

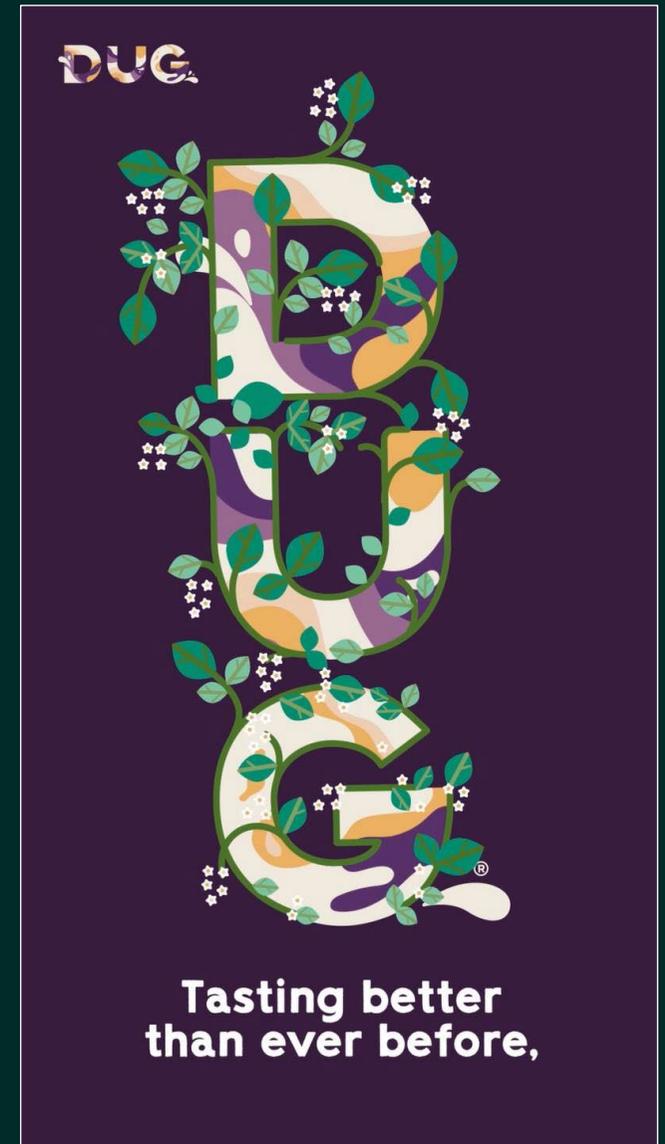


ANNUAL REPORT
2022

Focus on growth



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"Veg of Lund" refers to Veg of Lund AB (publ), reg.no. 559054-4655, or the Group in which Veg of Lund is the parent company.
Address: Scheelevägen 22, SE-223 63 Lund, Sweden.
E-mail: investorrelations@vegoflund.se | LEI code: 549300QAYR6579JL5X46.

The audited annual report of Veg of Lund AB consists of the pages 27–42. 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: 24,617,624
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. 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.

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VEG OF LUND'S UNIQUE PLANT-BASED FOODS HAVE GLOBAL POTENTIAL

Veg of Lund develops, markets and sells plant-based foods with potato as the basic raw material. The company has roots in research at Lund University and owns methods for developing new food categories in the fast-growing market for plant-based foods deriving from the company's patented emulsion consisting of potato and rapeseed oil. The food base (the emulsion) is vegan, contains Omega-3 fatty acids and is free of the 14 most common allergens¹.

Veg of Lund has commenced the commercialization of plant-based dairy products under the brand DUG and has a number of products under development. The company's fully developed potato beverage is sold in three varieties to consumers through the grocery market, mainly in Sweden, the United Kingdom and Ireland, and via e-commerce.



The potato beverage is also sold as an ingredient to food companies that develop vegetarian and vegan meals. In addition, Veg of Lund explores other applications beyond dairy products, including a plant-based meat in cooperation with the Swedish food company Scandi Standard AB.

The company is at an early stage of commercialization and internationalization, where the favourable reception of DUG in both Swedish and international media serves as the basis for the forthcoming launch of additional products currently under development on additional markets in Europe and Asia.

The company's share is listed on Nasdaq First North Growth Market under the ticker VOLAB since February 2020.

Business concept

Veg of Lund shall develop a product portfolio of patented products under the company's consumer brand DUG, as an ingredient in meals produced by food companies and the catering industry, and by licensing the company's patented emulsion technology. With a flexible business model, the company aims to address the market for plant-based food at a worldwide level.

Vision

Veg of Lund's vision is to become a leading operator in the international market for plant-based food by developing and providing innovative products for health and environmentally aware consumers and food companies.

Research

Veg of Lund was established based on research in the field of food technology carried out by Professor Eva Tornberg at Lund University. She discovered that potato and rapeseed oil had good qualities for creating a vegan plant-based beverage with a content of omega-3 fatty acids and free from the most common allergens.

However, Eva Tornberg faced the challenge of mixing the two ingredients together (equivalent to the difficulty of mixing oil with water). Sustained research efforts eventually led to a patented method of mixing potato with rapeseed oil, which

has laid the groundwork for Veg of Lund's potato-based products. The food base can be used for several types of food – including dairy product alternatives to milk, cream and ice cream, smoothies, soups and sauces.

Potatoes

Several studies have found that the cultivation of potatoes is efficient in terms of water and land use, and for this reason, it is considered more sustainable than most crops^{2,3,4}. Growing potatoes is twice as effective as growing oats in terms of land use efficiency, that is, the amount of food output per square meter⁵. Compared with almonds, potatoes can grow with 56 times less water⁶.

Market

Veg of Lund's assessment is that a growing number of consumers are looking for healthy and plant-based foods with a low carbon 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 choices⁷.

The Swedish market for plant-based foods is worth approximately SEK 2 billion and the growth is rapid. The category of vegetable 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 annually⁸.

The global market for plant-based dairy product alternatives amounted to around USD 23.2 billion in 2021⁹. According to the same report, 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 such as milk and ice cream.

¹ <https://www.livsmedelverket.se/livsmedel-och-innehall/text-pa-forpackning-markning/allergimarkning>

² <https://www.fao.org/3/i/0500e/i0500e.pdf>

³ <https://doi.org/10.1007/s12230-018-09697-1>

⁴ <https://www.fao.org/3/i/1127e/i1127e.pdf>

⁵ https://statistik.sjv.se/PXWeb/pxweb/sv/Jordbruksverkets%20statistikdatabas/Jordbruksverkets%20statistikdatabas_Skordar/J00601J02.px/table/tableViewLayout1/?rxid=5adf4929-f548-4f27-9bc9-78e127837625

⁶ <https://waterfootprint.org/media/downloads/Mekonnen-Hoekstra-2011-WaterFootprintCrops.pdf>

⁷ <https://gfi.org/marketresearch/>

⁸ <https://www.livsmedelsnyheter.se/stark-tillvaxt-for-vaxtbaserad-mat-enligt-branschrapport/>

A WORD FROM THE CEO

During the fourth quarter of 2022, my focus has been to create the conditions for a performance that drives growth and steers the company towards profitability in the long term. The company's strategy, established in 2022, provides a clear roadmap. Cost-efficient growth at a high pace is best achieved by complementing the current business model with two new and well-defined main strands: distributor sales and sale of licenses.

Historically, Veg of Lund's strategy has been to bring products to market under the DUG brand through our own commercial organizations in the United Kingdom as well as Sweden, with a view to building the brand and demand for our patented potato-based beverage in particular.

A shift for the future

During 2022, it became clear to the company that the strategy would be costly and the ambition to reach additional international markets would be lengthy. Consequently, the Board of Directors decided to rethink the strategy in 2022. The future, and an accelerated and more successful internationalization, will be built around licensing and distributor models.

This is the strategy that I joined the company towards the end of the year to build upon and implement, and this is the strategy that is right for the company now that we are entering new markets—of that I am convinced.

The shift in strategy is the proper way, and it enables us to expand into new markets in a significantly more cost-efficient manner, with competent national partners under existing brands in combination with DUG. Only in exceptional cases, and only in connection with major collaborations such as with Migros in Switzerland, will we address new markets directly.

In parallel, another decisive shift has also occurred. Our current main product, our patented potato beverage, has undergone a profound change to the recipe. The concept remains the same, based on our potato and rapeseed oil emulsion, free from allergens and packed with nutrients. Compared with the previous version, the new flavour and quality meet the demands of more consumers.

Updated and expanded product portfolio

For a food company that develops novel products, it is of the utmost importance to stay close to customers and consumers to be able to succeed. This effort is ongoing on a daily basis and sometimes involves major updates, most recently in the fourth quarter 2022 when we introduced a new recipe for our potato-based beverage, DUG.

In tests comparing the original and the updated recipes, more consumers responded that the taste experience of using the product in coffee, with cereal and in cooking was significantly improved. At the same time, the updated version has fewer added ingredients, a more milk-like appearance and flavour, and an even better marriage of flavours when put into coffee—without compromising the advantages that DUG has always had.

In November 2022, DUG Smoothie was launched in Sweden and we noted a great deal of interest in our non-allergenic snack with the lowest fructose content on the market. Even though the milk beverage is the focus of internationalization, it is possible that this product will also be brought out into the world during 2023.

We will add new product categories on an ongoing basis, including additional plant-based dairy products such as ice cream, cooking cream, etc., in order to continue to establish potato as a natural ingredient also in plant-based dairy alternatives.

The strategic effort relating to plant-based white and red meat has advanced in collaboration with Scandi Standard.

Our assessment is that we have a product ready for commercialization. The work with Scandi Standard continues while we, within the framework of the existing contract with Scandi Standard, have ongoing discussions with alternative partners.

The patent portfolio is also strengthened. Most recently, we received confirmation of the European Patent Office's intention to approve our patent "Vegan potato emulsion", which defines Veg of Lund's unique vegetable milk alternative. The future patent protection will cover the European market, which may comprise 39 countries.

Veg of Lund will continue to be an innovator and supply licensing partners with patented, unique solutions ready to be commercialized. That is, and will be, a key element of the strategy that is building the successful, profitable company that we aspire to become.

During the year, we have also reviewed our production and logistic solutions. To get closer to our customers in Continental Europe, we have started collaboration with a well-established producer in northern Germany.

A category of customers that is growing in importance is food companies that produce prepared meals. We have found the opportunity to develop collaborations with several food companies that have tested DUG in various meals. The response has been positive, especially from those consumers that are seeking vegan and vegetarian meals with high-quality ingredients, and we see possibilities to establish further collaborations.

2023 will be profoundly different

It is clear from our performance in the full year compared with the fourth quarter of 2022 that we, after a costly start to the year, now have found a more cost-efficient level, which we bring with us into 2023. Moving forward, we will make balanced choices to drive growth and expansion at a lower cost than in the past.

With the changes that the strategy, the Board, the organization and the product portfolio have undergone, much has already been done to ensure such an outcome. A lot of work lies ahead of us still, and we now have the conditions in place to turn Veg of Lund into the company we all want it to be.

A company that provides the sustainable future solutions for plant-based, palatable and nutritious foods, profitably brought to market on a worldwide scale.

Broader experience in the Board of Directors

The extraordinary general meeting held on 9 December 2022 elected two new members to the Board of Directors: Anders Gustafsson and Rolf Bjerndell. The two new board members contribute important skills. Anders Gustafsson is marketing director at Tetra Pak Vietnam and has extensive experience of sales and distribution of food across several markets in Southeast Asia.

Rolf Bjerndell is Chair of the Board of Aventure AB and GlucaNova AB, among other companies. He has worked at numerous food companies, including as CEO of Skånemejerier and board member of Oatly, Probi and Brämhult.

I envision a 2023 very different from 2022, with enhanced performance. I look forward to working alongside the Board as a whole, my colleagues and our partners to implement our expansion strategy in 2023.



