EXEGER

ANNUAL REPORT AND CONSOLIDATED FINANCIAL ACCOUNTS FOR FINANCIAL YEAR 2020

EXEGER SWEDEN AB (PUBL)
Org. no: 556777-6926

TABLE OF CONTENTS

ADMINISTRATION REPORT

GROUP

The Board of Directors and the executive director of Exeger Sweden AB (plc) hereby present the accounts for the period of 1 January 2020 to 31 December 2020. The report has been prepared in thousands of Swedish kronor unless otherwise stated.

About the company

Exeger develops, produces, and commercializes third-generation solar cells, known as color-sensitized solar cells or DSC. The Company operates business-to-business; it does not sell directly to consumers. In 2020, Exeger launched the Powerfoyle brand of products, which it sells to players in the fields of the Internet of Things, smarthomes, and consumer electronics, among others.

The Company's primary operations are based in Stockholm, and its 131-plus employees come from more than 20 countries. Exeger operates in accordance with the ISO 9001 international standard.

COVID-19

The Company has followed the authorities' COVID-19 recommendations, building a successful strategy to minimize infection within its operations. It has undertaken major investments during this time to make efficient and safe remote working conditions possible. On the whole, the Company has experienced considerably lower rates of sick leave during the pandemic than the Swedish average.

The consumer electronics market was impacted significantly by the COVID-19 pandemic in 2020. The extended standstill in production in China caused considerable delays in the production of both completed products and components. Global travel restrictions also constrained opportunities for development work internationally. As a result, the Company's first official customer, Harman Group, and its JBL brand, announced an indefinite postponement to the launch of its headphones with Powerfoyle until COVID-19 restrictions have eased.

To combat such COVID-19-related effects, Exeger decided during the second quarter to switch its focus to customers in Sweden or the rest of Europe. These included certain contract manufacturers, enabling Exeger to minimize the impact on its business by addressing several different products and end-customers through a single counterpart. It signed a number of new customer agreements during the year. At the time of writing, several product releases are planned by customers of Exeger for 2021, all of which feature Powerfoyle as a key component.

Significant events during the financial year

During the first half of the year, Exeger Sweden AB (plc) conducted two directed equity issues to Stena Sessan AB of SEK 100m, each at a price of SEK 153 per share. The capital was subsequently transferred to Exeger Operations AB via a directed equity issue for the same amount.

November saw the approval of the annual ISO9001 audit, marking Exeger's third year with ISO9001 certification. A comprehensive audit, equivalent to the initial certification, is consequently due in 2021.

To maintain long-term competitiveness and expand its potential market further through greater power and new properties for its cells, Exeger built its own organic chemistry laboratory during the second half of the year. This lab will focus on developing new components that can easily be integrated into Exeger's existing platforms.

Several patents were granted during 2020. The number of employees rose from 103 to 131.

Significant events after the reporting period

In February, Exeger launched its new logo and design on new websites for the Company (www.exeger.com) and Powerfoyle (www.powerfoyle.com).

The same month, Swedish helmet manufacturer POC launched its first product featuring Powerfoyle: the Omne Eternal helmet.

In April, Swedish consumer electronics company Urbanista unveiled its first product with Powerfoyle: the Los Angeles headphones.

During the same month, Exeger was granted a SEK 68m loan from the Swedish Export Credit Corporation and a working capital credit of SEK 100m from Swedbank, 80% underwritten by the Swedish National Export Credits Guarantee Board.

Also in April, Ilija Batljan Invest AB signed subscription commitments totaling SEK 150m. The new equity issues are to be made in Exeger Sweden AB at a per share price of SEK 160.

At the beginning of 2021, Exeger signed a lease agreement for the site that is expected to house the new factory. This is dependent on receiving the necessary permits from the relevant authorities, which are expected during Q3/Q4 2021. The new factory will allow for redundancy in production and should secure future production capacity.

Risks, uncertainties, and risk management

Exeger is at a critical juncture as it transitions from research to large-scale production and commercial sales. This could lead to unforeseen problems that management has not been able to address early on.

It is also uncertain how end-consumers will receive the Company's products and what their future willingness to pay will be, even though the Company has minimized this risk through extensive market research and close dialog with its customers.

The Company's future competitiveness depends on continued development and successful research, which is always associated with considerable uncertainty and risk.

The ongoing pandemic increases the uncertainty regarding assumptions, the market, and the future further.

Ownership

The company is affiliated with Euroclear and at the turn of the year the number of registered shareholders was 1177, having increased by 550 from the previous year-end.

FIVE-YEAR VIEW

KEY FIGURES	2020	2019	2018	2017	2016
Figures in millions of Swedish kronor (SEKm)	Group	Group	Group	Group	Group
Profit/loss					
Net sales	0.2	0.3	-	-	-
Operating profit/loss before interest, tax, depreciation, and amortization, EBITDA	-105.4	-67.0	-25.6	-11.9	-12.9
Operating margin, %, EBITDA	-	-	-	-	-
Total assets	638.1	593.4	258.4	216.5	250.3
Equity	537.8	486.0	187.2	148.5	187.8
Equity ratio, %	84.3%	81.9%	72.4%	68.6%	74.5%
Average number of employees	130.80	102.78	74.13	53.71	41.91

EMPLOYEES

The average number of employees rose to 131 (103) persons.

PROFIT DISTRIBUTION PROPOSAL

The Board of Directors proposes:

Profits available at the disposal of the general meeting	-123,911,304
Capital surplus	797,520,828
Profit/loss for the financial year	-109,561
The board proposes that the following amount should be carried forward:	673,499,962

Unless otherwise stated, all amounts are in SEK thousands.

Please see the following financial statements and notes for further information.

GROUP INCOME STATEMENT

Figures in SEK thousands (SEK 000s)	Note	1 Jan 2020 31 Dec 2020	1 Jan 2019 31 Dec 2019
Net sales		172	293
Capitalized development cost	10	61,759	57,125
Other operating income	5	3,667	3,225
Total financial income		**65,598**	**60,643**
Operating costs			
Material costs		-34,533	-24,777
Other external costs	6	-48,547	-32,030
Employee costs	7	-87,879	-70,851
Depreciation/amortization of tangible and intangible fixed assets	10, 11	-30,358	-29,128
Other operating costs	5	–	–
Total operating costs		**-201,318**	**-156,786**
Operating profit/loss		-135,720	-96,143
Other interest income and similar profit and loss items	8	654	769
Interest expenses and similar profit and loss items	8	-6,494	-4,109
Profit/loss from financial items		**-5,841**	**-3,340**
Profit/loss before tax		**-141,560**	**-99,483**
Tax on income	9	–	–
Profit/loss for the financial year		**-141,560**	**-99,483**
The year's result is attributable to the owner of the parent company		-135,648	-95,233
Non-controlling interest		-5,913	-4,251
Total profit/loss		**-141,560**	**-99,483**

GROUP BALANCE SHEET

Figures in SEK thousands (SEK 000s)	Note	31 Dec 2020	31 Dec 2019
ASSETS			
Non-current assets			
Intangible assets			
Capitalized costs for development work etc.	10	228,294	189,027
Patents and trademarks	10	5,525	5,351
Total intangible assets		**233,820**	**194,378**
Property, plant, and equipment			
Improvement costs, leaseholds	11	30,181	20,661
Machinery and equipment	11	52,163	18,335
Building installations, leaseholds	11	2,211	2,601
Advance payments for property, plant, and equipment	12	18,372	18,752
Right-of-use assets	11	14,427	19,072
Total property, plant, and equipment		**117,353**	**79,421**
Total non-current assets		**351,173**	**273,799**
Current assets			
Inventories	13	10,197	4,403
Current receivables			
Accounts receivable	14	1,193	2,585
Other receivables	14	6,512	4,400
Prepaid expenses and accrued income	15	19,314	13,254
Total current receivables		**27,019**	**20,239**
Cash and cash equivalents	16	249,756	294,940
Total current assets		**286,972**	**319,579**
TOTAL ASSETS		**638,146**	**593,382**

