



heliospectra

Annual Report 2020

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51%

SALES INCREASED
IN 2020





The year in brief

A fateful 2020 was dominated by the pandemic, which hit with full force during the spring. For Heliospectra, the pandemic and other mutually independent factors led to delays in major orders, e.g. to Nectar farms in Australia, while a regulatory squeeze has temporarily reduced the propensity to invest among cannabis growers in North America. Sales in 2020 were thus disappointing given the way the order book had looked at the beginning of the year. However, compared to 2019 it increased by 51 per cent.

During the year, marketing activities were adapted to the new circumstances; at the same time, the organization and overhead costs were reduced. Market activity improved during the autumn and the company is beginning 2021 with many strong leads.

Significant events

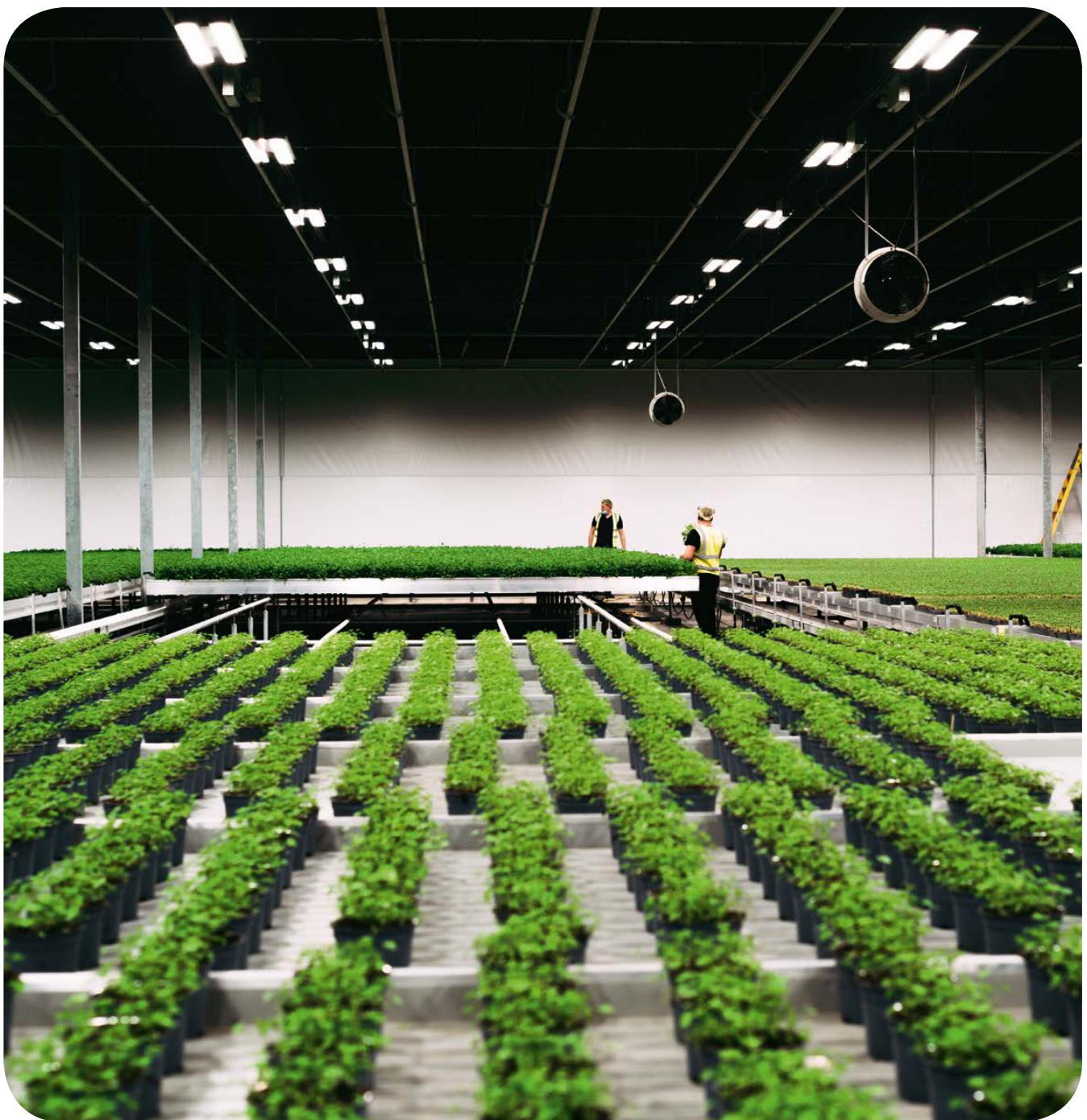
- During the spring, the company was exposed to fraud. As a consequence, orders totalling more than half a million dollars from Turner Construction were annulled and, following an investigation with the US authorities, Heliospectra got back all of the lamps except 12. Those responsible, who had no connection with Turner Construction, were arrested.
- In August, two orders worth just under USD 210,000 were received from Marcella Property Group in the USA.
- In September, an order worth just over USD 300,000 was received from BBL Construction, and an order worth slightly more than USD 130,000 was received from Origin Coast; both orders were from Canada.
- In October, we received an order worth just under USD 240,000 from a cannabis grower in Massachusetts, USA.
- In November, the company carried out a fully guaranteed new share issue that provided approx SEK 50.6 million before issue expenses.
- New research projects were launched in October and November at the University of Tokyo and the University of Illinois respectively using equipment from Heliospectra.
- In November, an order worth almost CAD 190,000 was received from CRG Pharma in Canada.

Key financial ratios

(SEK thousand unless otherwise indicated)	2020	2019	2018	2017	2016
Orders	20,356	119,848	47,806	43,814	22,729
Net sales	38,634	25,530	45,370	36,039	23,053
EBITDA	-36,103	-47,712	-30,526	-28,770	-38,446
Operating loss	-40,241	-51,545	-33,251	-33,089	-42,784
Cash flow	1,215	43,078	-29,468	-32,307	54,092
Cash and bank	55,458	54,243	11,165	40,633	72,940
Equity	67,891	60,687	15,207	48,303	81,474
Equity/assets ratio	69	65	38	65	77
Quick ratio	309	255	119	324	614
Number of shares, thousands	77,245	56,178	35,112	35,112	35,112

Redefining nature's potential

Heliospectra offers results-driven solutions for smart plant lighting and optimised cultivation based on a deep understanding of plant physiology, photosynthesis and LED technology. Innovative LED lighting is combined with the market leading helioCORE™ light control system and the expertise of consultants to achieve lighting strategies customised to each individual installation.



Heliospectra's offer

GROW LIGHTS Made in Sweden

MITRA



ELIXIA



SIERA



DYNA



CONTROL SYSTEMS helioCORE™

Production
planning



Crop
forecasting



Maximizing
growth



Optimizing light
zones and lamp
groups



Saving money

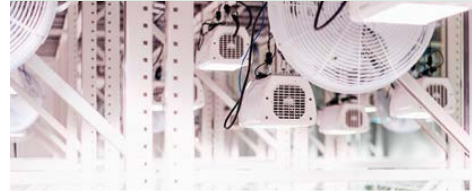


Monitoring your
cultivation facility



SERVICES helioCARE™

Light planning



Maximizing growth



Tests



Training courses



Using our lab



History

Heliospectra was founded in 2006 by plant scientists and biologists with the vision of making food cultivation more intelligent and efficient by developing plant lighting based on biofeedback systems.

In 2013, the company developed its first LED luminaire and the following year it made its commercial breakthrough and was listed on the stock exchange. Commercialization continued, and in 2018 the helioCORE control

system was launched. The following year, cultivation consulting services was launched under helioCARE as well as the MITRA product line, created for the light hungry crops and the Greenhouse market.

2020 – A year of reflection and change

2020 turned out to be a tumultuous year, not only for most businesses but also for society with lockdowns and other restrictions severely impacting the way we lead our day-to-day lives. At Heliospectra, our business was impacted in that we saw customers hesitating to go ahead with capex projects as well as practical difficulties coming from not being able to travel and meeting face-to-face.



We entered 2020 in a position of strength with a strong order book and high hopes for good sales development from our MITRA line that we launched in 2019. While that did not pan out the way we had hoped, we decided to see this as an opportunity to take a critical look at our organization, the market, and society and make needed changes to our organization. Doing so we made great progress in terms of people, organization, and market focus which we think sets us up for long-term success.

Because while 2020 proved challenging from a commercial perspective, the long-term trends driving the development of our industry remain in place. One could even argue that the pandemic highlighted issues such as food security, which as we know is one of the drivers behind the urban farming trend.

We are building a company for the long-term. Our vision – to feed and heal the world – is partly about solving long-term challenges stemming from increased population and environmental degradation of traditional agriculture, partly about providing medical cannabis growers with tools that allow them to differentiate their product on quality.

During the year we once more could count on the support of our shareholders. We raised money to finance the development of the next generation of our helioCORE control system and to drive our strategic expansion in Europe. For that unwavering support, I say thank you.

ORGANIZATION

As 2020 started I was in Canada, where I had worked to establish our North American presence. With the additions of Scott Thornton as VP of Sales and GM of North America, and Sarah Basiri as VP of Marketing, we have significantly strengthened our team. Scott and Sarah add seniority to our team as well as 40 years of combined experience.

Because of the pandemic, we also downsized our staff. Due to the fast-pacing nature of the LED market and our aggressive growth plan, we made the strategic decision to outsource the engineering part of our product development to an external partner. That way we reduced our fixed overhead cost, while increasing our

engineering capabilities and shortening our time to market.

As a result of all the changes we have made, we are now much more lean and much more focused on delivering on our vision.

SALES AND MARKETING

When the pandemic hit, we realized that we needed to revise our marketing plans for the year. We built a strong online marketing platform based around the principle of knowledge sharing and webinars. The campaigns have rendered massive attention thanks to the fantastic job of our marketing people and everyone else involved.

In total, we have had more than 500,000 impressions across social media. Some of the webinars had over 1,000 participants. As a result, we have significantly strengthened our brand recognition and considerably grown our lead pipeline, which we now pursue aggressively with the hopes that the vaccine enforces some stability again in the market. The success we have had and the sales pipeline we have built, give us a lot of confidence going forward.

PRODUCT DEVELOPMENT

Part of the money we raised will be used to finance the development of the next generation of our helioCORE grow control system and to finalize the first generation of our Fluorescence sensor. The sensor will be integrated into helioCORE and provide feedback about the crops to the system, which will then be able to finetune environmental parameters, such as light. Long-term, we see ourselves not only as a grow light company, but as a solutions provider for controlled environment agriculture. As the market matures and growers become more sophisticated, they will demand control. We are in a unique position to deliver that, with our background in plant research.

We have already seen signs of this development. When I started at Heliospectra in 2017, we had to convince growers that LED lighting worked. Today, it is completely different. Discussions focus on outcomes and on return

on investment, where LED provides a lower cost of ownership as well as increased control.

GREENHOUSES AND FOOD PRODUCTION

As the pandemic hit, we noticed that customers in the greenhouse and food production space were delaying major CAPEX decisions such as investing in new LED lighting. The uncertainty brought by the pandemic both led many businesses to focus on preserving cash and many banks to hesitate in financing new projects.

>> The success we have had and the sales pipeline we have built, give us a lot of confidence going forward."

But while this market suffered somewhat in 2020, many trends that we think support our business long-term were accelerated. Interest in food security and locally grown food got an upswing as the vulnerability of many modern supply chains to short term shocks were highlighted in the spring. This will of course strengthen the urban farming and locally grown food trend going forward.

Meanwhile, other trends remain firmly in place. Energy conservation is supported by many utilities in North America through different incentive programs and with the US once again being a signatory to the Paris Climate Accord, governmental support for energy conserving projects like installing LED lighting is likely to grow.

The greenhouse market is big and growing. With new-builds and the retrofitting potential in existing greenhouses, we see this as our biggest long-term market opportunity.

MEDICAL CANNABIS

Short term, we see our biggest market opportunity in cannabis in North America, which is why we focused so strongly on establishing

our presence there. The development of the market has been a bit bumpy so far. After the legalization in Canada, we saw a surge of investment into the sector. A lot of investment came from players who were inexperienced when it came to growing plants, and as result some of them became overextended and had to downsize their business.

What we see now, is that the smaller to midsize players, who are more quality oriented, are growing their business. The ability to influence chemical compounds by finetuning wavelengths, automate and control the consistency and improve quality, with the highly adaptable MITRA lighting and helioCORE control system, brings great value to this group of growers. So we are targeting this group, hoping to grow our business with them as they grow theirs.

In the US, there has been some hesitancy with some projects due to the elections, but we still believe that the overall positive momentum for cannabis will continue in the coming years.

SUMMARY

2020 has been mixed year. On the negative side, we have seen our business impacted by the pandemic which has delayed some projects and contributed to a wait-and-see approach among customers with regards to capex spending decision.

On the positive side, it gave us time to evaluate, reflect and act. The solid fundamentals driving our business long-term remains in place, but we have also strengthened our company, adding seniority and focus to our organization as well as scoring wins on the marketing side.