Fredrik Carling,
Chief Executive Officer

THE GROUP'S INDICATORS (see definitions on page 46)

TSEK	Full year 2022	Full year 2021
Net sales	2,541	2,573
Gross margin, %	2	26
EBITDA	-42,580	-22,500
EBITDA margin, %	Neg.	Neg.
Operating profit (EBIT)	-42,787	-23,641
EBIT margin, %	Neg.	Neg.
Net profit for the year	-45,279	-23,754
Profit margin, %	Neg.	Neg.
Basic and diluted earnings per share, SEK	-3.41	-2.10
Solidity, %	35	75
Equity per share, SEK	0.26	1.60
Balance sheet total	18,071	25,971
Cash flow from operating activities	-35,714	-31,484
Average number of employees	9	5



MILESTONES IN 2022

Quarter 1

- An extraordinary general meeting elected two new members to the Board of Directors: Magnus Nordin and Håkan K. Pålsson. Håkan K. Pålsson was elected Chairman of the Board.
- The UK food chain Waitrose started offering DUG, highlighting the potato-based beverage as one of the food trends of the year.
- Series TO1 warrants were exercised at a rate of approximately 75.3 percent, raising proceeds of approximately MSEK 6.53 for Veg of Lund.
- Veg of Lund's plant-based beverage DUG was launched in Ireland.

Quarter 2

- Annual General Meeting 2022
- Veg of Lund conducted a strategic review of the business and decided on an updated strategy and revised objectives with the aim of increasing sales. At its core, the business model is a hybrid between inhouse production and sales and out-licensing.
- The company filed an application for a Swedish patent for a potato emulsion that can be used in plant-based ice cream products.
- Veg of Lund obtained a bridge facility of up to MSEK 16 to strengthen the company's market position and product development, and issued warrants

Quarter 3

- The Board of Directors appointed Fredrik Carling as the new CEO of Veg of Lund. He took position on 19 September 2022.
- Board member Magnus Nordin stepped down from Veg of Lund's Board of Directors at his own request.
- Veg of Lund carried out a directed new issue of shares as conversion of the bridge financing facility and resolved on allotment of shares in response to the exercise of warrants by a lender.
- Veg of Lund signed a letter of intent relating to production and sales in Southeast Asia.

Quarter 4

- Anders Gustafsson and Rolf Bjerndell were elected to the Board of Directors of Veg of Lund AB.
- Veg of Lund carried out a directed new issue of shares as conversion of the bridge financing facility and resolved on allotment of shares in response to the exercise of warrants by two lenders.
- In November, Emma Källqvist resigned from the position as CFO, and Cecilia Strandberg took office as interim CFO.
- The Board of Directors resolved on a rights issue of approximately MSEK 30.9.
- Veg of Lund AB announced the outcome of the rights issue. The rights issue had a subscription rate of 70 percent.
- In connection with the completion of the rights issue, Veg of Lund carried out a directed issue of shares to the guarantors and issued warrants to existing shareholders free of charge.

Significant events after the end of the year

- The Swiss food chain Migros launched DUG across 486 stores.
- Veg of Lund entered Germany in partnership with a distributor.
- The company's Chairman of the Board, Håkan K. Pålsson, resigned at his own request, effective immediately, on 17 March. The Board of Directors appointed Eva Tornberg as Chairman for the period up to the Annual General Meeting 2023
- Veg of Lund launches DUG potato drink in 101 stores of Bilka and Føtex in Denmark as of May 2023
- The company has signed a convertible loan of MSEK 7 with existing owners.

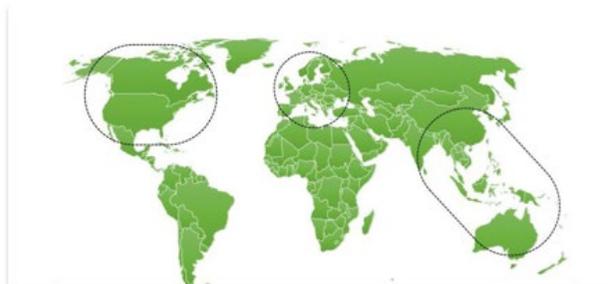


BUSINESS CONCEPT, VISION AND STRATEGY

BUSINESS CONCEPT

Veg of Lund shall develop a product portfolio of patented products under the company’s consumer brand DUG, as an ingredient in meals produced by food companies and the catering industry, and by licensing the company’s patented emulsion technology. With a flexible business model, the company aims to address the market for plant-based food at a worldwide level.

Regions with strong demand for plant-based food



VISION

Veg of Lund’s vision is to become a leading operator in the international market for plant-based food by developing and providing innovative products for health and environmentally aware consumers and food companies.

MISSION

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

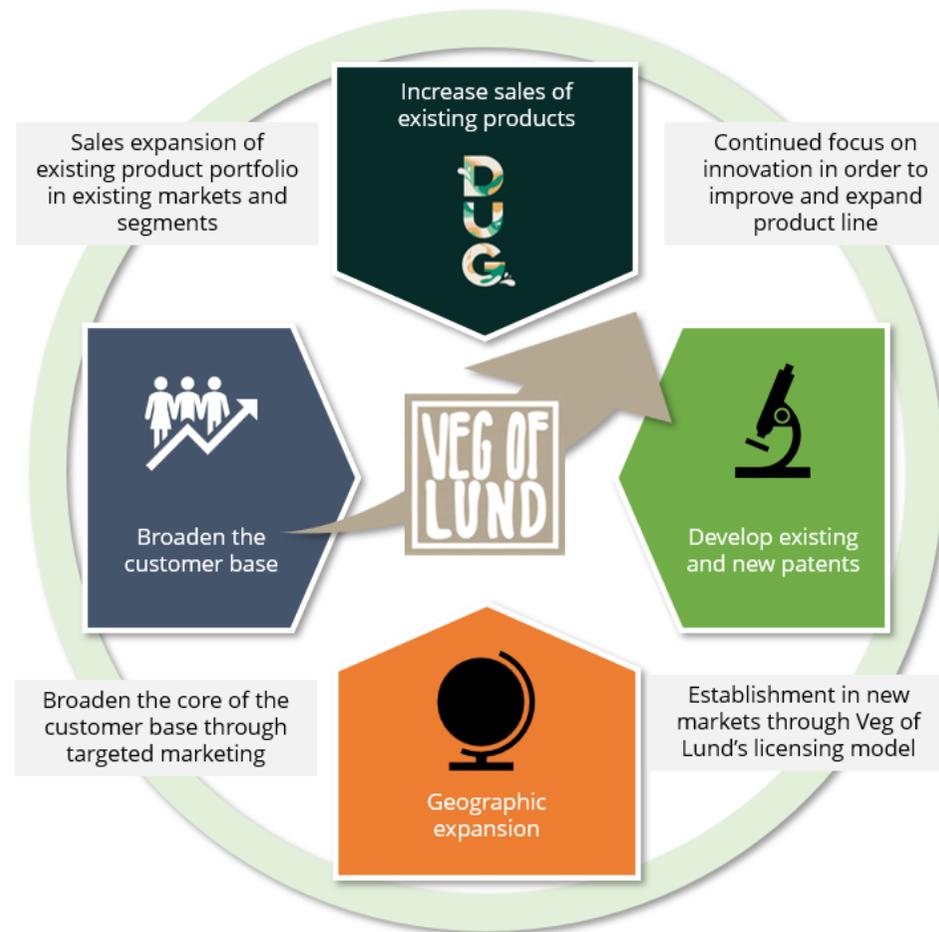
STRATEGY

Veg of Lund’s strategy involves broadening the customer base and increasing the sales of launched products in existing markets; expanding geographically in new markets; and developing the company’s product and patent portfolio on the basis of the patented potato emulsion. The figure to the right illustrates Veg of Lund’s strategy in four steps.

In the current markets Sweden and the United Kingdom, Veg of Lund has begun cooperation and sales to those commercial channels where the company sees a potential for international expansion. Food retail is the most clearly consumer-oriented channel. The other customer channel that is projected to grow in importance is food companies seeking a non-allergenic and vegan alternative to existing dairy products. The company has entered into cooperation in England with the consumer brand Kirsty’s, which today includes DUG in a number of recipes.

The third customer channel being cultivated is restaurants and the catering industry, where Veg of Lund sees opportunities to meet the demand for non-allergenic products in particular.

In 2023, the focus will be on increasing sales of existing DUG products, launching new DUG products, and continuing to undertake research and product development in new areas of application. Cultivation of the markets on which products have been launched, such as Sweden and the United Kingdom, will continue. Other European markets will be addressed on an ongoing basis over the year, together with selected markets in Asia, where letters of intent were recently signed for licensing agreements in Thailand and Vietnam.



Patent and trademark protection

Veg of Lund has a patent strategy based on seeking patents for all developed products to safeguard the company's position for a long time to come. The company has the ambition to strengthen the patent protection for its products by accounting for various alternative components in its recipes—but always with potato as the base. Veg of Lund currently has two patents granted and several pending.

In addition, the company has secured trademark protection in the present and planned countries of operation and plans to seek additional trademark protection as and when the company sees the need to expand its portfolio geographically. The company's products are marketed and sold under the DUG brand. Veg of Lund's current patent portfolio can be found on the company's website.

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 by sales of the company's plant-based milk, later adding a range of new products to complement it.

Financial targets

- Veg of Lund's financial objective is to achieve net sales of MSEK 420 by 2025, with a positive operating result.



VEG OF LUND'S SUSTAINABLE BUSINESS MODEL

Veg of Lund applies a hybrid model of commercialization, which aims to address the various markets in a rapid and cost-efficient manner and to a high standard. In nearby geographical markets such as Sweden and the United Kingdom, the commercialization will be carried out through the internal organization under the DUG brand.

Certain markets will be addressed by pursuing a distributor model, in which Veg of Lund works closely with one or several regional or national distributors to bring products to market both under the DUG brand and as an ingredient for prepared meals.

To accelerate the market introduction even further, the company also applies a licensing model where knowledge and technology related to the production process is transferred to a third party, which places products on the market either under the company's DUG brand or under its own brand.

In-house

In Sweden and the United Kingdom and vis-à-vis selected major international customers, Veg of Lund will control the entire chain from production to market launch through a combination of employees and contractors in sales and marketing. The production for this model will also be used in distributor markets to achieve economies of scale at production level.

Distribution model

The distribution model will mainly be utilized in relatively nearby geographic markets, in partnership with commercially established regional and/or national partners. Veg of Lund is responsible for production and sells fully completed products under the DUG brand, which the distributor in turn brings to market commercially.

To achieve economies of scale at production level, the company intends to manufacture the products in the same production facilities that are also contracted for the markets addressed in-house.

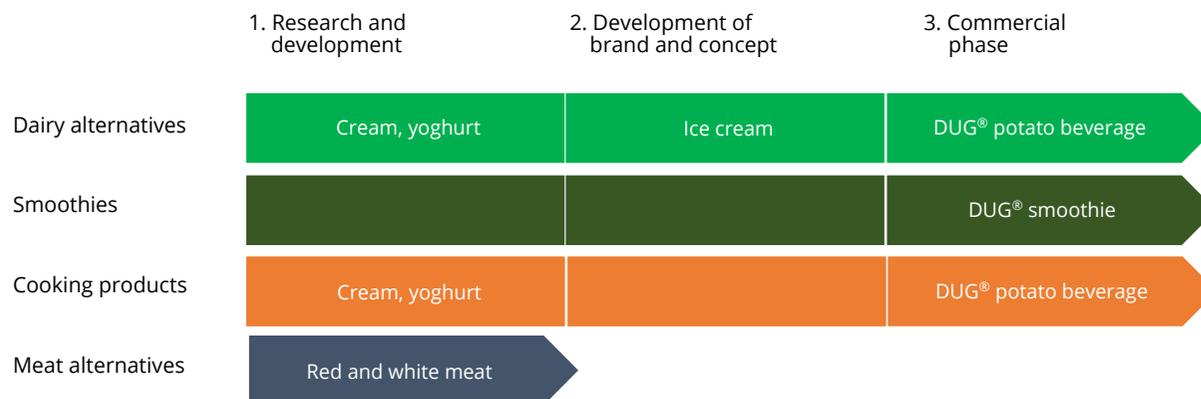
Licensing model

Veg of Lund intends to use a licensing model to reach more markets internationally quickly and cost-efficiently. The company provides product patents and transfer of relevant know-how and expertise under a license. The license partner, in turn, is responsible for the local production, marketing and sales under its own brand; alternatively, Veg of Lund's fully developed and rights-protected brand DUG may be used. The company receives a licensing fee based on the volume sold on an ongoing basis.



