarter 3

- New CEO and new CFO took office
- Thomas Olander stepped down from the Board of Directors of Veg of Lund
- A number of distribution agreements concluded with Swedish and UK retailers and online stores with global presence
- A directed issue of units of approximately MSEK 30 was carried out

Quarter 4

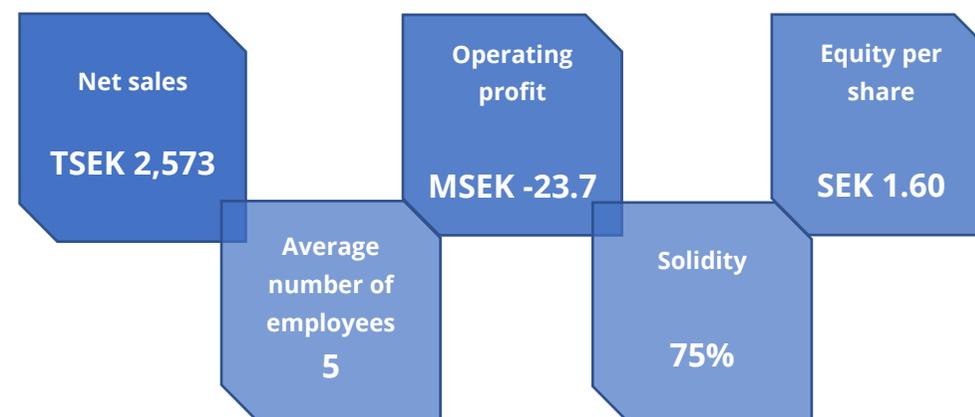
- The company conducted a directed issue of 78,080 shares following a request for conversion from lenders in the obtained bridge facility
- The organization was strengthened with a Supply Chain Responsible
- The UK food chain Waitrose expanded its plant-based range to include DUG®
- Nasco, UK food wholesale company focusing on the Middle East and the Mediterranean region, and Ocado, the world's largest online grocery retailer, both chose DUG®. The largest independent wholesaler in the United Kingdom, Bestway, and the leading health food wholesaler, Health Made Easy Group, also included DUG® in their respective ranges.
- Cecilia Lindwall left the company and Emma Källqvist was appointed acting CEO of Veg of Lund.

Significant events after the end of the year

- An extraordinary general meeting held on 31 January 2022 elected two new members to the Board of Directors: Magnus Nordin and Håkan K Pålsson. Håkan K Pålsson was elected Chairman of the Board
- Veg of Lund has started selling its plant-based beverage DUG® directly to UK food producers and Irish grocery chains

THE GROUP'S INDICATORS (see definitions on page 39)

TSEK	Full year 2021	Full year 2020
Net sales	2,573	1,177
Gross margin, %	26	33
EBITDA	-22,500	-17,325
EBITDA margin, %	Neg.	Neg.
Operating profit (EBIT)	-23,641	-17,785
EBIT margin, %	Neg.	Neg.
Net profit for the period	-23,754	-18,348
Profit margin, %	Neg.	Neg.
Basic and diluted earnings per share, SEK	-2.10	-1.80
Solidity, %	75	70
Equity per share, SEK	1.60	0.60
Balance sheet total	25,971	9,063
Cash flow from operating activities	-31,484	-17,899
Average number of employees	5	2.5



A WORD FROM THE CEO



Veg of Lund's potato-based beverage DUG® has in a short period of time received significant attention from consumers and the media. During the launch in Sweden and the United Kingdom, we have signed agreements with leading coffee shops, online stores, and several large and reputable food chains that want to sell DUG®.

Sales in 2021 were mainly made to smaller retailers that are among the pioneers of the industry, but in step with the positive feedback from customers and our own sales efforts, we have reached out more widely through well-known retailers such as Axfood, ICA, and Mathem in Sweden and Bestway, Ocado, and Nasco based in the United Kingdom.

In 2022, we will start delivering to several of the customers that concluded agreements in the fourth quarter of 2021, including the well-known UK grocery chain Waitrose, which has proclaimed 2022 to be the Year of the Potato in order to highlight the small carbon footprint of this root vegetable in food.

The launch of DUG® in our strategic markets Sweden and the United Kingdom, and in other selected geographies, continues. The DUG® range comprises three different options, *Original*, *Barista*, and *Unsweetened*, which are sold in one-liter containers to consumers. We have now added 10-liter containers to the range, for food producers looking to use DUG® in their food and bakery wares sold to final consumers. We consider this segment to have great potential, but we understand that it may take some time to adapt the existing practices and recipes.

Sales

During the fourth quarter, Veg of Lund's net sales amounted to TSEK 1,304, a 270 percent increase over the corresponding quarter last year. For the year as a whole, the corresponding figures are TSEK 2,573 and 119 percent. The sales of DUG® to customers in Sweden and the United Kingdom accounts for the great majority of the total. The COVID-19 restrictions have obviously impacted our markets. We are now seeing restrictions being lifted, and this restores the option to market and sell our products in in-store environments. As such, we will be able to carry out taste tests and in-store demonstrations, with a focus on major cities. During the spring and the summer, we will raise awareness through various activities aiming to strengthen our brand and promote knowledge about the nutritious, sustainable, and tasty profile of DUG®.

Marketing

Veg of Lund's brand DUG® is off to an excellent start. In a short period of time, we have attracted a lot of attention and built trust in our products' great nutritional properties, small carbon footprint, taste, absence of allergens and usefulness in many dishes.

Production and logistics

The fourth quarter was characterized by a continued focus on sales. In parallel, the possibilities to strengthen sourcing, production, and logistics to meet the increased demand were analyzed. It is no secret that COVID-19 is causing problems, even for Veg of Lund. For the most part, we have been able to resolve them, but when it comes to logistic bottlenecks, community-wide lockdowns, and travel restrictions,

we have been forced to look for alternatives, which generally were more time-consuming or costly.

We are focusing on increasing sales in our strategic markets and other priority markets and on evaluating agreements and opportunities for cooperation with producers that are closer to the major customers and logistic flows.

Veg of Lund's business model enables several alternative approaches for launching DUG® in more markets, either through our own organization or through licensees.

“We are focusing on increasing sales in our strategic markets”

The applicability of our patents and know-how to additional product categories is demonstrated by our collaboration with Scandi Standard. Our joint research and development project is making progress as planned towards the goal: to have a plant-based white meat ready by the end of 2022. We expect the research phase to be completed at around the end of 2022.

Market outlook

Veg of Lund has amazing potential, the products are extremely timely, in a growing market, and our brand DUG® has in a short period of time won the market's clear approval. We are now focusing on raising the awareness of DUG® among additional groups of consumers, such as flexitarians and others who wish to drink plant-based, tasty, and sustainable beverages. Owing to its potato origin, DUG® is healthy, nutritious, and tasty.

Emma Källqvist,
acting CEO and CFO

BUSINESS CONCEPT, VISION AND STRATEGY

BUSINESS CONCEPT

Based on knowledge, unique innovations and own patents, Veg of Lund aims to develop and market palatable, locally produced plant-based food with added value and a clear health profile for a global and rapid expansion.

VISION

Veg of Lund's vision is to be the world's most sustainable producer of plant-based food.

MISSION

Veg of Lund's mission is to produce and market healthy, palatable, and nutritious potato-based food products.

STRATEGY

Veg of Lund follows a strategy that involves the following three steps:

1. Transfer patented technology to product development in the most interesting segments.
2. Develop concepts and brand to become established and grow in these segments on the market.
3. Cultivate markets and explore value chains within each segment.

In this way, Veg of Lund builds what is known as double intellectual property, which comprises a patented method to develop the product combined with protected trademarks that subsequently can be distributed through additional channels.

Veg of Lund's sales strategy also involves pursuing licensing agreements with producers and distributors to gain access to additional markets where this is deemed reasonable.

OBJECTIVES

Veg of Lund shall, over the coming years, establish itself as a well-known operator in the market for plant-based food, scale up preparations on the company's main markets, and expand the scope of the operations.

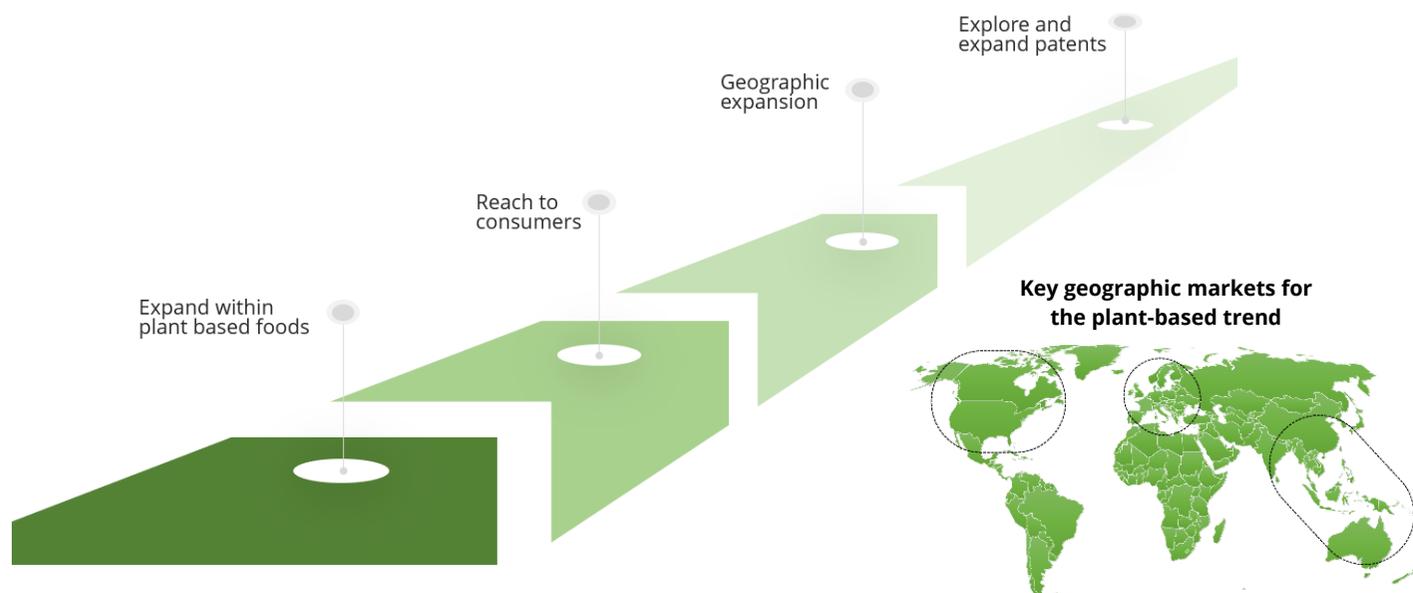
It is Veg of Lund's objective to launch a number of new products, including plant-based milk, cream, ice cream, yoghurt and soup alternatives, as well as probiotic versions. Furthermore, the company's longer-term goal is to expand to additional geographies and initiate contacts with prospective customers and partners.

Operational objectives

- Veg of Lund's economic objective is to increase domestic sales as well as exports and licensing of all of the company's products.
- Veg of Lund's economic objective includes underpinning the first years sales of the company's plant-based milk, and adding a range of new products to complement it.

Financial targets

- Veg of Lund is, in its current state, a growth company, and the company will need external financing in connection with expansions. It is Veg of Lund's goal to fund the operations with current revenue from sales of the company's products.
- Veg of Lund's financial objective is to achieve a positive operating result by 2023, with net sales exceeding MSEK 300 in the same year.