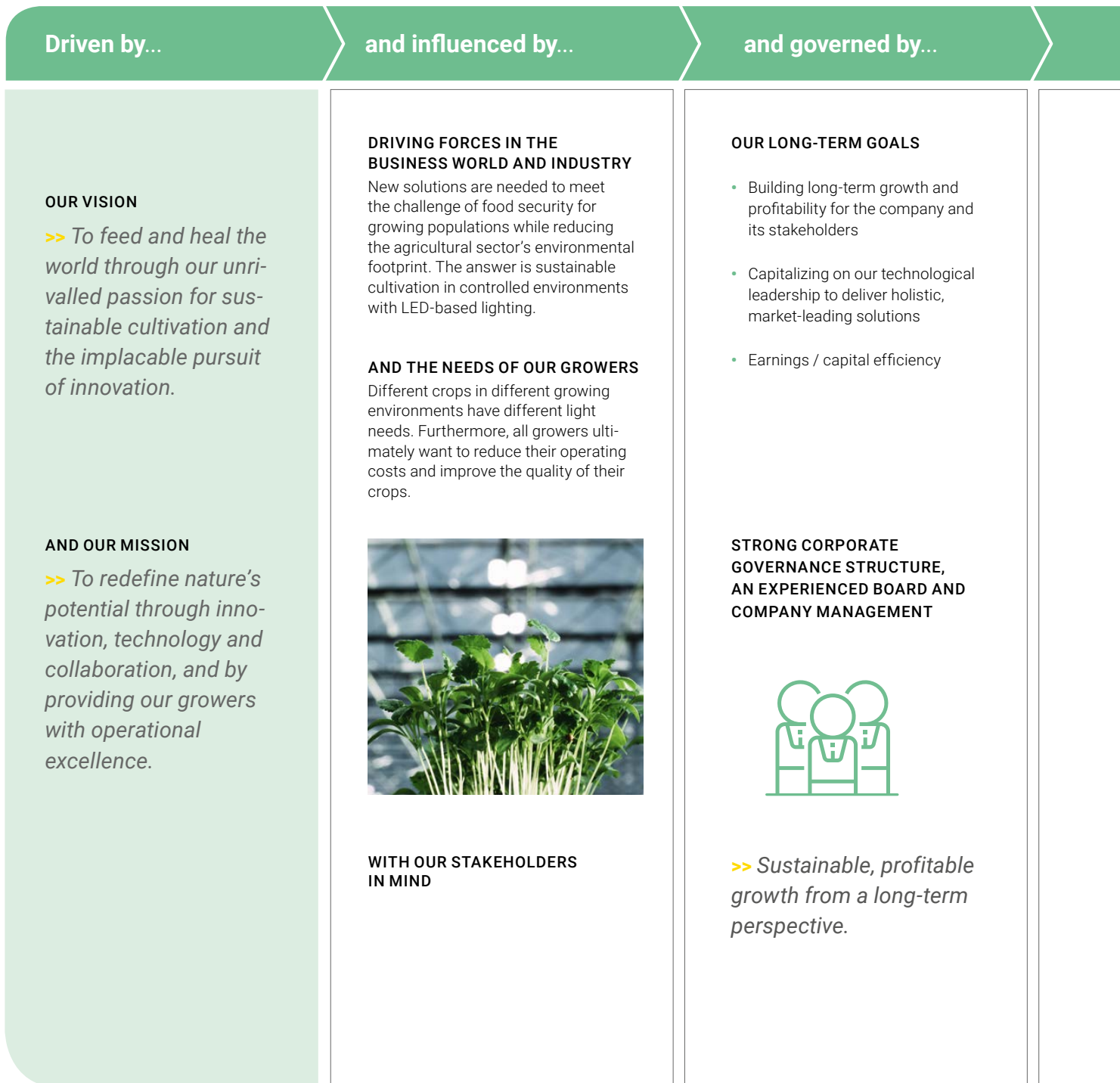
With that, I want to thank all our employees and our partners for your efforts in 2020. With the continued support of our stakeholders, I am sure that we will continue to deliver more value to our customers in coming years.

Best regards,

Ali Ahmadian, CEO

Results-driven value-creation

Based on a bright vision and the clear needs of growers and society, Heliospectra creates solutions that deliver financial performance and value for growers and stakeholders.



we create value through...

which leads to value creation for the world at large.

KNOWLEDGE-BASED SOLUTIONS THAT IMPROVE THE CULTIVATION ECONOMY

LED lighting

- MITRA
- ELIXIA
- SIERA
- DYNA

Control systems



Services



STRONG MARKET PRESENCE

A global sales team and reseller network. Our presence is strongest in North America and the focus now is on strengthening our European presence.

CUSTOMER-ORIENTED DEVELOPMENT PROJECTS

Heliospectra was founded by plant scientists and biologists and is based on a unique understanding of the grower's needs. We develop new products together with an external engineering team.

FOR OUR GROWERS

LOWER OPERATING COSTS

Direct savings:

- Lower energy costs
- Simple installation saves time and lowers cost

Indirect savings:

- Lower climate and dehumidification costs
- Less maintenance
- Lower water consumption

BETTER CROP PERFORMANCE

Bigger harvests

With the right lighting for the right amount of time, the harvest per square metre increases.



Faster harvests

By optimizing the light, the growing time, i.e. the time between sowing and harvesting, can be shortened.



Better quality

With the right lighting strategy, growers can improve quality and reduce wastage.



Greater control

Over time, helioCORE lighting and control systems from Heliospectra enable growers to gain greater control of production, harvesting time, quality and quantity.



FOR OUR STAKEHOLDERS



Sustainable, more resource-efficient food production

Unique market position and exciting growth potential

Healthy, more nutritious food for consumers

Standardized, safe prescription drugs

Wavelengths matter

Light not only provides plants with energy through photosynthesis, but also signals about the environment in which they are growing, which affects plant appearance. By using the right light combination, cultivation results can be optimized.

DIFFERENT WAVELENGTHS

Light is a form of electromagnetic radiation and is sorted by wavelength. The human eye can perceive light between wavelengths of around 380–740 nanometres, often called the visible spectrum. Usually, light is divided into wavebands where 400–500 nm is blue light, 500–600 nm green light, 600–700 nm red light, 700–780 nm dark red light. Shorter wavelengths (100–400 nm) are referred to as ultraviolet and longer (~780 nm –1 mm) as infra-red.

Through photosynthesis, light is also a source of energy for plants. Plants use this energy for growth and the production of biomass. The waveband used by plants for photosynthesis is roughly the same as the band visible to the human eye, around 400–700 nm. It is known as Photosynthetically Active Radiation (PAR). Red light, 600–700 nm, is the most effective for photosynthesis, but blue and green light are also used by plants. Plants also make use of light that lies outside this range, between 280–800 nm. This part of the spectrum is known as Photo-Biologically Active Radiation (PBAR).

The balance of the colours in the spectrum affects how plants grow. The spectrum allows us to control how high we want our plants to grow, and we can influence colour, taste and nutritional status.

The different colours in the spectrum have an influence on the plants and their development. Blue light is associated with root devel-

opment, compact plants and colour. Red light is most effective for photosynthesis and strongly associated with biomass growth. For a long while, green light was not believed to contribute to photosynthesis, but scientists have found that green light is used by plants; also, it is absorbed in different parts of the plant than blue and red light, including deeper into the foliage, which makes it an important part of the spectrum to add to plant lighting. The human eye best perceives green light that lies between blue and red. If we only have blue and red light in our lighting, the light looks purple, and when you add green, the light becomes whiter. In a growing environment that lacks green light, plants look black to personnel, making it harder to draw conclusions about their health. Also, after a while, it becomes an unpleasant working environment for the grower.

CULTIVATION AND LIGHT

Lighting is used to completely replace natural sunlight in indoor cultivation and also to complement the sun in greenhouses, which is absolutely necessary for much of the year at many latitudes, since days are too short and the hours of sunlight too few.

Growers can control the light by three different means; intensity (the amount of light), spectrum (the quality of light), and photoperiod (number of hours of light). The way these three parameters are combined affects biomass growth, appearance and flowering.

helioFACTS!

Did you know

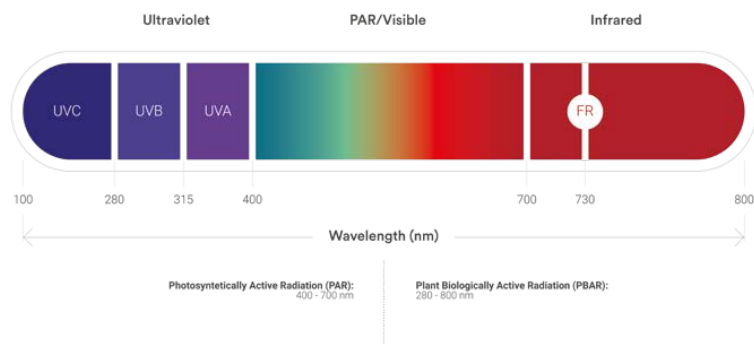
... our in-house research shows we can assess the status of a plant using parameters such as light tolerance and stress, by remotely analysing chlorophyll fluorescence, i.e. the light emitted by the plant.

Spectacular results can be achieved by also controlling other parameters such as nutrition, irrigation, humidity and carbon dioxide. For example, scientists have shown it to be theoretically possible to increase the annual yield per hectare of wheat by a factor of up to 600 in controlled indoor cultivations. In these simulations, the photoperiod was extended up to 24 hours per day.

Thanks to its background as a research company, Heliospectra has profound knowledge of how crop performance can be improved in the right lighting environment, and is able to develop detailed lighting strategies adapted to achieve the grower's goals. This might include growing more efficiently, producing stronger plants, or making plants appear a certain way.

Light therapy

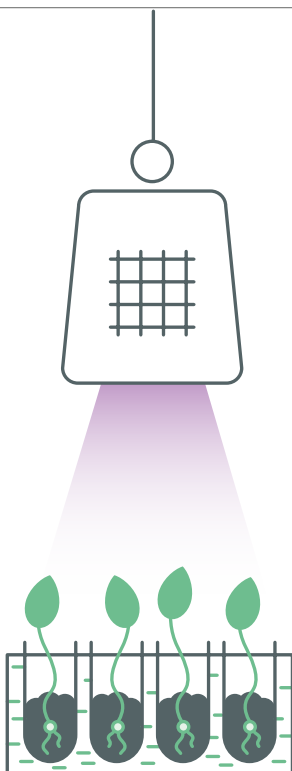
At the end of the production cycle, the plants can be treated with light e.g. to provide them with longer life, a different taste profile or a different appearance. Keep your eyes peeled for our helioFACTS.



The right lighting provides the best conditions

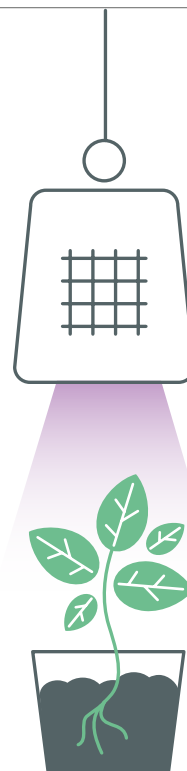


Seeds germinating in plugs.



When the shoots emerge, they are placed under LED lighting.

The goal is many leaves to receive light, and a compact, sturdy plant with a good root system able to cope with transplantation to a pot.



The plant is transplanted into a pot and passed on to production.

Greenhouses have natural light that varies with the seasons and weather. Added light must complement natural light and stimulate the right growth at the lowest energy cost possible.



The wrong light will result in a rickety plant unable to survive transplantation.



Too little light or the wrong light will mean drooping plants that create problems with increased humidity and more damage.

Favourable technological and social trends

Interest in cultivation in controlled environments is growing all the time, especially since it is seen as a solution to the issues of food security and environmental impact. Together with an ongoing shift in technology, it is expected to contribute to rapid growth in the markets for LED-based grow lights.¹

>> SOCIAL TRENDS

Populations are growing and eating habits changing

According to the UN, the world's population is expected to increase by 2 billion to 9.7 billion by 2050. Changing eating habits in developing countries as incomes increase, along with an increase in meat and dairy products that require much greater areas per calorie than vegetable food, entail increasing pressure on the world's arable land.

The unsustainable environmental impact of agriculture

In global terms, the agricultural sector accounts for around one quarter of greenhouse gas emissions and uses 40 per cent of all land, which has a major impact on biodiversity. Scientists estimate that by 2050, almost 90 per cent of all animal species will lose their habitats to agriculture. Furthermore, agriculture accounts for 70 per cent of all fresh water use and, through its use of fertilizers, causes pollution leading to problems with the eutrophication of lakes and seas.

Urbanization, climate change and food security

The UN estimates that 68 per cent of the world's population will be urbanized by 2050. Cities are vulnerable to food security disruptions – a problem that climate change can make more difficult to manage as elements of extreme weather such as drought and unpredictable precipitation make agricultural production less dependable. Safeguarding food security and reducing import dependency are issues that have been given new relevance by the Covid-19 pandemic.

Legalization of cannabis

With the exception of alcohol and tobacco, cannabis is by far the world's most widely used drug, according to the UN. Since the beginning of the 21st century, a long line of countries have legalized the medical use of cannabis, while a handful of countries, including Canada and some States in the USA, have also legalized its use for recreational purposes.

>> MARKET TRENDS

Focus on energy consumption

Energy consumption is the biggest cost when growing in controlled environments such as greenhouses or indoors. Energy costs relate partly to climate control, e.g. heating, and partly to lighting. Even if the growers in colder climates who must heat their greenhouses in the winter have appreciated the heat given off by HPS lighting, the trend is toward more energy efficient specialised heating and LED lighting for cost-saving reasons.