PRODUCT PORTFOLIO

Veg of Lund has commenced the commercialization of plant-based dairy products under the brand DUG and has a number of products under development. In addition, the company explores other applications beyond dairy products. At present, Veg of Lund has products at different stages of development in the four food segments dairy alternatives, smoothies, food industry ingredients, and meat products. The figure below illustrates which development stage each of the company's products is at.



Dairy alternatives

The company has launched the DUG potato beverage in three varieties, Barista, Original and Unsweetened, and intends to continue broadening the product and patent portfolio within the area. An updated and, in the company's view, improved recipe has been developed and was launched in January 2023. The company assesses that adjacent product categories such as cream, yoghurt and creme fraiche are possible future product expansions. A patented vegan ice cream is fully developed and will be flavoured in cooperation with established operators in the market. The company's intention is then to launch the ice cream in 2023.

In the 2021 edition of the World Food Innovation Awards, the company's potato-based beverage, DUG, won first prize in the category Best Allergy-Friendly Product¹⁰ and was ranked highly in three other categories, with a special award in the category Best Plant-Based Beverage. A total of 276 products from 22 countries participated in the international jury-decided award.



Smoothies

My Foodie is a patented smoothie and marks Veg of Lund's first commercialized product, presented with the World's Best Snack award at World Food Innovation Awards 2018⁹ in London. My Foodie is a filling smoothie mostly consisting of apple juice and the company's potato and rapeseed oil base, which provides satiety and nourishment.

This product was re-launched in the autumn of 2022 under the DUG Smoothie brand and positioned in the market as a healthy snack option with a low sugar content.

Ingredients for food companies

During 2021, the company developed larger containers for food producers looking to use DUG in their meals and bakery wares sold to final consumers. Increased allergy problems and lactose intolerance increase the demand for alternatives to traditional dairy product¹⁰. Veg of Lund's emulsion is free of the 14 most common allergens¹¹ which allows it to be included in a wide variety of dishes.

The food producers that use DUG hold the view that the structure and creaminess of the potato emulsion reduces the need for other ingredients and that the neutral flavour of the emulsion allows greater freedom in composing recipes compared with other plant-based milk alternatives. The products in this category will primarily be the same as above in order to achieve economies of scale at the production stage.

Meat alternatives

The company has an ongoing cooperation agreement with Scandi Standard to develop plant-based alternatives to meat products. Together with Scandi Standard, Veg of Lund intends to bring the joint development project for alternatives to white and red meat to market launch during 2023.

⁹ <https://www.foodbev.com/news/world-food-innovation-awards-2018-winners-announced/>

¹⁰ <https://www.grandviewresearch.com/industry-analysis/dairy-alternatives-market>

¹¹ <https://www.livsmedelverket.se/livsmedel-och-innehall/text-pa-forpackning-markning/allergimarkning>

DARE TO DUG

Potato is an important component of food security in most countries. The developing countries' share of global potato production is now greater than that of industrialized countries. The global potato consumption amounted to just below 40 kg per capita in 2020. The corresponding figure for Sweden was 85 kg¹².

Several studies have found that the cultivation of potatoes is efficient in terms of water and land use, and for this reason, it is considered more sustainable than most crops. Growing potatoes is twice as effective as growing oats in terms of land use efficiency, that is, the amount of food output per square meter. Compared with almonds, potatoes can grow with 56¹³ times less water.

Compared with cow's milk, DUG has a much smaller carbon footprint. Switching to a beverage made from potato reduces the climate impact by approximately 67 percent¹⁴.

In addition to Veg of Lund's own website, dugdrinks.com, DUG is available from a number of stores around Sweden, including Axfood (Hemköp, Tempo and Willys), City Gross, ICA and Matöppet and online shops such as Apotea.se and Delitea.se.

In the United Kingdom, DUG is sold through the Waitrose and Holland & Barrett networks of stores and through Whole Foods Markets stores in London. Online shops such as Ocado, TVK Supermarket, the Naturally Vegan Supermarket and Amazon sell DUG on their e-commerce sites.



DUG Smoothie was introduced on the Swedish market in November 2022 and comes in two flavours, raspberry, and blueberry. With a recipe that has the lowest fructose content on the market, a richer flavour, a lower fat content and a source of omega-3, DUG Smoothie has a natural place in the market for satisfying and non-allergenic snack products. An international launch is planned for 2023.



As of January 2023, the DUG recipe has been updated. After one year on the market, an extensive market survey including taste panels was carried out in several parts of Sweden and the United Kingdom, including both customers and consumers who had purchased the company's products repeatedly and those who had never seen or tried the product. After analysis and adjustments to the recipe, all three varieties of DUG (*Original, Barista and Unsweetened*) give a significantly improved taste experience when used in coffee, with cereal and in cooking. Fewer added ingredients, a more milk-like appearance and flavour, and an even better marriage of flavours when put into coffee—without compromising the advantages that DUG has always had.

¹² svenskpotatis.se

¹³ Water Footprint Network

¹⁴ Carbon Cloud AB

PRODUCTION

In Veg of Lund’s experience, most production facilities that manufacture plant-based foods can produce the company’s products with moderate investment. The production of the company’s emulsion and products requires the normal high level of food safety and efficient machinery. The availability of production capacity is deemed to be good in most of the company’s markets, and Veg of Lund considers it more advantageous to outsource production to established operators compared with the alternative to invest in factories and production capacity of its own.

The strategy further entails that the products can be produced locally, which is deemed to be what the market demands and may reduce the carbon footprint. Today, DUG potato milk is produced in England and, since December 2022, also in Germany, to meet the demand in the nearby geographies.

Patenterad produktionsprocess

By heating up proteins and starch from potatoes in a specific manner before mixing with rapeseed oil, an emulsion is created in which the protein forms a membrane around the oil droplets. This results in a creamy emulsion, which otherwise is difficult to attain using only vegetable proteins.

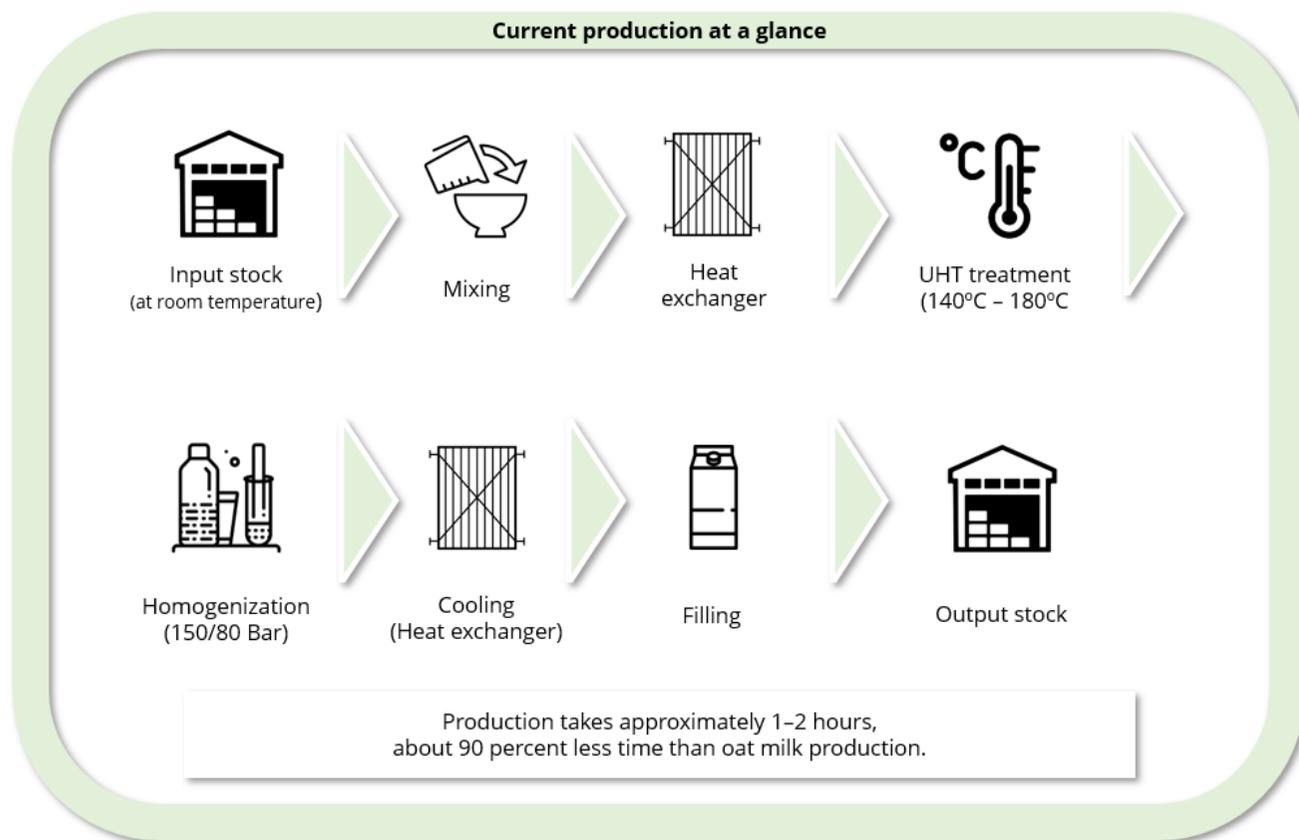
The first step of the production process is mixing. This is also the most complicated step of the process to create Veg of Lund’s emulsion. After mixing the product, it undergoes sterilization by means of a heat treatment which also serves to extend the shelf life. The product is then homogenized to disperse the droplets of fat in the mixture, rendering it homogenous. At the final production stage, the product is cooled and filled in aseptic packaging with a shelf life of twelve months.

The packaging comprises one-litre cartons and 250 ml glass bottles for the grocery trade and larger commercial containers holding 10 litres for food companies.

Expanded production base

Veg of Lund has chosen to contract established contract manufacturers for the production and packaging of the company’s products. In the company’s assessment, this is the most resource-efficient approach as it reduces the company’s need to keep specialized expertise and fixed assets available in-house, and also provides the flexibility needed during the build-up phase.

During 2022, manufacturing has mainly been carried out by a contract producer in England. To safeguard production and get closer to producers and customers in the EU, Veg of Lund also carries out production at a facility in northern Germany as of 2023. The production of DUG Smoothie takes place at a facility in the south of Sweden.



Factory location	Product	Certification
Somerset, England	DUG	<ul style="list-style-type: none"> • BRC certified AA+ grade • Red Tractor certificate • Organic Soil Association
Schwerin, Germany	DUG	<ul style="list-style-type: none"> • IFS Food version 7
Kristianstad, Sweden	DUG Smoothie	<ul style="list-style-type: none"> • SMAK-certified • Ongoing IP Sigill certification (completed Q3 2023)

MARKET

Veg of Lund's assessment is that a growing number of consumers are looking for healthy and plant-based foods with a low carbon 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 choices¹⁵. Today, 53 percent of the adult population in Europe are overweight, and the food systems alone account for 30 percent of the global emissions of greenhouse gases^{16,17}. It has also been estimated that 70 percent of the global population is planning to reduce meat consumption¹⁸. Of people buying plant-based products today, 78 percent are repeat buyers¹⁹.