VEG OF LUND'S SUSTAINABLE BUSINESS MODEL

Veg of Lund's business model is to offer consumers innovative foods with competitive value added based on research and technological innovation.

- In-house developed products
- Licensed products
- Plant-based meat

In-house developed products

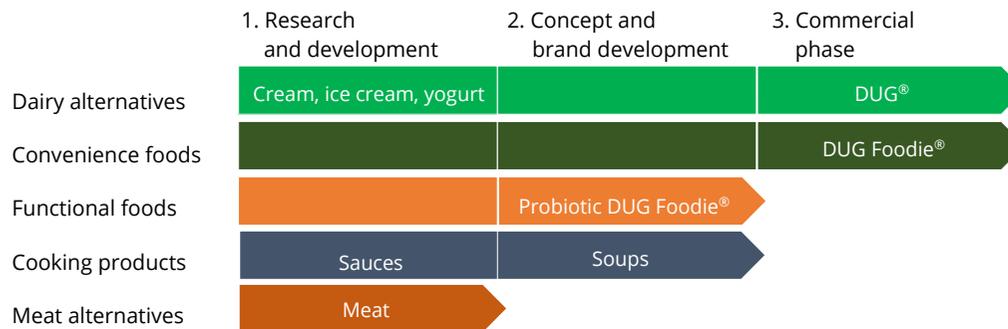
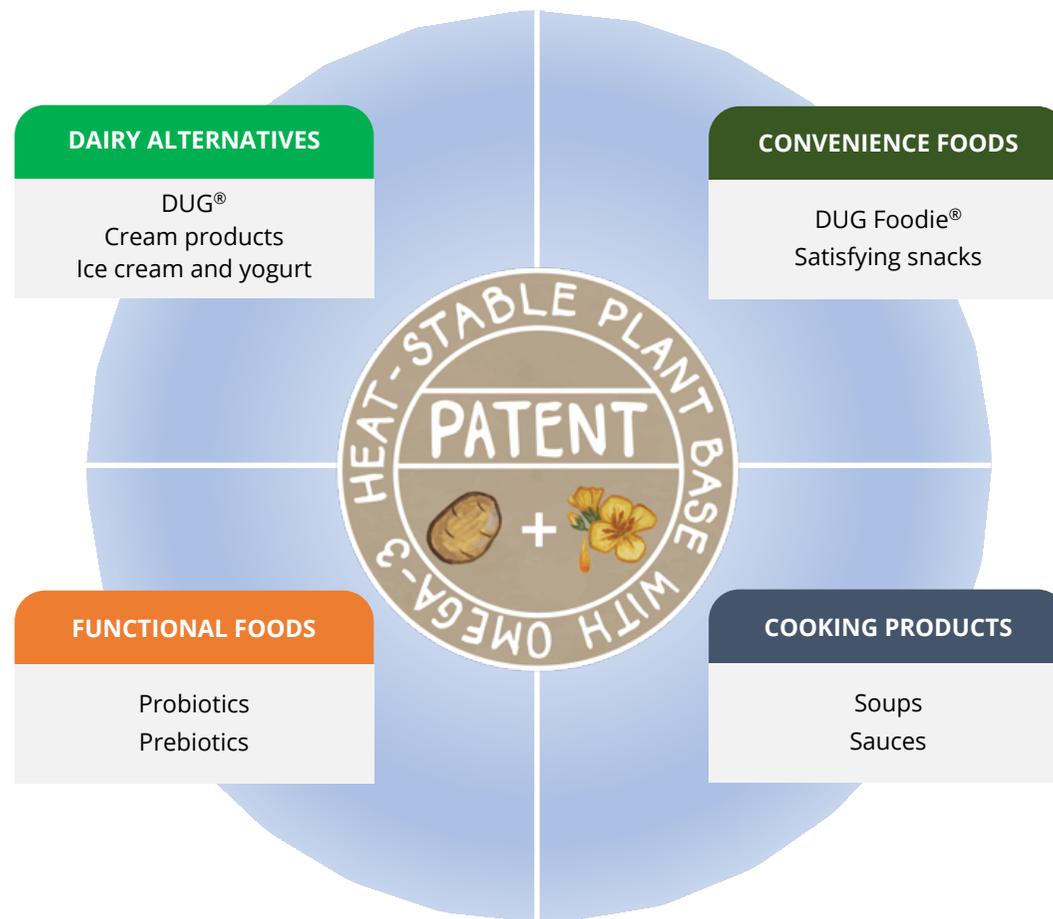
Development, sales and marketing of the products are made through Veg of Lund AB, while the production is made through partners. Veg of Lund's products are sold in four channels: cafés, grocery stores (including physical and online supermarkets), commercial kitchens and food producers.

Licensed products

Veg of Lund's business model includes entering strategic partnerships with market participants, such as authorized manufacturers, distributors and retailers, to reach supplementary markets through licensed products.

Complementary food categories

Veg of Lund's strong portfolio of patents can be used for several product categories within plant-based foods. Veg of Lund has initiated a development project together with Scandi Standard, with the goal of initiating the launch of plant-based meats starting in 2023.



THE MARKET

The global market for plant-based dairy product alternatives in 2021 is estimated to be at around USD 23.2 billion in the latest report of the analysis group Grand View Research (“GVR”).¹ The growth rate is expected to remain strong due to changed eating habits and preferences, dietary trends for better health, and awareness of climate change. Increased allergy problems and lactose intolerance also increase the demand for alternatives to traditional dairy products.

GVR estimates that sales of plant-based beverages on the global market in 2028 will amount to approximately USD 52.6 billion. According to GVR, almonds and soy dominate as raw materials, mainly in USA and for health reasons. Unsweetened products also have a strong position, here too driven by consumers who want to feel better and lose weight. As there is a wider group of consumers who are now interested in plant-based drinks, the health aspects play a more significant role, and content rich in fiber and Omega-3 is gaining market share.

Unique patented knowledge meets global food trends

Veg of Lund assess that the Company’s products are in the right place at the right time to capture important megatrends such as stronger focus on sustainability and climate change,



as well as changing consumption patterns that benefit health and well-being.

Veg of Lund is well positioned to establish itself as a player in more markets for plant-based foods on the main basis of its taste-neutral product and cultivation of raw materials with a limited climate footprint.

Lifestyle choices

Veg of Lund assess that consumers are increasingly looking for healthy and plant-based foods with a low climate footprint that work well for the whole family in everyday life.

The reasons for choosing plant-based foods are varied, for most it comes down to environmental, ethical and/or health-motivated choices. An increasing number of Swedes are eating more vegetarian food. The “Vego-barometer” 2021² showed that Swedes continue to eat more and more vegetarian food. The proportion of vegetarians and vegans is approaching 9 percent, the highest measured proportion to date. The number of flexitarians, people who have a vegetarian diet as a basis but have not stopped eating meat, is increasing and it is mainly women and young people who are driving the transition to more vegetarian food.

Furthermore, almost a quarter (23 percent) of consumers claim that they will continue to change their eating habits and eat less meat during the coming year. Climatic and environmental reasons are the main driving force for reduced meat consumption, and origin marking is also becoming an increasingly important factor for the vegetarian choices consumers make in the grocery store. 21 percent of consumers claim that they will continue to eat less meat, and among these as many as two thirds (67 percent, compared with 58 percent the preceding year) identify the climate and environment as the main reasons. Similar developments can be seen in USA and UK, where about a quarter of consumers are actively looking for sustainable food alternatives, partly as a result of climate change.³

Plant-based milk alternatives

The Swedish market for plant-based foods is worth approximately SEK 2 billion and the growth is rapid. The category of plant-based proteins, i.e., alternatives to meat products, has grown by about 15 percent in recent years, while plant-based dairy has grown by about 17 percent annually.⁴

Plant-based convenience foods

The size of the global market for smoothies is estimated to reach a value of approximately USD 34 billion by 2027, and growth is considered to be mainly driven by a widespread health trend among consumers seeking healthy and quick convenience foods.⁵

The size of the market in UK and Sweden for the “other juice, juice mixtures and smoothies” segment is expected to amount to approximately USD 799 million for UK and USD 283 million for Sweden in 2021 and its estimated annual average growth is 4.0 percent and 3.8 percent, respectively, by 2025.^{6,7}

Several food chains have developed their own product range of plant-based foods sold under their own brand.

Competitors

Most of Veg of Lund’s competitors are large and established, as well as qualitative and broad in their consumer promotion. Veg of Lund is of the opinion that the Group’s products, which are based on the patented emulsion consisting of potatoes and rapeseed oil, possess competitive properties that other product alternatives do not.

In DUG®, Veg of Lund has a product with one of the market’s strongest sustainability profile, with a quarter of the carbon footprint compared with milk of animal origin, with efficient use of land and very low water consumption. DUG® also

meets the demand for a very palatable milk alternative with creamy texture that is very tasty, free from the 14 most common allergens and rich in Omega 3.

Some of the competitors in the alternative milk market are Oatly, whose products are oat-based, and Alpro, whose products are based on soy, rice, almonds, oats, hazelnut, cashew and coconut. Other companies operating in this market are Archer Daniels Midland Company, Blue Diamond Growers, Daiya Foods Inc., Eden Foods, Inc., Hain Celestial Group, Inc., Nutriops SL, SunOpta Inc. and Whitewave Foods Company. Some of the competitors in the market for other plant-based dairy products are Arla and Danone.

SUSTAINABILITY

Veg of Lund conducts its business activities in a responsible and credible manner. This is achieved through compliance with applicable laws and regulations, strong corporate values and by maintaining good relations with colleagues, customers and suppliers.

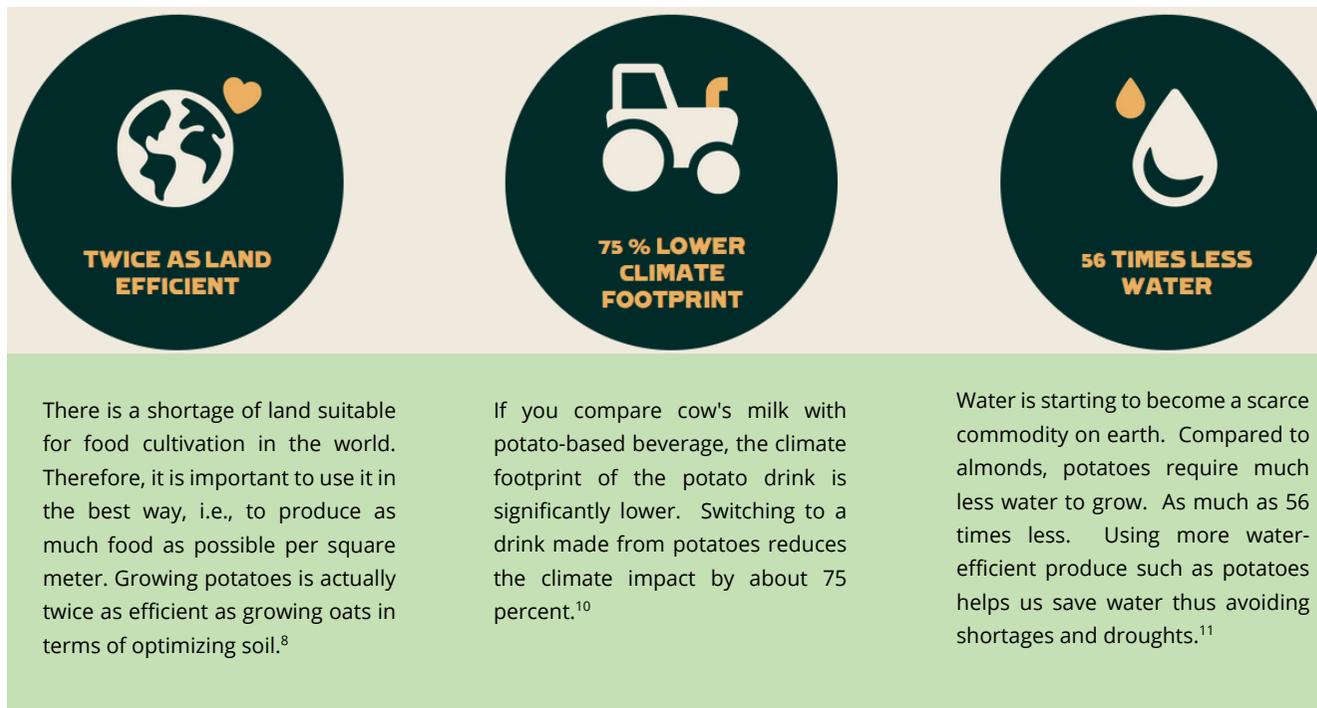
Anti-corruption

Veg of Lund operates its business in several countries and must therefore ensure that anti-corruption laws and trade sanctions are complied with. Veg of Lund does not accept business benefits based on illegal, inappropriate or unethical behaviour and has therefore implemented an anti-corruption policy.