Growing in controlled environments

Growing in controlled environments, either indoors or in greenhouses, enables significant reductions in the use of water and fertilizers and the complete elimination of pesticides while also achieving better results. In recent years vertical cultivation, where efficient use is made of space by stacking crops, has drawn significant interest with several start-ups attracting a great deal of capital.

>> TECHNOLOGICAL DEVELOPMENT

HPS

The most common technology in terms of existing installations concerns high-pressure sodium lamps (HPS), which is a proven technology that has been used for grow lights since the 1940s. HP lamps give off a lot of heat and tend to have a light spectrum with too much red light, even though modern lamps have a better balance.

LEDs

Light-Emitting Diodes (LEDs) are the fastest growing technology. LEDs were first launched as grow lights at the end of the 1990s and the beginning of the new millennium, but the technology never took hold. Poor quality meant that LEDs got a bad reputation instead. In 2013, Heliospectra was one of the first companies to launch high quality LED grow lights. Today, the technology is fully established and its issues now concern how the technology can be customised to suit a grower's specific needs.

Compared to other technologies, LEDs are more expensive to purchase but cheaper to operate. They have several advantages compared to HPS: the light spectrum and intensity can be controlled, thus providing better growing results; LEDs are more energy efficient, which reduces costs; LEDs have a longer service life and need replacing less often, which reduces maintenance costs; they are more compact and do not give off as much heat, which means lighting and seed beds can be placed closer together in e.g. vertical cultivation.

Other technologies

In addition to HPS, there are other high-intensity gas discharge lamps such as metal halide and the more modern ceramic metal halide. There are also fluorescent lamps. Compared with all of the above technologies, LEDs have lower operating costs and allow greater control of the light spectrum and intensity.

1. Technavio predicts growth close to 19% per year for the period 2019–2023 for the grow light market as a whole. BIS Research predicts growth of just over 23% per year for the period 2019–2024 in the market for LED-based grow lights.

2. Options for keeping the food system within environmental limits, Springmann et al, 2018.

helioFACTS!

Did you know

... On average, LED lighting accounts for almost 38% of a cultivation facility's total electricity consumption. On the other hand, LEDs can reduce direct electricity consumption by up to 35% compared to HPS lamps.



35%

LOWER POWER CONSUMPTION BY
LEDS COMPARED TO HPS LAMPS

Several expanding market segments

The total global market for grow lights is estimated at around USD 4.2 billion per year and has grown by two-digit percentage points in recent years. Heliospectra divides the market into different vertical segments by crop and cultivation techniques. The greatest opportunities for the immediate future are considered to be in food and cannabis production in greenhouses.

GREENHOUSES

Traditional greenhouse farming is a major market and Heliospectra focuses mainly on light-hungry crops that grow on branches such as tomatoes, cucumbers or peppers, as well as on lettuce and herbs. Only about 5 per cent of greenhouses are thought to have switched from HPS to LED lighting in a global market estimated at USD 2.8 billion, which represents a huge potential market where energy saving is an important sales argument. Heliospectra focuses primarily on major operators in its sales process.



MITRA

CANNABIS

Owing to legalization in parts of North America, cannabis has been a strong segment for Heliospectra in recent years. Because of its erstwhile illegal status, cannabis has traditionally been grown indoors in confined spaces, but growers are now becoming more commercial. Indoor cultivation in fully controlled environments is still common, not least because it allows the best possible quality control.

The markets are still immature, but in simple terms they can be split into large companies that focus on volume and smaller and medium-sized growers who focus on quality. The latter are to some extent similar to the many micro brewers in the brewing industry. Heliospectra estimates the market for cannabis grow lights to be around USD 400 million in North America. The company's focus is on the small to medium-sized growers.



ELIXIA

VERTICAL CULTIVATION

One burgeoning market that has drawn a lot of interest is vertical cultivation where crops are grown indoors in beds stacked atop each other or in towers, often very close to the end consumer. Japanese operators have come furthest in their development and are now growing crops profitably using a high degree of automation. Heliospectra estimates the total market for vertical cultivation grow lights to be worth around USD 1 billion per year.



SIERA

RESEARCH

The research market comprises both academia and global agrotechnology companies looking for the ability to fine-tune the quality of light and achieve a uniform light pattern. Heliospectra enjoys a strong position in this market and has been selected as a supplier for prestigious projects led by the German aerospace agency and NASA.



DYNA



helioFACTS!

Did you know
...the right LED light can
raise the vitamin C
content in plants?

Knowledge and technology creates value

Heliospectra offers solutions that create real results for its customers in terms of both crop and financial performance.

LOWER OPERATING COSTS

Heliospectra grow lights are based on LED technology, which has several advantages over the older, dominant HPS technology. The most significant is lower energy consumption, which has a direct impact on operating costs. Furthermore, the high quality of Heliospectra lighting keeps

maintenance to a minimum. The time during which lights are switched on can be reduced and the low heat generation of LED technology cuts down on ventilation costs, together cutting energy consumption by a further 25-56%. Heliospectra's solutions mean lower overall operating costs for the grower.

BETTER CROP PERFORMANCE

LEDs also enable a high degree of control over the light spectrum plants receive. The right light, at the right amount at the right time, means better crop performance. The helioCORE control system and helioCARE services offering allow Heliospectra to offer customers solutions that improve crop performance through better quality and yields, and thus cultivation economy.

Control systems help scientists with simulations

The University of Illinois chose LED lighting and control systems from Heliospectra for its international research project RIPE – Realizing Increased Photosynthetic Efficiency. The aim of the project is to develop new high-yield food crops – specifically cassava, black-eyed peas, maize, soya beans and rice – and to help safeguard global food security.

To this end, an 800 square meter greenhouse was built at the University of Illinois and equipped with ELIXIA luminaires with an adjustable light spectrum. By using the helioCORE control system, researchers can accurately control the light and simulate the light conditions of different regions.

In addition to the University of Illinois, the project includes several well-known institutions, including the University of Cambridge and UC Berkeley. Funding comes inter alia from the Bill & Melinda Gates Foundation and the British Foreign, Commonwealth & Development Office.



Fine-tuned light for higher quality

Experience Organics, in the state of Washington in the north-west corner of the United States, focuses on growing cannabis of the highest quality, and on constantly developing and refining new cultivation techniques. Following extensive research, they chose ELIXIA from Heliospectra as their grow lights.

‘The ability to fine-tune lighting for each plant phase has transformed every step in our cannabis cultivation. We produce consistently high quality while lowering our energy costs,’ says Andrew Sigler, Director of Operations at Experience Organics.

Each ELIXIA luminaire is connected via Wi-Fi, which means Experience Organics is able to apply precise light recipes. This has resulted in shorter flowering times for most of their variants, and halved energy costs. And after four years, the lamps still need no maintenance.





Lower energy consumption despite a greater growing area

When the Bridge Farm Group selected lighting for its new facility, the choice went to MITRA from Heliospectra. LED lighting is the perfect complement to natural sunlight with special light recipes for autumn and winter production.

'When you're looking for lighting for your crops, you want the most efficient lamps available. And these days that means LEDs. In our partnership with Heliospectra, we not only get the best lighting, but also profound botanical knowledge and cultivation expertise,' says Andrew Fuller, Technical Director at Bridge Farm Group.

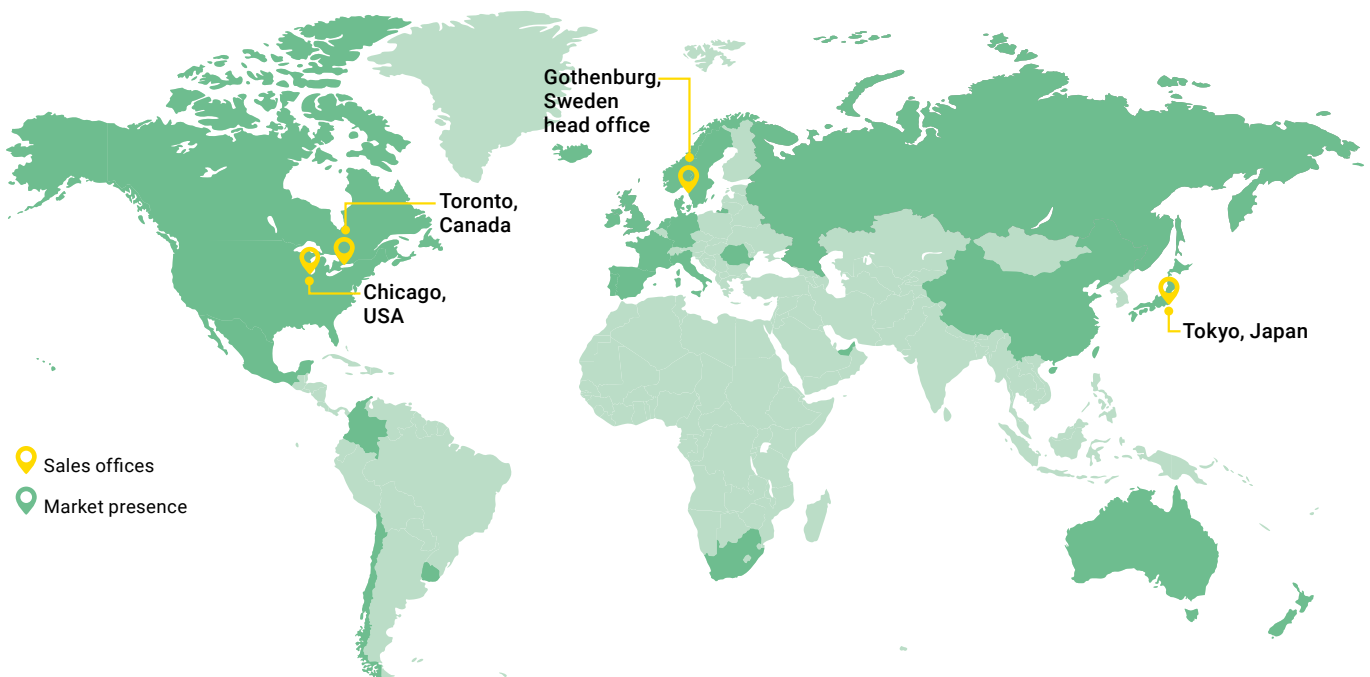
With the highly efficient MITRA lighting system, Bridge Farm Group lights more greenhouse growing area while also reducing energy consumption. Furthermore, the light recipes have improved the quality of the herbs cultivated, and made them sturdier and tastier.

>> Working with Heliospectra, I can see how light improves the quality of our production. Thanks to the MITRA we are able to provide a balanced spectrum year-round, reaching our customers desired crop height and overall quality whilst saving 55% energy compared to our old HPS lights".

Andrew Fuller, Technical Director at Bridge Farm Group

Strong presence in key markets

Heliospectra has customers on every continent and a sales organization with a presence in North America, Europe and Asia. In the near term, the company is concentrating mainly on North America and on establishing a stronger presence in Europe.



RESELLERS

One important focus for Heliospectra is to build a network of strategic resellers. In 2020, the company chose to evaluate its resellers with the result that the company now has around 15 strategic resellers, most of which are located in North America.

Moving forward, the focus will be on further strengthening the networks in North America and Europe, especially in key markets such as the Netherlands.

Resellers sometimes specialize in grow lights or have a wider range of items needed for cultivation such as pots, soil, nutrients and so forth. They sometimes also act as full-service suppliers/consultants for the construction of greenhouses. The most important thing for Heliospectra is that resellers have strong local roots and market knowledge.

MARKETING

An important part of Heliospectra’s marketing is to spread knowledge about what is possible for growers to achieve with the right light strategy. As part of these efforts, the company has published e-books, infographics and articles on its website. During the Covid-19 spring of 2020, a number of webinars were also arranged, which were well attended and resulted in many leads.

Sales work is proactive and carried out on a long-term basis with continuous talks with major greenhouse growers. Because they have a constant need to replace greenhouse lighting, Heliospectra invests time in building relationships.

The grow light industry is fragmented and references are important for building confidence. During the summer of 2020, the first major installations of MITRA – which was launched in May 2019 – were completed, generating excellent references.

helioFACTS!

Did you know

...Heliospectra’s products are installed in Antarctica as part of the EDEN ISS research project run by the German aerospace agency to develop cultivation technologies for space.

THE SALES FORCE

Heliospectra’s in-house sales force works with dealers to drive growth in their regions and by marketing directly to larger customers. The company currently has eight sales representatives, six of whom are based in North America, one in Europe and one in Asia.

Scalable, efficient organization

Heliospectra's core competence is plant science and how lighting affects cultivation. As part of its adaptation to Covid-19, the company has started to work with an external engineering partner in the field of product development.

HELIOSPECTRA PLANT LAB

Heliospectra is founded on its knowledge and expertise concerning light and plants.

Since Heliospectra's move to the new headquarters in Gothenburg, Sweden, the Heliospectra Plant Lab now has a 14 m² propagation room and 63 m² cultivation room with 12 standardized units, a Conviron A1000 climate chamber and a vertical farming system.

Since its inception in 2006, the company has carried out more than 340 tests of various lighting strategies that have formed the basis for developing the company's lighting solutions. Around 100 of these tests were performed internally, and 250 together with external partners and customers.