The Swedish market for plant-based foods is worth approximately SEK 2 billion and the growth is rapid. The category of vegetable 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 annually²⁰.

Veg of Lund assesses that the company's products are in the right place at the right time to capture important trends such as stronger focus on sustainability and climate change, as well as changing consumption patterns that benefit health and well-being, and that Veg of Lund is well positioned to establish itself as a player in the global market for plant-based foods on the basis of its taste-neutral product and use of raw materials with a limited climate footprint.

Veg of Lund will focus on the continued launch and commercialization of the company's plant-based milk DUG

in parts of the world where the demand for plant-based dairy products is assessed as high.

Plant-based dairy alternatives

The global market for plant-based dairy product alternatives amounted to around USD 23.2 billion in 2021, according to a report by the analysis group Grand View Research ("GVR")²¹. According to the same report, 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 such as milk and ice cream.

Plant-based beverages

GVR further estimates that the sales of plant-based beverages in the global market will amount to approximately USD 66.9 billion by 2030. According to GVR, almond and soy are the dominating raw materials, mainly in the United States and for health reasons. Unsweetened foods also have a strong position, again driven by consumers who want to feel better and lose weight. As a broader group of consumers now are taking an interest in plant-based beverages, health aspects have become more important, and content rich in fiber and Omega-3 is gaining market share, according to the report. The largest regional market in 2021 was Asia/Oceania with over 40 percent of the sales of plant-based dairy alternatives, followed by North America with about 27 percent and Europe with about 20 percent of the market.

Plant-based smoothies

The size of the global smoothie market is estimated to reach a value of about USD 34 billion by 2027, and the main driver of growth is considered to be a widespread health trend

among consumers, who are looking for healthy and quick snacks²².

The size of the market in the United Kingdom and Sweden for the segment "other juice, juice mixtures & smoothies" is expected to be approximately USD 799 million for the United Kingdom and USD 283 million for Sweden in 2021, and the projected annual average growth rates until 2025 are 4 percent and 3.8 percent, respectively^{23,24}.

Meat alternatives

The worldwide market for meat alternatives amounted to USD 9.9 billion in 2021, and the annual average growth rate is estimated at 42.1 percent between 2022 and 2030, according to GVR²⁵. A growing preference for a vegan diet in combination with increasing health-awareness are expected to drive market demand. In addition, growing awareness of environmental and ethical concerns have accelerated growth.

The "Vego-barometer" 2021 showed that Swedes continue to eat more and more vegetarian food²⁶. 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 years. 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 reason. Similar developments can be seen in the United States and the United Kingdom, where about a quarter of

¹⁵ <https://gfi.org/marketresearch/>

¹⁶ <https://ec.europa.eu/eurostat/web/products-eurostat-news/-/ddn-20210721-2>

¹⁷ <https://www.nature.com/articles/s43016-021-00225-9>

¹⁸ <https://www.globaldata.com/media/consumer/>

¹⁹ <https://gfi.org/marketresearch/>

²⁰ <https://www.livsmedelnsnyheter.se/stark-tillvaxt-for-vaxtbaserad-mat-enligt-branschrappor/>

[branschrappor/](https://www.grandviewresearch.com/industry-analysis/dairy-alternatives-market)

²¹ <https://www.grandviewresearch.com/industry-analysis/dairy-alternatives-market>

²² <https://www.marketresearch.com/Global-Industry-Analysts-v1039/Smoothies-14448781/>

²³ <https://www.statista.com/outlook/cmo/non-alcoholic-drinks/juices/other-juice-juice-mixtures-smoothies/united-kingdom>

²⁴ <https://www.statista.com/outlook/cmo/non-alcoholic-drinks/juices/other-juice-juice-mixtures-smoothies/sweden>

²⁵ <https://www.grandviewresearch.com/industry-analysis/meat-substitutes-market>

²⁶ <https://www.axfood.se/nyhetsrum/pressmeddelanden/2020/12/vegobarometern-vego-trend-drivs-av-kvinnors-och-ungas-klimatomsorg/>

consumers are actively looking for sustainable food alternatives, partly as a result of climate change²⁷.

Cooking products

Specialty food ingredients are elements that usually are used in emulsions of food and enhance the nutrient profile of processed foods. The areas of application include beverages, sauces, dressings, bakery goods, dairy products, dried processed food and frozen/chilled processed foods²⁸. The global market for specialty food ingredients amounted to USD 78.8 billion in 2021, and the annual average growth rate is estimated at 6.2 percent between 2022 and 2027 according to Market Data Forecast. Veg of Lund assesses that the potato emulsion has the potential to become a leading substitute for both emulsion of animal origin and other plant-based emulsions on the market today.

Competitors

Most of the operators active in plant-based food are large and established, as well as qualitative and broad in their consumer promotion. Veg of Lund's products, which are based on the company's patented emulsion consisting of potatoes and rapeseed oil, possess properties that should be able to gain and preserve a considerable market share. Products under the brand have a strong sustainability profile, with efficient use of land and low water consumption during the cultivation of potatoes^{29,30}. In addition, DUG is vegan, contains omega-3 fatty acids and is free of the 14 most common allergens³¹.

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, Rude Health, SunOpta Inc. and Whitewave Foods Company. Some of the competitors in the market for other plant-based dairy products are Arla and Danone.



²⁷ <https://www.spoon.guru/resources/education/healthy-planet-healthy-people-feb2021/>

²⁸ <https://www.mordorintelligence.com/industry-reports/global-specialty-food-ingredients-market-industry>

²⁹ <https://statistik.sjv.se/PXWeb/pxweb/sv/Jordbruksverkets%20statistikdatabas/>

Jordbruksverkets%20statistikdatabas__Skordar/JO0601J02.px/table/tableViewLayout1/?rxid=5adf4929-f548-4f27-9bc9-78e127837625

³⁰ <https://waterfootprint.org/media/downloads/Mekonnen-Hoekstra-2011-WaterFootprintCrops.pdf>

³¹ <https://www.livsmedelsverket.se/livsmedel-och-innehall/text-pa-forpackning-markning/allergimarkning>

SUSTAINABILITY WORK

Veg of Lund strives for sustainable working methods that will contribute to a sustainable everyday life for people, the climate, and our planet. The sustainability efforts are an integral part of the company's business model and ongoing operations and are based on Veg of Lund's business concept, code of conduct and other written policies together with the sustainability policy and the newly adopted sustainability framework. By integrating sustainability, the company aims to create value for its stakeholders both now and for the longer term.

Organization

Veg of Lund's Chief Executive Officer and Board of Directors are ultimately responsible for the company's sustainability management and its results.

Memberships, initiatives and networks

To increase our own level of expertise and cooperate with various stakeholders, Veg of Lund is involved in a range of industry collaborations, initiatives and memberships, which, among other things, work towards climate neutrality and thus a more sustainable development of society.

Purchase policy

Veg of Lund's board has established the company's policy for sustainable procurements – *Sustainable Sourcing Policy*. This regulates the company's purchasing routines and choice of suppliers. Important factors include that suppliers must clearly demonstrate how they work to reduce waste and resource use and use local partners. Furthermore, they must follow Veg of Lund's Code of Conduct for suppliers.

Code of Conduct

Veg of Lund's Code of Conduct is central to the company's approach to its own business and expectations of partners. The Code of Conduct is aimed at promoting transparency and giving guidance to all decisions of the company. The company's CEO is responsible for the proper implementation of the Code of Conduct.

Code of Conduct for suppliers

The company's business partners are key to the business and the development of future products and channels to reach consumers. The company's Code of Conduct for suppliers is a tool to ensure that all business relations are conducted under sustainable and responsible conditions.

Anti-corruption

Veg of Lund operates its business in several countries and must therefore ensure compliance with anti-corruption laws and trade sanctions. Veg of Lund does not accept business benefits based on illegal, inappropriate or unethical behavior 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 shall risk being harassed for exercising these rights.

Veg of Lund has provided information on the possibility of accessing whistleblower channels in accordance with legislation introduced in December 2021.

Read more about Veg of Lund's sustainability management on the company's website.



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 24,617,624 as of 31 December 2022, corresponding to 24,617,624 votes. On 31 December 2022, Veg of Lund's market capitalization amounted to MSEK 59.1. The number of warrants outstanding amounted to 576,920.

There is only one class of shares in the company, and the shares are issued in accordance with Swedish law and are denominated in SEK. Each share entitles the holder to one vote and carries equal right to the company's assets and profits.

Shareholders

As of 31 December 2022, Veg of Lund AB (publ) had 6,859 shareholders (7,662). The three largest owners were Eva Tornberg, Anders Färnqvist and Einar Haugland. As at 31 December 2022, the registration of the rights issue per

shareholder was not finalized and is thus not included in the figure. For illustrative purposes, the ownership structure as of 31 January 2023 is included in this report. An updated list of major shareholders is published on the company's website in connection with the publication of interim reports.

The company held no own shares as at the end of the year.

Share performance

The closing price of the Veg of Lund share on 30 December 2022 was SEK 2.40 (27.90). During the year, the closing price of the share was SEK 27.30 at its highest point, on 3 January 2022, and SEK 2.38 at its lowest, on 28 December 2022.

During the period 3 January–30 December 2022, the average volume of trading per day was 24,535 (94,118) shares.

The market capitalization as of 31 December 2022 amounted to MSEK 59.1 (341.1).

Share capital

The share capital of Veg of Lund amounted to SEK 1,575,527.94 (782,357) on 31 December 2022, divided on 24,617,624 (12,224,336) shares. The quota value of the share is SEK 0.064.

Rights issue and warrants

At the end of 2022, Veg of Lund carried out a rights issue that raised proceeds of approximately MSEK 21.6 before issuance costs. Through the rights issue, the number of shares in the company increased by 10,591,456 shares, from 14,026,168 shares to 24,617,624 shares.

Series 2020/2023 warrants

On 10 September 2020, Veg of Lund decided to carry out a directed issue of 290,920 warrants of Series 2020/2030 to the company's long-term partner on the Chinese market. The warrants were issued at a price of SEK 0.86. Each warrant entitles the holder to subscribe for one new share in the company at a subscription price of SEK 18.00. Subscription for new shares takes place during the exercise period between 15 September and 15 November 2023.

OWNERSHIP STRUCTURE ON 31 DECEMBER 2022

NAME	Number of shares and votes	Share of capital and votes, %
Eva Tornberg through company	1,358,370	5.52
Anders Färnqvist	1,269,998	5.16
Einar Haugland through company	956,305	3.88
Anders Hättmark through company	687,689	2.79
Kenneth Eriksson	664,010	2.70
Torbjörn Malmsjö	524,130	2.13
Avanza Pension	405,742	1.65
LU Holding	261,015	1.06
Försäkringsaktiebolaget, Skandia	260,014	1.06
Nordnet Pensionsförsäkring	198,246	0.81
Ongoing registration of rights issue	10,591,456	43.02
Other shareholders	7,440,649	30.22
Total	24,617,624	100.00%

OWNERSHIP STRUCTURE ON 31 JANUARY 2023

NAMN	Number of shares and votes	Share of capital and votes, %
Einar Haugland through company	2,185,337	8.88
Anders Färnqvist	1,500,000	6.09
Eva Tornberg through company	1,472,006	5.98
Gerhard Dal	1,051,962	4.27
Anders Hättmark through company	801,329	3.26
Kenneth Eriksson	800,000	3.25
Avanza Pension	759,760	3.09
Torbjörn Malmsjö	637,766	2.59
Nordnet Pensionsförsäkring	575,397	2.34
Tuvedalen Limited	444,110	1.80
Other shareholders	16,575,294	67.33
Total	24,617,624	100.00%

Upon full exercise of the issued warrants, the share capital would increase by SEK 18,618.88. Upon full exercise of Series 2020/2030 warrants, the dilution, subject to certain usual conversion terms, will amount to not more than 2.03 percent. 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 2021/2024 I warrants

On 12 May 2021, Veg of Lund's Annual General Meeting resolved to issue 211,000 warrants of Series 2021/2024 I to employees and consultants within Veg of Lund. The incentive scheme was offered to not more than 15 persons. The price per warrant was SEK 1.24 relating to 186,000 warrants and SEK 14.45 relating to 25,000 warrants. Each warrant entitles the holder to subscribe for one new share in the company at a subscription price of SEK 16.02.