Human rights

Equal treatment and opportunities must apply to everyone regardless of ethnic, social or national origin, skin colour, disability, gender, sexual orientation, religion, political opinion, pregnancy or age. Veg of Lund respects the rights of its employees to join various unions and collective bargaining agreements. No employee should risk being harassed for exercising these rights.

Veg of Lund has communicated the availability of using whistleblower channels according to legislation introduced in December 2021.



SOURCES

1. Grand View Research: Dairy Alternatives Market Size, Share & Trends Analysis Report By Source (Soy, Almond), By Product (Milk, Ice Cream), By Distribution Channel (Supermarket & Hypermarkets, Online Retail), And Segment Forecasts, 2021–2028
2. Axfood/Kantar Sifo: Vegobarometer 2021
3. Spoon Guru, February 2021
4. Växtbaserat Sverige, branschrapport 2020
5. Global Industry Analysts, Inc., September 2020
6. Statista, UK smoothies market, 2020
7. Statista, Sweden smoothies market, 2020
8. Lars Elofsson (agronomist and founder of Svensk Potatis)
9. Carbon Cloud AB
10. Water Footprint Network
11. Plant-Based Market Overview, The Good Food Institute 2020

SHARE AND OWNERSHIP

Veg of Lund's share, ticker VOLAB and ISIN code SE0013281979, is listed on Nasdaq First North Growth Market. The number of outstanding shares amounted to 12,224,336 as of 31 December 2021, corresponding to 12,224,336 votes. On 31 December 2021, Veg of Lund's market capitalization amounted to MSEK 341.1.

Each share entitles the holder to one vote and carries equal right to the company's assets and profits. The quota value of each share is SEK 0.064.

Shareholders

As of 31 December 2021, Veg of Lund AB (publ) had 7,662 shareholders (2,097). The three largest owners were Eva Tornberg*, Anders Färnqvist and Anders Hättmark*. The Company held no own shares as at the end of the year.

An updated list of major shareholders is published on the company's website in connection with the publication of interim reports.

Share performance

The closing price of the Veg of Lund share on 31 December 2021 was SEK 27.90 (11.00). During the year, the closing price of the share was SEK 59.00 at its highest point, on 2 August 2021, and SEK 8.64 at its lowest, on 26 February 2021.

During the period 4 January–30 December 2021, the average volume of trading per day was 94,118 (45,038) shares.

The market capitalization amounted to MSEK 341.1 (116.2) as of 31 December 2021.

Share capital

The share capital of Veg of Lund amounted to SEK 782,357 (676,305) on 31 December 2021, divided on 12,224,336 (10,567,272) shares.

The development of the share capital since the company's inception is presented on the company's website.

Warrants

Series 2020/2023 warrants

On 10 September 2020, Veg of Lund's Board of Directors decided, on the authority of the Annual General Meeting of 16 June 2020, to carry out a directed issue of 290,920 warrants with deviation from the shareholders' preferential rights. Each warrant entitles the holder to subscribe for one new share in Veg of Lund during the exercise period between 15 September and 15 November 2023.

Entitled to subscribe for Series 2020/2023 warrants is Veg of Lund's long-term partner on the Chinese market. The market value of the warrants was determined by a financial institute using the Black & Scholes valuation model, and the warrants were issued for a consideration of SEK 0.86 per warrant. The directed issue provided Veg of Lund proceeds of approximately SEK 250,000. Each warrant entitles the holder to subscribe for one (1) new share in the company at a subscription price of SEK 18.00.

Series 2021 I warrants

To ensure that the financing needs at hand were met, the company entered into a bridge loan facility agreement on 17 February 2021, according to which the lenders committed to, during a period of 12 months, provide a bridge of up to MSEK 9 in tranches of MSEK 1.5.

OWNERSHIP STRUCTURE ON 31 DECEMBER 2021

NAME	Number of shares and votes	Share of capital and votes, %
Eva Tornberg through company	1,312,370	10.7%
Anders Färnqvist	790,000	6.5%
Anders Hättmark through company	658,710	5.4%
Torbjörn Malmsjö	499,375	4.1%
Einar Haugland	419,772	3.4%
Försäkringsaktiebolaget, Avanza Pension	375,416	3.1%
LU Holding	322,061	2.6%
Försäkringsaktiebolaget, Skandia	260,973	2.1%
Kenneth Eriksson	250,000	2.0%
Thomas Holmgren	222,782	1.8%
Other shareholders	7,112,877	58.2%
Total	12,224,336	100.0%

In conjunction with the raising of the bridge financing, the Board of Directors resolved, pursuant to the authorization granted by the extraordinary general meeting on 6 November 2020, to issue 300,000 warrants free of charge to the lenders, where each tranche of MSEK 1.5 entitles to 50,000 warrants. By 31 July 2021, all warrants had been converted to shares.

Series 2021/2024 warrants

In the second quarter of 2021, Veg of Lund's Board of Directors decided, on the authority of the Annual General Meeting of 12 May 2021, to carry out a directed issue of 261,000 warrants with deviation from the shareholders' preferential rights. Each warrant entitles the holder to subscribe for one new share in Veg of Lund during the exercise period between 1 May and 31 May 2024.

Entitled to subscribe for Series 2021/2024 warrants are Veg of Lund's Board of Directors and key individuals. The market values of the warrants were, prior to each commitment, determined by a financial institute using the Black & Scholes valuation model, and the warrants were issued for a consideration of SEK 1.24 and SEK 14.45 per warrant, respectively. The directed issues provided Veg of Lund proceeds of approximately SEK 685,000. Each warrant entitles the holder to subscribe for one (1) new share in the company at a subscription price of SEK 16.02.

Series TO1 warrants:

The latest series of warrants was resolved upon by Veg of Lund's Board of Directors during the third quarter 2021, on the authority of the Annual General Meeting of 12 May 2021, when it was decided to carry out a directed issue of 295,000 warrants with deviation from the shareholders' preferential rights. In addition, 489,619 warrants were issued to shareholders in compensation of the dilution caused by the previously conducted issue of shares and warrants. Each warrant entitles the holder to subscribe for one new share in Veg of Lund during the exercise period between 25 February and 10 March 2022.

Authorization to the Board of Directors

The Annual General Meeting held on 12 May 2021 resolved to authorize the Board of Directors to, on one or several occasions during the period up to the next Annual General Meeting, resolve on new issues of shares, warrants or convertibles, with or without deviation from the shareholders' preferential rights. Payment may be made in cash, through set-off, with capital contributed in kind, or otherwise as per conditions pursuant to Chapter 2, section 5, second paragraph, items 1–3 and 5 of the Swedish Companies Act. The number of shares that can be issued, or, in the event of an issue of warrants or convertibles, added after exercise or conversion, with the support of the authorization shall not be limited in any other way than by the limits for the share capital and number of shares, as set forth from time to time in the registered Articles of Association.

The purpose of the authorization is to increase the Company's financial flexibility and the Board's discretion. If the Board of Directors resolves on an issue with deviation from the shareholders' preferential rights, the reason shall be to raise working capital, broadening the ownership of the Company, procuring capital for company acquisitions, or to fulfil obligations in cooperation agreements.

Dividend policy

Veg of Lund has no dividend or payout policy.

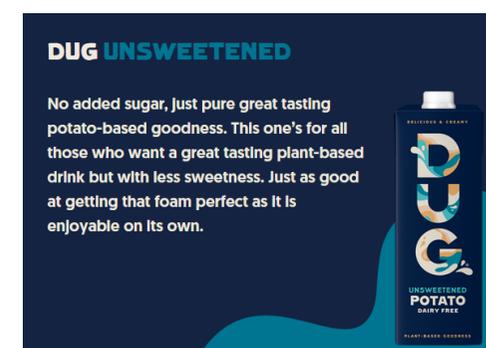
Distribution of financial reports

Annual and interim reports are available on the company's website, ir.vegoflund.se.

* holds shares through company.

Investment rationale

<p>Product range with great potential</p>	<ul style="list-style-type: none"> • Veg of Lund’s unique products are climate-smart, plant-based and contain essential vitamins, minerals and Omega 3 • The company has several products, some fully commercialized and some under development. The applicability of patented emulsions across several areas results in scalability • May 2021 saw the launch of DUG® – the potato-based beverage – in Sweden, the United Kingdom and China, with the potential to establish itself as the most sustainable, taste-neutral and healthy alternative to other plant-based milks • Veg of Lund plans to develop new products in several new food segments, including meats.
<p>Market drivers and trends</p>	<ul style="list-style-type: none"> • Consumers are increasingly demanding products that promote healthy habits • Consumers are becoming ever more aware of dietary habits and climate impact, increasingly choosing to replace meat with plant-based foods • The global market for plant-based dairy products is expected to grow by 43 percent until 2028 ¹ • The global market for plant-based foods was worth USD 4.2 billion in 2020 and is expected to grow at around 12 percent annually until 2027 ¹¹ • By addressing a target group that is growing worldwide, Veg of Lund is in a good position to scale up operations.
<p>Strong brand and patent protection enable rapid establishment</p>	<ul style="list-style-type: none"> • By obtaining double IP for its products and brands, Veg of Lund can reach out to a broad target group and at the same time distribute its products through multiple channels • The products and brands are covered by a strong patent protection • Veg of Lund can quickly establish itself in markets through licensing agreements with producers and distributors.



BOARD OF DIRECTORS



Håkan K Pålsson

Born: 1967.
Elected: 2022.
Chairman since 2022.

Education/background

Håkan K Pålsson studied economy, political science and psychology at Lund University. He has extensive experience in business management and board work with nearly 30 years of experience in organizational and business development, strategic planning, financing and leadership.

Other appointments

Chairman of Cargo Modul Trading AB and Qvesarum AB.

Independent in relation to the company, company management and major shareholders.

Attendance at board meetings: 0*

Holding in Veg of Lund: No shares.



Eva Tornberg

Born: 1948.
Elected: 2016.