GROUP BALANCE SHEET (CONTINUED)

Figures in SEK thousands (SEK 000s)	Note	31 Dec 2020	31 Dec 2019
EQUITY	17		
Equity that can be attributed to the parent company's owner			
Share capital	17	862	836
Other capital contributions		946,465	713,264
Retained earnings incl. year's profit/loss		-409,510	-228,079
Total equity		**537,817**	**486,021**
Equity is attributable to the owner of the parent company		515,696	465,122
Non-controlling interest		22,121	20,899
Equity		**537,817**	**486,021**
LIABILITIES			
Non-current liabilities			
Lease liabilities	18	8,506	13,155
Borrowing	18	50,365	54,192
Total non-current liabilities		**58,872**	**67,348**
Current liabilities			
Accounts payable	20	13,505	15,531
Other liabilities	20	1,810	1,959
Prepaid grants	21	8,616	6,316
Lease liabilities	21	4,719	4,719
Accrued expenses and deferred income	21	12,807	11,488
Total current liabilities		**41,457**	**40,013**
TOTAL LIABILITIES AND EQUITY		638,146	593,382

GROUP STATEMENT OF CHANGES IN EQUITY

	Note	Share capital	Other capital contributions	Retained earnings incl. year's profit/loss	Non-controlling interest	Total equity
Opening balance as of 1 Jan 2019	17	**748**	**354,375**	**-167,964**		**187,159**
Comprehensive income						
Profit/loss for the financial year				-95,232	-4,251	-99,483
Other comprehensive income						
Total comprehensive income		**–**	**–**	**-95,232**	**-4,251**	**-99,483**
Transactions with shareholders						
Non-controlling interest				-24,844	25,150	306
New issue of shares		88	397,951			398,039
Total shareholder transactions		**88**	**397,951**			**398,039**
Opening balance as of 1 Jan 2020	17	**836**	**752,326**	**-288,040**	**20,899**	**486,021**
Comprehensive income						
Profit/loss for the financial year				-135,648	-5,913	-141,560
Other comprehensive income						
Total comprehensive income		**–**	**–**	**-135,648**	**-5,913**	-141,560
Transactions with shareholders						
Non-controlling interest				-13,778	7,135	-6,644
New issue of shares		26	199,974			200,000
Total shareholder transactions		**26**	**199,974**			**200,000**
Closing balance as of 31 Dec 2020	17	**862**	**952,300**	**-437,466**	**22,121**	**537,817**

GROUP CASH FLOW STATEMENT

Figures in SEK thousands (SEK 000s)	Note	1 Jan 2020 31 Dec 2020	1 Jan 2019 31 Dec 2019
Cash flow from operating activities			
Profit/loss before tax		-141,560	-99,483
Adjustments for non-items			
- Adjustment for depreciation/amortization		30,358	24,736
Tax paid		-1,083	348
Cash flow from operating activities before changes in working capital		**-112,285**	**-74,399**
Changes in working capital			
Increase/decrease in inventories		-5,793	-4,403
Increase/decrease in other current receivables		-6,781	-6,460
Increase/decrease in other current liabilities		1,444	15,772
Total changes in working capital		**-11,130**	**4,909**
Cash flow from operating activities		**-123,415**	**-69,490**
Cash flow from investment activities			
Investments in intangible fixed assets		-66,725	-63,415
Investments in property, plant, and equipment		-50,213	-23,474
Cash flow from investment activities		**-116,938**	**-86,889**
Cash flow from financing activities			
New share issues		200,000	411,913
Warrant program		–	–
Amortization of lease liabilities		-4,831	-4,831
Cash flow from financing activities		**195,169**	**407,082**
Cash flow for the period		**-45,184**	**250,703**
Cash and cash equivalents at the start of the period		294,940	44,237
Cash and cash equivalents at the close of the period		**249,756**	**294,940**

PARENT COMPANY INCOME STATEMENT

Figures in SEK thousands (SEK 000s)	Note	1 Jan 2020 31 Dec 2020	1 Jan 2019 31 Dec 2019
Operating income			
Net sales		–	–
Capitalized development cost	10	–	–
Other operating income	5	–	–
Total financial income		–	–
Operating costs			
Material costs			
Other external costs	6	-110	-628
Employee costs	7	–	–
Depreciation of property, plant, and equipment	10, 11	–	–
Other operating costs	5	–	–
Total operating costs		**-110**	**-628**
Operating profit/loss		-110	-628
Other interest income and similar profit and loss items	8	–	1
Interest expenses and similar profit and loss items	8	–	–
Profit/loss from financial items		–	**1**
Profit/loss before tax		**-110**	**-627**
Tax on the year's profit/loss	9	–	–
Profit/loss for the financial year		**-110**	**-627**

Figures in SEK thousands (SEK 000s)	Note	31 Dec 2020	31 Dec 2019
ASSETS			
Financial fixed assets			
Holdings in group company	24	665,830	465,830
Total financial fixed assets		**665,830**	**465,830**
Total non-current assets		**665,830**	**465,830**
Current assets			
Current receivables			
Receivables, group		7,208	7,851
Other receivables	14	872	845
Total current receivables		**8,079**	**8,696**
Cash and cash equivalents	16	578	642
Total current assets		**8,657**	**9,338**
TOTAL ASSETS		**674,487**	**475,168**

Figures in SEK thousands (SEK 000s)	Note	31 Dec 2020	31 Dec 2019
EQUITY AND LIABILITIES			
Equity	17		
Restricted equity			
Share capital		862	836
Total restricted equity		**862**	**836**
Non-restricted equity			
Capital surplus		797,521	597,547
Retained earnings		-123,911	-123,284
Profit/loss for the financial year		-110	-627
Total non-restricted equity		**673,500**	**473,636**
Total equity		**674,362**	**474,472**
Current liabilities			
Accounts payable	20	–	550
Other liabilities	20	–	21
Prepaid grants	21	–	–
Accrued expenses and deferred income	21	125	125
Total current liabilities		**125**	**696**
TOTAL LIABILITIES AND EQUITY		**674,487**	**475,168**

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

Figures in SEK thousands (SEK 000s)	Note	Share capital	Ongoing rights issue	Share premium fund	Retained earnings	Profit/loss for the financial year	Total equity
Equity as of 1 Jan 2019	17	**748**	–	**348,219**	**-96,928**	**-38**	**252,003**
Comprehensive income:							
Profit/loss for the financial year		–	–	–	–	-627	**-627**
Profit distribution in accordance with AGM decision		–	–	–	–	–	–
- Retained earnings carried forward		–	–	–	-38	38	–
Total comprehensive income					**-38**	**-589**	**-627**
Transactions with shareholders							
New share issues		88	–	223,007	–	–	**223,096**
Total shareholder transactions		**88**	–	**223,007**	–	–	**223,096**
Equity as of 1 Jan 2020	17	**836**	–	**571,226**	**-96,966**	**-627**	**474,472**
Comprehensive income:							
Profit/loss for the financial year		–	–	–	–	-110	**-110**
Profit distribution in accordance with AGM decision		–	–	–	–	–	–
- Retained earnings carried forward		–	–	–	-627	627	–
Total comprehensive income					**-627**	**517**	**-110**
Transactions with shareholders							
New share issues		26	–	199,974	–	–	**200,000**
Total shareholder transactions		**26**	–	**199,974**	–	–	**200,000**
Equity as of 31 Dec 2020	17	**862**	–	**771,200**	**-97,593**	**-110**	**674,362**