The company collaborates with multiple external research partners, and a number of projects are financed wholly or in part by grants. For some time, the company's collaborative partners have included Wageningen University & Research in the Netherlands, the German aerospace agency DLR, the University of Guelph in Canada plus RISE and Chal-

mers in Sweden. A new collaboration was initiated in 2020 with the University of Tokyo aimed at finding new models for cultivating high-growing vegetables in controlled environments.

LATEST PRODUCT DEVELOPMENT

The company is focusing on further development of its helioCORE control system, which in the longer term is expected to become the heart of the company's value offer. In the near term, work focuses on controlling the company's proprietary lighting solutions and fluorescent sensors. In the longer term, the ambition is to offer a complete, integrated control system for lighting, sensors and hardware from third parties.

Also, the performance of the MITRA lighting range is under constant development.

EXTERNAL PARTNERS

Heliospectra cut back on its internal product development resources in 2020 and is now working with an external engineering partner.

This has reduced overall internal costs, while making greater development resources accessible and enabling faster product development.

Production has long been outsourced to external partners. The LEDs are made by well renowned manufacturers such as CREE, Philips and Osram, while the majority of the other parts are standard off-the-shelf components. Parts of the mechanism, plastic components and other mechanical components are manufactured in China. Since 2018, final assembly has been carried out by a Swedish production partner. The products have very high reliability and quality. Historically, the return rate has been below 1 per cent.

The company works constantly to reduce lead times on critical components in order to respond quickly to changes in demand. The company has also made sure that the production partner is able to increase capacity as necessary using relatively little funds.



A workplace with passion

Heliospectra recognized its employees as the most valuable assets. As a result, we work tirelessly to create a workplace that makes the best use of our passion for plants and technology. Heliospectra’s culture is characterised by diversity, transparent communication and acceptance of ideas and contributions from all employees.

OUR VALUES

Our values define our culture and serve as a compass that guides our decisions and our behaviour.

Innovation and quality

Our goal is to drive innovation and transform the cultivation market. We do this without compromising on quality, while expanding and improving our product portfolio.

Sustainability and diversity

We believe in a green, sustainable and inclusive future for everyone. We advance by making best use of creativity and knowledge in a work environment characterised by diversity.

Collaboration and creating opportunities

We work close to our customers to recognise and understand their needs and challenges. We provide growers with the ability to reach their full potential by sharing our knowledge, solutions and experience.

Passion and integrity

Our passion for plants and technology fuels our innovations and creates value for our customers. We show integrity through hard work, straight talking, honesty and standing by our word.

HELIOSPECTRA AS AN EMPLOYER

Its expertise on how plants and crop performance is influenced by lighting is what makes Heliospectra stand out from the crowd. It allows the company to develop and implement lighting solutions that give the grower the best possible performance.

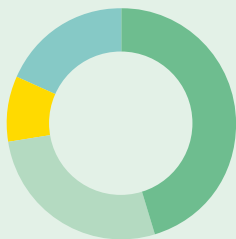
Accordingly, all employees are constantly encouraged to learn more about their passion and to share their know-how e.g. by regularly participating in different industry gatherings such as conferences and exhibitions. Due to Covid-19, participation in 2020 was via digital channels.

helioFACTS!

Did you know

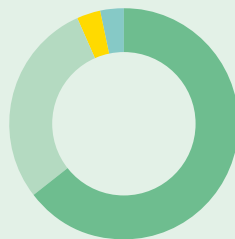
... sunflowers are in many ways impressive plants? This year, using our biosensor technology, we learned that they also make excellent models for studying how plants are affected by drought.

NUMBER OF EMPLOYEES BY MARKET AREA



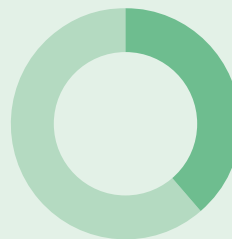
- Marketing and sales, 10 (9)
- Research and development, 6 (15)
- Technical Service and Support, 2 (3)
- Administration and logistics, 4 (5)

NUMBER OF EMPLOYEES BY COUNTRY



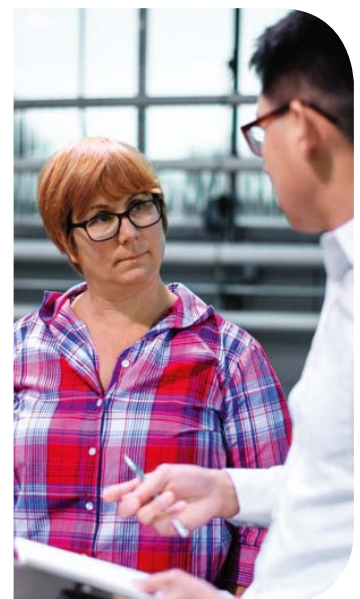
- Sweden, 20 (28)
- North America, 9 (6)
- Japan, 1 (1)
- Great Britain, 1 (1)

NUMBER OF EMPLOYEES IN THE GROUP BY GENDER



- Women, 12 (15)
- Men, 19 (20)

Average number of employees.





11

THE NUMBER OF
DIFFERENT
NATIONALITIES
IN OUR COMPANY.

Strong, long-term major owners

The Heliospectra share has been listed on the NASDAQ First North Stockholm since June 18, 2014. Following a new share issue in November 2020, share capital totalled SEK 7,724,546.50 distributed across a total of 77,245,465 shares. Each share carries one vote. All shares provide an equal right to participate in the company's assets and financial performance.

SHARE-RELATED INCENTIVE PROGRAMMES

At the end of the reporting period, Heliospectra had two outstanding incentive programmes – P02 and P03. They are aimed at senior executives and key personnel and were adopted by an extraordinary general meeting in 2019 and the 2020 AGM. They each consist of 1 million stock options with the right to subscribe for new shares at a price corresponding to the volume-weighted average price for the ten days prior to the transfer from the company to the persons concerned. P02 entitles the holder to one new share at a subscription price of SEK 6.13 per share during the period from 1 March 2021 through 30 April 2021. Dilution is anticipated to be around 1.3 per cent. The P03 incentive programme confers the right to subscribe for new shares at SEK 3.19 per share during the period

1 March 2022 through 30 April 2022. If fully exercised, this corresponds to a dilution of around 1.3 per cent. In the case of P03, 930,000 options have been transferred for a fixed market value of SEK 0,20 per option. The remaining 70,000 options in the programme will be retained by the company and may be offered to senior executives and key employees in the future.

DIVIDEND POLICY

Heliospectra's Board does not intend to propose any dividend be paid in the next few years. Any future profits will be reinvested in the business.

FINANCING

In November 2020, Heliospectra issued new shares in the amount of SEK 50.6 million with preferential rights for existing shareholders. The issue was fully guaranteed by the Weland Group and Midroc New Technology. Under the terms of the issue, each share held confer the right to one unit. Eight unit rights confer the right to subscribe to three units. Each unit contained one newly issued share and one free-of-charge stock option. Two stock options confer the right to subscribe to a new share in the company in November 2021 for an issue price of SEK 3.10.

The issue had a subscription rate of 124 per cent, of which 91.6 per cent with the support of unit rights and 32.6 per cent without. Thus the company received a total of SEK 50.6 million before share issue expenses. If all stock options are exercised in November 2021, the company will receive an additional SEK 32.7 million before share issue expenses.

OUR LARGEST OWNERS

Weland Group

Weland became a Heliospectra shareholder back in 2008 and is represented on the Board by member Staffan Gunnarsson and deputy Jens Helgesson. Weland is a family-owned group whose companies are mainly located in southern Sverige.

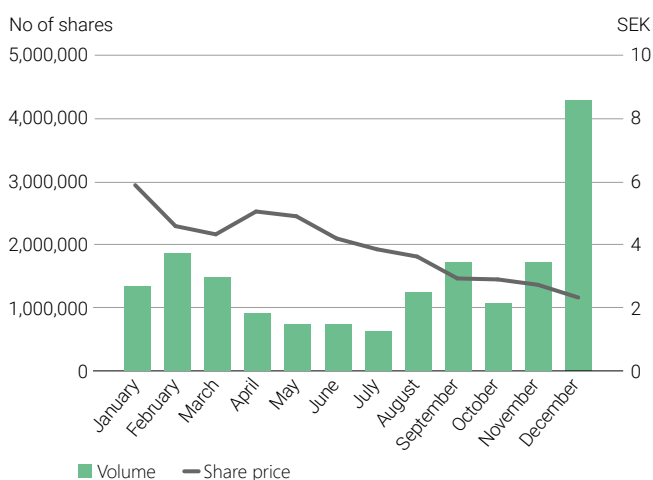
Adma Förvaltning

Adma is a family-owned investment company located in Malmö who base their ownership role around active, long-term commitment. Adma became a major shareholder in 2018.

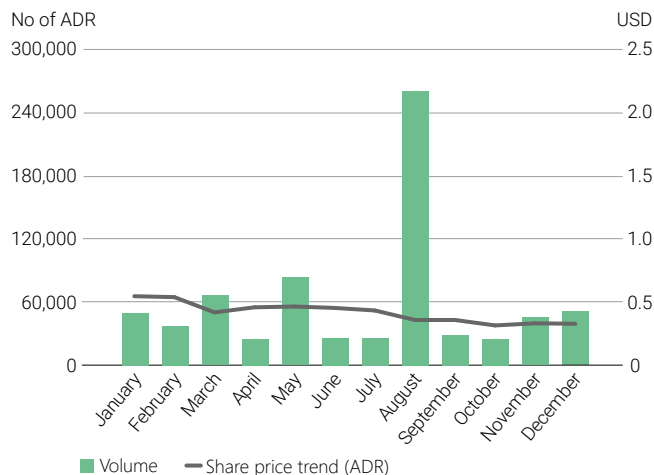
Midroc New Technology

Midroc is a group engaged in contract services, property development and investing. They became owners in 2011 and are represented on the Board by Chairman Andreas Gunnarsson and deputy Göran Linder.

SHARE PRICE TREND DURING 2020 (THE SHARE, LISTED ON NASDAQ FIRST NORTH STOCKHOLM)



SHARE PRICE TREND DURING 2020 (ADR, LISTED ON THE OTC EXCHANGE IN THE USA)





Five reasons to invest in Heliospectra

1. EXPOSURE TO STRONG MACRO TRENDS

The driving forces behind cultivation in controlled environments are a growing global population, climate change and environmental degradation. We have to find new solutions to reduce agricultural pressure on biodiversity and land use while safeguarding food security. This will lead to a burgeoning market and an ongoing technology shift where HPS lamps are replaced by LED lighting.

2. THE TEAM

Heliospectra's team consists of experienced plant experts, sales engineers, technical managers and an operational team that has been building confidence and creating credibility for Heliospectra and our offerings for 14 years. This allows the company to guide growers through the sales process, from light planning and strategy to achieving goals and performance. Also, the company has an experienced and skilled management group and board of directors.

3. COMPLETE AUTOMATED LIGHTING SOLUTION

Today, Heliospectra offers a unique complete solution comprising market-leading LED lighting, lighting control systems and sensor systems that allow growers to fully automate lighting in their greenhouses or cultivation spaces. Growers can optimize light supply and quality depending on the plant and achieve higher yields, better quality and major energy savings.

4. UNIQUE MARKET POSITION AND EXCITING DEVELOPMENT OPPORTUNITIES

Heliospectra's position in the market is founded on plant science and research into cultivation rather than technology. This puts the company in a unique position to help growers find the appropriate lighting solution for their needs, and in the longer term, to develop control and sensor systems for growing in controlled environments.

5. LEGALIZATION OF CANNABIS

Since the beginning of the 21st century, a number of countries have legalized the use of cannabis for medical purposes. Several countries and US States have also legalized its cultivation and use for recreational purposes. With the exception of alcohol, nicotine and caffeine, cannabis is by far the world's most widely used drug, according to the UN. Cannabis is a light-hungry crop that requires additional lighting for a healthy harvest.

OWNERSHIP LIST EXCLUDING PAID SUBSCRIBED SHARES (BTA)

The biggest shareholders 30/12/2020	Holding	Votes, %
Weland Värdepapper AB	17,344,657	22.45
Weland Stål AB	14,397,533	18.64
Adma Förvaltnings AB	12,000,000	15.53
Midroc New Technology AB	8,850,336	11.46
The Avanza Pension insurance company	2,686,384	3.48
The Bank of New York Mellon	1,257,984	1.63
Lundgren, Fredrik	683,044	0.88
Magowny Invest AB	545,102	0.71
Nordnet Pensionsförsäkring AB	487,283	0.63
SPP Sverige plus	463,905	0.60
Other shareholders	18,529,237	24.00
Total	77,245,465	100.00

BREAKDOWN OF SHAREHOLDINGS

Holding	Number of shareholders
1–500	2,721
501–1,000	701
1,001–5,000	1,366
5,001–10,000	316
10,001–15,000	107
15,001–20,000	63
20,001–	153

The Board



1. ANDREAS GUNNARSSON
Chairman of the Board since 2011

Born 1974

Andreas studied at Jönköping International Business School and has significant experience in the start-up and operation of growth companies in the technology sector. He is Portfolio Director in Midroc New Technology AB and is a member of several boards in Midroc's portfolio companies.