Education/background

Eva Tornberg has a Ph.D in Engineering and is a Professor. Working as an inventor, she is Veg of Lund's Head of Research and Development. Her previous experience includes the position as Research Manager at what was then the Meat Research Institute, which was wholly owned by Scan AB. She has extensive research experience with a total of 189 scientific publications and five patents.

Other appointments

CEO and member of the board of Reosurf AB.

Dependent in relation to the company, company management and major shareholders.

Attendance at board meetings: 21 of 21*

Holding in Veg of Lund: 1,314,370 shares.



Anders Hättmark

Born: 1961.
Elected: 2016.

Education/background

Anders Hättmark has a degree in economics and is the CEO of Confidera Syd. He has long-standing experience from board work in a multitude of companies, both listed and unlisted, and from business development of companies and organizations. Anders is one of Veg of Lund's co-founders.

Other appointments

Chief Executive Officer of Confidera Syd Aktiebolag.

Dependent in relation to the company and company management, independent in relation to major shareholders.

Attendance at board meetings: 21 of 21*

Holding in Veg of Lund: 658,710 shares.

Shareholding is stated as at 31 December 2021 and include the holdings of related parties.

* During the period 1 January–31 December 2021. Håkan K Pålsson and Magnus Nordin were elected to the Board on 31 January 2022.

**Linda Neckmar**

Born: 1973.
Elected: 2019.

**Roger Johansson**

Born: 1968.
Elected: 2020.

**Magnus Nordin**

Born: 1956.
Elected: 2022.

Education/background

Linda Neckmar holds a M.Sc. in Chemical Engineering from LTH Faculty of Engineering. Her experience in global biotechnology sales and consumer products in health areas extends back to 2005, most recently as Vice President EMEA & APAC at Probi AB. Prior to that, she pursued a scientific career.

Other appointments

Member of the board of EQL Pharma AB. Senior Vice president Human Health at Chr. Hansen A/S in Denmark

Independent in relation to the company, company management and major shareholders.

Attendance at board meetings: 20 of 21*

Holding in Veg of Lund: 4,091 shares and 18,750 warrants.

Education/background

Roger Johansson holds a degree of M.Sc. in Chemical Engineering from Lund University (LTH) and has extensive experience from well-known food companies, including Alfa Laval, Findus, Tetra Pak and Unilever/Blå Band.

Other appointments

Executive Vice President at Roxtec Group and Chairman of Drivator Equity Group with companies such as Gripen Betongement, We Construction, Power Heat Piping and Solenco.

Independent in relation to the company, company management and major shareholders.

Attendance at board meetings: 20 of 21*

Holding in Veg of Lund: 15,000 shares and 18,750 warrants.

Education/background

Magnus Nordin has a degree in economics from the Swedish Marketing Federation and completed several training courses within Nestlé. He has a long and solid experience in the international food industry and Fast Moving Consumer Goods (FMCG), including from Nestlé Sweden where he was CEO and Sales Director 2007–2019.

Other appointments

No other appointments.

Independent in relation to the company, company management and major shareholders.

Attendance at board meetings: 0*

Holding in Veg of Lund: No shares.

Shareholding is stated as at 31 December 2021 and include the holdings of related parties.

* During the period 1 January–31 December 2021. Håkan K Pålsson and Magnus Nordin were elected to the Board on 31 January 2022.

MANAGEMENT



Emma Källqvist

Born: 1987.
Acting CEO since December 2021 and CFO since July 2021.



Eva Tornberg

Born: 1948.
R & D Director



David Sandberg

Born: 1973.
Head of Sales since April 2021.

Education/background

Master's degree in Economics from the School of Business, Economics and Law at the University of Gothenburg. Emma has led one of the two audit departments at KPMG Malmö and worked at KPMG Corporate in Melbourne, Australia.

Other appointments: No other appointments.

Holding in Veg of Lund: 25,000 warrants.

Education/background

Eva Tornberg has a Ph.D in Engineering and is a Professor. Working as an inventor, she is Veg of Lund's Head of Research and Development. Her previous experience includes the position as Research Manager at what was then the Meat Research Institute (köttforskningsinstitutet), which was wholly owned by Scan AB. She has extensive research experience with a total of 189 scientific publications and five patents.

Other appointments: CEO and member of the board of Reosurf AB.

Holding in Veg of Lund: 1,314,370 shares.

Education/background

David is an experienced Head of Sales in the food industry. His most recent position prior to joining Veg of Lund was at Johan & Nyström Kafferosteri, and he has also worked as Head of Sales for Nestlé in southern Sweden and at Microsoft Sweden (interactive learning materials).

Other appointments: No other appointments.

Holding in Veg of Lund: 11,000 shares and 25,000 warrants.



Per Henrik Johnson

Born: 1977.
Supply Chain Director since
December 2021.

Education/background

Per Henrik holds a M.Sc. in Engineering from LTH Faculty of Engineering and has more than 15 years of business experience, working in supply chain roles. He has worked in both manufacturing industry and the work clothing industry. Most recently, he comes from Orkla where he held various senior positions in purchasing and supply chain for 11 years.

Other appointments: No other appointments.

Holding in Veg of Lund: 25,000 warrants.



Anna Rosengren

Born: 1980.
Marketing and
Communication Manager
since January 2022.

Education/background

Bachelor's degree in Computer Engineering with focus on Information and Media Technology from Jönköping School of Engineering. Anna has more than 15 years of business experience. She has been a senior consultant at companies such as Tetra Pak, Sony and Ikea, where she has held positions such as Tech marketing Manager, Communication specialist and Technical Communicator.

Other appointments: No other appointments.

Holding in Veg of Lund: 1,034 shares

Shareholding is stated as at 31 December 2021 and include the holdings of related parties.

CORPORATE GOVERNANCE

Veg of Lund AB is a Swedish publicly listed company governed by Swedish law. The company's share is admitted to trading on Nasdaq First North Growth Market since 10 February 2020, and the company therefore adheres to the rules and regulations of said market. Veg of Lund's corporate governance is subject to, inter alia, the Swedish Companies Act, the Articles of Association as adopted by the shareholders, and contractual obligations resulting from Veg of Lund's concluded agreements, such as the listing agreement with Nasdaq First North Growth Market. The Board of Directors has also decided to apply the Swedish Corporate Governance Code in those aspects that the Board deems relevant for the company and its shareholders. In addition, Veg of Lund shall comply with other applicable laws and regulations.

Veg of Lund's Articles of Association are available on the company's website, ir.vegoflund.se.

General Meeting of shareholders

The shareholders exercise their right to decide upon matters relating to Veg of Lund at the general meeting. Shareholders exercise their voting rights in key issues, such as the adoption of the profit and loss account and the balance sheet; the appropriation of the company's profit or loss; the discharge from liability for the Board of Directors and the CEO; the election of board members and auditors; and remuneration of the Board of Directors and auditors.

The Annual General Meeting must be held within six months from the end of each financial year. In addition to the Annual General Meeting, extraordinary general meetings may be summoned. It is stipulated in Veg of Lund's Articles of Association that notices convening a General Meeting shall be published in the Swedish Gazette (Post- och Inrikes Tidningar) and made available on the website of the company. The fact that notice has been given shall be published in Dagens industri.

Right to attend the general meeting

All shareholders that are registered in a printout of the shareholder registry are entitled to participate in the general meeting and exercise their voting rights, provided that they have notified the company of their attendance. Each share entitles the holder to one vote. Shareholders who wish to attend the general meeting must be registered in a printout of the company's full share register five working days prior to the general meeting and give notice to the company of their intention to attend the general meeting no later than the date stated in the notice of the meeting.

Shareholder initiatives

Shareholders wishing to raise a matter at the general meeting must submit a written request to the Board of Directors. Such requests must generally be received by the Board of Directors seven weeks prior to the general meeting at the latest.

Annual General Meeting 2021

The Annual General Meeting was held in Malmö, Sweden, on 12 May 2021. The Annual General Meeting passed resolutions on the election of board members and on board and auditor fees. Torbjörn Clementz, Roger Johansson, Anders Hättmark, Thomas Olander, Linda Neckmar and Eva Tornberg were re-elected. Torbjörn Clementz was re-elected as Chairman of the Board.

The Annual General Meeting resolved, in accordance with the Board of Directors' proposal, to issue not more than 325,000 warrants within the scope of a long-term incentive program for employees and consultants within Veg of Lund as follows:

In total, the incentive program will comprise not more than 15 individuals. The incentive program entails that employees and consultants within Veg of Lund are offered to acquire warrants at market value calculated according to the Black-Scholes valuation formula. In addition, future employees and consultants may be invited to acquire warrants at market value.

The Annual General Meeting further resolved to issue not more than 75,000 warrants within the scope of a long-term incentive program for certain board members of Veg of Lund as follows:

The incentive program includes three of the board members: Torbjörn Clementz, Linda Neckmar and Roger Johansson. Additional information about the terms and conditions can be found on the company's website.

Moreover, authorization was given to the Board of Directors to, on one or several occasions during the period up to the next Annual General Meeting, resolve on new issues of shares, warrants or convertibles, with or without deviation from the shareholders' preferential rights. Payment may be made in cash, through set-off, with capital contributed in kind, or otherwise with particular conditions. The number of shares that can be issued, or, in the event of an issue of warrants or convertibles, added after exercise or conversion, with the support of the authorization shall not be limited in any other way than by the limits for the share capital and number of shares, as set forth from time to time in the registered Articles of Association.

Extraordinary general meeting in 2022

An extraordinary general meeting on 18 January 2022 resolved to elect to new members to the Board of Directors: Håkan K Pålsson and Magnus Nordin. The general meeting resolved to elect Håkan K Pålsson as Chairman of the Board. Veg of Lund AB's Board of Directors thus consists of Anders Hättmark, Roger Johansson, Linda Neckmar, Magnus Nordin, Håkan K Pålsson and Eva Tornberg.

Nomination Committee

The Annual General Meeting on 12 May 2021 resolved to establish a Nomination Committee and adopted the principles for its appointment. The principles set forth below shall apply until other principles are adopted.

When the registered ownership situation as at 30 September is known, the Chairman of the Board shall, without delay, contact the three largest registered shareholders in terms of

votes and request each of them to appoint a member of the Nomination Committee. Shareholders who are not registered with Euroclear Sweden and who wish to exercise their right must notify the Chairman of the Board, providing proof of their ownership claim. If any of the shareholders so requested refrain from appointing a representative, the Nomination Committee shall then be elected at the Annual General Meeting and its principal subsequent shareholders in order of magnitude shall be given the opportunity to appoint a representative until three shareholder representatives are appointed. The members so appointed shall be convened by the Chairman of the Board to constitute the Nomination Committee. The names of the members appointed and information about which shareholders they each represent shall be made public as soon as the Nomination Committee is constituted, but no later than six months before the Annual General Meeting. The Chairman of the Board shall convene the Nomination Committee before the end of October. The Nomination Committee shall elect a chairman from among its members. The term of office for the Nomination Committee runs until a new Nomination Committee has been appointed.

If any shareholder not represented on the Nomination Committee controls a greater number of votes than another shareholder represented on the Nomination Committee, the shareholder with the greater voting power shall have the right to appoint a member to the Nomination Committee, in which case the member of the Nomination Committee that represents the shareholder with the weakest voting power shall leave the Nomination Committee. Should any member of the Nomination Committee, before the Nomination Committee has completed its mandate, resign for any other reason or cease to represent the shareholder who appointed the member, such member shall, upon request from the shareholder who appointed the member, be replaced by a new member appointed by the shareholder.