Figures in SEK thousands (SEK 000s)	Note	1 Jan 2020 31 Dec 2020	1 Jan 2019 31 Dec 2019
Cash flow from operating activities			
Operating profit/loss		-110	-628
Adjustments for non-items		–	–
- IFRS adjustments		–	–
- Reassignment of received grants		–	–
- Adjustment for depreciation/amortization		–	–
Interest received		–	1
Interest paid		–	–
Tax paid		–	–
Cash flow from operating activities before changes in working capital		**-110**	**-627**
Changes in working capital			
Increase/decrease in other current receivables		617	-2,266
Increase/decrease in other current liabilities		-571	550
Total changes in working capital		**46**	**-1,716**
Cash flow from operating activities		**-64**	**-2,343**
Cash flow from investment activities			
Investments in intangible fixed assets		–	–
Investments in property, plant, and equipment		–	–
Financial fixed assets		-200,000	-260,873
Cash flow from investment activities		-200,000	**-260,873**
Cash flow from financing activities			
New share issues		200,000	223,096
Warrant program		–	–
Loans granted		–	–
Received grants		–	–
Cash flow from financing activities		**200,000**	**223,096**
Cash flow for the period		**-64**	**-40,120**
Cash and cash equivalents at the start of the period		642	40,762
Cash and cash equivalents at the close of the period		**578**	**642**

Note 1. General information

Exeger Sweden AB (plc) and its subsidiary ('Exeger' or the 'Group') conduct activities that include the development and commercialization of Dye Sensitized Solar Cells (DSCs).

The parent company is a joint stock company registered in Sweden and based in Stockholm. The headquarters' visiting address is Brinellvägen 32 and the postal address is Box 55597, 102 04 Stockholm.

The consolidated financial accounts were approved for publication by the Board of Directors on 17th May 2021.

All amounts are in SEK thousands (SEK 000s) unless otherwise stated.

Note 2. Summary of significant accounting policies

2.1 Basis for preparation

The consolidated financial accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the EU, as well as RFR 1 Supplementary accounting rules for groups and the Swedish Annual Reports Act.

The most important accounting policies applied when preparing these consolidated financial accounts are stated below. To prepare reports in accordance with IFRS requires the definition of key estimates for accounting purposes. Moreover, management is required to make certain assessments when applying the Group's accounting policies. Areas that include a high degree of assessment, which are complex, or where assumptions and estimates are significantly important to the consolidated financial accounts are stated in Note 4.
The parent company's financial accounts have been prepared in accordance with RFR 2 Accounting for Legal Entities and the Swedish Annual Reports Act. In cases where the parent company applies different accounting principles than the Group, these are stated separately at the end of the accounting policies.

Standards, amendments, and interpretations of existing standards that came into force on 1 January 2020 or later and which are deemed to have or do have an effect on the financial statements

When preparing the accounts as of 31 December 2020, no amendments had come into force that could affect the business operations and there are no planned changes that would have a significant impact on the business.

2.2 Consolidated financial accounts

Subsidiaries
Subsidiaries are all companies over which the group has a controlling influence. The Group controls a company when it is exposed to or entitled to variable returns from its holding in the company and has the possibility to influence the return through its influence in the company. Subsidiaries are included in the consolidated financial accounts from the date on which the controlling influence is transferred to the Group. They are excluded from the consolidated financial accounts from the date on which this controlling influence ceases.

The acquisition method is used for reporting the Group's business acquisitions. The purchase price for the acquisition of a subsidiary consists of the fair value of transferred assets, liabilities and the shares issued by the Group. The purchase price also includes the fair value of all assets or liabilities that result from an agreement on a contingent purchase price. Acquisition-related costs are expensed when they arise. Identifiable assets acquired and assumed liabilities in a business acquisition are initially valued at fair value on the acquisition date. The Group decides for each acquisition whether all non-controlling interests in the acquired company are reported at fair value or at the holding's proportionate share of the acquired company's net assets.

Shareholder transactions, non-controlling interest
The Group applies the principle of recognizing transactions with shareholders without controlling interest as transactions with the Group's shareholders. In the case of acquisitions from non-controlling interests, the difference between the

purchase price paid and the actual acquired share of the carrying amount of the subsidiary's net assets in equity is recognized. Profit or loss on divestments to non-controlling interests are also reported in equity.

At present, there are no subsidiaries with shareholders without controlling interest.

2.3 Foreign currency translation

Functional currency and reporting currency
Items in the financial statements for the various units of the Group are valued in the currency used in the primary economic environment where each respective unit operates (functional currency). Swedish kronor (SEK) is used the reporting currency in the group financial statements.

Transactions and balance sheet items
Transactions in foreign currency are translated into the functional currency at the foreign exchange rate on the transaction date. Exchange rate gains and losses arising from the settlement of these transactions and from the translation of monetary assets and liabilities in foreign currency as of the closing date are recognized in the income statement. Exchange rate differences on lending and borrowing are recognized in net financial items, while other exchange rate differences are found in operating profit/loss.

2.4 Intangible assets

Capitalized development costs
Development costs relating directly to the development and testing of identifiable and unique products controlled by the Group are recognized as intangible assets when meeting the following criteria:

i. it is technically feasible to complete the product so that it can be used,
ii. the Company intends to complete the product and to use or sell it,
iii. there are conditions to using or selling the product,
iv. the product can be shown to generate probable future financial benefits,
v. there are adequate technical, financial, and other resources available to complete development and to use or sell the product, and
vi. the costs attributable to the product during its development can be reliably estimated.

Directly attributable costs that are capitalized as part of the asset include employee costs, materials, and a reasonable share of overheads. When capitalizing, the portion of the costs that has been recognized as income against received/expected contributions is taken into account. Capitalized development costs are recognized as intangible assets and are amortized from the date when the asset is ready for use.

The amortization period for capitalized development costs is: **5 years**

Research and development costs that do not meet the criteria are expensed when they arise. Development costs that were expensed in previous periods are not recognized as an asset in the subsequent period.

Patents and trademarks
Patents and trademarks acquired separately are recognized at cost. Patents acquired as part of a business acquisition are recognized at their fair value on the acquisition date. Patents have a determinable useful life and are recognized at cost less the accumulated amortization and impairment loss. Costs for completed patents are recognized as intangible assets at the time the patent was granted.

The amortization period for a patent is: **5 years**

2.5 Property, plant, and equipment

All property, plant, and equipment are recognized at cost less depreciation.

The cost includes expenditure directly related to the acquisition of the asset.

Additional expenditure is added to the asset's carrying amount or recognized as a separate asset, as appropriate, only when probable that the future financial benefits associated with the asset will benefit the Group and the asset's cost can be measured reliably. The carrying value of the replaced part is derecognized. All other forms of repairs and maintenance are recognized as expenses in the income statement for the period in which they arise.

In order to distribute their cost down to the estimated residual value over the estimated useful life, depreciation of other assets is on a straight-line basis as follows:

Technical assets	5-15 years
Improvement costs, leaseholds	5-15 years
Machinery and equipment	3-5 years

Assets' residual values and useful life are tested every balance sheet date and adjusted when necessary. An asset's carrying value is immediately written down to its recoverable value if the asset's carrying value surpasses its estimated recoverable amount.

Profits or losses on disposals are determined by comparing the sales revenue and the carrying value and then reported in Other operating income or Other operating expenses on the income statement.