Subscription for new shares takes place during the exercise period between 1 May 2024 and 31 May 2024.

Upon full exercise of the issued warrants, the share capital would increase by SEK 13,504. Upon full exercise of Series 2021/2024 I warrants, the dilution, subject to certain usual conversion terms, will amount to not more than 1.48 percent.

On 12 May 2021, Veg of Lund's Annual General Meeting resolved to issue 75,000 warrants of Series 2021/2024 I to board members Linda Neckmar and Roger Johansson and the then board member Torbjörn Clementz.

The warrants were issued at a price of SEK 1.24. Each warrant entitles the holder to subscribe for one new share in the company at a subscription price of SEK 16.02. Subscription for new shares takes place during the exercise period between 1 May 2024 and 31 May 2024.

Upon full exercise of the issued warrants, the share capital would increase by SEK 4,800.

Upon full exercise of Series 2021/2024 I warrants, the dilution, subject to certain usual conversion terms, will amount to not more than 0.53 percent. 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

During the third quarter 2021, the company's Board of Directors decided to carry out an issue of 784,619 Series TO1 warrants, of which 295,000 warrants comprised a directed issue to qualified investors and 489,000 warrants were issued to existing shareholders. The warrants were issued free of charge. Each warrant entitled the holder to subscribe

DEVELOPMENT OF THE SHARE CAPITAL 2016–2022

Date	Event	Number of shares		Quota value	Share capital		Capital raised Price/share (average)	Accumulate capital raised
		Change	Total		Change	Total		
2016-02-18	Formation	5,000	5,000	SEK 10	SEK 50,000	SEK 50,000	-	-
2016-10-04	New issue	840	5,840	SEK 10	SEK 8,400	SEK 58,400	SEK 3,000	SEK 2,520,000
2018-01-25	Split (1,000:1)	5,834,160	5,840,000	SEK 0.01	-	SEK 58,400	-	-
2018-01-25	New issue	1,000,000	6,840,000	SEK 0.01	SEK 10,000	SEK 68,400	SEK 5.50	SEK 8,020,000
2019-01-11	New issue	1,000,000	7,840,000	SEK 0.01	SEK 10,000	SEK 78,400	SEK 11.00	SEK 19,020,000
2019-10-31	Bonus issue	-	7,840,000	SEK 0.01	SEK 423,360	SEK 501,760	-	-
2020-02-18	New issue	2,727,272	10,567,272	SEK 0.06	SEK 174,545	SEK 676,305	SEK 11.00	SEK 49,020,000
2021-04-22	New issue	172,000	10,739,272	SEK 0.06	SEK 11,008	SEK 678,313	SEK 6.11	SEK 50,070,920
2021-06-04	New issue	407,162	11,146,434	SEK 0.06	SEK 26,058	SEK 713,371	SEK 8.30	SEK 53,450,371
2021-06-28	New issue	78,000	11,224,434	SEK 0.06	SEK 4,992	SEK 718,363	SEK 5.86	SEK 54,493,231
2021-07-29	New issue	36,822	11,261,256	SEK 0.06	SEK 2,357	SEK 720,720	SEK 20.53	SEK 55,249,190
2021-09-02	New issue	885,000	12,146,256	SEK 0.06	SEK 56,640	SEK 777,360	SEK 34.00	SEK 85,339,190
2021-10-05	New issue	78,080	12,224,336	SEK 0.06	SEK 4,997	SEK 782,357	SEK 29.34	SEK 87,630,080
2022-03-30	New issue	590,865	12,815,201	SEK 0.06	SEK 37,815	SEK 820,172	SEK 10.36	SEK 93,750,644
2022-09-22	New issue	1,010,967	13,826,168	SEK 0.06	SEK 64,702	SEK 884,874	SEK 6.51	SEK 100,331,589
2022-10-18	New issue	200,000	14,026,168	SEK 0.06	SEK 12,800	SEK 897,674	SEK 3.22	SEK 100,957,589
2022-12-29	New issue	10,591,456	24,617,624	SEK 0.06	SEK 677,853	SEK 1,575,527	SEK 1.98	SEK 121,898,044

for one new share at a subscription price of SEK 11.06. Subscription for new shares took place during the exercise period between 25 February 2022 and 10 March 2022. Overall, 590,865 warrants were exercised to subscribe for an equal number of shares, which entailed that the company's share capital increased by SEK 37,815.36. The subscription resulted in a dilution of approximately 4.61 percent.

Series 2022 I warrants

To ensure that the current financing needs are met, the company entered into a bridge loan facility agreement on 16 June 2022, according to which the lenders have committed to, during a period of 12 months, provide a bridge of MSEK 6 in total.

In conjunction with the raising of the bridge financing, the Board of Directors, pursuant to the authorization granted by the extraordinary general meeting on 11 May 2022, resolved to issue 300,000 warrants free of charge to the lenders.

Each warrant entitles the holder to subscribe for one share in the company during the period between the registration with the Swedish Companies Registration Office and 30 November 2022. The subscription price per share shall correspond to 60 percent of the volume-weighted average share price for the company during the period of ten trading days that ends on the day prior to the first day of the exercise period, but not less than the quota value of the share.

Authorizations to the Board of Directors

Incentive program

The Annual General Meeting on 11 May 2022 resolved, in accordance with the Board of Directors' proposal, to implement an incentive program in the form of warrants for employees and consultants. In short, the incentive program entails the issuance of not more than 500,000 warrants. Each warrant entitles the holder to subscribe for one new share in Veg of Lund during the period between 1 May 2025 and 31 May 2025.

The Annual General Meeting further resolved, in accordance with the Nomination Committee's proposal, to implement an incentive program in the form of warrants for certain members of the board. In short, the incentive program entails the issuance of not more than 75,000 warrants. Each warrant entitles the holder to subscribe for one new share in Veg of Lund during the period between 1 May 2025 and 31 May 2025.

Authorization to resolve on new issues

Moreover, the general meeting 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 in order to increase the company's share capital. Such resolutions on new issues can be made with or without deviation from the shareholders' preferential rights, and with or without stipulating contribution in kind or through set-off, or other conditions.

The total 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 of Directors' room for manoeuvre. If the Board of Directors resolves to carry out an issue with deviation from the shareholders' preferential rights, the reason shall be to raise working capital, broaden the shareholder base, finance a business combination, or fulfil the obligations arising from a cooperation agreement.

Dividend policy

Veg of Lund has not adopted a dividend policy and has not resolved to pay any dividend for the financial year 2022. The Board of Directors of the company has currently no intention to propose any dividend. Any future dividends will be decided by shareholders in connection with general meetings, and will be based, inter alia, on the company's profitability, development and/or financial position.

Distribution of financial reports

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

Rationale for investing in Veg of Lund

<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. • During 2022, Veg of Lund updated the recipes of all varieties of DUG and relaunched DUG Smoothie. The company’s products are produced in Sweden, England, and Germany, close to the customers. • 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 13 percent until 2030 according to a projection by Grand View Research. • According to Future Market Insights, the global market for plant-based foods is worth about USD 11 billion and is expected to grow at around 12 percent annually until 2032. • 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 enables rapid establishment</p>	<ul style="list-style-type: none"> • By obtaining dual IP for its products and brands, Veg of Lund can reach out to a broad target group and distribute its products through multiple channels at the same time. • 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



Eva Tornberg

Born: 1948.
Elected: 2016, chairwoman since March 2023.



Anders Hättmark

Born: 1961.
Elected: 2016.



Linda Neckmar

Born: 1973.
Elected: 2019.

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 (*Sw. 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.

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

Attendance at board meetings: 21 of 22*

Holding in Veg of Lund: 1,472,006 shares.

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: 22 of 22*

Holding in Veg of Lund: 801,329 shares.

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 Commercial development Human Health at Chr. Hansen A/S in Denmark.

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

Attendance at board meetings: 22 of 22*

Holding in Veg of Lund: 8,536 shares and 18,750 warrants of Series 2021/2024 I.

The number of shares and warrants for the Board and management is stated as of 31 December 2022 and include the holdings of related parties.

* During the period 1 January–31 December 2022. Anders Gustafsson and Rolf Bjerndell were elected to the Board on 9 December 2022.



Roger Johansson

Born: 1968.
Elected: 2020.

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 Cinis Fertilizer and Powerheat Group with companies such as Gripen Betongelement, We Construction, Power Heat Piping and Solenco.

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

Attendance at board meetings: 21 of 22*

Holding in Veg of Lund: 15,000 shares and 18,750 warrants of Series 2021/2024 I.



Rolf Bjerndell

Born: 1951.
Elected: December 2022.

Education/background

Rolf Bjerndell holds a Master of Business Administration from Lund University. He is trained by the Swedish Marketing Association and has taken several training courses within Nestlé. He has worked at numerous food companies, including as CEO of Skånemejerier and board member of Oatly, Probi and Brämhult.

Other appointments

Rolf Bjerndell is Chair of the Board of Aventure AB and GlucaNova AB, among other companies.

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

Attendance at board meetings: 4 of 4*

Holding in Veg of Lund: 31,250 shares.



Anders Gustafsson

Born: 1968.
Elected: December 2022.

Education/background

Anders Gustafsson holds a Master of Business Administration from Lund University and has worked within Tetra Pak since 1995, holding positions such as Sales & Marketing Director Europe, Business Development Director APAC/Central Europe and Director Marketing & Product Management Nordics.

Other appointments

Anders Gustafsson is Marketing Director of Tetra Pak Vietnam.

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

Attendance at board meetings: 4 of 4*

Holding in Veg of Lund: No shares or warrants.

MANAGEMENT



Fredrik Carling

Born: 1971.
CEO since September 2022.

Education/background

Fredrik Carling has a two-year upper secondary education in advertising and decoration. Fredrik has had a number of leading roles in companies offering consumer-oriented products and services. He has been CEO of Hövding Sverige AB and Managing Director Nordic at Diesel Sverige AB, and has served as board member of USWE Sports AB. He has also been Brand Manager at global level and in Europe for Levi Strauss, with responsibility for concept development and launches of new brands. Fredrik has also been Buying Director at Magasin du Nord.

Other appointments: No other appointments.

Holding in Veg of Lund: No shares or warrants.



Cecilia Strandberg

Born: 1972.
Interim CFO since November 2022.

Education/background

Cecilia Strandberg holds a M.Sc. in Business and Administration from the University of Gothenburg. Cecilia has long and broad experience of working as a finance and accounting manager in listed groups and the public sector. Among other things, she has worked as CFO within the Skanska Group and Accounting Manager at Båstadgruppen AB.

Other appointments: Part-time interim CFO at Easy Depot AB.

Holding in Veg of Lund: No shares or warrants.



Per Henrik Johnson

Born: 1977.
Supply Chain Director since 2021.

Education/background

Per Henrik holds a M.Sc. in Mechanical Engineering with Technology Management from LTH Faculty of Engineering, Mechanical & Management Engineering from Santa Clara University, and has participated in the Orkla Management Program. He has previously held various senior positions in purchasing and supply chain at Orkla Foods Sverige. He has also worked as Category Manager at Kwintet.

Other appointments: No other appointments.

Holding in Veg of Lund: 1,000 shares and 25,000 warrants of Series 2021/2024 I.

MANAGEMENT, continued



Anna Rosengren

Born: 1980.
Marketing and
Communications Manager
since 2022.



Eva Tornberg

Born: 1948.
Research & Development
Director since 2016*.