The Nomination Committee shall to the Annual General Meeting propose a chairman of the meeting, the number of board members and alternates, the number of auditors and

deputy auditors, the members of the Board of Directors, the Chairman of the Board, board fees, remuneration for committee work (where appropriate), auditors, auditors' fees, and changes to the principles for the appointment of the Nomination Committee (if any).

No fees shall be paid by the Company for the work of the Nomination Committee. Where appropriate, the company shall assume reasonable costs that the Nomination Committee deems necessary to carry out its duties. The Nomination Committee may also co-opt members to the Nomination Committee if appropriate. However, co-opted members shall not have the right to vote in the Nomination Committee.

The Nomination Committee shall elect a chairman from among its members. The term of office for the Nomination Committee runs until a new Nomination Committee has been appointed.

The Nomination Committee for the Annual General Meeting 2022 consists of the following members: Chairman of the Nomination Committee Kaj Söderström representing Reosurf AB, Anders Hättmark representing Confidera Syd Aktiebolag, Torbjörn Malmsjö, and Håkan K Pålsson, Chairman of the Board of Veg of Lund AB. Shareholders wishing to contact the Nomination Committee can do so by following the instructions on Veg of Lund's website.

Board of Directors

According to the Swedish Companies Act, the Board of Directors is responsible for the management and organization of the company, which means that the Board of Directors is responsible for, among other things, establishing goals and strategies, ensuring procedures and systems for the evaluation of established goals, continuously evaluating Veg of Lund's financial position and results, and evaluating the operational management. The Board of Directors is also responsible for ensuring that the annual report and the interim reports are prepared in a timely manner. In addition, the Board of Directors shall appoint the CEO.

According to Veg of Lund's Articles of Association, the Board of Directors shall consist of not less than four and not more than eight directors, with no alternates. The members are elected at the Annual General Meeting for the period until the end of the next Annual General Meeting. The 2021 Annual General Meeting resolved that the Board of Directors shall consist of six members and no alternates.

The Chairman of the Board is elected by the Board of Directors or, if appropriate, by the Annual General Meeting and has a specific responsibility for managing the Board's work and ensuring that Board's work is well organized. The Chairman of the Board is also responsible for ensuring that the Board of Directors evaluates its work annually and that the Board of Directors receives sufficient information to carry out its work in an efficient manner.

In addition to the provisions of the Companies Act, the Board of Directors follows written rules of procedure, which are revised annually and adopted by the Board of Directors at the inaugural board meeting held each year after the Annual General Meeting at which the Board of Directors was elected. The rules of procedure regulate, among other things, the division of work and responsibilities between the Board of Directors, the Chairman of the Board, and the CEO and specify the procedure for the CEO's financial reporting. In connection with the first board meeting, the Board of Directors also adopts a CEO instruction.

Remuneration of board members and senior executives

Board fees are determined by the Annual General Meeting. The auditor shall be paid according to approved invoice. Other remuneration is decided by the Board of Directors.

The Annual General Meeting 2021 resolved that a board fee be paid corresponding to three times the price base amount to the Chairman and one and a half times the price base amount to the other members, to be distributed between them as decided by the Board of Directors. Auditor's fee shall be paid according to approved invoice.

Overall, remuneration of TSEK 213 (1,091) was paid to the Board of Directors in 2021. Remuneration of TSEK 2,501 (1,642) was paid to senior executives in 2021. For more information, see Note 2 Personnel.

Audit and auditor

The company's statutory auditor shall be appointed by the Annual General Meeting. The auditor shall examine the annual financial statements and accounting of the company as well as the administration of the Board of Directors and the Chief Executive Officer.

After each financial year, the auditor shall submit an audit report to the Annual General Meeting. Veg of Lund's Articles of Association stipulate that the company shall appoint one (1) or two (2) authorized public accountants (or registered audit firms).

Veg of Lund's auditor is Deloitte, with the address Hjälmaregatan 3, Box 386, SE-201 23 Malmö, Sweden, and was re-elected at the Annual General Meeting on 12 May 2021 up until the end of the Annual General Meeting 2022. Deloitte has been Veg of Lund AB's auditor since 8 June 2016. Auditor in charge is Maria Ekelund, Authorized Public Accountant and member of FAR.

The Board of Directors' report on internal control

Under the Swedish Companies Act, the Board of Directors is responsible for internal control in relation to the financial reporting process. This report is limited to internal control in relation to the financial reporting process.

Authorities and responsibilities are documented and communicated in internal guidelines and instructions. Among other things, this includes the allocation of tasks between the Board of Directors and the Chief Executive Officer, accounting and reporting instructions, and authorization instructions for the parent company and subsidiaries. The purpose of the instructions therein is to provide reasonable assurance regarding the quality and reliability of the company's external financial reporting and to minimize the risk of irregularities and undue advantage to other parties at the expense of the company.

The Board of Directors monitors the financial performance of the company through reporting at board meetings and ongoing financial reporting. The Chief Executive Officer is responsible for preparing and presenting a report at each board meeting, with the following fundamental content for the period in question:

- Sales and market development and status of research projects
- Balance sheets, income statements and cash flow statement
- Investments and capital tie-up
- Key figures
- Forecast for the current quarter and the full year.

Information and disclosure

The Board of Directors has established a communications policy, which sets forth procedures and systems aimed at ensuring that Veg of Lund provides the market with relevant, reliable, accurate and up-to date information on the company's performance and financial position.

MANAGEMENT REPORT

The Board of Directors and the Chief Executive Officer of Veg of Lund AB (publ) ("Veg of Lund"), 559054-4655, registered in Malmö, hereby present the annual and consolidated financial statements for the financial year 1 January to 31 December 2021. The company's share is listed on Nasdaq First North Growth Market.

The Group's operations

Veg of Lund is a food innovation company with a unique, patented method to produce a stable plant-based emulsion consisting of potato and rapeseed oil. This emulsion forms the basis of the company's plant-based foods. The company's food base is vegan, rich in omega-3 fatty acids, and free of the 14 most common allergens as listed by the Swedish Food Agency. From that food base, Veg of Lund has developed a plant-based milk, a rich smoothie intended as a snack, and a number of plant-based soups. Veg of Lund has launched a range of plant-based beverages under the brand DUG®, available from food retailers mainly in Sweden and the United Kingdom. Veg of Lund has subsidiaries in the United Kingdom and the United States.

Net sales and profit

For the year as a whole, Veg of Lund's net sales totaled TSEK 2,573 (1,177), an increase of 119 percent. The growth in sales is attributable to the ongoing launch of DUG® in Sweden and the United Kingdom.

Operating profit (EBIT)

Operating profit for the year as a whole amounted to TSEK -23,641 (-17,785). The result was burdened by one-off severance pay costs of TSEK -700 (-). The deterioration of profit is also attributable to the marketing and scale-up of the organization related to the ongoing launch of DUG®.

Net financial items

The financial profit for the year amounted to TSEK -111 (-561) and mainly comprised interest related to bridge loans.

Net profit

Tax costs amounted to TSEK 2 (2). Net profit for the year amounted to TSEK -23,754 (-18,348).

Earnings per share

Earnings per share for the year amounted to SEK -2.10 (-1.80).

Cash flow, investments and financial position

Cash Flow

The cash flow for the year as a whole amounted to TSEK 8,244 (3,679). In 2021, several directed issues were carried out, together raising proceeds of approximately MSEK 36.5 after issuance costs. In the beginning of 2020, the company was provided approximately MSEK 22 net in connection with the IPO, after the deduction of issuance costs and repayment of pre-issuance loans.

Investments

During the year, investments in intangible assets amounted to TSEK 570 (551), relating to the company's patent application processes. No investments in financial fixed assets were made during the year (TSEK 15). Investments in property, plant, and equipment amounted to TSEK 30 (-) during the year.

Change in cash and cash equivalents

Cash and cash equivalents increased by TSEK 8,260 (3,665) during the year, to TSEK 13,173 (4,913).

Capital position

During the fourth quarter 2021, the Board of Directors resolved to carry out a directed issue of 78,080 shares to lenders in response to a request for conversion. The request was made in accordance with the conversion rights stipulated in the bridge facility agreement, which were described in detail in a press release issued on 17 February 2021.

In line with previous disclosures and plans, the company's sales are still too low to generate a positive cash flow. Consequently, the company is dependent on raising capital externally to finance its operations.

The Board of Directors is evaluating various financing options to ensure the company's continued effort to expand and generate growth.

The Board of Directors maintains a bright outlook regarding the company's ability to raise the required capital. Should the company fail to meet the capital requirements, the company will not be able to expand at the planned rate.

Equity

The group's total equity amounted to TSEK 19,529 (6,370) at the end of the period, and equity per share amounted to SEK 1.60 (0.60). The change is attributable to the share issues carried out during the year less the loss for the year.

The parent company

In addition to sales in Sweden, Veg of Lund AB's operations include head office functions such as group-wide management and administration.

Net sales for the year as a whole increased to TSEK 4,481 (1,595), of which TSEK 3,035 (752) represented intra-group sales. Net profit for the period amounted to TSEK -19,522 (-15,114). Investments in tangible and intangible fixed assets amounted to TSEK 600 (566). For other matters, see the information provided for the group.

Research and development

During 2021, product development has mainly focused on the potato milk and its further development, but also on new products such as meat and ice cream.

The group's product development has previously been capitalized. When the product was commercialized, amortization commenced according to plan. No development costs for own products were capitalized during the year (-).

Employees

The average number of employees amounted to 5 (2.5) during the year.

Multi-year overview

A table is provided at the end of the document.

Significant Events in 2021

First quarter

- Financing secured the DUG® development
- Agreement with sales broker in the United States
- DUG® named winner in three categories at the World Food Innovation Awards

Second quarter

- Annual General Meeting of Veg of Lund AB
- DUG® launched in the strategic markets Sweden, the United Kingdom and China

Third quarter

- New CEO and new CFO took office
- Thomas Olander stepped down from the Board of Directors of Veg of Lund

- A number of distribution agreements concluded with Swedish and UK retailers and online stores with global presence

- A directed issue of units of approximately MSEK 30 was carried out

Fourth quarter

- The company conducted a directed issue of 78,080 shares following a request for conversion from lenders in the obtained bridge facility

- The organization was strengthened with a Supply Chain Responsible

- The UK food chain Waitrose expanded its plant-based range to include DUG

- Nasco, UK food wholesale company focusing on the Middle East and the Mediterranean region, chose DUG®

- The largest health food wholesaler in the United Kingdom, Health Made Easy Group, chose DUG®

- The largest independent wholesaler in the United Kingdom, Bestway, included DUG® in its range

- Cecilia Lindwall left the company and Emma Källqvist was appointed acting CEO of Veg of Lund

- DUG® launched on Ocado, the world's largest online grocery retailer

Events after the end of the period

- An extraordinary general meeting held on 31 January 2022 elected two new members to the Board of Directors: Magnus Nordin and Håkan K Pålsson. Håkan K Pålsson was elected Chairman of the Board

- Veg of Lund has started selling its plant-based beverage DUG® directly to UK food producers.

Effects of the COVID-19 pandemic

It remains uncertain how the coronavirus will impact Veg of Lund's future operations. The company's operations are mostly affected by indirect decisions, including collaborations with producers, that delay the execution of planned activities. Veg of Lund closely monitors the development of regulatory and financial conditions as well as consumer behaviour and is prepared for the new conditions prompted by COVID-19. The company makes continuous assessments that will be presented in future reports and, where appropriate, in additional disclosures via press releases.