Holding: 50,527 shares and 13,770 stock options

2. ANDERS LUDVIGSON
Member since 2007

Born 1970

Anders has an MSc in engineering and industry experience as a partner and Deputy CEO of Ludvig Svensson AB, one of the world's biggest manufacturers of climate screens for green-houses.

Holding: 0 shares

3. MARTIN SKOGLUND
Member since 2006

Born 1966

Martin has a degree in economics and is one of Heliospectra's founders. He is also a founder of the property company Wood & Hill Investment AB and a co-founder of Chalmers Innovation.

Holding: 119,606 shares via Wood & Hill Investment AB

4. STAFFAN HILLBERG
Member since 2017.

Born 1964

Staffan has an MSc in Engineering and an MBA and was CEO for Heliospectra between 2010–2017. He is currently a partner in the property company Wood & Hill Investment.

Holding: 32,078 shares privately and 119,606 shares via Wood & Hill 8,748 stock options

5. STAFFAN GUNNARSSON
Member since 2017

Born 1947

Staffan has significant experience of establishing and running leading companies. He holds several executive positions in the Weland Group, including CEO and board member of Weland Stål and Weland Fastigheter.

Holding: 43,996 shares and 11,997 stock options

6. GÖRAN LINDER
Deputy since 2011

Born 1962

Göran has an MSc in engineering and extensive experience in commerce and business development. He is CEO of Midroc New Technology, Midroc Invest and Midroc Finans.

Holding: 0 shares

7. JENS HELGESSON
Deputy since 2018

Born 1966

Since 1989, Jens has held leading positions in the Weland Group. He is currently purchasing and property manager at Weland Stål.

Holding: 0 shares

Management



1. ALI AHMADIAN
 President & CEO since 2017
 Born 1976
 Ali has an MSc in engineering and more than 20 years' experience of company management. He joined us from Tetra Pak where he was Vice President for Asia and the Oceania region and part of global group management. Ali lives in Gothenburg.
 Holding: 42,396 shares and 615,197 stock options

2. HANS NAESS
 CFO since 2019
 Born 1963
 Hans has a degree in economics and more than 30 years' experience as an auditor, CFO and finance manager. He lives in Gothenburg and joined us from Volvo Buses where he was Finance Director, City Mobility.
 Holding: 41,250 shares and 223,750 stock options

3. SCOTT THORNTON
 Vice President of Sales and GM of North America since 2020
 Born 1975
 Scott holds a degree from Concordia University in Montreal, Canada. He has more than 20 years experience in commercial leadership, in North America and the rest of the world. Scott joined us from his position as Sales Director at PBC. Scott lives in Montreal, Canada.
 Holding: 0 shares and 100,000 stock options

4. YASUHIRO SUZUKI
 GM Japan since 2019
 Born 1957
 Yasuhiro holds a degree in sociology and has extensive experience from senior positions. Before joining us he held several positions in waste management projects in China and was previously at Tetra Pak, where his positions included Senior Director Marketing and Product Management.
 Holding: 0 shares and 112,500 stock options

5. HANNA RÜDEL
 Vice President of Technical Services since 2018
 Born 1976
 Hanna has an MSc in engineering and 18 years' experience in B2B business development in the international food industry. She joins us from a senior executive position with Micvac. Hanna lives in Gothenburg.
 Holding: 0 shares and 147,500 stock options

6. SARAH BASIRI
 Vice President of Marketing since 2020
 Born 1982
 Sarah holds a bachelor's degree from York University in Toronto, Canada. Sarah joined us from the role of Marketing Manager at the Mezzanine Group. Prior to that, she held several leadership roles in B2B companies across North America. Sarah lives in New York, USA.
 Holding: 0 shares and 112,500 stock options





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Director's report

Operations

Heliospectra AB (publ) is the global leader in intelligent lighting technology, light control systems and related services for greenhouse and controlled plant growth environments. The company's registered office is in Gothenburg; company registration number 556695-2205. With the vision to make commercial crop production more connected and resource-efficient, Heliospectra integrates customised LED lighting strategies with real-time response and artificial intelligence to create predictable, reliable business forecasts and harvest results. Heliospectra was founded in 2006, and is committed to helping growers and commercial producers across six continents consistently increase yields and produce crops that look good, have high nutritional value, standardised medicinal quality and longer shelf life, harvest after harvest. Heliospectra has received much recognition and many international awards.

THE SHARE AND OWNERSHIP STRUCTURE

The Heliospectra share has been listed on the NASDAQ First North Stockholm since 18 June 2014. In October 2014, trading in the Heliospectra share also began in the United States through an ADR programme. The main owners of the company are the Weland Group, ADMA Förvaltnings AB and Midroc New Technology AB. As of 31 December 2020, Heliospectra's share capital totalled SEK 7,724,546.50, split between 77,245,465 shares at a quota value of SEK 0.10.

SIGNIFICANT EVENTS DURING THE YEAR

JANUARY-DECEMBER

- The company receives an order from Turner Construction, Miami, USA for fully adjustable ELIXIA LED lighting solutions for greenhouse installation projects. The order value is USD 228,000.
- The company receives a new order from Turner Construction, Miami, USA. The order value totals USD 270,000.
- The company lets it be known that the two orders from Turner Construction, previously announced, are now cancelled due to fraud.
- The company receives a new order from Marcella Property Group, LLC in Dewey, Oklahoma, USA. The order has a value of USD 120,000.
- The company received a second order from Marcella Property Group, LLC in Dewey, Oklahoma, USA. The order has a value of USD 87,920.
- The company receives a new order from BBL Construction, Québec, Canada. The order value totals USD 302,452.
- The company prepares to carry out a fully guaranteed rights issue of units and bring forward its interim report for the third quarter of 2020.
- The company issues a notice to attend an extraordinary general meeting on 27 October 2020.
- The company receives a new order from Origin Coast Inc. in Cape Breton, Nova Scotia, Canada. The order has a value of USD 132,278.
- The company receives a new order from a dealer specializing in energy efficiency, innovation and sustainability based in Marlborough, Massachusetts, USA. The order has a value of USD 238,500.

- The company publishes a prospectus relating to the rights issue of units.
- Heliospectra AB publishes the outcome of the new share issue. The subscription period for the rights issue in Heliospectra AB (publ) ended on 19 November 2020 and consolidation shows that the issue had a subscription rate of just over 124 per cent. The rights issue provided the company with approximately SEK 50.6 million before issue expenses.

Financial trends

SALES AND FINANCIAL PERFORMANCE

Net turnover totalled SEK 38,634 (25,530) thousand. The operating loss totalled SEK -40,241 (-51,545) thousand, representing a negative operating margin (neg). The loss after tax was SEK -40,233 thousand (-51,677)

FINANCIAL POSITION

Operating cash flow was SEK 3,260 (47,559) thousand. Total cash flow was SEK 1,215 (43,078) thousand. The year includes a rights issue totalling SEK 47,864 thousand. At the end of the period, the Group's cash and cash equivalents amounted to SEK 55,458 thousand (54,243). As of 31 December 2020, the equity assets ratio was 69 per cent (65).

INVESTMENTS

Investments during the year totalled SEK 2,896 thousand (3,881). The investments can be divided into SEK 2,482 thousand (2,648) for intangible assets and SEK 414 thousand (1,233) for tangible assets. The investments in intangible assets refer to capitalised R&D expenses and patents. The investments in materials concern office equipment.

EMPLOYEES

The average number of employees total 31 (35).

THE PANDEMIC

Covid-19 caused delays in our customers' investment projects during 2020, which led to a large decrease in order intake compared to the previous year. However, the company saw a recovery in the market during the autumn and is upbeat regarding developments during 2021. Heliospectra has countered the delays that occurred by keeping costs down while maintaining a high level of activity internally and in the marketplace to meet customer needs after the pandemic. Thus other external costs decreased by 20 per cent compared with the previous year. While the company made use of state-supported, short-term furlough opportunities during the first half of 2020, there were no furloughs during the second half of the year. Personnel numbers decreased during the year, thus reducing personnel costs by 15 per cent.

The company has held its stock with an external party since previously. Due to visitor restrictions, the closing day stock-take was carried out entirely by the external party's staff, without the involvement of Heliospectra. Otherwise the stock-take was carried out using the same procedures and was analysed by Heliospectra personnel, whose conclusion verifies the stock's existence and valuation.

Risks

COMPONENTS, COMPONENT PRICES AND SUPPLIER DEPENDENCY

The company is especially dependent on certain components for the production of its products. Therefore, the company's production and position can be affected by price fluctuations for such components. If rising component prices cannot be covered by higher prices for the company's products, the company's operations, financial position and earnings can be affected negatively. The company currently has only one single main supplier. The supplier is replaceable, but should it suffer capacity restrictions, delivery delays, industrial action or other factors that affect its operation, there is a great risk that Heliospectra's operations, financial position and earnings would also be affected negatively.

The company assesses the level of the above-mentioned risk as: Intermediate

Extent: Heliospectra's expenses for the components it is especially dependent on amounted to approx SEK 25 million for the period 1 January 2020 – 31 December 2020. Should the price of such components rise by 5 per cent, and given similar circumstances in general, it would entail an increased cost of SEK 1.25million.

TECHNICAL DEVELOPMENT

Heliospectra carries out research and development into how plants are affected by light and into the types of decipherable signals emitted by plants. The findings from such investigations and development efforts can be unpredictable and undesirable, and therefore the company's forecast expenses and revenues related to such investigations and development efforts are associated with great uncertainty. Unforeseen outcomes may also lead to the reassessment of concepts and development, which means supplementary investigations and development efforts may be necessary at significant expense or that the investigations and development efforts cease completely. This can in turn cause delays to market launches or their complete failure to take place, which can occur if e.g. regulators or other decision-makers consider that the company's products do not meet set standards.

The company assesses the level of the above-mentioned risk as: Intermediate

Extent: Should the company's technical investigations and the development of its products not turn out as anticipated, (i) the company's revenues may fail to appear completely due to failed commercialisation, or (ii) the company's product development expenditures increase significantly for the purpose of developing a fully commercialised product.

REGULATORY DECISIONS AND COMPLEX, CHANGEABLE REGULATORY REQUIREMENTS

The marketing of products based on the company's technology may require the company, its collaborative partners and/or suppliers, to obtain relevant permits from regulators. There is a risk that such permits are not obtained, or that the permit does not have that the scope the company anticipated. The permit application process can also be intensive in terms of time and capital, which may delay the market launch of products based on the company's technology. Concerning the permit application process, there is a risk of changes to legislation

or other regulations in markets where the company's technology is used, such as regulations and legislation regarding the cultivation of medical cannabis and certain types of tobacco in parts of the USA. The demand for Heliospectra's products, and thus the security of its future revenues, is therefore largely dependent on the development of various regulatory requirements.

The company assesses the level of the above-mentioned risk as: Low

Extent: Currently, the company's revenues attributable to operations that pursue the cultivation of medical cannabis in the USA constitute around 36 per cent of the company's total revenues. A change in regulations could mean that revenues from this market drop to zero.

HELIOSPECTRA'S INTELLECTUAL PROPERTY RIGHTS, KNOW-HOW AND CONFIDENTIALITY

Heliospectra's future success will to some extent be dependent on its ability to protect its intellectual property rights, chiefly patent protection for the company's inventions and products in the USA, Canada, the EU, Asia and other countries. The conditions for patenting inventions within the field of light technology and intelligent lighting systems is generally difficult to assess and involves complex judicial and scientific issues. There is a risk that Heliospectra cannot obtain patents for its technology. Moreover, patents have a limited lifetime. Also, the scope of protection each patent enjoys may differ from country to country. There is a risk that existing and any future patent portfolios and other intellectual property rights held by the company will not constitute adequate commercial protection. The technologies Heliospectra uses in its research or includes in the products it develops and intends to commercialise, may infringe patents owned or controlled by others. Third parties may also infringe patents that are owned or controlled by Heliospectra. Furthermore, third parties may have applied for patents that include the same field (lighting technology and intelligent lighting systems) or the technology Heliospectra uses. If Heliospectra is forced to take civil action related to its patents or technology, the time and expense involved for such action can be significant, and the company may lose such actions, which could mean that the protection for the company's technology ceases to apply or that the technology is considered to infringe upon the rights of others. Actions lost by Heliospectra may also involve its having to pay significant damages. Heliospectra is also dependent on its proprietary software, know-how and trade secrets. The company seeks to protect these values, inter alia through confidentiality agreements with employees, consultants and collaborative partners. However, it is impossible to completely protect the company against the unauthorised dissemination of information, which entails a risk that competitors may become informed of and exploit software, know-how and trade secrets developed by Heliospectra. Furthermore, the dissemination of trade secrets may affect the company's ability to be granted patents for its inventions or even exclude the possibility of being granted a patent.

The company assesses the level of the above-mentioned risk as: Intermediate

Extent: Because Heliospectra's operations are to a significant extent based on the company's intellectual property rights, the incorporation of the above risks could entail extensive loss of revenue as well as cost increases.

ADDITIONAL FINANCING NEEDS

Heliospectra has reported operating losses since the business was started and cash flow is expected to remain negative until a revenue surplus is generated. A new share issue was carried out in 2020, but this does not preclude the possible necessity of further capital contributions in the future.

The company assesses the level of the above-mentioned risk as: Intermediate

Extent: If a future requirement for capital occurs, it is not certain that capital can be obtained and there is a risk that terms become unfavourable.