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: 2,068 shares.

See description under "Board of Directors" above".

The number of shares is stated as of 31 December 2022 and include the holdings of related parties.

* On a consultancy basis.

DUG ORIGINAL

Pour it in your cereal bowl, mix it into your smoothies, put it in your hot drinks, use it for cooking your favourite dishes or just enjoy it by the glass. DUG Original is your new everyday hero, fit for every occasion.



[More about DUG Original](#)

DUG UNSWEETENED

No added sugar, just pure great tasting potato-based goodness. This one's for all those who want a great tasting plant-based drink but with less sweetness. Just as good at getting that foam perfect as it is enjoyable on its own.



[More about DUG Unsweetened](#)

DUG UNSWEETENED

No added sugar, just pure great tasting potato-based goodness. This one's for all those who want a great tasting plant-based drink but with less sweetness. Just as good at getting that foam perfect as it is enjoyable on its own.



[More about DUG Unsweetened](#)

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 (*Sw. 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 2022

The Annual General Meeting was held in Malmö, Sweden, on 11 May 2022. The Annual General Meeting passed resolutions on the election of board members and auditors and determined the board and auditor fees. As members of the board, Anders Hättmark, Roger Johansson, Linda Neckmar, Magnus Nordin, Håkan K. Pålsson and Eva Tornberg were re-elected. Håkan K. Pålsson was also re-elected as Chairman of the Board. The audit firm KPMG AB was elected as auditor.

The Annual General Meeting resolved, in accordance with the Board of Directors' proposal, to implement an incentive program in the form of warrants for employees and consultants. In short, the incentive program entails the issuance of not more than 500,000 warrants. Each warrant entitles the holder to subscribe for one new share in the company during the period between 1 May 2025 and 31 May 2025.

The Annual General Meeting further resolved, in accordance with the Nomination Committee's proposal, to implement an incentive program in the form of warrants for certain

members of the board. In short, the incentive program entails the issuance of not more than 75,000 warrants. Varje teckningsoption ger rätt att teckna en ny aktie i bolaget under perioden från och med den 1 maj 2025 till och med den 31 maj 2025.

Each warrant entitles the holder to subscribe for one new share in the company during the period between 1 May 2025 and 31 May 2025.

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 an increase of the share capital of the company through new issues of shares, warrants or convertibles. Such resolutions on new issues can be made with or without deviation from the shareholders' preferential rights, and with or without stipulating contribution in kind or through set-off, or other conditions. The total 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 of Directors' room for manoeuvre. If the Board of Directors resolves to carry out an issue with deviation from the shareholders' preferential rights, the reason shall be to raise working capital, broaden the shareholder base, finance a business combination, or fulfil the obligations arising from a cooperation agreement.

Extraordinary general meetings in 2022

An extraordinary general meeting on 18 January 2022 resolved to elect two 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 thereafter consists of Anders Hättmark, Roger Johansson, Linda Neckmar, Magnus Nordin, Håkan K. Pålsson and Eva Tornberg.

An extraordinary general meeting on 9 December 2022 elected two new members to the Board of Directors: Anders Gustafsson and Rolf Bjerndell. The general meeting resolved to elect Håkan K. Pålsson as Chairman of the Board. Veg of Lund AB's Board of Directors thereafter consists of Anders Gustafsson, Anders Hättmark, Roger Johansson, Linda Neckmar, Rolf Bjerndell, Håkan K. Pålsson and Eva Tornberg. During the autumn, Fred Holmberg and Magnus Nordin stepped down from the Board of Directors of Veg of Lund.

The general meeting further resolved, in accordance with the Board of Directors' proposal, to make amendments to the Articles of Association. The aim of the amendment was to change the limits for share capital and number of shares.

In addition, the Annual General Meeting resolved, in accordance with the Nomination Committee's proposal, to implement an incentive program in the form of warrants for certain members of the board. In short, the incentive program entails the issuance of not more than 75,000 warrants. Each warrant entitles the holder to subscribe for one new share in the company during the period between 1 January 2026 and 31 January 2026.

Nomination Committee

The Nomination Committee shall consist of three members. The three largest shareholders registered with Euroclear Sweden on the last day of September the year before the Annual General Meeting shall be contacted by the company's Chairman of the Board and are each entitled to appoint one member of the Nomination Committee. When the shareholders have been contacted, they have 14 days to provide notice of whether they wish to participate in the work of the Nomination Committee.

In the event that any of them abstain from their right, the next shareholder in line in order of magnitude shall be invited to appoint a member and then has one week to give notice of participation. If three shareholders wishing to participate have not been found when the six largest

shareholders of the company have been contacted in the manner described above, the Nomination Committee may consist of fewer members.

The Chairman of the Board shall convene the first meeting but shall not be part of the Nomination Committee. The Chairman of the Board shall be available to answer questions from the Nomination Committee. In the event that a significant change of ownership occurs earlier than eight weeks before the Annual General Meeting, the composition of the Nomination Committee shall be adjusted in accordance with the principles set out above.

No fee shall be paid to the members of the Nomination Committee. Compensation shall, however, be paid for reasonable expenses relating to the service on the Nomination Committee. No later than six weeks before the Annual General Meeting, the Nomination Committee shall submit proposals regarding the chairman of the meeting; the chairman and other members of the Board of Directors, including any alternates; the election of auditors and auditors' fees; and, where applicable, amendments to this instruction and rules of procedure for the Nomination Committee.

The Nomination Committee for the Annual General Meeting 2023 consists of the following members: Chairman of the Nomination Committee Kaj Söderström, representing Reosurf AB, Anders Hättmark, representing Confidera Syd Aktiebolag, and Torbjörn Malmsjö, representing Anders Färnqvist. Håkan K. Pålsson, Chairman of the Board of Veg of Lund AB, convenes. 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 2022 Annual General Meeting resolved that the Board of Directors shall consist of seven 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.

During March 2023, an evaluation of the Board of Directors has been carried out by means of a questionnaire sent to all board members. The results have been compiled by the Chairman of the Board and submitted to the Nomination Committee.

Remuneration of board members and senior executives

The Annual General Meeting 2022 resolved that a board fee be paid corresponding to six (three) times the price base amount to the Chairman and six (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 393 (213) was paid to the Board of Directors in 2022. Remuneration of TSEK 3,761 (2,501) was paid to senior executives in 2022. 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 KPMG, with the address Nordenskiöldsgatan 8, SE-211 19 Malmö, Sweden, and was newly elected at the Annual General Meeting on 11 May 2022 up until the end of the Annual General Meeting 2023. Auditor in charge is Therese Johansson, 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 statements
- Investments and capital tie-up
- KPI's
- 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 2022. The company's share is listed on Nasdaq First North Growth Market.

The Group's operation

Veg of Lund is a food innovation company with a 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 vegetable 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 is a Swedish publicly listed company, established in 2016 and registered with the Swedish Companies Registration Office on 8 March 2016. The company is governed by and conducts its operations in accordance with the Swedish Companies Act (2005:551). Veg of Lund AB is the parent company of the wholly-owned subsidiaries Veg of Lund USA Inc., Delaware, USA, reg.no. 7457785, and Veg of Lund UK Limited, London, the United Kingdom, reg.no. 11783888.

Together, the three companies form a group. The company's organization includes all the skills and experience necessary to run the company. Veg of Lund does not consider itself dependent on the subsidiaries.

Multi-year overview

GROUP						
TSEK	2022	2021	2020	2019	2018	2017
Net sales	2,541	2,573	1,177	2,038	-	-
Net profit for the year	-45,279	-23,754	-18,348	-14,139	-	-
Balance sheet	18,071	25,971	9,063	7,279	-	-
Solidity, %	35	75	70	Neg.	-	-
Cash flow from operating activities	-33,677	-31,484	-17,899	-	-	-
Average number of employees	9	5	2.5	0.5	-	-

PARENT COMPANY						
TSEK	2022	2021	2020	2019	2018	2017
Net sales	4,725	4,481	1,595	2,004	900	0
Net profit for the year	-50,476	-19,522	-15,114	-11,498	-4,776	-1,612
Balance sheet	21,210	35,099	14,448	8,914	13,468	1,100
Solidity, %	53	84	82	13	94	84
Cash flow from operating activities	-34,205	-31,545	-14,138	-9,227	-5,202	-1,256
Average number of employees	7	5	2.5	0.5	0.5	1

Net sales and profit

For the year as a whole, Veg of Lund's net sales totaled TSEK 2,541 (2,573), which is in line with the previous year.

Operating profit (EBIT)

Operating profit for the year as a whole amounted to TSEK -42,787 (-23,641). The result for 2021 was burdened by one-off severance pay costs of TSEK 700. The deterioration of profit is also attributable to costs relating to the launch of DUG in the form of marketing and scale-up of the organization.

Net financial items

The financial profit for the year amounted to TSEK -2,492 (-111) and mainly comprised interest related to bridge loans, convertible bonds and warrant.

Net profit

Tax costs amounted to TSEK - (2). Net profit for the year amounted to TSEK -45,279 (-23,754).

Earnings per share

Earnings per share for the year amounted to SEK -3.41 (-2.10).

Cash flow, investments and financial position

Cash flow

The cash flow for the year as a whole amounted to TSEK -4,930 (8,244). In 2022, directed new issues and a rights issue were made, which brought the company approximately MSEK 30 after deduction of issuance costs, of which approximately MSEK 3 was paid in only in 2023.

Investments

During 2022, investments in intangible assets amounted to TSEK 499 (570), relating to the company's patent application processes. Investments in property, plant, and equipment amounted to TSEK 0 (30) during the year. No investments in financial assets were made during the year (–).

Change in cash and cash equivalents

Cash and cash equivalents decreased by TSEK 4,930 (+8,260) during the year, to TSEK 8,277 (13,173).

Capital position

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 continues to actively pursue and evaluate various financing options to ensure the long-term financing and optimal capital structure of the company.

The Board of Directors maintains a bright outlook regarding the company's ability to raise the required capital. In the event, however, that the company does not succeed in meeting the capital requirement, the result is that there is a significant factor of uncertainty about the company's ability to continue operations and that the company cannot expand at the planned pace.

Equity

The Group's total equity amounted to TSEK 6,370 (19,529) at the end of the quarter, and equity per share amounted to SEK 0.26 (1.60). 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 4,725 (4,481), of which TSEK 4,085 represented intra-group sales (3,035).

Net profit for the period amounted to TSEK -50,476 (-19,522). Investments in property, plant and equipment and intangible fixed assets amounted to TSEK 499 (600). For other matters, see the information provided for the Group.

Research and development

During 2022, 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 9 (5) during the year.

Significant events in 2022

First quarter

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

- The UK food chain Waitrose started offering DUG, highlighting the potato-based beverage as one of the food trends of the year

- Series TO1 warrants were exercised at a rate of approximately 75.3 percent, raising proceeds of approximately MSEK 6.53 for Veg of Lund

- Veg of Lund's plant-based beverage DUG was launched in Ireland

Andra kvartalet

- Annual General Meeting 2022

- Veg of Lund conducted a strategic review of the business and decided on an updated strategy and revised objectives with the aim of increasing sales. At its core, the business model is a hybrid between inhouse production and sales and out-licensing

- The company filed an application for a Swedish patent for a potato emulsion that can be used in plant-based ice cream products

- Veg of Lund obtained a bridge facility of up to MSEK 16 to strengthen the company's market position and product development and carried out an issue of warrants

Third quarter

- The Board of Directors appointed Fredrik Carling as the new CEO of Veg of Lund. He took position on 19 September 2022

- Board member Magnus Nordin stepped down from Veg of Lund's Board of Directors at his own request

- Veg of Lund carried out a directed new issue of shares as conversion of the bridge financing facility and resolved on allotment of shares in response to the exercise of warrants by a lender
- Veg of Lund signed a letter of intent relating to production and sales in Southeast Asia

Fjärde kvartalet

- Anders Gustafsson and Rolf Bjerndell were elected to the Board of Directors of Veg of Lund AB
- Veg of Lund carried out a directed new issue of shares as conversion of the bridge financing facility and resolved on allotment of shares in response to the exercise of warrants by two lenders
- In November, Emma Källqvist resigned from the position as CFO at Veg of Lund, and Cecilia Strandberg took office as interim CFO
- The Board of Directors resolved on a rights issue of shares of approximately MSEK 30.9
- Veg of Lund AB announced the outcome of the rights issue. The rights issue had a subscription rate of 70 percent
- In connection with the completion of the rights issue, Veg of Lund carried out a directed issue of shares to the guarantors and issued warrants to existing shareholders free of charge.