2.6 Impairment of non-financial fixed assets

Intangible assets with an indefinite useful life or intangible assets not yet ready for use are not amortized but are tested annually for impairment.

Property, plant, and equipment and intangible fixed assets that are depreciated or amortized are assessed for impairment whenever events or changes in circumstances indicate that the carrying value might not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying value surpasses its recoverable amount. The recoverable amount is the greater of the asset's fair value less selling costs and its value in use. When assessing impairment, the assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units). Previously impaired property, plant, and equipment and intangible fixed assets are tested for reversal each balance sheet date.

2.7 Financial instruments

Exeger classifies its financial assets and liabilities under the following value categories:

- Financial assets valued at amortized cost: Assets held for the purpose of collecting contractual cash flows – where these cash flows consist only of capital and interest – are recognized at amortized cost. Here, Exeger includes accounts receivable, cash and cash equivalents, and the portion of other current receivables relating to financial instruments.
- Financial liabilities measured at amortized cost: Exeger's liabilities, other borrowing, accounts payable, and the share of other current liabilities relating to financial instruments fall into this category.

Accounting, valuation, and derecognition from the balance sheet
The purchase and sale of financial instruments are recognized on the business day when the group commits to buy or sell the asset. Financial instruments not recognized at fair value through the income statement are initially recognized at fair value plus transaction costs, while those that are valued thus are initially recognized at fair value, their related transaction costs being recognized under comprehensive income.
Financial assets are derecognized from the balance sheet when the right to receive cash flows from the instrument has expired or been transferred and the group has transferred virtually all the risks and benefits associated with the right of ownership. Financial liabilities are derecognized when contractual obligations have been fulfilled or otherwise terminated.
Financial assets and liabilities valued at amortized cost are recognized at amortized cost after the time of acquisition using the effective interest method. Interest income and costs are recognized as financial income and costs. Profit and losses arising from derecognition from the balance sheet are recognized directly in the income statement under Other profit and loss along with the exchange rate earnings.

Other financial liabilities

The Group's borrowing (including borrowing from credit institutions, other long-term borrowing) and accounts payable are classified as other financial liabilities - see description of accounting policies in notes 2.12 and 2.13 below.

Offsetting of financial instruments

Financial assets and liabilities are offset and recognized as a net amount on the balance sheet only when there is a legal right to offset the recognized amount and an intention to regulate this with a net amount or simultaneously to realize the asset and settle the debt. This legal right must not be dependent on future events and must be legally binding for the Company and its counterpart both under normal business operations and in the case of failure to pay, insolvency, or bankruptcy.

Impairment of financial assets

The loss reserve for financial assets is based on the risk assumptions for default and expected loss levels. Exeger makes its own assessment of these assumptions and the choice of input data for calculating the impairment. This is based on historical, known market conditions and forward-looking calculations at the end of each reporting period.
Exeger applies the simplified method for calculating expected loans losses for accounts receivable. This means that expected losses for the entire term of the claim form the starting point for accounts receivable and contractual assets.
To calculate the expected loan losses, accounts receivable are grouped by credit risk characteristics and the number of days overdue. The expected credit loss levels are based on customers' payment history. Historical losses are then adjusted to take into account current and forward-looking macroeconomic information that can affect customers' ability to pay debt.
Loan losses on accounts receivable are reported as loan losses - net as other external costs. Recoveries of amounts previously written off are recognized against the same line in the income statement.

2.8 Accounts receivable

Accounts receivable are a financial instrument consisting of the amount to be paid by customers for services sold through the operating activities. If payment is expected in one year or less, they are classified as current assets. If not, they are recognized as non-current assets.

Accounts receivable are recognized initially at fair value and thereafter at amortized cost using the effective interest method, with deductions for expected credit losses.

2.9 Cash and cash equivalents

Cash and cash equivalents include bank balances with a maturity date within three months of their acquisition date.

2.10 Inventories

Inventories are recognized at the lower of either their acquired cost or their net realizable value. Acquisition cost here consists of the direct cost of goods, direct labor costs, and attributable indirect manufacturing costs (based on normal production capacity). Acquisition cost for individual inventory items is determined on the basis of weighted average costs. Acquisition cost for commodities is determined after the deduction of discounts. Net realizable value is the estimated sales price in the operating activities, less applicable variable sales expenses.

2.11 Share capital

Ordinary shares are classified as equity. Transaction costs directly attributable to the issue of new shares are recognized net of tax in equity as a deduction from the proceeds.

2.12 Accounts payable

Accounts payable are initially recognized at fair value and thereafter at amortized cost using the effective interest method. The carrying amount of accounts payable is assumed to correspond to fair value due to its short-term nature.

2.13 Borrowing and borrowing costs

Borrowing is initially recognized at fair value, net of transaction costs. It is thereafter recognized at amortized cost and any resulting difference between the amount received (net of transaction costs) and the repayment amount is recognized in the income statement over the term of the loan using the effective interest method.
Borrowing is derecognized from the balance sheet when the obligations have been settled, canceled, or otherwise terminated. The difference between the recognized value of a financial debt (or part of a financial debt) that is terminated or transferred to another party and the compensation paid, including transferred assets that are not cash or assumed liabilities, is recognized as profit or loss.
Borrowing is classified as current liabilities unless the Company has an unconditional right to defer payment of the liability for at least 12 months after the balance sheet date.

Loan costs (interest expenses) are recognized in the income statement in the period in which they are incurred. Borrowing costs directly related to the purchase, construction, or production of an asset that takes a significant amount of time to complete for use or sale are capitalized as part of the acquisition cost of said asset. Capitalization ends when all activities required to complete the asset for its intended use or sale have been substantially completed. During 2020, borrowing costs related to capitalized development cost were capitalized. See note 10 Intangible assets.

Accrued interest expenses are reported as part of borrowing.

2.14 Current and deferred tax

Tax expenses for the period cover current and, where applicable, deferred tax. Tax is recognized on the income statement except when it applies to items recognized in other comprehensive income or directly in equity, in which case, the tax is also recognized in these respective lines.

Current tax expenses are calculated on the basis of the tax rules that have been adopted or that are subsequently adopted by the balance sheet date. Management regularly evaluates the claims made in income tax returns for situations where the applicable tax rules are subject to interpretation and, when deemed appropriate, makes provisions for amounts that are likely to be paid to the Swedish Tax Authority. At present, operations are only conducted in Sweden.

The tax rate was 21.4% as of the balance sheet date, 31 December 2020.

Deferred tax is recognized in its entirety, according to the balance sheet method, for all temporary differences arising between the tax value of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is not recognized on the initial recognition of an asset or liability through a transaction that is not a business combination (BUSINESS ACQUISITION) and which does not affect the recognized or taxable profit at the time of transaction.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and tax liabilities are offset when there is a legal right to offset, the deferred tax assets and liabilities relate to the same counterparty (the same tax authority), and there is an intention to net the liability against the receivable.

2.15 Employee remuneration and share-based remuneration

Short-term remuneration to employees
Liabilities for salaries and remuneration, including non-monetary benefits and paid leave, that are expected to be settled within 12 months of the end of the financial year, are recognized as short-term liabilities at the undiscounted amount that is expected to be paid when the liabilities are settled. The cost is recognized in parallel with the services carried out by the employees. The liabilities are recognized as a liability regarding remuneration to employees on the balance sheet.

Pension obligations
The Group only has defined contribution pension plans.

For defined contribution pension plans, Exeger pays the contributions to publicly or privately administered pension insurance plans on a mandatory, contractual, or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

The fees are recognized as personnel expenses when they are due for payment. Prepaid fees are recognized as an asset to the extent that the Group may benefit from cash repayment or reduction in future payments.