INTERNATIONAL BUSINESS AND EXCHANGE RATE CHANGES

Heliospectra is a Swedish public limited company whose earnings and financial position are reported in Swedish kronor. The company's purchases mostly take place in Swedish kronor, euros, the US dollar and the Canadian dollar and are thus exposed to fluctuations in these currencies. A major part of the future market is located abroad and the majority of potential sales may take place in other currencies. Such sales could expose the company to currency fluctuations.

The company assesses the level of the above-mentioned risk as: Intermediate

Extent: If the company sells products worth USD 5 million, its revenues will be reduced by approximately SEK 5 million if the Swedish krona weakens by 10 per cent against the US dollar (in terms of the current exchange rate).

Corporate Governance

Heliospectra AB is a Swedish public company listed on NASDAQ First North Growth Market, Stockholm since 18 June 2014. The company is a public limited company and is regulated by Swedish law, mainly by the Swedish Companies Act and the Swedish Annual Accounts Act. Additional rules and recommendations regarding corporate governance are found principally in the Stock Exchange's regulations, the Swedish Corporate Governance Code (the Code) as well as in the statements of the Swedish Securities Council. In addition to legislation and the rules and recommendations, the articles of association form the basis for the governance of the company's operations. At present, the Code need not be applied by companies whose shares are listed on First North Growth Market. While it is not mandatory for Heliospectra, the company is committed to complying with the Code's principles.

Annual General Meeting

The Annual General Meeting (AGM) must be held no later than six months from the end of the financial year. Shareholders who are registered in the shares ledger and who have notified their participation in time have the right to take part in the meeting. Heliospectra's 2020 AGM took place on 14 May in Gothenburg. The AGM passed resolutions on the approval of financial statements, the election of Board members and auditors, remunerations to Board members and auditors, guidelines for remunerations to the company's senior executives and guidelines for appointing the nomination committee.

Nomination Committee

The nomination committee is tasked with preparing proposals for the following matters for submission to the AGM for resolution: Proposals for Chairman of the meeting; for Board members and Board Chairman, remunerations for Board members for committee work; proposals to auditors, fees for the company's auditors and proposals for the com-

position of the nomination committee. The 2020 AGM passed a resolution on guidelines for the establishment of a nomination committee. Each of the company's three biggest shareholders in terms of voting rights as of 30 August 2020 is entitled to appoint one member to the committee. None of the three people appointed may be a member of the Board. Furthermore, the nomination committee must comprise one Board member appointed by the Board. This person must be the convener. Should one of the two members of the nomination committee appointed by the two largest shareholders in terms of votes resign the assignment prematurely, the shareholder who appointed the resigning member has the right to appoint a new member. Should one of the two largest shareholders in terms of votes sell all, as opposed to only part of, its shares in the company before the nomination committee has completed its assignment, then in place of this shareholder, the third largest shareholder in terms of votes must appoint a new member. The nomination committee's mandate runs until a new nomination committee is appointed. No compensation will be paid to nomination committee members, but they have the right to reimbursement for reasonable and necessary expenses incurred for nomination committee work. The three biggest shareholders resolved to appoint Staffan Gunnarsson to the Nomination Committee, despite this being contrary to the Swedish Corporate Governance Code, as Staffan possesses knowledge and skills considered crucial to the work of the Nomination Committee.

THE NOMINATION COMMITTEE FOR THE 2020 AGM CONSISTS OF:

- Staffan Gunnarsson, appointed by the Weland Group (nomination committee chairman).
- Greg Dingizian, appointed by ADMA Förvaltnings AB.
- Göran Linder, appointed by Midroc New Technology AB.
- Andreas Gunnarsson, convener, appointed by Heliospectra AB.

Auditor

The company's auditor is Mikael Glimstedt, practising at Frejs Revisorer AB in Gothenburg, authorised public accountant and member of FAR.

The Board

BOARD COMPOSITION

According to the articles of association, the Board of Heliospectra AB must comprise no fewer than three and no more than nine members, with a maximum of five deputies. Board members are appointed for a maximum of one year at a time. In 2020, Heliospectra's Board comprised five members and two deputies. Andreas Gunnarsson was Chairman. Of the regular Board members, five are independent of the company and company management and two are independent of the company's major shareholders.

THE WORK OF THE BOARD

The Board oversees the work of the CEO and is responsible for ensuring that the organisation, management and guidelines for the company are properly set up. The Board is also responsible for ensuring the company's compliance with laws, regulations and internal guidelines. Furthermore, the Board is responsible for developing and monitoring the company's strategies and major investments, and for approving the budget and annual accounts. In 2020, the Board held 12 ordinary meetings and 7 extraordinary meetings. The work of the Board follows the rules of procedure adopted at the statutory meeting. Each ordinary Board meeting discusses the minutes from the previous meeting,

business developments since the previous meeting and the company's financial position and its financial performance.

The Board receives written information on an ongoing basis concerning the business and external issues that are important for the company. In 2020, the Board paid particular attention to the following issues: financing, strategy, the organization and dealing with the Covid-19 pandemic.

RULES OF PROCEDURE

In accordance with the Swedish Companies Act, the Board has adopted written rules of procedure for its work and written instructions on reporting to the Board. The rules of procedure and reporting instructions are evaluated, updated where necessary and approved annually. Any allocation of responsibilities among Board members must be described in the rules of procedure. The Board holds ordinary meetings that follow a programme established by the rules of procedure that includes fixed decision points as well as other items as necessary. When necessary, the Board also holds extraordinary meetings on request by a Board member or the CEO. Reporting instructions make clear when and how information that is necessary for the Board's ongoing assessment of the company's and the Group's financial situation must be collected and reported to the Board. The reporting instructions provide the Board with data for the follow-up of plans, budgets etc. According to the current rules of procedure, the Board must, after the statutory Board meeting following the AGM, meet on at least six scheduled occasions during the fiscal year.

PROCESSES FOR EVALUATING BOARD PERFORMANCE

The Chairman is responsible for the evaluation of the work of the Board. The evaluation is performed annually. Among the items examined are the Board's working methods, the number of meetings and their effectiveness, the time for preparation, available specific expertise and opportunities for individual Board members to influence the work of the Board. The findings are taken into account in the nomination process for the subsequent year's AGM.

CEO and Management

The Group Management of Heliospectra consists of the CEO, CFO, VP Technical Services, VP Marketing, VP Sales & General Manager North America and General Manager Japan. The CEO is responsible for day-to-day operations, preparing and implementing strategies, addressing organisational issues and following financial developments. Measures that are of an unusual nature or of great importance with regard to the scope and nature of the company's business, fall outside of day-to-day management and must therefore be prepared and presented to the Board for resolution. The work and role of the CEO and the division of responsibilities between the Board and the CEO are described in more detail in a written instruction approved by the Board (known as the CEO Instructions). Together with the Board Chairman, the CEO draws up a notice to attend and a proposal for the agenda, prepares necessary decision data and participates in Board meetings

REMUNERATIONS TO SENIOR EXECUTIVES

The Board as a whole has chosen to take responsibility for remuneration issues in the company.

SALARY AND OTHER BENEFITS

Remunerations to senior executives must comprise a fixed salary and a pension. The fixed salary is usually reviewed once per calendar year. No variable salaries are paid. In addition, senior executives have the

right to customary non-monetary benefits such as occupational health services. Other benefits may be offered in individual cases.

PENSION

Senior executives should be offered pension terms that include a defined contributions scheme with premiums based on the full basic salary. Pension provisions are individual and must be in relation to basic salary.

SEVERANCE BENEFITS

The period of notice may not exceed one year if the termination takes place on the part of the company, or no more than six months if the termination takes place on the part of the senior executive. In case of termination on the part of the company, severance pay may also be paid in an amount equal to no more than six months' salary. The Board has the right to deviate from the guidelines if there are particular reasons for this in individual cases. Salaries and remunerations to the CEO and other senior executives in 2020 are described in Note 6 on page 41.

REMUNERATIONS TO THE BOARD

In 2020, it was resolved that the fee to the Board total SEK 477,757. The 2020 AGM resolved that the remuneration to the Board Chairman will be paid as 4 × price base amounts equivalent to SEK 189,200 per year, and to the other Board members as 2 × price base amounts, equivalent to SEK 94,600 per Board member per year.

AUDITORS' FEES

Compensation for Heliospectra's auditors is paid at approved hourly rates. In 2020, fees paid to Frey's Revisorer AB were in the amount of SEK 197,000.

INTERNAL CONTROLS

The Board must make sure the company has good internal control and formalised procedures ensuring that the policies established for financial reporting and internal control are complied with and that the company's financial reporting is set up in accordance with the law, applicable accounting standards and other requirements resulting from the company's status as listed. The company's internal control structure is based on controlling the allocation of responsibilities between the Board and the CEO. The CEO must, through the good offices of the CFO, ensure that the members of the Board are provided with special financial reports on a monthly basis along with any other information necessary for tracking the company's financial situation.

Change in equity

Amounts in SEK thousands	Share capital	Other capital contributed	Other equity incl. profit for the year
THE GROUP			
Opening balance 01/01/2020	5,618	334,557	-279,488
Loss for the year			-40,233
Translation difference			-427
New share issue	2,107	45,757	
Total equity 31/12/2020	7,725	380,314	-320,148

	Share capital	Fund for dev. expenditures	Share premium reserve	Accumulated profit or loss
PARENT COMPANY				
Opening balance 01/01/2020	5,618	6,971	94,982	-48,113
Loss for the year				-40,894
Change for the year		242	-94,982	94,740
New share issue	2,107		45,757	
Total equity 31/12/2020	7,725	7,213	45,757	5,733

Proposed appropriation of earnings for the year

The Board and CEO propose that non-restricted equity

Accumulated profit or loss	46,627,186
Share premium reserve	45,757,678
Loss for the year	-40,894,396
Total	51,490,468
be appropriated as follows	
Carried forward	51,490,468
Total	51,490,468

With regard to the company's financial position and performance in other respects, refer to the following income statement and balance sheet, as well as the accompanying notes.

Consolidated income statement

Amounts in SEK thousands	Note	2020	2019
Operating income	1		
Net turnover		38,634	25,530
Capitalized work for own account		2,482	2,648
Other operating income		1,422	1,309
Total operating income		42,538	29,487
Operating expenses			
Commodities		-25,093	-14,554
Other external costs	3-4	-22,932	-28,275
Staffing costs	5-6	-28,849	-33,873
Depreciations of tangible and amortisation of intangible assets	7	-4,138	-3,833
Other operating expenses		-1,767	-497
Operating loss		-40,241	-51,545
Loss from financial items			
Interest income and similar items		32	18
Interest expenses and similar profit/loss items	8	-24	-150
Loss before tax		-40,233	-51,677
Tax		0	0
Loss for the year		-40,233	-51,677
Of which attributable to:			
Parent company's shareholders		-40,233	-51,677
Minority interest		0	0

Consolidated balance sheet

Amounts in SEK thousands	Note	31/12/2020	31/12/2019
ASSETS	1		
Fixed assets			
Intangible assets			
Balanced expenditures for development and similar work brought forward	9	12,945	14,548
Total intangible assets		12,945	14,548
Tangible assets			
Equipment, tools, fixtures and fittings	10	1,819	2,125
Total tangible assets		1,819	2,125
TOTAL ASSETS		14,764	16,673
Current assets			
Stock held			
Finished products and goods for sale		18,261	15,931
Total inventories		18,261	15,931
Current receivables			
Accounts receivable		2,024	1,683
Current tax assets		262	138
Other receivables		6,645	3,296
Prepaid expenses and accrued income	12	1,068	2,033
Total current receivables		9,999	7,150
Cash and bank		55,458	54,243
TOTAL CURRENT ASSETS		83,718	77,324
TOTAL ASSETS		98,482	93,997

Consolidated balance sheet, cont.