Effects of the war in Ukraine

The war in Ukraine has financial repercussions, mainly involving trade and global raw material prices. This impacts not only Veg of Lund, but all food companies. The company makes continuous assessments that will be presented in future reports and, where appropriate, in additional disclosures via press releases.

Key risks and uncertainty factors

Veg of Lund is exposed to a number of risks through its operations. The following list of risk factors makes no claim of being exhaustive, nor are the risks ranked according to their degree of importance.

The global spread of COVID-19 (the coronavirus), classified as a global pandemic by the World Health Organization (WHO) since 11 March 2020, has affected the global and Swedish economy. As a consequence, the description of risks is associated with greater uncertainty than usual.

Brexit

Since the end of 2020, the EU and the United Kingdom have an agreement in place that provides the necessary conditions for Veg of Lund to sustain its production and marketing in England.

Competition

Veg of Lund's competitors are large and established, as well as qualitative and broad in their consumer promotion. In view of this and of the fact that there are competitors with access to greater resources than the company to conduct research, development and sales, there is a risk that competitors may create more competitive products than the company. Veg of Lund is actively engaged in product development.

Sales

Veg of Lund depends on the successful sales of the company's products to its customers. At present, Veg of Lund's products are sold through the grocery trade and in the catering market. Among the prerequisites for consumer demand is that consumers are aware of and interested in the company's products and brand. The absence of these prerequisites would lead to a reduction in or loss of revenue. Veg of Lund aims to expand its customer base and is therefore engaged in market preparations and product development activities.

Production

Veg of Lund currently resorts to a single production facility for the majority of its products. As a large part of the production is made to order, there is a risk that an unplanned interruption in production could affect deliveries to customers. Veg of Lund is therefore working to establish cooperation with additional producers.

Financing needs

Veg of Lund is, in its current state, a growth company, and the company will need external financing in connection with expansions. It is Veg of Lund's goal to fund the operations with current revenue from sales of Veg of Lund's products. There is a risk that external financing cannot be raised when the need arises or on satisfactory terms, which would have major negative consequences for the company's financial position and profit. Veg of Lund is actively working to secure sufficient funding.

Product safety

Handling of food is subject to high standards of traceability and hygiene. Poor control can have consequences such as contamination, allergic reactions or damage of various kinds. Shortcomings in the handling of food can lead to defective products having to be recalled or repurchased, and to a loss of reputation and confidence in the Veg of Lund brand. In the event that such risks materialize, there would be significant impact on Veg of Lund's operations, costs and revenue. Veg of Lund's key individuals and partners have proven experience in food control, and the production facilities are certified in accordance with international standards.

Renewal of permits, certifications and licences

Veg of Lund is registered as a food establishment in accordance with Regulation (EC) No 852/2004 of the European Parliament and of the Council of 29 April 2004 on the hygiene of foodstuffs. The Environment Committee of the City of Malmö is the applicable control authority. The operations may be adversely affected if Veg of Lund's permits, certifications or licenses are repealed as a result of failure to meet the requirements during inspections by authorities and other organizations.

Dependence on key individuals

To develop its operations, Veg of Lund relies on having qualified and motivated personnel in all functions. One key individual is the inventor and Professor Emerita Eva Tornberg. A loss of key individuals, and/or difficulties in recruiting new key individuals, could have negative consequences for the company's operations and profits. Veg of Lund works actively to attract, motivate and retain key individuals.

Sustainability

Veg of Lund's products have been developed with sustainability as the guiding principle throughout the production chain, from the local raw material suppliers, via resource-efficient production of tasty and unique products,

to consumers that increasingly demand plant-based alternatives to milk-based products. The continued development of foods that contribute to people's wellbeing and reduce meat-based consumption is Veg of Lund's contribution to a healthier everyday life and a sustainable society.

The company's sustainability work is based on a firm understanding of consumer trends and needs to develop food products characterized by sustainability at both the individual and community level.

Over the coming years, Veg of Lund intends to continue to develop the company's sustainability strategy on the following grounds:

- recognition of strong consumer trends aspiring towards the goal of a sustainable and healthy lifestyle, which, among other things, contributes to more efficient use of resources
- safe production of high-quality plant-based foods, and efficient distribution
- close cooperation with key stakeholders such as local suppliers, manufacturers, customers, and consumers.

Today's consumers are increasingly showing an interest in their food consumption, in terms of origin, manufacturing processes and transports. Food plays an important role, and there is growing demand for plant-based, climate-smart food. For Veg of Lund, the documentation of what the company's products contain and how they are produced is an essential part of quality management.

Veg of Lund's quality management is governed by legislation currently in force, authority guidelines, and customers' and consumers' needs and preferences.

Ownership and share capital

Owners controlling more than 10 percent of the shares and votes as of 31 December 2021:

	Share of capital	Share of votes
Eva Tornberg through company	10.7%	10.7%

Related party transactions

During the financial year 2021, the company's expensed related-party transactions totaled TSEK 610 (2,284). All transactions were conducted on market conditions.

Consultancy fees were paid to the following related parties to the company: Thomas Olander (CEO until 30 June 2021), Torbjörn Clementz (Chairman of the Board until 31 January 2022), Eva Tornberg (board member), Anders Hättmark (board member). All transactions were conducted on market conditions.

Future outlook

The long-term growth in demand for plant-based foodstuffs and focus on sustainability and health imply a continued positive opportunity for Veg of Lund and our products. Veg of Lund faces an exciting phase in 2022, as the launch of the potato milk, DUG®, continues.

Proposed appropriation of profit or loss in the parent company

The Board of Directors proposes to the Annual General Meeting that no dividend be paid for the financial year 2021. The following funds are available to the annual general meeting:

TSEK	2021
Retained earnings	-32,343
Share premium reserve	80,392
Result for the financial year	-19,522
Available to the Board of Directors	28,527
The Board of Directors' proposed appropriation	
To be carried forward	28,527
Total	28,527

FINANCIAL STATEMENTS

TSEK	Note	THE GROUP		THE PARENT COMPANY	
		Full year 2021	Full year 2020	Full year 2021	Full year 2020
Net sales		2,573	1,177	4,481	1,595
Other operating income	3	1,922	805	1,921	805
Total income		4,495	1,982	6,402	2,400
<i>Operating expenses</i>					
Cost of goods sold		-1,895	-794	-4,141	-1,268
Other external expenses	2	-20,062	-16,665	-15,487	-13,836
Personnel expenses	2	-4,909	-1,823	-4,909	-1,823
Depreciation, amortization and impairment	7, 8, 9	-1,141	-460	-1,141	-460
Other operating expenses		-129	-25	-128	-25
Operating profit (EBIT)		-23,641	-17,785	-19,404	-15,012
Interest income and similar items	5	174	66	159	—
Interest expense and similar items	6	-285	-627	-277	-102
Result from financial items		-111	-561	-118	-102
Profit before tax (EBT)		-23,752	-18,346	-19,522	-15,114
Taxes	4	-2	-2	—	—
Net profit		-23,754	-18,348	-19,522	-15,114
Number of shares		12,224,336	10,567 272	12,224,336	10,567 272
Average number of shares		11,288,232	10,208 617	11,288,232	10,208 617
Basic and diluted earnings per share, SEK		-2.10	-1.80	-1.73	-1.48

BALANCE SHEETS

TSEK	Note	THE GROUP		THE PARENT COMPANY	
		31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
ASSETS					
Intangible assets					
Capitalized expenditure for development	7	165	297	165	297
Patents, trademarks and licences	8	1,450	928	1,450	928
Total intangible assets		1,615	1,225	1,615	1,225
Property, plant and equipment					
Equipment, tools, fixtures and fittings	9	29	960	29	960
Total property, plant and equipment		29	960	29	960
Non-current financial assets					
Participations in group companies	10	—	—	5,791	5,791
Non-current receivables from group companies		15	—	6,867	15
Deposits		—	15	15	15
Total non-current financial assets		15	15	12,673	5,821
Total non-current assets		1,659	2,200	14,317	8,006
Inventory, etc.					
Finished trade goods		5,232	252	3,091	131
Raw materials		1,550	361	1,550	361
Total inventory, etc.		6,782	613	4,642	492
Current receivables					
Trade receivables		2,349	45	1,384	45
Other receivables		1,145	620	1,036	485
Prepaid expenses and accrued income		863	672	692	575
Total current receivables		4,357	1,337	3,112	1,105
Cash and cash equivalents		13,137	4,913	13,028	4,845
Total current assets		24,312	6,863	20,782	6,442
TOTAL ASSETS		25,971	9,063	35,099	14,448

BALANCE SHEETS

TSEK	Note	THE GROUP		THE PARENT COMPANY	
		31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
EQUITY AND LIABILITIES					
Shareholder's equity					
Share capital	11	782	676	782	676
Share premium reserve	13	80,392	44,179	80,392	44,179
Translation reserve		327	418		
Retained earnings		-38,218	-20,555	-32,343	-18,211
Result for the financial year		-23,754	-18,348	-19,522	-15,114
Total equity		19,529	6,370	29,309	11,827
Liabilities					
Current liabilities					
Trade payables		1,455	1,084	914	1,065
Other current liabilities		3,274	258	3,274	258
Accrued expenses and prepaid income		1,713	1,351	1,602	1,298
Total current liabilities		6,442	2,693	5,790	2,621
Total liabilities		6,442	2,693	5,790	2,621
TOTAL EQUITY AND LIABILITIES		25,971	9,063	35,099	14,448

CHANGES IN EQUITY

THE GROUP

TSEK	Share capital	Share premium reserve	Translation reserve	Retained earnings	Net profit for the year	Total equity
The beginning of the year, 1 Jan 2020	502	18,568	1	-6,416	-14,139	-1,484
Disposition of previous year's result	—	—	—	-14,139	14,139	—
New issuance	174	29,826	—	—	—	30,000
Issuance expenses	—	-4,465	—	—	—	-4,465
Issuance of warrants	—	250	—	—	—	250
Translation differences	—	—	417	—	—	417
Net profit for the year	—	—	—	—	-18,348	-18,348
The end of the year, 31 Dec 2020	676	44,179	418	-20,555	-18,348	6,370
The beginning of the year, 1 Jan 2021	676	44,179	418	-20,555	-18,348	6,370
Disposition of previous year's result	—	—	—	-18,348	18,348	—
New issuance	87	33,799	—	—	—	33,886
Issuance of warrants	19	2,414	—	—	—	2,433
Warrant premiums	—	—	—	685	—	685
Translation differences	—	—	-91	—	—	-91
Net profit for the year	—	—	—	—	-23,754	-23,754
The end of the year, 31 Dec 2021	782	80,392	327	-38,218	-23,754	19,529

CASH FLOW STATEMENTS

TSEK	THE GROUP		THE PARENT COMPANY	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Cash flow from operating activities				
Operating profit	-23,641	-17,785	-19,404	-15,012
Adjustment for non-cash items	1,141	460	1,141	460
Paid taxes	-2	-2	—	—
Paid interest	-243	0	-118	0
Cash flow from operating activities before changes in working capital	-22,744	-17,327	-18,381	-14,52
Changes in working capital				
Changes in operating receivables	-8,957	48	-13,009	153
Changes in operating payables	217	-620	-155	261
Cash flow from operating activities	-31,484	-17,899	-31,545	-14,138
Investing activities				
Investment in intangible assets	-570	-551	-570	-551
Investment in property, plant and equipment	-30	—	-30	—
Investment in financial items	—	-15	—	-5,745
Cash flow from investing activities	-600	-566	-600	-6,296
Financing activities				
Issues and other contributed capital	38,934	30,250	38,934	30,250
Issuance expenses	-2,290	-2,247	-2,290	-2,606
Prepaid issuance expenses	—	-359	—	—
Warrants	685	—	685	—
Pre-issuance loans	—	-5,500	—	-5,500
Amortization	-6,000	—	-6,000	—
Borrowings	9,000	—	9,000	—
Cash flow from financing activities	40,328	22,144	40,328	24,162
CASH FLOW FOR THE YEAR	8,244	3,679	8,183	3,728
Cash and cash equivalents at beginning of the period	4,913	1,248	4,845	1,117
Currency effect in cash and cash equivalents	16	-14	—	—
Cash and cash equivalents at the end of the period	13,173	4,913	13,028	4,845

NOTES

1. Accounting and valuation policies

The annual report is prepared in accordance with the Swedish Annual Accounts Act as well as the Swedish Accounting Standards Board BFNAR 2012:1 annual report and consolidated (K3).