Warrants (share-based remuneration)

Exeger has 1 (1) warrant program that was ongoing as of 31 Dec 2020. The warrants have been assigned to key personnel within the group, who paid market price for the allocated warrants. The market value of the warrants has been established using the Black-Scholes model. There are thus no employee benefits for the warrants program. For more information about maturity and terms in general, please see Note 17 Share capital, other capital contributions, and warrants.

2.16 Revenue recognition

At present, the Group generates no revenue from the sale of goods or services.

Interest income
Interest income is recognized as income over the term to maturity using the effective interest method.

2.17 Government aid for development projects

The Group has received two types of government aid: government grants and conditional loans.

Government grants

Government grants are valued at the fair value of the asset that the Company has received or expects to receive.
Government grants that are not associated with requirements for future performance - unconditional contributions - are recognized as income when the conditions for receiving the grant are met, most often when receiving the grant.
Government grants that are associated with requirements for future performance – conditional grants – are recognized as liabilities when the grant is received and thereafter as income when the performance is achieved.
Government aid for development on the export market of SEK 0 (SEK 0) is included in Other operating income. There are no unmet conditions or contingent liabilities associated with these grants.

Conditional loans

In additional to direct contributions, conditional loans have also been obtained, which remain unamortized until revenue is generated. The loans are also interest-free until the first amortization has taken place.
The benefits of conditional loans, consisting of borrowing at below market interest rate, are recognized as government aid. These loans are initially valued at fair value.
The difference between the amount received and the fair value of the loans is recognized as government aid. In subsequent periods, the loans are recognized at amortized cost using the effective interest method.
In accordance with IFRS 1 January 2013, no portion of loans received before the first day of reporting is recognized as government aid.

<u>Deferral and presentation of government grants</u>
Government grants relating to cost coverage are deferred and recognized as profit and loss in the income statement over the same periods as the costs they are intended to cover. Conditional loans are recognized using the effective interest method and thus contain an interest component related to the discount effect on the loan. Interest expenses for the reversal of the discount effect are recognized in Net financial items and the corresponding income is recognized as a government grant in Other operating income.

2.18 Leases

New accounting principles have been applied for leasing since 2019 - see note 23.

2.19 Cash flow analysis

Cash in- and outflows are split into three categories: operating activities, investment activities, and financing activities. Cash flows in the operating activities use the indirect method.
Changes in operating assets and liabilities over the year are adjusted for exchange rate fluctuations. Acquisitions and divestments are recognized in the investment activities.
The assets and liabilities which the acquired and divested companies had at the time of the change are included in neither the working capital changes report nor in the changes in balance sheet items recognized in the investment and financing activities.

2.20 Accounting policies in the parent company

Accounting policies in the parent company comply in all material respects with the consolidated financial statements. The parent company's financial accounts have been prepared in accordance with RFR 2 Accounting for Legal Entities and the Swedish Annual Reports Act. RFR 2 states the exceptions from and additions to the standards issued by the IASB and the statements issued by the IFRIC. Exceptions and additions are applied from the date at which the legal entity applies the specified standard or statement to the consolidated financial accounts.

The parent company uses the layout forms specified in the Swedish Annual Reports Act, which entails that, among other things, a different presentation of equity is applied.

Shares in subsidiaries are recognized at cost after deduction of any impairment charges. When there is an indication that shares and holdings in subsidiaries have decreased in value, a calculation of the recoverable amount is made. If this is lower than the recognized value, an impairment is made. Impairment charges are recognized in Profit/loss from holdings in group company.

The parent company recognizes financial instruments at cost. Financial fixed assets are recognized in the parent company at cost and financial current assets according to the lowest value principle, with the application of impairment charges for expected credit losses in accordance with IFRS 9 regarding assets that are debt instruments – see the Group's accounting policies regarding impairment of financial instruments.

2.21 Definitions of key performance indicators in the five-year overview in the Administration Report

Equity ratio definition:	Equity divided by total assets
Operating margin (%) definition:	Operating profit/loss excluding items affecting comparability, depreciation, amortization and impairment of property, plant, and equipment, and intangible fixed assets divided by net sales.
EBITDA	Operating profit before depreciation, amortization, and impairment, and before items affecting comparability.

Note 3. Financial risk management

The Group does not apply hedge accounting in accordance with the rules in IFRS 9.

Market risk / Currency risk

As EXEGER primarily operates in Sweden, currency risk in the Group is thus limited to certain purchases in foreign currency.

Cash flow and fair value interest rate risks

As the Group does not hold significant interest-bearing assets, its income and cash flow from operating activities are essentially unaffected by changes in market interest rates.

The Group's interest rate risk stems primarily from long-term borrowing. As of the balance sheet date, the Group's borrowing is represented by conditional loans, which are interest-free until the first amortization has occurred. The loans are recognized at carrying cost using the effective interest method. See note 2.16 Revenue recognition above for more details on the conditional loans. As the loans have a fixed interest rate from the first amortization date, no cash flow risk is deemed to exist. However, the fair value of the loan may be affected by changes in market interest rates.

See note 18 Borrowing, which describes the conditions of the loans in more detail and includes a maturity analysis table, in which we have estimated the undiscounted future cash flows associated with the conditional loans.

Liquidity risk/Financing risk

The Group's financial policy implies the minimization of the liquidity risk by ensuring, at any given time, access to cash and cash equivalents amounting to at least SEK 3 million, available within a maximum of three banking days. As of 31 December 2020, the Group had access to liquidity of SEK 249.8m. Liquidity consists of cash of SEK 249.8m with maturity of payment upon request.

The goal of the capital structure is to ensure the Group's ability to continue operating and generating returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to keep the cost of capital down.

According to the financial policy, the average term of long-term loans must exceed two years. The Group has loans with long durations; as of 31 December 2020, the average is 5 years. Moreover, the financial policy states that long-term financing, including equity, long-term loans, and lengthy loan commitments, must at least be equivalent to the capital employed less cash and cash equivalents and current investments. Long-term loans and lengthy loan commitments refer to loans with a term of greater than 1 year.

The table below shows the undiscounted cash flows from the Group's liabilities in the form of financial instruments, based on the earliest contracted remaining maturities as of the balance sheet date. The amounts due within 12 months correspond to booked amounts, as the impact of the discount effect is insignificant.

Amounts in foreign currencies and amounts to be paid with a variable interest rate have been estimated using the exchange rates and interest rates on the balance sheet date.

Group **Figures in SEK thousands (SEK 000s)**	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**More than 5 years**
As of 31 December 2020				
Borrowing	–	63,530	–	–
Lease liabilities	4,719	–	–	–
Other liabilities	36,438	–	–	–
Total	**41,457**	**63,530**	–	–
As of 31 December 2019				
Borrowing	–	62,861	–	–
Lease liabilities	4,719	–	–	–
Other liabilities	39,295	–	–	–
Total	**44,014**	**62,862**	–	–

The Swedish Energy Agency may decide to waive the remaining repayment obligation, upon written request from the borrower, when it so assesses that the projects have neither provided nor can be expected to provide financial return.

Capital risk management

The goal of the capital structure is to ensure the Group's ability to continue operating and generating returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to keep the cost of capital down.

Like other companies in the industry, Exeger assesses capital on the basis of the debt/equity ratio. This key performance indicator is calculated as net debt divided by total assets. Net debt is calculated as total borrowing (including Current borrowing and Long-term borrowing on the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as Equity on the Group's balance sheet plus net debt.