Amounts in SEK thousands	Note	31/12/2020	31/12/2019
EQUITY AND LIABILITIES			
Equity			
Share capital	13	7,725	5,618
Other capital contributed		380,314	334,557
Total equity		-279,915	-227,811
Loss for the year		-40,233	-51,677
Equity attributable to parent company shareholders		67,891	60,687
Minority interest		0	0
Total equity		67,891	60,687
Long-term liabilities			
Other liabilities	15-16	9,384	9,200
Total non-current liabilities		9,384	9,200
Current liabilities			
Advance payments from customers		4,796	12,387
Trade accounts payable		9,276	6,084
Other liabilities	16	2,513	627
Accrued expenses and deferred income	17	4,622	5,012
Total current liabilities		21,207	24,110
TOTAL EQUITY AND LIABILITIES		98,482	93,997

Consolidated statement of cash flows

Amounts in SEK thousands	2020	2019
OPERATING ACTIVITIES		
Earnings after financial items	-40,233	-51,677
Adjustment for items not included in cash flow		
Depreciations and impairment charges re assets	4,138	3,833
Other items not included in cash flow	-427	68
Shareholder contributions	47,864	97,089
Cash flow from operating activities before changes in working capital	11,342	49,313
Cash flow from changes in working capital		
Changes in inventory	-2,330	-10,432
Change in operating receivables	-2,849	-281
Change in operating liabilities	-2,903	8,959
Cash flow from operating activities	3,260	47,559
INVESTING ACTIVITIES		
Activation of capitalised expenditures	-2,482	-2,647
Acquisition of equipment, tools, fixtures and fittings	-414	-1,234
Disposals of equipment, tools, fixtures and fittings	667	0
Cash flow from investing activities	-2,229	-3,881
FINANCING ACTIVITIES		
Change in non-current liabilities	184	-600
Cash flow from financing activities	184	-600
Cash flow for the year (cash and bank)	1,215	43,078
Cash and cash equivalents at beginning of year	54,243	11,165
CASH AND CASH EQUIVALENTS AT YEAR-END	55,458	54,243

Parent company income statement

Amounts in SEK thousands	Note	2020	2019
Operating income	1-2		
Net turnover		38,634	25,530
Capitalized work for own account		2,482	2,648
Other operating income		1,377	1,017
Total operating income		42,493	29,195
Operating expenses	2		
Commodities		-25,093	-14,554
Other external costs	3-4	-34,690	-39,762
Staffing costs	5-6	-17,751	-23,156
Depreciations of tangible and amortisation of intangible assets	7	-4,138	-3,833
Other operating expenses		-1,768	-496
Operating loss		-40,947	-52,606
Loss from financial items			
Interest income and similar items		32	18
Interest expenses and similar profit/loss items	8	-24	-151
Earnings after financial items		-40,939	-52,739
Appropriations			
Group contributions		45	292
Loss before tax		-40,894	-52,447
Tax		0	0
Loss for the year		-40,894	-52,447

Parent company balance sheet

Amounts in SEK thousands	Note	31/12/2020	31/12/2019
ASSETS	1		
Fixed assets			
Intangible assets			
Balanced expenditures for development and similar work brought forward	9	12,945	14,548
Total intangible assets		12,945	14,548
Tangible assets			
Equipment, tools, fixtures and fittings	10	1,817	2,119
Total tangible assets		1,817	2,119
Financial assets			
Participations in Group companies	11	127	127
Total financial assets		127	127
TOTAL ASSETS		14,889	16,794
Current assets			
Stock held			
Finished products and goods for sale		18,261	15,931
Total inventories		18,261	15,931
Current receivables			
Accounts receivable		2,024	1,683
Receivables from Group companies		45	2,224
Other receivables		6,564	2,990
Prepaid expenses and accrued income	12	1,042	1,709
Total current receivables		9,675	8,606
Cash and bank		54,533	52,406
TOTAL CURRENT ASSETS		82,469	76,943
TOTAL ASSETS		97,358	93,737

Parent Company balance sheet, cont.

Amounts in SEK thousands	Note	31/12/2020	31/12/2019
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital	13	7,725	5,618
Fund for development expenditures		7,213	6,970
Total restricted equity		14,938	12,588
Non-restricted equity			
Accumulated profit or loss	14	46,627	4,335
Share premium reserve		45,757	94,982
Loss for the year		-40,894	-52,447
Total non-restricted equity		51,490	46,870
TOTAL EQUITY		66,428	59,458
Long-term liabilities			
Other liabilities	15, 16	9,000	9,200
Total non-current liabilities		9,000	9,200
Current liabilities			
Advance payments from customers		4,796	12,387
Trade accounts payable		7,955	6,084
Liabilities to Group companies		1,334	0
Other liabilities	16	3,520	1,596
Accrued expenses and deferred income	17	4,325	5,012
Total current liabilities		21,930	25,079
TOTAL EQUITY AND LIABILITIES		97,358	93,737

Parent company statement of cash flows

Amounts in SEK thousands	2020	2019
OPERATING ACTIVITIES		
Earnings after financial items	-40,894	-52,447
Adjustment for items not included in cash flow		
Depreciations and impairment charges re assets	4,138	3,833
Shareholder contributions	47,864	97,089
Cash flow from operating activities before changes in working capital	11,108	48,475
Cash flow from changes in working capital		
Changes in inventory	-2,330	-10,432
Change in operating receivables	-1,069	417
Change in operating liabilities	-3,149	8,280
Cash flow from operating activities	4,560	46,740
INVESTING ACTIVITIES		
Activation of capitalised expenditures	-2,482	-2,647
Acquisition of equipment, tools, fixtures and fittings	-331	-1,273
Disposals of equipment, tools, fixtures and fittings	580	0
Cash flow from investing activities	-2,233	-3,920
FINANCING ACTIVITIES		
Change in non-current liabilities	-200	-600
Cash flow from financing activities	-200	-600
Cash flow for the year (cash and bank)	2,127	42,220
Cash and cash equivalents at beginning of year	52,406	10,186
CASH AND CASH EQUIVALENTS AT YEAR-END	54,533	52,406

Notes

NOTE
1

Accounting principles

This annual report has been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Accounting Standards Board's General Recommendations BFAR 2012:1 Annual Accounts and Consolidated Accounts (K3).

Accounting principles remain unchanged from the previous year.

Assets, provisions and liabilities have been appraised at cost unless otherwise specified below.

Consolidated accounts

Subsidiaries

Subsidiaries are companies in which the parent company directly or indirectly holds more than 50 per cent of the voting rights or in some other way has a controlling influence. Control exists when the parent company has a right to affect the financial and operating policies of a company in order to gain benefits from its activities. Business combinations are accounted for based on the unit principle. This means the acquisition analysis is prepared at the time the acquirer gains a controlling influence. From this date on, the acquirer and the acquired unit are regarded as a single accounting unit. Application of the unit principle also means that all assets (including goodwill) and liabilities, income and expenditures are included in their entirety even in the case of partially owned subsidiaries.

The cost of the subsidiary is calculated as the sum, on the acquisition date, of fair value for the assets purchased plus liabilities acquired and incurred, equity instruments issued, expenditures directly related to the business combination and any supplementary purchase sum. Fair value is determined in the acquisition analysis, with some exceptions, at the time when the identifiable assets, liabilities and minority interest are acquired. Minority interest is measured at fair value at the acquisition date. The acquired company's income and expenditure, identifiable assets and liabilities, and any goodwill or negative goodwill, are included in the consolidated financial statements as of the date of acquisition.

Elimination of transactions between subsidiaries and associated companies

Intra-group receivables and liabilities, income and expenses, and unrealised gains or losses arising from transactions between associated companies are eliminated in their entirety.

Intangible and tangible assets

Intangible and tangible assets are reported at cost less accumulated depreciations and impairments. In addition to the purchase price, cost also includes expenditures that are directly attributable to the acquisition.

Balanced expenditures for development and similar work brought forward

Development costs calculated as the average cost in operations are balanced and accounted for per project (new products/projects). As sales per object commence, depreciation of capitalised expenditures begins. Depreciations continue throughout the object's sales period, however max 5 years.

In the case of any shutdown/closure of the object, the simultaneous impairment of the entire remaining balance for the object and expenses are reversed to the income statement.

Additional expenditures

Additional expenditures that meet the asset criterion are included in the asset's carrying amount.

Expenditures for day-to-day maintenance and repairs are reported as expenses as they arise.

Depreciations

Depreciations take place on a straight-line basis over the asset's estimated useful life as it reflects the expected pattern of consumption of the asset's future economic benefits. The depreciation is reported as an expense in the income statement.

The estimated residual value determined on the acquisition date at the then prevailing price level has been taken into account.

Useful life

Balanced expenditures for development and similar work brought forward	5 years
Equipment, tools, fixtures and fittings	5 years

Impairments – property, plant and equipment; intangible assets and participations in Group companies

On each balance sheet day, calculations are made to find any indications that an asset's value is lower than its carrying amount. Given such an indication, the asset's recoverable value is calculated.

Recoverable value is the higher of fair value less selling expenses and value-in-use. When calculating value-in-use, the present value of future cash flows the asset is expected to give rise to in operating activities is calculated, as well as when it is divested or retired. The discount rate used is pretax and reflects the market-related assessment of the time value of money and the risks associated with the asset. Any former impairment loss is only reversed if the reasons forming the basis for the calculation of the recoverable value of the previous impairment have changed.

Foreign currency

Monetary items denominated in foreign currencies are translated at the closing rate. Non-monetary items are not restated but presented at the price at the time of acquisition.

Exchange rate differences that arise when settling or translating monetary items are reported in the income statement as they arise.

Stock held

Inventory is taken up at the lower of cost or net realisable value, thus taking into account the risk of obsolescence. Cost is calculated according to the first-in, first-out principal. Cost also includes expenditures for bringing the goods to their current place and condition, in addition to expenditures for the purchase.

Financial assets and liabilities

Financial assets and liabilities are reported according to Chapter 11 (financial instruments measured at cost) in BFAR 2012:1.

Reporting and removal from the balance sheet

A financial asset or financial liability is taken up in the balance sheet when the company becomes part of the instrument's contractual

continued note 1

conditions. A financial asset is derecognised in the balance sheet when the contractual right to the cash flow from the asset has ceased or been settled. The same applies when the bulk of the risks and benefits associated with the holding are transferred to another party and the company no longer exerts control over the financial asset. A financial liability is removed from the balance sheet when the contractual obligation is fulfilled or has ceased.

Valuation of financial assets

Financial assets are measured at cost on initial recognition, including any transaction expenses directly attributable to the acquisition of the asset.

Accounts receivable and other receivables that constitute current assets are measured individually to the amounts that are anticipated to flow in.

Financial assets are measured at initial recognition at cost less any impairment charges and with additions for any revaluations.

Valuation of financial liabilities

Non-current financial liabilities at amortised cost. Expenditures that are directly attributable to the raising of loans have corrected the loan's cost. Current liabilities are reported at cost.

Employee benefits

Employee post-employment benefits

Classification

Post-employment benefit plans are classified as defined contribution plans.

In defined contribution plans, fixed fees are paid to another company, usually an insurance company, and the payee no longer has any obligation to the employee once the fee is paid. The size of the employee's post-employment benefits is dependent on the fees paid to the plan and the return on capital generated by the contributions.

Defined contribution plans

The charges for defined contribution plans are expensed. Unpaid fees are reported as liabilities.

Provisions

A provision is recognised in the balance sheet when the company has a legal or informal obligation resulting from a previous event and it is likely that an outflow of resources is required to settle the obligation and a reliable estimate of the amount can be made.

At initial recognition, provisions are measured at the best estimate of the amount required to settle the obligation on closing day. Provisions are reviewed on each closing day.

A provision is measured at the present value of the future payments necessary to settle the commitment.

Revenue

The inflow of economic benefits that the company has received or will receive for its own account is recognised as revenue. Revenue is recognised at the fair value of the consideration received or which will be received, less any discounts.

Sale of goods

When goods are sold, revenue is recognised when the following criteria are met:

- It is probable that the economic benefits associated with the transaction will flow to the company,
- The revenue can be calculated in a reliable way,
- The company has transferred the significant risks and benefits associated with ownership of the goods to the purchaser,
- The company no longer has a level of involvement in day-to-day management usually associated with ownership and nor does it exercise any real control over the goods sold, and
- The expenditures incurred or which can be anticipated to occur as a result of the transaction can be measured reliably.

NOTE 2 Group disclosures

Purchasing and sales within the Group

Of the parent company's total purchases and sales measured in SEK, 17.8 % (20.4 %) of the purchases and 0 % (0 %) sales concern other companies within the entire grouping to which the company belongs.

NOTE 3 Auditor's fees and compensation

	The Group		Parent Company	
	2020	2019	2020	2019
Audit assignment	141	172	141	172
Audit activities in addition to the audit assignment	22	9	22	9
Tax advice	24	27	24	27
Other services	10	33	10	33
Total	197	241	197	241

NOTE 4 Operational leasing

	The Group		Parent Company	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Leases where the company is the lessee				
Future minimum lease charges in respect of non-cancellable operating leases				
Within 1 year	1,951	1,786	1,951	1,786
Between 1 and 5 years	4,404	6,818	4,404	6,818
Longer than 5 years	0	0	0	0
Total	6,355	8,604	6,355	8,604
The financial year's expensed leasing fees incl. rent	2,012	1,667	2,012	1,667

The company's most significant leases consist of rental agreements for premises.