Basis of accounting

The balance sheet items classified as current assets and current liabilities are expected to be recovered and paid within 12 months. All other balance sheet items are expected to be recovered or paid later. These financial statements have been prepared based on the assumption of going concern. The going concern basis of accounting assumes that the company will be able to meet its obligations and continue its operations for the foreseeable future, with capacity to realize its assets and fulfil its obligations and commitments in the ordinary course of business. These financial statements do not include any adjustments to reflect the possible future effects of the realization and classification of assets or amounts and classifications of liabilities that could result from any incapacity of the company to proceed as a going concern.

Consolidated accounts

In the consolidated financial statements, the operations of the parent company and all subsidiaries are consolidated up to and including the date of closure of accounts of the parent company. In the consolidation process, assets and liabilities are translated to Swedish kronor at the exchange rate on the balance sheet date. Income and expenses are translated to Swedish kronor at the average exchange rate during the reporting period, which is an approximation of the transaction rate. Exchange differences arising from the translation of interests in foreign operations are recognized in equity. Intra-group transactions and balance sheet items are eliminated in full on consolidation.

Reporting currency

The annual report is prepared in Swedish kronor. Amounts are stated in TSEK unless specified otherwise.

Cash flow statement

The cash flow statement is drawn up using the indirect method, with adjustments made for the effects of non-cash transactions. Cash and cash equivalents include cash and bank balances.

Valuation policies, etc.

Assets, provisions and liabilities are measured at cost unless otherwise specified below.

Revenue recognition

Revenue from the sale of goods is recognized at the nominal value (invoice amount) when the significant risks and benefits associated with ownership of the goods have transferred to the buyer and the amount of revenue can be measured reliably.

Capitalization of internally generated intangible assets

All expenses that are incurred during the research phase are expensed as incurred. All expenses that are incurred during the development phase are recognized according to the capitalization model when all of the factors below have been fulfilled:

- there is intention to complete the intangible asset and conditions to use or sell the asset,
- it is technically and financially possible to complete the intangible asset,
- it is likely that the intangible fixed asset will generate future economic benefits,
- the expenses can be reliably calculated.

The cost of an internally generated intangible asset comprises all directly attributable development expenditure that is required for the asset to be used in the manner intended by the management.

Internally generated intangible assets are amortized over their estimated useful life, which is 5 years justified by the fact that they will add value to the company at least during this period.

Amortization commenced when the development project advanced to the implementation phase.

Fixed tangible and intangible assets

Tangible and intangible fixed assets are recognized at cost less accumulated depreciation/amortization and any impairment. The assets are depreciated/amortized on a straight-line basis over their estimated useful lives. The useful life is re-assessed on each balance sheet date.

The following useful lives are applied:

- Capitalized expenditure for development work 5 years
- Patents 5 years
- Equipment, tools, fixtures and fittings 5 years

Impairment

At each balance sheet date, an assessment is made as to whether there is any indication that the value of an asset is lower than its carrying amount. If such an indication exists, the asset's recoverable amount is calculated. If the recoverable amount is less than the carrying amount, an impairment loss is recognized as an expense.

The recoverable amount is defined as the highest of the fair value and the value in use. The value in use is defined as the present value of the estimated future cash flows that the asset will generate. The market value is the amount obtainable from a sale in an arm's length transaction between knowledgeable and willing parties. Deductions are made for costs that are directly attributable to the sale.

Management's assessment does not indicate any impairment, nor that any reasonably possible changes in key assumptions would result in impairment.

Receivables

Receivables are recognized at the amount expected to be received. In the subsidiaries, receivables denominated in foreign currency have been translated at the exchange rate at the balance sheet date and recognized in the respective income statements.

Inventories

Inventories are measured at the lower of cost, calculated on a first-in, first-out basis, and net realizable value. The net realizable value has been calculated as the selling price less estimated costs to sell, taking obsolescence into account.

Taxes

Reporting of income taxes include current tax and deferred tax. Taxes are recognized in profit and loss, unless the tax is attributable to an item that is reported directly in equity.

Management considers that the conditions are not yet in place for recognizing a deferred tax asset.

Estimates and assessments

Prudent liquidity risk management means holding sufficient cash and cash equivalents or contractual credit facilities to be able to close market positions. In March 2022, warrants issued during the third quarter of 2021 were exercised.

The exercise of warrants provides the company approximately MSEK 6.53 in proceeds before issuance costs. After the settlement of issuance costs and short-term loan liabilities, the company is not sufficiently funded to ensure the continued expansion and growth of its operations.

The Board of Directors is evaluating various financing options to ensure the company's continued effort to expand and generate growth. The Board of Directors maintains a bright outlook regarding the company's ability to raise the required capital. Should the company fail to meet the capital requirements, the company will not be able to expand at the planned rate.

2. Personnel

AVERAGE NUMBER OF EMPLOYEES	THE GROUP		THE PARENT COMPANY	
	2021	2020	2021	2020
Women	1	0.5	1	0.5
Men	4	2.0	4	2.0
Total	5	2.5	5	2.5
TSEK				
<i>Salaries and remunerations:</i>				
Board members	143	142	143	142
Chief Executive Officer	1,105	138	1,105	138
Other executive directors	559	654	559	654
Other staff	1,524	358	1,524	358
Total	3,331	1,292	3,331	1,292
<i>Social security contributions:</i>				
Pension costs for the Board and the CEO	297	—	297	—
Pension costs for other employees	27	—	27	—
Other statutory and contractual social security contributions	1,157	331	1,157	331
Total	1,481	331	1,481	331

Remuneration of board members and senior management

A fee shall be paid to the Chairman and the members of the Board of Directors as resolved by the general meeting. The remuneration of the CEO is determined by the Board of Directors, and remuneration of other senior management is decided by the CEO.

2021				
TSEK	Salaries/ fees	Other remuneration	Pension costs	Total
<i>Members of the board:</i>				
Torbjörn Clementz, Chairman of the Board	95	70*	—	165
Eva Tornberg, Director	—	—	—	-
Anders Hättmark, Director	—	—	—	-
Roger Johansson, Director	—	—	—	-
Linda Neckmar, Director	48	—	—	48
<i>Senior management:</i>				
Thomas Olander, CEO (Jan-Sep 2021)	104	540**	—	644
Cecilia Lindwall, CEO (June-Dec 2021)	1,001	—	255	1,256
Erik Sundqvist, CFO (Jan-Mar 2021)	138	—	—	138
Emma Källqvist, CFO (July-Dec 2021)	372	—	22	394
Per Henrik Johnson, Supply Chain Director (Dec 2021)	49	—	20	69
Total	1,807	610	297	2,714

* Remuneration comprises consultancy fee to Charmito Consulting AB.

** Remuneration comprises consultancy fee to Thomas Olander Consultancy AB.

2020				
TSEK	Salaries/ fees	Other remuneration	Pension costs	Total
<i>Members of the board:</i>				
Torbjörn Clementz, Chairman of the Board	95	82*	—	177
Eva Tornberg, Director	—	463**	—	463
Anders Hättmark, Director	—	404***	—	404
Torbjörn Malmsjö, Director (Jan-Mar 2020)	—	—	—	—
Roger Johansson, Director (June-Dec 2020)	—	—	—	—
Linda Neckmar, Director	47	—	—	47
<i>Senior management:</i>				
Thomas Olander, CEO	138	720****	—	858
Erik Sundqvist, CFO	493	—	—	493
Roy Giordano, Head of Marketing and Sales (Jan-Aug 2020)	161	—	—	161
David Sandberg, Head of Sales (Aug-Dec 2020)	—	130	—	130
Total	934	1,799	—	2,733

* Remuneration comprises consultancy fee to Charmito Consulting AB.

** Remuneration comprises consultancy fee to Reosurf AB.

*** Remuneration comprises consultancy fee to Confidera Syd Aktiebolag.

**** Remuneration comprises consultancy fee to Thomas Olander Consultancy AB.

3. Other operating income

TSEK	THE GROUP		THE PARENT COMPANY	
	2021	2020	2021	2020
Joint development aid	1,874	682	1,874	682
Reorientation support allowance	—	90	—	90
Other items	48	33	47	33
Carrying amount	1,922	805	1,921	805

4. Tax

The group has tax loss carryforwards which may be utilized against taxable profits in the future. When it becomes probable that taxable profits will be generated, Veg of Lund will recognize a deferred tax asset. Recognition of deferred tax would result in a deferred tax asset of TSEK 13,058 (8,290) as of 31 December 2021.