Debt/equity ratio as of the balance sheet date:

Group	31 Dec 2020	31 Dec 2019
Total borrowing (note 18)	-63,590	-71,760
Less cash and cash equivalents (note 16)	249,756	294,940
Net debt	**186,166**	**223,180**
Total equity	537,817	486,021
Total capital	**723,983**	**709,201**
Debt/equity ratio	**0.26**	**0.32**

Note 4. Estimates and assessments in the Group's accounting policies

Estimates and assessments are evaluated on an ongoing basis and are based on historical experience and other factors, including expectations for future events that are considered reasonable in the current circumstances.

Important accounting estimates and assumptions

The Group make estimates and assumptions about the future. The subsequent accounting estimates, by definition, rarely correspond to the actual outcome. The estimates and assumptions that involve a considerable risk of significant adjustments to the carrying amounts of assets and liabilities during the next financial year are outlined below.

Valuation of loss carryforwards

The Group has made an assessment not to report deferred tax on accumulated loss carryforwards, given its history of losses. The valuation of the loss carryforwards is subject to continuous review, and so a value of the deficits may be reported as soon as taxable surpluses can be calculated reliably.

As of 31 December 2020, accumulated tax loss carryforwards totaled SEK 434,607 (SEK 293,047).

Impairment testing of capitalized costs

Every year, Exeger tests for impairment needs in accordance with the accounting policy described in note 2.6 Impairment of non-financial fixed assets. The recoverable amount of cash-generating units (one, at present) has been established by calculating the value in use. Certain estimates need to be made for these calculations. Based on assumptions regarding future earnings, discount rates, and investments, the value in use is considerably higher than the carrying amount of the assets.

Refer to Note 10 Intangible assets for a more detailed description of the assumptions about growth and yield requirements.

Note 5. Other operating income and other operating expenses

Other operating income	1 Jan 2020	1 Jan 2019
Group	**31 Dec 2020**	**31 Dec 2019**
Accrued project costs	3,416	3,069
Exchange rate differences	–	156
Other	251	–
Total other operating income	**3,667**	**3,225**
Parent company		
Accrued project costs	–	–
Exchange rate differences	–	–
Other	–	–
Total other operating income	–	–

Note 6. Auditing fees

Audit assignments refers to the auditing of the annual report and the accounts, together with the board of directors' and the CEO's administration report, other tasks the Company's auditor is required to perform, and advice or other assistance stemming from observations during the audit or in the execution of other such tasks. Everything else is either Tax advice or Other advisory services.

	1 Jan 2020	1 Jan 2019
Group	**31 Dec 2020**	**31 Dec 2019**
Öhrlings PricewaterhouseCoopers AB		
Audit assignments	909	572
Other audit assignments	–	–
Tax advice	13	124
Other advisory services	-	94
Total	**922**	**790**

Parent company		
Öhrlings PricewaterhouseCoopers AB		
Audit assignments	75	80
Other audit assignments	–	–
Other advisory services	–	–
Total	75	80

Note 7. Employee remuneration and employee information

Employee remuneration	1 Jan 2020	1 Jan 2019
Group and parent company	**31 Dec 2020**	**31 Dec 2019**
Wages, salaries, and remuneration	63,075	50,616
Social security contributions	17,550	14,710
Pension costs	7,254	5,525
Total	**87,879**	**70,851**

The parent company did not have any employees during the year.

Average number of employees

	1 Jan 2020 31 Dec 2020		1 Jan 2019 31 Dec 2019	
	Mean number of employees	**Of which men**	**Mean number of employees**	**Of which men**
Parent company	–	–	–	–
Total in parent company	–	–	–	–
Subsidiary	130.80	78.62%	102.38	77.13%
Total	**130.80**	**78.62%**	**102.38**	**77.13%**

Gender distribution among board members and other senior executives

	Number on balance sheet date	Of which men	Number on balance sheet date	Of which men
Group				
Board members	6	100%	7	85.7%
CEO	1	100%	1	100%
Parent company				
Board members	4	100%	5	100%
CEO	1	100%	1	100%

A mutual notice period of a maximum of 12 months applies to the CEO, in accordance with current applicable rules

Note 8. Financial income and expenses

Group	1 Jan 2020 31 Dec 2020	1 Jan 2019 31 Dec 2019
Financial income		
Interest income	654	769
Total financial income	**654**	**769**
Financial expenses		
Exchange rate differences	-2,624	-2,106
Interest expenses	-3	-11
-Reversal of discount effect	-3,867	-1,991
Total financial expenses	**-6,494**	**-4,109**
Profit/loss from financial items, net	**-5,841**	**-3,340**

Parent company		
Financial income		
Interest income	–	1
Total financial income	**–**	**1**
Financial expenses		
Interest expenses	–	–
-Reversal of discount effect	–	–
Total financial expenses	**–**	**–**
Profit/loss from financial items, net	**–**	**1**

Note 9. Income tax

The difference between recognized tax expenses and a calculated tax expense based on the applicable tax rate is as follows:

Group	1 Jan 2020 31 Dec 2020	1 Jan 2019 31 Dec 2019
Profit/loss before tax	-140,541	-99,483
Tax on income calculated according to the current tax rate	-30,075	-21,289
Tax effect: non-deductible expenses	-64	-102
Tax loss carryforwards for which no deferred tax assets have been recognized	30,139	21,391
Deferred tax assets	–	–
Tax on income	–	–
Parent company		
Profit/loss before tax	-110	-627
Tax on income calculated according to the current tax rate	-23	-134
Tax loss carryforwards for which no deferred tax assets have been recognized	-23	-134
Deferred tax assets	–	–
Tax on income	–	–

The tax rate in the parent company and the Group is 21.4%.

Deferred tax liabilities and assets

Group	31 Dec 2020	31 Dec 2019
Deferred tax liabilities		
Conditional loans	1,244	1,242
Capitalized development costs	3,870	3,225
Total deferred tax liabilities	5,114	4,467
Deferred tax assets		
Tax loss carryforwards	5,114	4,467
Total deferred tax assets	5,114	4,467
Deferred tax liabilities, net	–	–
Total tax loss carryforwards	-434,607	-293,047
Taxable value, tax loss carryforwards	93,006	62,318
Of which not recognized	87,892	57,851

Due to the group and the parent company's history of losses, deferred tax assets are not recognized against loss carryforwards at amounts higher than the deferred tax liabilities against which they can be offset.

Note 10. Intangible assets

Group

Capitalized development costs	31 Dec 2020	31 Dec 2019
Opening acquisition cost	266,328	212,116
Purchases during the year	53,909	57,125
IFRS adjustment	3,020	-2,914
Closing cost	**323,257**	**266,328**
Opening amortization	-77,301	-59,767
Amortization for the year	-17,664	-17,534
Closing accumulated amortization	**-94,964**	**-77,301**
Closing carrying amount	**228,294**	**189,027**

Patent and trademark costs	31 Dec 2020	31 Dec 2019
Opening acquisition cost	8,173	4,900
Purchases during the year	1,204	3,273
Closing cost	**9,377**	**8,173**
Opening amortization	-2,822	-1,992
Amortization for the year	-1,030	-829
Closing accumulated amortization	**-3,852**	**-2,822**
Closing carrying amount	**5,525**	**5,351**

Capitalized development costs not yet completed have not been amortized. Instead, these assets are tested for impairment. The recoverable amount for capitalized development costs has been determined based on a calculation of their value in use. The calculation is based on estimated future cash flows using the 2020 budget and projections for 2021-2023 prepared by Group management and approved by the Board.