Events after the end of the period

- The Swiss food chain Migros launched DUG across 486 stores
- Veg of Lund entered Germany in partnership with a distributor
- The company's Chairman of the Board, Håkan K. Pålsson, resigned at his own request, effective immediately, on 17 March. The Board of Directors appointed Eva Tornberg as Chairman for the period up to the Annual General Meeting 2023.

- The company has signed a convertible loan of MSEK 7 with existing owners
- Veg of Lund launches DUG potato drink in 101 stores of Bilka and Fötex in Denmark as of May 2023.

Effects of the war in Ukraine

The war in Ukraine has financial repercussions, mainly involving trade and global raw material prices. This affects Veg of Lund as well as all other food companies. The main implications for Veg of Lund are increased raw material prices, shortage of certain inputs, and longer delivery times, which may disrupt production. 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.

Production

Veg of Lund is currently contracting two production facilities for the majority of its products. By locating production to one facility in England and one in Germany, the company has reduced risks, including of unplanned production interruptions, disrupted deliveries to customers and regulatory changes.

Competitors

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.

Financing and going concern

For the next 12 months, the company will continue to be in a growth phase that requires the injection of capital.

The company has signed a convertible loan of MSEK 7 with existing owners. This loan will be converted into shares in a directed share issue of SEK 20 million planned by the board during the summer of 2023. The board will seek authorization for this issue via an extraordinary general meeting. Furthermore, the company intends to further finance the company with up to SEK 15 million during the fourth quarter of 2023. The form of this financing has not been determined.

Current cash in combination with the above activities is deemed to be sufficient to finance the operations from the report's publication for a twelve-month period into 2024. Unforeseen costs may affect this assessment. Should Veg of Lund receive less funds than planned from the warrants, additional financing via issue may be needed.

The possibility of bringing in external capital can be affected by forces outside the company's control such as economic fluctuations and market fluctuations, which can make it more difficult or more expensive for the company to acquire new capital. 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 vegetable 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, including 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.

Ownership and share capital

As of 31 December 2022, no individual owners controlled 10 percent of the shares and votes in the company.

Related party transactions

During the financial year 2022, the company's expensed related-party transactions totaled TSEK 986 (610). All transactions were conducted on market conditions.

Consultancy fees were paid to the following related parties to the company: Håkan K. Pålsson (Chairman of the Board), Eva Tornberg (board member), and 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.

The company now has a more cost-effective level and will in future make balanced choices to drive growth and expansion at a lower cost than historically. Important changes in strategy, board, organization and product portfolio have already been made which provide the right conditions.

The company will focus on strengthening its position as a company that provides future sustainable solutions for plant-based, tasty and nutritious foods that are taken to a global market with good profitability.

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 2022. The following funds are available to the annual general meeting:

SEK	2022
Retained earnings	-51,899,042
Share premium reserve	111,957,509
Result for the financial year	-50,476,425
Available to the Board of Directors	9,582,042
The Board of Directors' proposed appropriation	
To be carried forward	9,582,042
Total	9,582,042

FINANCIAL STATEMENTS

INCOME STATEMENTS		GROUP		PARENT COMPANY	
		Full year 2022	Full year 2021	Full year 2022	Full year 2021
TSEK	Note				
Net sales		2,541	2,573	4,725	4,481
Other operating income	3	1,638	1,922	1,638	1,921
Total income		4,179	4,495	6,363	6,402
<i>Operating expenses</i>					
Cost of goods sold		-2,500	-1,895	-4,642	-4,141
Other external expenses	2	-35,524	-20,062	-23,780	-15,487
Personnel expenses	2	-8,609	-4,909	-7,980	-4,909
Depreciation, amortization and impairment	7, 8, 9	-207	-1,141	-207	-1,141
Other operating expenses		-126	-129	-128	-128
Operating profit (EBIT)		-42,787	-23,641	-30,370	-19,404
Depreciation property, plant, and equipment	10, 11	—	—	-17,550	—
Interest income and similar items	5	630	174	521	159
Interest expense and similar items	6	-3,122	-285	-3,077	-277
Result from financial items		-2,492	-111	-20,106	-118
Profit before tax (EBT)		-45,279	-23,752	-50,476	-19,522
Taxes	4	—	-2	—	—
Net profit		-45,279	-23,754	-50,476	-19,522
Number of shares		24,617,624	12,224,336	24,617,624	12,224,336
Average number of shares		13,293,494	11,288,232	13,293,494	11,288,232
Basic and diluted earnings per share, SEK		-3.41	-2.10	-3.80	-1.73

BALANCE SHEETS

TSEK	Note	GROUP		PARENT COMPANY	
		31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
ASSETS					
Intangible assets					
Capitalized expenditure for development	7	33	165	33	165
Patents, trademarks and licences	8	1,709	1,450	1,709	1,450
Total intangible assets		1,742	1,615	1,742	1,615
Property, plant and equipment					
Equipment, tools, fixtures and fittings	9	23	29	23	29
Total property, plant and equipment		23	29	23	29
Non-current financial assets					
Participations in Group companies	10	—	—	5,791	5,791
Non-current receivables from group companies	11	—	—	—	6,867
Deposits		15	15	15	15
Total non-current financial assets		15	15	5,806	12,673
Total non-current assets		1,780	1,659	7,571	14,317
Inventory, etc.					
Finished trade goods		1,128	5,232	64	3,091
Raw materials		1,441	1,550	1,441	1,550
Total inventory, etc.		2,569	6,782	1,505	4,642
Current receivables					
Trade receivables		342	2,349	107	1,384
Other receivables		4,405	1,145	4,075	1,036
Prepaid expenses and accrued income		698	863	382	692
Total current receivables		5,445	4,357	4,564	3,112
Cash and cash equivalents		8,277	13,137	7,570	13,028
Total current assets		16,291	24,312	13,639	20,782
TOTAL ASSETS		18,071	25,971	21,210	35,099

BALANCE SHEETS

TSEK	Note	GROUP		PARENT COMPANY	
		31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
EQUITY AND LIABILITIES					
Shareholder's equity					
Share capital	12	1,576	782	—	—
Other contributed capital	14	112,207	80,642	—	—
Other equity		-107,413	-61,895	—	—
Equity					
Restricted equity					
Share capital	12	—	—	1,576	782
Fund for development costs	13	—	—	33	165
Total restricted equity		—	—	1,609	947
Unrestricted equity					
Share premium reserve	14	—	—	111,957	80,392
Retained earnings		—	—	-51,899	-32,508
Result for the financial year		—	—	-50,476	-19,522
Total unrestricted equity		—	—	9,582	28,362
Total equity		6,370	19,529	11,191	29,309
Liabilities					
Current liabilities					
Financial liabilities		3,847	—	3,847	—
Trade payables		4,100	1,455	2,701	914
Other current liabilities		423	3,274	423	3,274
Accrued expenses and prepaid income		3,331	1,713	3,048	1,602
Total current liabilities		11,701	6,442	10,019	5,790
Total liabilities		11,701	6,442	10,019	5,790
TOTAL EQUITY AND LIABILITIES		18,071	25,971	21,210	35,099

CHANGES IN EQUITY

GROUP

TSEK	Share capital	Other contributed capital	Other equity, including net profit for the year	Total equity
The beginning of the year, 1 January 2022	782	80,642	-61,895	19,529
New issuance	775	22,215	—	22,990
Convertible bonds issued	—	7,015	—	7,015
Exercise of warrants	19	1,148	—	1,167
Issuance of warrants	—	1,187	—	1,187
Translation differences	—	—	-239	-239
Net profit for the year	—	—	-45,279	-45,279
The end of the year, 31 December 2022	1,576	112,207	-107,413	6,370
The beginning of the year, 1 January 2021	676	44,429	-38,735	6,370
New issuance	87	33,799	—	33,886
Exercise of warrants	19	2,414	—	2,433
Issuance of warrants	—	—	685	685
Translation differences	—	—	-91	-91
Net profit for the year	—	—	-23,754	-23,754
The end of the year, 31 December 2021	782	80,642	-61,895	19,529

CHANGES IN EQUITY

PARENT COMPANY

TSEK	Restricted equity			Unrestricted equity		
	Share capital	Share premium reserve	Translation reserve	Retained earnings	Net profit for the year	Total equity
The beginning of the year, 1 January 2022	782	165	80,392	-32,509	-19,522	29,308
Disposition of previous year's result	—	—	—	-19,522	19,522	—
New issuance	775	—	22,215	—	—	22,990
Convertible bonds issued	—	—	7,015	—	—	7,015
Exercise of warrants	19	—	1,148	—	—	1,167
Issuance of warrants	—	—	1,187	—	—	1,187
Bonus issue	—	—	—	—	—	—
Fund for development costs – change for the year	—	-132	—	132	—	—
Net profit for the year	—	—	—	—	-50,476	-50,476
The end of the year, 31 December 2022	1,576	33	111,957	-51,899	-50,476	11,191
The beginning of the year, 1 January 2021	676	297	44,179	-18,211	-15,114	11,827
Disposition of previous year's result	—	—	—	-15,114	15,114	—
New issuance	87	—	33,799	—	—	33,886
Convertible bonds issued	—	—	0	—	—	—
Exercise of warrants	19	—	2,414	—	—	2,433
Warrant premiums	—	—	—	684	—	684
Bonus issue	—	—	—	—	—	—
Fund for development costs – change for the year	—	-132	—	132	—	—
Net profit for the year	—	—	—	—	-19,522	-19,522
The end of the year, 31 December 2021	782	165	80,392	-32,509	-19,522	29,308

CASH FLOW STATEMENTS

TSEK	GROUP		PARENT COMPANY	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Cash flow from operating activities				
Operating profit	-42,787	-23,641	-30,370	-19,404
Adjustment for non-cash items	378	1,141	298	1,141
Paid taxes	—	-2	—	—
Paid interest	-838	-243	-838	-118
Cash flow from operating activities before changes in working capital	-43,247	-22,744	-30,910	-18,381
Changes in working capital				
Changes in operating receivables	6,591	-8,957	-5,318	-13,009
Changes in operating payables	2,979	217	2,023	-155
Cash flow from operating activities	-33,677	-31,484	-34,205	-31,545
Investing activities				
Investment in intangible assets	-499	-570	-499	-570
Investment in property, plant and equipment	—	-30	—	-30
Investment in financial assets	—	—	—	—
Cash flow from investing activities	-499	-600	-499	-600
Financing activities				
Issuance and other contributed capital	20,570	38,934	20,570	38,934
Issuance expenses	-3,871	-2,290	-3,871	-2,290
Warrants	1,167	685	1,167	685
Amortization	-7,000	-6,000	-7,000	-6,000
Borrowings	18,380	9,000	18,380	9,000
Cash flow from financing activities	29,246	40,328	29,246	40,328
CASH FLOW FOR THE YEAR	-4,930	8,244	-5,458	8,183
Cash and cash equivalents at the beginning of the year	13,173	4,913	13,028	4,845
Currency effect in cash and cash equivalents	34	16	—	—
Cash and cash equivalents at the end of the year	8,277	13,173	7,570	13,028

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 market 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 estimated to be 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.