TSEK	THE GROUP		THE PARENT COMPANY	
	2021	2020	2021	2020
Current tax	2	2	—	—
Deferred tax	—	—	—	—
Tax on profit for the year	2	2	—	—
The main components of the tax expense for the financial year, and the relation between the expected tax expense based on the applicable tax rate and the tax expense recognized in the income statement, are as follows:				
Profit before tax	-23,754	-18,348	-19,522	-15,114
<i>Reconciliation of effective tax:</i>				
Tax calculated according to the applicable tax rate	4,834	3,822	4,022	3,234
Tax effect of non-deductible costs	-5	-8	-5	-8
Tax effect of non-taxable income	—	—	—	—
Unrecognized deferred tax asset	-4,829	-3,814	-4,016	-3,227
Recognized tax	—	—	—	—

5. Interest income and similar items

TSEK	THE GROUP		THE PARENT COMPANY	
	2021	2020	2021	2020
Foreign exchange gains arising from intra-group transactions	174	66	159	—
Total	174	66	159	—

6. Interest expense and similar items

TSEK	THE GROUP		THE PARENT COMPANY	
	2021	2020	2021	2020
Interest expense on pre-issuance loans	—	-102	—	-102
Interest expense on bridge loans	-242	—	-242	—
Foreign exchange losses arising from intra-group transactions	-43	-525	-35	—
Other interest expenses	-1	0	-1	0
Total	-285	-627	-277	-102

7. Capitalized expenditure for development work and similar work

TSEK	THE GROUP		THE PARENT COMPANY	
	2021	2020	2021	2020
Cost, opening balance	659	659	659	659
Accumulated cost, closing balance	659	659	659	659
Amortization, opening balance	-362	-231	-362	-231
Amortization for the year	-132	-131	-132	-131
Accumulated amortization, closing balance	-494	-362	-494	-362
Carrying amount	165	297	165	297

8. Concessions, patents, licenses, trade marks, etc.

TSEK	THE GROUP		THE PARENT COMPANY	
	2021	2020	2021	2020
Cost, opening balance	947	396	947	396
Acquisitions for the year	569	551	569	551
Accumulated cost, closing balance	1,516	947	1,516	947
Amortization, opening balance	-19	—	-19	—
Amortization for the year	-47	-19	-47	-19
Accumulated amortization, closing balance	-66	-19	-66	-19
Carrying amount	1,450	928	1,450	928

9. Equipment, tools, fixtures and fittings

TSEK	THE GROUP		THE PARENT COMPANY	
	2021	2020	2021	2020
Cost, opening balance	1,550	1,550	1,550	1,550
Acquisitions for the year	30	—	30	—
Accumulated cost, closing balance	1,580	1,550	1,580	1,550
Depreciation, opening balance	-590	-281	-590	-281
Depreciation for the year	-311	-309	-311	-309
Accumulated depreciation, closing balance	-901	-590	-901	-590
Impairment, opening balance	—	—	—	—
Impairment for the year	-650	—	-650	—
Accumulated impairment, closing balance	-650	—	-650	—
Carrying amount	29	960	29	960

10. Participations in group companies

TSEK	THE PARENT COMPANY	
	2021	2020
Veg of Lund UK Limited, <i>registered in London, UK</i>	5,741	5,741
Veg of Lund USA Inc., <i>registered in Delaware, USA</i>	50	50
Total	5,791	5,791

11. Share capital

TSEK	THE GROUP		THE PARENT COMPANY	
	2021	2020	2021	2020
Opening carrying amount	676	502	676	502
New issuance	87	174	87	174
Issuance of warrants	19	—	19	—
Ongoing new issue	—	—	—	—
Bonus issue	—	—	—	—
Carrying amount	782	676	782	676

12. Development fund

TSEK	THE PARENT COMPANY	
	2021	2020
Opening carrying amount	297	428
Capitalized expenditure for development or the year	—	—
Amortization for the year	-132	-131
Carrying amount	165	297

13. Share premium reserve

TSEK	THE GROUP		THE PARENT COMPANY	
	2021	2020	2021	2020
Opening carrying amount	44,179	18,568	44,179	18,568
New issuance	36,089	29,826	36,089	29,826
Issuance expenses	-2,290	-4,465	-2,290	-4,465
Issuance of warrants	2,414	250	2,414	250
Ongoing new issue	—	—	—	—
Bonus issue	—	—	—	—
Carrying amount	80,392	44,179	80,392	44,179

14. Pledged assets and contingent liabilities

Veg of Lund has no pledged assets or contingent liabilities.

15. Significant events after the end of the financial year

After the end of the financial year, Veg of Lund has expanded in the United Kingdom and is now also represented in the grocery market. For example, the food chain Waitrose and the e-commerce operator Ocado have introduced Veg of Lund products in early 2022. In addition, several new customers have been added during the spring of 2022, for example in food manufacturing.

The outcome of the TO1 warrants that were issued in the third quarter of 2021 was disclosed in March 2022. Overall, 590,865 warrants were exercised, corresponding to approximately 75.3 percent of the total number of outstanding warrants, to subscribe for 590,865 shares at a subscription price of SEK 11.06 per share. Through the exercise of warrants, Veg of Lund thus raised approximately MSEK 6.53 before issuance costs.

The war in Ukraine has financial repercussions, mainly involving trade and global raw material prices. This impacts not only Veg of Lund, but all food companies. The company makes continuous assessments that will be presented in future reports and, where appropriate, in additional disclosures via press releases.

THE BOARD'S ASSURANCE

The Board of Directors and the CEO confirm that this annual report provides a true and fair view of the parent company's and the group's operations, position and performance and describes the material risks and uncertainties faced by the parent company and the group.

Malmö, Sweden, 20 April 2022

Håkan K Pålsson
Chairman of the Board

Anders Hättmark
Director

Roger Johansson
Director

Linda Neckmar
Director

Magnus Nordin
Director

Eva Tornberg
Director

Emma Källqvist
Acting CEO

Our audit report was submitted on 20 April 2022

Deloitte AB

Maria Ekelund
Authorized Public Accountant

AUDITOR'S REPORT

To the Annual General Meeting of Veg of Lund AB (publ), corporate registration number 559054-4655

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Veg of Lund AB (publ) for the financial year 2021-01-01 – 2021-12-31. The annual accounts and consolidated accounts of the company are included on pages 20–34 in this document.

In our opinion, the annual accounts and consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company and the group as of 31 December 2021 and their financial performance and cash flows for the year then ended in accordance with the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

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.

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

Material uncertainty related to going concern

Without prejudice to our statements above, we draw attention to the Management Report and Note 1 to the financial statements, wherein it is highlighted that Veg of Lund's current financing is not sufficient to support the company's plans for expansion and growth, the board of directors is currently evaluating alternatives for financing.

These circumstances indicate that there is a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern.

Other information than the annual and consolidated accounts

The Board of Directors and the Managing Director are responsible for this other information. The other information consists of pages 2–19.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information. In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

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

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

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act. The Board of

Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibility

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

As part of an audit in accordance with ISAs, the auditor exercises professional judgment and maintains professional scepticism throughout the audit. The auditor also:

- identifies and assesses the risks of material misstatement in the annual accounts and consolidated accounts, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for the 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.

- obtains an understanding of the company's internal control relevant to the 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.

- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.

- concludes on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. The auditor also draws 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 accounts or, if such disclosures are inadequate, to modify the opinion about the annual accounts. The auditor's conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.

- evaluates the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.

- obtains 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 accounts. 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. The auditor must also inform the Board of Directors of significant audit findings during the audit, including any significant deficiencies in internal control that the auditor identified.

Report on the annual accounts and consolidated accounts

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Veg of Lund AB (publ) for the financial year 2021-01-01 – 2021-12-31 as well as the proposed appropriations of the company's profit or loss.

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

Basis for Opinions

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

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

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

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

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

Auditor's responsibility

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

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or

- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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

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

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The review of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on the auditor's professional judgment guided by risk and materiality. This means that the auditor focuses the review on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. The auditor reviews and tests decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to the opinion concerning discharge from liability. As a basis for the opinion on the Board of Directors' proposed appropriations of the company's profit or loss, the auditor reviewed whether the proposal is in accordance with the Companies Act.

Malmö, Sweden, 20 April 2022

Deloitte AB

Maria Ekelund
Authorized Public Accountant

MULTI-YEAR OVERVIEW

THE GROUP

TSEK	2021	2020	2019	2018	2017
Net sales	2,573	1,177	2,038	-	-
Net profit for the year	-23,754	-18,348	-14,139	-	-
Balance sheet total	25,971	9,063	7,279	-	-
Solidity, %	75	70	Neg.	-	-
Cash flow from operating activities	-31,484	-17,899	-	-	-
Average number of employees	5	2.5	0.5	-	-

THE PARENT COMPANY

TSEK	2021	2020	2019	2018	2017
Net sales	4,481	1,595	2,004	900	0
Net profit for the year	-19,522	-15,114	-11,498	-4,776	-1,612
Balance sheet total	35,099	14,448	8,914	13,468	1,100
Solidity, %	84	82	13	94	84
Cash flow from operating activities	-31,545	-14,138	-9,227	-5,202	-1,256
Average number of employees	5	2.5	0.5	0.5	1

DEFINITIONS

In general	All amounts in tables are stated in SEK thousands unless otherwise specified. Amounts in brackets refer to the corresponding period in the preceding year unless otherwise specified.	
Definitions of indicators	Veg of Lund's definitions of a number of alternative performance measures not defined or specified under BFNAR ("Alternative Performance Measures") are set out below. Veg of Lund has made the assessment that these alternative performance measures are used by some investors, securities analysts and other stakeholders to supplement other measures of performance and financial position. Unless otherwise specified, these alternative performance measures have not been subject to audit and are not to be considered separately or as an alternative to indicators calculated in accordance with BFNAR. These Alternative Performance Measures, as defined by Veg of Lund, are not to be compared with other indicators with similar names used by other companies. This is because these alternative performance measures are not always defined in the same way, and other companies may calculate them in a different way to Veg of Lund.	
Margins	Definition/Calculation	Purpose
Gross margin, %	Gross profit in relation to net sales.	Used to measure product profitability.
EBITDA margin, %	EBITDA in relation to net sales.	The company considers the EBITDA margin to be a useful indicator, together with increase of net sales, to monitor value creation.
EBIT margin, %	Operating profit in relation to net sales.	The company considers the operating margin to be a useful indicator, together with net sales growth, to monitor value creation.
Profit margin, %	Net profit for the period in relation to net sales.	Indicator that shows how much value accrues to shareholders in the company.
Return	Definition/Calculation	Purpose
Solidity, %	Equity in relation to total assets.	The company has chosen to present the indicator Solidity as it demonstrates the status of the company as a going concern.
Data per share	Definition/Calculation	Purpose
Number of shares	Number of shares outstanding at the end of the reporting period.	—
Average number of shares	Weighted average of the number of shares outstanding during the period plus a weighted number of shares that would be added if all dilutive potential shares were converted to shares.	—
Equity per share	Equity divided by the number of shares outstanding after dilution.	Measure that shows the owners' share of Veg of Lund's total net assets per share.
Basic and diluted earnings per share, SEK	Net profit for the period divided by the average number of shares outstanding before and after dilution.	
Other definitions	Definition/Calculation	Purpose
Net sales	The company's revenue from ordinary operations.	—
EBITDA	Operating profit excluding depreciation and impairment losses of property, plant and equipment and intangible assets.	The company has chosen to include the indicator EBITDA as it demonstrates the underlying operating performance with the effect of depreciation removed, which, since depreciation refers to historical investments, results in a more comparable performance measure over time.
Operating profit (EBIT)	Operating profit before financial items.	—
Net profit	Net profit or loss for the year.	—
Balance sheet total	The total of all the company's assets.	—
Cash flow from operating activities	Cash flow from operating activities, including change in working capital, before cash flow from investment and financing activities.	Cash flow from operating activities is used to measure the cash flow generated by the operations before investments and financing.
Average number of employees	Average number of employees in the company during the period.	

SHAREHOLDER INFORMATION

Financial Calendar

Interim report Jan–Mar 2022, quarter 1	10 May 2022
Interim report Apr–June 2022, quarter 2	16 August 2022
Interim report July–Sep 2022, quarter 3	9 November 2022
Year-end report 2022	16 February 2023

ANNUAL GENERAL MEETING 2022

The Annual General Meeting 2022 will be held on Wednesday, 11 May at 3:00 p.m. CEST in Malmö, Sweden. Additional information will be published on the company's website.



Veg of Lund AB (publ) develops unique plant-based foods meeting consumers' demands for taste and sustainability. The company has roots in research at Lund University and owns patented methods for developing new food categories in the fast-growing market for plant-based foods. Veg of Lund's climate-smart and tasty products are sold in Europe and Asia under the DUG® brand.

The company's share is listed on Nasdaq First North Growth Market under the ticker VOLAB. Read more at ir.vegoflund.se. Mangold Fondkommission AB is the company's Certified Adviser and can be contacted via telephone: +46 8 5030 15 50 or e-mail: ca@mangold.se

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