Management's forecasts are based in part on historical experience regarding costs, a best assessment of revenues from the group's development, as well as external information about market growth etc. The projections have been prepared using a number of key assumptions regarding future growth and the operating margin.
The calculated recoverable amount is compared with the book value. Cash flows after the five-year period - in other words, after 2023 - have been extrapolated using an estimated growth rate of 2%, corresponding to a weighted average growth rate in line with the Riksbank's (Sweden's central bank) inflation target and with sustainable growth for the industry.
When discounting expected future cash flows, the weighted average cost of capital (WACC) before tax has been used, currently 25%. Among the most critical assumptions used in the impairment test are:

- Risk-free interest rate: Ten-year Swedish treasury bond rates
- Growth beyond the projection period: 2%
- Discount rate: 25%
- Sales growth: The impairment test assumes sales start calculated from 2021.

With a change of +/- 1 percentage point in the discount rate, there is no need for impairment.
Given a change in growth of +/- 1 percentage point beyond the projection period, there is still no need for impairment.

Note 11. Property, plant, and equipment, group and parent company

Improvement costs, leaseholds	**31 Dec 2020**	**31 Dec 2019**
Opening acquisition cost	23,726	12,338
Purchases	11,009	11,388
Closing cost	**34,735**	**23,726**
Opening depreciation	-3,064	-2,105
Depreciation for the year	-1,489	-959
Closing accumulated depreciation	**-4,553**	**-3,064**
Closing carrying amount	**30,182**	**20,662**

Machinery and equipment		
Opening acquisition cost	52,688	42,973
Purchases	39,205	9,715
Closing cost	**91,893**	**52,688**
Opening depreciation	-34,353	-29,329
Depreciation for the year	-5,377	-5,024
Closing accumulated depreciation	**-39,730**	**-34,353**
Closing carrying amount	**52,163**	**18,335**

Building installations		
Opening acquisition cost	3,804	3,804
Purchases	0	0
Closing cost	**3,804**	**3,804**
Opening depreciation	-1,203	-813
Depreciation for the year	-390	-390
Closing accumulated depreciation	**-1,593**	**-1,203**
Closing carrying amount	**2,211**	**2,601**

Total closing carrying amount for property, plant, and equipment	**84,555**	**41,597**

Right-of-use assets	**31 Dec 2020**	**31 Dec 2019**
Opening acquisition cost	23,464	23,464
Closing cost	**23,464**	**23,464**

Opening depreciation	-4,392	–
Depreciations	-4,645	-4,392
Closing accumulated depreciation	**-9,037**	**-4,392**
Closing carrying amount	**14,427**	**19,072**

The total cash flow for leasing agreements during 2020 was SEK 5.337 million.

The Group's leasing activities and the reporting of these
The Group leases various office space, machinery, and equipment. Leasing agreements are typically for a fixed period of between 6 months and 8 years but with the possibility to extend these, as described below. Agreements can contain both leasing and non-leasing components. The Group has chosen not to separate the leasing and non-leasing components of leasing fees on properties for which it is a tenant and instead reports these as a single leasing component. The terms are negotiated separately for each agreement and include a large number of different agreement terms. The leasing agreements do not include any special terms or restrictions except that the lessor retains the rights to pledged leased assets. The leased assets may not be used as collateral for loans. Leased property, plant, and equipment were classified either as financial or operational leasing agreements up to and including the end of the financial year 2018, see Note 23 for further information. From 1 January 2019, leasing agreements are recognized as rights of use and as a corresponding liability as of the day the leased asset is available for use by the Group. Assets and liabilities that arise from leasing agreements are initially recognized at present value.

Leasing liabilities include the present value of the following leasing payments:

• fixed fees (including in-substance fixed lease payments), after deduction of any benefits in connection with the signing of the leasing agreement to be received as variable leasing fees that depend on an index or a price, initially valued using the index or price at the start date.
• amounts expected to be paid by the lessee according to residual value guarantees
• the exercise price for an option to purchase if the Group is reasonably certain of exercising such
• penalties payable for terminating the lease, if the lease term reflects that the Group will exercise an option to terminate the lease.

Lease payments that will be made for reasonably certain extension options are also included in the valuation of the liability. Lease payments are discounted with the interest rate implicit in the lease. If this interest rate cannot easily be determined, which is normally the case for the Group's leasing agreements, the lessee's incremental borrowing rate is used, which is the interest rate that the individual lessee would pay to borrow the necessary funds to purchase an asset of similar value to the right of use in a similar economic environment with similar terms and collateral.

The Group determines the incremental borrowing rate in the following manner:

• whenever possible, financing recently obtained by a third party is used as a starting point and then adjusted to reflect changes in financing conditions since the financing was obtained

The Group is exposed to any future increases in variable lease payments based on an index or interest rate not included in the lease liability until they occur. When adjustments of lease payments based on an index or interest rate occur, the lease liability is remeasured and adjusted to the right of use. Leasing payments are split between amortization of the liability and interest. The interest is recognized in the income statement over the term of the lease in a way that results in a fixed interest rate for the lease liability recognized in the respective period.

Assets with a right of use are valued at cost and include the following:

• the amount the lease liability was originally measured at
• lease payments paid at or before the start date, less any benefits received upon signing the lease
• initial direct expenses • expenses for restoring the asset to the condition stipulated in the terms and conditions of the lease.

Rights of use are normally amortized on a straight-line basis over the shorter of the useful life and the lease term. If the Group is reasonably certain it will exercise a purchase option, the right of use is amortized over the useful life of the underlying asset. Payments for short contracts for equipment and all leases of a lower value are recognized as an expense on a straight-line basis in the income statement. Short contracts are leases with a lease term of 12 months or less. Leases of a lower value include IT equipment.
A number of the Group's leasing agreements for buildings and equipment include options to extend or terminate the agreements. These terms are used to maximize operational flexibility in managing the assets used in the Group's operations. The majority of the options with the opportunity to extend or terminate the agreements can only be exercised by the Group and not by the lessors.

Note 12. Advance payments for property, plant, and equipment

Group and parent company	31 Dec 2020	31 Dec 2019
Opening acquisition cost	**18,752**	16,382
Purchases	**4,827**	4,076
Delivered during the year	**-5,208**	-1,705
Closing cost	**18,372**	**18,752**
Closing carrying amount	**18,372**	**18,752**

Note 13. Inventories

	31 Dec 2020	31 Dec 2019
Inventories, raw materials	10,197	4,403
Total inventories	**10,197**	**4,403**

The acquisition cost of individual inventory assets has been determined using weighted average prices.

Note 14. Other receivables

Group	31 Dec 2020	31 Dec 2019
Accounts receivable	1,193	2,585
Recoverable VAT	5,381	4,395
Other receivables	1,131	5
Total other receivables	**7,706**	**6,985**

Parent company		
Recoverable VAT	169	–
Receivables, group	7,208	7,581
Other receivables	702	845
Total other receivables	**8,079**	**8,696**

Note 15. Prepaid expenses and accrued income

Group	31 Dec 2020	31 Dec 2019
Prepaid rent	1,201	1,180
Prepaid patent expenses	14,187	10,130
Other items	3,926	1,962
Total prepaid expenses and accrued income	**19,314**	**13,272**

Note 16. Cash and cash equivalents

Group	31 Dec 2020	31 Dec 2019
Balance sheet		
Cash at hand	249,756	294,940
Total liquid assets on the balance sheet	**249,756**	**294,940**

Cash flow statement		
Cash at hand	249,756	294,940
Total liquid assets in the cash flow statement	**249,756**	**294,940**

Parent company		
Balance sheet		
Cash at hand	578	642
Total liquid assets on the balance sheet	**578**	642

Cash flow statement		
Cash at hand	578	642
Total liquid assets in the cash flow statement	**578**	642

Note 17. Share capital, other capital contributions, and warrants

Details of changes in equity can be found under Statement of changes in equity capital, immediately following the balance sheet.