2. Personnel

AVERAGE NUMBER OF EMPLOYEES	GROUP		PARENT COMPANY	
	2022	2021	2022	2021
Women	6	1	4	1
Men	3	4	3	4
Total	9	5	7	5
TSEK				
<i>Salaries and remunerations:</i>				
Board members	393	143	393	143
Chief Executive Officer	441	1,105	441	1,105
Other executive directors	2,740	559	2,740	559
Other staff	2,263	1,524	2,263	1,524
Total	5,837	3,331	5,837	3,331
<i>Social security contributions:</i>				
Pension costs for the Board and the CEO	108	297	108	297
Pension costs for other employees	640	27	628	27
Other statutory and contractual social security contributions	1,606	1,157	1,606	1,157
Total	2,354	1,481	2,342	1,481

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.

2022				
TSEK	Salaries/ fees	Other remuneration	Pension cost	Total
<i>Members of the board:</i>				
Håkan K. Pålsson, Chairman of the Board	217	344*	—	560
Eva Tornberg, Director	—	440*	—	440
Anders Hättmark, Director	—	197*	—	197
Roger Johansson, Director	—	—	—	—
Linda Neckmar, Director	86	—	—	86
Rolf Bjerndell, Director (from Dec 2022)	8	—	—	8
Anders Gustafsson, Director (from Dec 2022)	8	—	—	8
Fred Holmberg (May–Jun 2022)	—	—	—	—
Magnus Nordin, Director (Jan–Sep 2022)	62	—	—	62
Torbjörn Clementz, Director (Jan 2022)	12	5*	—	17
Summa	393	986	—	1 378
<i>Senior management:</i>				
Fredrik Carling, CEO (Sep–Dec 2022)	441	—	108	549
Per Henrik Johnson, Supply Chain Director	761	—	107	868
Anna Rosengren, Marketing	610	—	74	685
Emma Källqvist, (CFO Jan–Nov 2022)	876	—	137	1,012
David Sandberg, Sales (Jan–Jul 2022)	493	—	30	523
Cecilia Lindwall, (VD Jan–Apr 2022)	580	—	89	669
Total	3,761	—	544	4,305

* Remuneration comprises consultancy fee

2021				
TSEK	Salaries/ fees	Other remuneration	Pension cost	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 (Jun–Dec 2021)	1,001	—	255	1,256
Erik Sundqvist, CFO (Jan–Mar 2021)	138	—	—	138
Emma Källqvist, CFO (Jul–Dec 2021)	372	—	22	394
Per Henrik Johnson, Supply Chain Director (Dec 2021)	49	—	20	69
Total	1,807	610	297	2,714

3. Other operating income

TSEK	GROUP		PARENT COMPANY	
	2022	2021	2022	2021
Joint development aid	1,537	1,874	1,537	1,874
Other items	101	48	102	47
Carrying amount	1,638	1,922	1,640	1,921

4. Taxes

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 22,244 (13,119) as of 31 December 2022.

TSEK	GROUP		PARENT COMPANY	
	2022	2021	2022	2021
Current tax	—	2	—	—
Deferred tax	—	—	—	—
Tax on profit for the year	—	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:

	GROUP		PARENT COMPANY	
	2022	2021	2022	2021
Profit before tax	-45,279	-23,754	-50,476	-19,522
<i>Reconciliation of effective tax:</i>				
Tax calculated according to the applicable tax rate	12,750	4,834	10,398	4,022
Tax effect of non-deductible costs	-3,624	-5	-3,624	-5
Tax effect of non-taxable income	1	—	1	—
Unrecognized deferred tax asset	-9,126	-4,829	-6,774	-4,016
Recognized tax	—	—	—	—
Effective tax rate	0%	0%	0%	0%
Current tax rate	19%-21%	19%-21%	20.6%	20.6%

5. Interest income and similar items

TSEK	GROUP		PARENT COMPANY	
	2022	2021	2022	2021
Foreign exchange gains arising from intra-group transactions	630	174	521	159
Total	630	174	521	159

6. Interest expense and similar items

TSEK	GROUP		PARENT COMPANY	
	2022	2021	2022	2021
Interest expense on bridge loans	-1,570	-242	-1,570	-242
Interest expense on warrants	-1,188	—	-1,188	—
Foreign exchange losses	-360	-43	-315	-35
Other interest expenses	-4	-1	-4	-1
Total	-3,122	-285	-3,077	-277

7. Capitalized expenditure for development work and similar work

TSEK	GROUP		PARENT COMPANY	
	2022	2021	2022	2021
Cost, opening balance	659	659	659	659
Accumulated cost, closing balance	659	659	659	659
Amortization, opening balance	-494	-362	-494	-362
Amortization for the year	-132	-132	-132	-132
Accumulated amortization, closing balance	-626	-494	-626	-494
Carrying amount	33	165	33	165

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

TSEK	GROUP		PARENT COMPANY	
	2022	2021	2022	2021
Cost, opening balance	1,516	947	1,516	947
Acquisitions for the year	499	569	499	569
Impairment for the year	-171	—	-171	—
Accumulated cost, closing balance	1,844	1,516	1,844	1,516
Amortization, opening balance	-66	-19	-66	-19
Amortization/impairment for the year	-69	-47	-69	-47
Accumulated amortization, closing balance	-135	-66	-135	-66
Carrying amount	1,709	1,450	1,709	1,450

9. Equipment, tools, fixtures and fittings

TSEK	GROUP		PARENT COMPANY	
	2022	2021	2022	2021
Cost, opening balance	1,580	1,550	1,580	1,550
Acquisitions for the year	—	30	—	30
Accumulated cost, closing balance	1,580	1,580	1,580	1,580
Depreciation, opening balance	-901	-590	-901	-590
Depreciation/impairment for the year	-6	-311	-6	-311
Accumulated depreciation, closing balance	-907	-901	-907	-901
Impairment, opening balance	-650	—	-650	—
Impairment for the year	—	-650	—	-650
Accumulated impairment, closing balance	-650	-650	-650	-650
Carrying amount	23	29	23	29

10. Participations in group companies

TSEK	PARENT COMPANY	
	2022	2021
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

During the year, a claim of TSEK 17,095 on Veg of Lund UK was converted into an unconditional shareholder contribution. After impairment testing, it was resolved to recognize an impairment loss of the same amount on participations in group companies.

TSEK	Veg of Lund UK		Veg of Lund US	
	2022	2021	2022	2021
Opening balance	5,741	5 741	50	50
Liability converted into an unconditional shareholder contribution	17,095	—	—	—
Amortization for the year	-17,095	—	—	—
Carrying amount	5,741	5 741	50	50

11. Non-current receivables from group companies

TSEK	PARENT COMPANY	
	2022	2021
Opening balance	6,867	15
Additional receivables	10,683	6,852
Conversion of unconditional shareholder contribution	-17,095	—
Amortization for the year	-455	0
Carrying amount	0	6,867

12. Share capital

TSEK	GROUP		PARENT COMPANY	
	2022	2021	2022	2021
Opening balance	782	676	782	676
New issuance	775	87	775	87
Issuance of warrants	—	19	—	19
Exercise of warrants	19	—	19	—
Carrying amount	1,576	782	1,576	782

13. Development fund

TSEK	PARENT COMPANY	
	2022	2021
Opening balance	165	297
Amortization for the year	-132	-132
Carrying amount	33	165

14. Other contributed capital / Share premium reserve

TSEK	GROUP		PARENT COMPANY	
	2022	2021	2022	2021
Opening balance	80,624	44,429	80,392	44,179
New issuance	27,420	36,089	27,420	36,089
Issuance expenses	-5,205	-2,290	-5,205	-2,290
Convertible bonds issued	7,015	—	7,015	—
Exercise of warrants	1,148	2,414	1,148	2,414
Issuance of warrants	1,187	—	1,187	—
Carrying amount	112,207	80,642	111,957	80,392

15. Pledged assets and contingent liabilities

Veg of Lund has no pledged assets or contingent liabilities.

16. Significant events after the end of the financial year

- The Swiss food chain Migros launched DUG across 486 stores
- Veg of Lund entered Germany in partnership with a distributor
- The company's Chairman of the Board, Håkan K. Pålsson, resigned at his own request, effective immediately, on 17 March. The Board of Directors appointed Eva Tornberg as Chairman for the period up to the Annual General Meeting 2023
- Veg of Lund launches DUG potato drink in 101 stores of Bilka and Føtex in Denmark this May
- The company has signed a convertible loan of MSEK 7 million with existing owners.

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, 2 May 2023

Eva Tornberg
Chairwoman of the Board

Rolf Bjerndell
Director

Anders Gustafsson
Director

Anders Hättmark
Director

Roger Johansson
Director

Linda Neckmar
Director

Fredrik Carling
Chief Executive Officer

Our audit report was submitted on 2 May 2023

KPMG AB

Therese Johansson
Authorized Public Accountant

AUDITOR'S REPORT

To the general meeting of the shareholders of Veg of Lund AB (publ.), corp. id 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 year 2022. The annual accounts and consolidated accounts of the company are included on pages 27–42 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 2022 and their financial performance and cash flow 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 for 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

We want to draw attention to the information in the Management Report under the headline Financing and Going Concern where it is stated that for the next 12 months the company will continue to be in a growth phase that requires injection of capital, that there are plans of a directed share issue and that the company has intentions to also search for additional financing, which form of this financing has not yet been determined, and that the possibility to receive external capital can be affected by forces outside the company's control such as economic fluctuations and market fluctuations, which can make it more difficult or more expensive for the company to acquire new capital.

In the Management Report under headline Cash flow, investments and financial position and subheadline Capital position it is stated that the company is dependent on raising capital externally to finance its operations and that the Board maintains a bright outlook regarding the company's ability to raise the required capital. In the event, however, that the company does not succeed in meeting the capital requirement, the result is that there is a significant factor of uncertainty about the company's ability to continue operations. We have not modified our opinion based on this.

Other Matter

The audit of the annual accounts for year 2021 was performed by another auditor who submitted an auditor's report dated 20 April 2022, with unmodified opinions in the Report on the annual accounts and consolidated accounts.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on

pages 1–26 and 46–47. The Board of Directors and the Managing Director are responsible for this other information.

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

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

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

Responsibilities of the Board of Directors 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 has no realistic alternative but to do so.

Auditor's responsibility

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

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

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

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

- Conclude 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. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts and consolidated 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.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated 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. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

Report on other legal and regulatory requirements

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 year 2022 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the loss be dealt with in accordance with the proposal in the statutory administration report and that the members of the Board of Directors 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 Directors 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 examination 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 our professional judgment with starting point in risk and materiality. This means that we focus the examination 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.

We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

Malmö, Sweden 2 May 2023

KPMG AB

Therese Johansson
Authorized Public Accountant

(Translation from the Swedish original)

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, %	Eget kapital i relation till totala tillgångar.	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	Antal utestående aktier vid rapportperiodens utgång.	—
Average number of shares	Vägt genomsnitt av antalet utestående aktier under perioden med tillägg för ett vägt antal aktier som tillkommer om samtliga potentiella aktier, som ger upphov till utspädning, konverteras till aktier.	—
Equity per share	Eget kapital genom antal utestående aktier efter utspädning.	Measure that shows the owners' share of Veg of Lund's total net assets per share.
Basic and diluted earnings per share, SEK	Resultat efter skatt genom genomsnittligt antal utestående aktier före och efter utspädning.	—
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 investing 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 2023, quarter 1	11 May 2023
Interim report Jan–June 2023, quarter 2	16 August 2023
Interim report Jan–Sep 2023, quarter 3	9 November 2023

ANNUAL GENERAL MEETING 2023

The Annual General Meeting 2023 will be held on Thursday, 11 May in Lund, Sweden. Additional information can be found in the notice of the Annual General Meeting, which also 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.

Veg of Lund AB, Scheelevägen 22, SE-223 63 Lund, Sweden. E-mail: investorrelations@vegoflund.se