NOTE 5 Employees and company management

	The Group		Parent Company	
	2020	2019	2020	2019
Average number of employees, total	31	35	21	31
Gender balance in senior management				
Board members			5	5
Of which men			5	5
CEO and company management	7	7	4	7
Of which men	5	4	3	4

NOTE 6 Salaries, other remunerations and social costs, including pension costs

	The Group		Parent Company	
	2020	2019	2020	2019
Salaries and other remunerations				
Members of the Board and CEO	2,121	2,023	2,121	2,023
Other employees	21,358	20,048	11,915	14,327
Total salaries and benefits	23,479	22,071	14,036	16,350
Pension costs in respect of members of the Board and CEO				
	566	499	566	499
Pension costs relating to other	1,350	1,249	1,019	1,142
Other social costs	3,210	2,780	2,926	4,528
Total social costs	5,126	4,528	4,511	6,169
Obligations for pensions and similar benefits to Board members and the CEO	0	0	0	0

NOTE 7 Amortisation of intangible assets and depreciations of tangible assets

	The Group		Parent Company	
	2020	2019	2020	2019
Expenditures for development and similar work brought forward	3,505	3,416	3,505	3,416
Equipment, tools, fixtures and fittings	633	417	633	417
Total	4,138	3,833	4,138	3,833

NOTE 8 Interest expenses and similar profit/loss items

	The Group		Parent Company	
	2020	2019	2020	2019
Interest expenses, other	-25	-150	-25	-151
Total	-25	-150	-25	-151

NOTE 9 Balanced expenditures for development and similar work brought forward

	The Group		Parent Company	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Opening balance acquisition value	35,310	32,662	35,310	32,662
Acquisitions	2,482	2,648	2,482	2,648
Disposals/retirement	-18,032	0	-18,032	0
Closing accumulated acquisition values	19,760	35,310	19,760	35,310
Opening depreciations	-20,762	-17,346	-20,762	-17,346
Disposals/retirement	17,452	0	17,452	0
Depreciations for the year	-3,505	-3,416	-3,505	-3,416
Closing accumulated depreciations	-6,815	-20,762	-6,815	-20,762
Closing carrying amount	12,945	14,548	12,945	14,548

NOTE 10 Equipment, tools, fixtures and fittings

	The Group		Parent Company	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Opening balance acquisition value	4,482	3,249	4,552	3,325
Acquisitions	414	1,233	331	1,227
Disposal/retirements	-294	0	-294	0
Closing accumulated acquisition values	4,602	4,482	4,589	4,552
Opening depreciations	-2,357	-1,940	-2,433	-2,016
Disposal/retirements	207	0	294	0
Depreciations for the year	-633	-417	-633	-417
Closing accumulated depreciations	-2,783	-2,357	-2,772	-2,433
Closing carrying amount	1,819	2,125	1,817	2,119

NOTE 11 Shares and participations in Group companies

	Parent Company	
	31/12/2020	31/12/2019
Opening balance acquisition value	127	82
Acquisitions	0	45
Closing carrying amount	127	127

The company registration numbers and registered offices of subsidiaries are set out below

Company, Company Registration Number, Head office	Number of shares	Particip., %	Carrying amount
Heliospectra Personal AB, 556904-7243, Gothenburg	1,000	100	50
Heliospectra Inc, 5290422, USA	5,000,000	100	32
Heliospectra Canada inc., 003197932, Ontario	10	100	0
Heliospectra Japan Co., Ltd, Tokyo	1,000	100	45

Refers to the equity interest of capital, which also corresponds to the percentage of votes of the total number of shares.

NOTE 12 Prepaid expenses and accrued income

	The Group		Parent Company	
	31/12/ 2020	31/12/ 2019	31/12/ 2020	31/12/ 2019
Prepaid rent	439	403	439	403
Other items	618	1,630	603	1,306
Total	1,057	2,033	1,042	1,709

NOTE 13 Share capital

	Parent Company	
	31/12/ 2020	31/12/ 2019
Number of shares	77,245,465	56,178,520
Quota value	SEK 0.10	SEK 0.10

NOTE 14 Proposal for the allocation of the company's profit or loss

The Board and CEO propose that non-restricted equity in the amount of SEK 51,490,000, be appropriated as follows:

	Parent Company
	31/12/ 2020
Carried forward	51,490
Total	51,490

NOTE 15 Long-term liabilities

	The Group		Parent Company	
	31/12/ 2020	31/12/ 2019	31/12/ 2020	31/12/ 2019
With maturities longer than five years from closing date	9,384	9,000	9,000	9,000
Total	9,384	9,000	9,000	9,000

NOTE 16 Pledged assets

	The Group		Parent Company	
	31/12/ 2020	31/12/ 2019	31/12/ 2020	31/12/ 2019
Other pledged assets	6,050	6,050	6,050	6,050
Total pledged assets	6,050	6,050	6,050	6,050

NOTE 17 Accrued expenses and deferred income

	The Group		Parent Company	
	31/12/ 2020	31/12/ 2019	31/12/ 2020	31/12/ 2019
Salaries and holiday pay	1,991	2,234	1,694	2,234
Accrued social contributions	860	977	860	977
Other items	1,771	1,801	1,771	1,801
Total	4,622	5,012	4,325	5,012

NOTE 18 Significant events since year-end

- Heliospectra receives an order from Environmental Growth Chambers in Chagrin Falls, OH, USA. The order is for Heliospectra's fully adjustable ELIXIA LED lighting solution for a total value of USD 281,720.
- Heliospectra receives a new order from Texas Tech University in Lubbock, Texas, USA. The order is for Heliospectra's fully adjustable ELIXIA LED lighting solution for a total value of USD 287,250.

Gothenburg, 26 March 2021

Andreas Gunnarsson
Chairman of the Board

Ali Ahmadian
CEO

Martin Skoglund
*Board member
and co-founder*

Staffan Hillberg
*Board member
and co-founder*

Anders Ludvigson
Board member

Staffan Gunnarsson
Board member

Our audit report was issued on 29 March 2021.

Frejs Revisorer AB

Mikael Glimstedt
Authorised Public Accountant

Auditors' Report

To the annual general meeting of Heliospectra AB (publ) Corporate ID number 556695-2205

Report on the annual accounts and consolidated financial statements

OPINION

We have audited the annual accounts and consolidated financial statements of Heliospectra AB (publ) for the financial year 2020.

The company's annual accounts and consolidated financial statements are included in the printed version of this document on pages 25–43.

In our opinion the annual accounts and consolidated financial statements have been prepared in accordance with the Swedish Annual Accounts Act and in all material respects fairly present the parent company's and Group's financial position as of 2020-12-31 and their financial performance and cash flows for the year in accordance with the Swedish Annual Accounts Act. The administration report is consistent with the other sections of the annual accounts and the consolidated accounts.

We therefore recommend that the AGM adopt the income statement and balance sheet for the parent company and the Group.

BASIS FOR OUR OPINION

We have conducted the audit in accordance with International Standards on Auditing (ISA) and auditing standards generally accepted in Sweden. Our responsibility according to these standards is described in more detail in the section entitled Auditor's responsibility. We are independent of the parent company and the Group in accordance with professional ethics in Sweden and we have otherwise fulfilled our professional ethical responsibilities under these requirements.

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

INFORMATION OTHER THAN FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

This document also includes other information than the annual report, presented on pages 1–24. The Board and the CEO are responsible for this other information.

Our opinion in respect of the annual accounts and consolidated financial statements does not cover this information, and we make no substantiating statement concerning this other information.

In the context of our audit of the annual accounts and consolidated financial statements, it is our responsibility to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated financial statements. In this review, we also take into account the knowledge we otherwise obtained during the audit as well as assesses whether the information otherwise seems to contain material misstatements.

If, based on the work that has been done with regard to this information, we conclude that the second information contains a material misstatement, we are obliged to report it. We have nothing to report in this regard.

RESPONSIBILITIES OF THE BOARD AND THE CHIEF EXECUTIVE OFFICER

The Board and CEO are responsible for ensuring the annual accounts and the consolidated financial statements are prepared and that they give a true and fair view in accordance with the Swedish Annual

Accounts Act. The Board and the CEO are also responsible for the internal control they deem necessary for the preparation of annual accounts and consolidated financial statements that do not contain material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board and the CEO are responsible for assessing the ability of the company and the Group to continue operations. They inform, as appropriate, on the conditions that may affect the ability to continue operations and to make a going concern assumption. However, the going concern assumption does not apply if the Board and CEO intend to liquidate the company, cease operations or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITY

Our goal is to achieve a reasonable degree of certainty as to whether the annual accounts and consolidated financial statements as a whole do not contain any material misstatement, whether due to fraud or error, and to submit an audit report that contains our opinions. Reasonable assurance is a high degree of certainty, but there is no guarantee that an audit performed in accordance with ISA and other generally accepted auditing standards in Sweden will always detect a material misstatement, should such be present. Misstatements may occur due to fraud or error, and are considered to be material if they severally or jointly can be reasonably expected to affect the economic decisions that users make on the basis of the annual accounts and the consolidated financial statements.

As part of an audit under ISA, we use professional judgment and maintain a professionally skeptical attitude throughout the audit.

We also:

- identify and assess the risks of material misstatement in the annual accounts and consolidated financial statements, whether due to fraud or error; draw up and carry out audit procedures, inter alia on the basis of these risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of failing to detect a material misstatement due to fraud is greater than for a material misstatement due to error, because the fraud may include conduct in collusion, falsification, deliberate omissions, incorrect information or waived internal controls.
- gain an understanding of the part of the company's internal controls that is relevant to our audit in order to draw up audit measures that are appropriate with regard to the circumstances, but not in order to express an opinion on the effectiveness of the internal controls.
- evaluate the suitability of the accounting policies used and the reasonableness of the Board and CEO's assumptions in the annual accounts and their related disclosures, draw a conclusion concerning the suitability of the Board and CEO's use of the going concern assumption when preparing the annual accounts and the consolidated financial statements.
- we also draw a conclusion based on the audit evidence obtained, as to whether there is any material uncertainty factor relating to events or conditions that may cast significant doubt on the company's and the Group's ability to continue operations. If we conclude that there is a significant uncertainty factor, we must use the audit report to draw attention to the information in the annual accounts and consolidated financial statements about the significant uncertainty factor or, if such information is insufficient, modify our opinion on the

annual accounts and the consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of the audit report. However, future events or circumstances may mean that a company and a group can no longer continue operations.

- evaluate the overall presentation, structure and content of annual accounts and consolidated financial statements, including the information, and whether the annual accounts and consolidated financial statements reflect the underlying transactions and events in a way that gives a true and fair view.
- obtain sufficient and appropriate audit evidence with respect to the financial information for the units or business activities within the group in order to provide an opinion with regard to the consolidated financial statements. We are responsible for the control, supervision and execution of the Group audit. We are solely responsible for our opinion.

We have to inform the Board about, inter alia, the date, planned scope and direction of the audit. We must also inform about significant observations made during the audit, including any significant weaknesses in internal control that we may identify.

Report on other legal and regulatory requirements

OPINION

In addition to our audit of the annual accounts and the consolidated financial statements, we have also audited the Board and CEO's management of Heliospectra AB (publ) for the year 2020 and also the proposed appropriation of the profit or loss.

We recommend to the AGM that the profit be allocated in accordance with the proposal in the administration report and that the members of the Board and the Chief Executive Officer be discharged from liability for the financial year.

BASIS FOR OUR OPINION

We have conducted the audit in accordance with auditing standards generally accepted in Sweden. Our responsibility in this regard is described in detail in the section entitled Auditor's responsibility. We are independent of the parent company and the Group in accordance with professional ethics in Sweden and we have otherwise fulfilled our professional ethical responsibilities under these requirements.

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

RESPONSIBILITIES OF THE BOARD AND THE CHIEF EXECUTIVE OFFICER

The Board is responsible for the proposal for the appropriation of the company's profit or loss. Among the things considered in the proposal are an assessment of whether the dividends are justified with regard to the requirements that the company's and Group's business nature, scope and risks place on the size of the parent company's and the Group's equity, the need for consolidation, liquidity and general position.

The Board is responsible for the company's organization and the administration of its affairs. This includes ongoing assessment of the company's and the Group's financial situation and ensuring that the company's organization is structured such that bookkeeping, asset management and the company's financial affairs are otherwise monitored in a reliable way. The CEO takes care of day-to-day administration under the Board's guidelines and instructions and must, among other things, take measures necessary for ensuring that the company's accounting is completed in compliance with legislation and that assets are managed in a satisfactory manner.

AUDITOR'S RESPONSIBILITY

Our goal with regard to the management audit, and therefore our opinion concerning discharge from liability, is to obtain audit evidence that with a reasonable degree of certainty enables us to determine whether any member of the Board or the CEO in any material respect: has carried out any act or been guilty of any omission that could give rise to liability for damages against the company, or has in some other way acted in contravention of the Swedish Companies Act, the Swedish Annual Accounts Act or the articles of association.

Our goal in regard to the proposal for the allocation of the company's profit or loss, and thus our opinion on this, is to assess with a reasonable degree of certainty whether the proposal is in compliance with the Swedish Companies Act.

Reasonable assurance is a high degree of certainty, but no guarantee that an audit performed in accordance with generally accepted auditing standards in Sweden will always detect the actions or omissions that may give rise to liability for damages against the company, or to a proposal for allocation of the company's profit or loss that is not in accordance with the Swedish Companies Act.

As part of an audit under ISA and good auditing practice, we use professional judgment and maintain a professionally skeptical attitude throughout the audit. The management review and the proposed appropriations of the company's profit or loss are based mainly on the audit of the accounts. Any additional procedures are performed according to our professional judgement based on risk and materiality. This means we focus our examination on such measures, areas and conditions as are essential for the operation and where deviations and non-compliance would have special significance for the company's situation. We review and examine decisions, decision support data, actions taken and other conditions that are relevant for our opinion concerning discharge from liability. As the basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we assessed whether the proposal is in accordance with the Swedish Companies Act.

Gothenburg, 29 March, 2021

Frejs Revisorer AB

Mikael Glimstedt
Certified Public Accountant



FINANCIAL CALENDAR

23 April 2021	Interim report Jan– March 2021
20 May 2021	Annual General Meeting
20 August 2021	Half year report Jan–June 2021
22 October 2021	Interim report Jan–September 2021

All reports are available on our website from the above date;
[https://www.heliospectra.com/investor-relations/
reports-documents-archive](https://www.heliospectra.com/investor-relations/reports-documents-archive)



>> *Heliospectra offers intelligent lighting technology for greenhouses, indoor cultivation and plant research. The lighting solutions are based on a deep understanding of plant physiology and photosynthesis combined with the unique application of modern LED technology.*



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