All amounts in SEK thousands (SEK 000s)	Number of shares (thousands)	Share capital	Number of warrants (thousands)	Other capital contributions	Total
Closing balance as of 31 December 2018	37,401	748	3,881	354,356	**355,104**
Rights issue	4,403	88	-3,881	223,007	**223,096**
Issue of warrants		–	–	–	–
Closing balance as of 31 December 2019	41,805	836	–	577,363	**578,199**
Rights issue	1,307	26		199,974	**200,000**
Issue of warrants		–	–	–	–
Closing balance as of 31 December 2020	43,112	862	–	777,337	**778,199**

Shares have a quota value of SEK 0.02. Each share carries one vote. All shares registered as of the balance sheet date are fully paid. The number of registered shares as of the balance sheet date totals
43,112,252, with a total registered share capital of SEK 862,245.

Exeger has a warrant program addressing key personnel. Warrants are issued at market price (calculated according to Black-Scholes). There are no vesting conditions associated with the warrants, but there are conditions for repurchase if staff end their employment.

Note 18. Borrowing

Group	31 Dec 2020	31 Dec 2019
Long-term		
Lease liabilities	8,506	13,155
Nominal amount, Conditional loans	60,000	60,000
Discount effect	-28,623	-21,443
Accrued interest including reversal of discount	18,988	15,635
Total borrowing	**58,872**	**67,348**

Conditional loans begin to be amortized 9 months after the end of the first financial year with income from operations. Interest will be paid from the first day of amortization. The table above shows the discount effect we have calculated on the loans on the day they were received. Accrued interest consists of the reversal of the discount effect, calculated using the effective interest method.

Note 19. Transactions with related parties

(SEK 000s)	Base salary/ Board fees	Other benefits	Pension costs	Total
31 Dec 2019				
Board fees	275	–	–	275
CEO, board members	1,004	4	299	1,307
Total	**1,279**	**4**	**299**	**1,582**
31 Dec 2020				
Board fees	275	–	–	275
CEO, board members	1,006	2	320	1,328
Total	**1,281**	**2**	**320**	**1,603**

See note 7 Employee remuneration for details of senior management's salaries, wages, and other remuneration. We define the CEO, the Board of Directors of the parent company, EXEGER Sweden AB, and the subsidiaries in the group as "related parties".

Note 20. Other current liabilities

Group	**31 Dec 2020**	**31 Dec 2019**
Accounts payable	13,505	15,532
Other	1,810	1,958
Total other liabilities	**15,315**	**17,490**

Parent company		
Accounts payable	–	550
Other	–	21
Total other liabilities	–	**571**

Note 21. Accrued expenses and deferred income

Group	31 Dec 2020	31 Dec 2019
Accrued vacation pay	6,242	4,337
Accrued social security contributions	3,351	2,630
Special payroll tax	1,487	1,172
Prepaid grants	8,616	6,316
Lease liabilities	4,719	4,719
Other	1,727	3,349
Total accrued expenses and deferred income	26,142	22,523

Parent company	31 Dec 2020	31 Dec 2019
Other	125	125
Total accrued expenses and deferred income	125	125

Note 22. Pledged assets, contingent liabilities, and commitments

Exeger Sweden AB (plc) has no pledged assets or contingent liabilities.

Commitments

The group leases premises, various types of machinery and office equipment through non-cancelable operational agreements. From 1 January 2020, the Group has recognized rights of use for these agreements, in addition to short-term leasing agreements and leasing agreements for which the underlying asset has a low value – see notes 11 and 23 for more details.

Group	31 Dec 2020	31 Dec 2019
Between 1 and 2 years	47,190	47,190
Between 2 and 5 years	14,157	14,157
	61,347	61,347

Note 23. Leases

The Group has revised its accounting policies for leases where the Group is the lessee. The new policies are described in note 11. Prior to 31 December 2018, leases of property, plant, and equipment where the Group as lessee held substantially all of the economic risks and rewards associated with ownership. Leases are classified as operating leases when a significant part of the risks and rewards of ownership are retained by the lessor (note 22). Payments during the leasing period (after deduction of any incentives from the lessor) are expensed on the income statement on a straight-line basis over the leasing period.

Valuation of lease liabilities

Operational leasing agreement commitments as of 31 December 2018

Discount with the lessee's incremental borrowing rate at the time of transition

Lease liabilities	31 Dec 2020	31 Dec 2019
Current lease liabilities	4,719	4,719
Non-current lease liabilities	8,506	13,155
Closing carrying amount	**13,225**	**17,874**

Valuation of rights of use
Rights of use are valued at the value of the leasing liabilities, adjusted for any prepaid or accrued leasing expenses reported on the balance sheet as of 31 December 2018.

Note 24. Holdings in group company

Parent company	31 Dec 2020	31 Dec 2019
Opening acquisition cost	465,830	140,150
Issue – Emission Exeger Operations AB	200,000	325,680
Shareholder contribution – Exeger Incentive AB	–	–
Shareholder contribution – Exeger Operations AB	–	–
Closing carrying amount	**665,830**	**465,830**

The parent company's holdings in subsidiaries:	Profit/loss for the financial year
Exeger Incentive AB, 556976-3997	-1
Exeger Operations AB, 559073-6806	-141,450

Note 25. Key events after the closing date

In February, Exeger launched its new logo and design on new websites for the Company (www.exeger.com) and Powerfoyle (www.powerfoyle.com).

The same month, Swedish helmet manufacturer POC launched its first product featuring Powerfoyle: the Omne Eternal helmet.

In April, Swedish consumer electronics company Urbanista unveiled its first product with Powerfoyle: the Los Angeles headphones.

During the same month, Exeger was granted a SEK 68m loan from the Swedish Export Credit Corporation and a working capital credit of SEK 100m from Swedbank, 80% underwritten by the Swedish National Export Credits Guarantee Board.

Also in April, Ilija Batljan Invest AB signed subscription commitments totaling SEK 150m. The new equity issues are to be made in Exeger Sweden AB at a per share price of SEK 160.

At the beginning of 2021, Exeger signed a lease agreement for the site that is expected to house the new factory. This is dependent on receiving the necessary permits from the relevant authorities, which are expected during Q3/Q4 2021. The new factory will allow for GEO-REDUNDANCY in production and should secure future production capacity.

COVID-19
The Company has operated in line with the authorities' recommendations and has had a successful strategy to minimize infection within the operations. The consumer electronics market was impacted significantly by the COVID-19 pandemic in 2020. The global travel restrictions also constrained the possibilities for development work internationally.
To combat COVID-19-related effects, Exeger decided to switch its focus to customers with representation in Sweden or the rest of Europe. This minimizes the impact on Exeger's business, and a number of new customer agreements were signed during the year, with more than five product releases planned for 2021 featuring Powerfoyle as the leading component.

Note 26. Profit allocation

The board of directors proposes the following profit allocation.

Funds at the disposal of the general meeting	-123,911,304
Capital surplus	797,520,828
Profit/loss for the financial year	-109,561
The board proposes that the following amount should be carried forward:	673,499,962

SIGNATURES

The Group's income statement and balance sheet will be submitted on 2 June 2021 to the Annual General Meeting for approval.

Stockholm, the date stated on the electronic signature

Kai Gruner

Chairman of the Board

Carl-Johan Svennewall

Per Langer

Robert Taflin

Giovanni Fili
CEO

Our Auditor's report has been submitted on the date stated on the electronic signature.

Öhrlings PricewaterhouseCoopers AB

Niklas Jonsson

Authorized Public Accountant