Annual report 2015

nilar

Nilar in brief

After several years of ambitious development and industrialization, the company has successfully launched solutions for both high voltage and low voltage systems based on the company's unique industrial and bi-polar nickel-metal hydride battery. In 2015, the industrialization and the wide release of the company's battery solutions to market continued. The interest is massive, and the company expects increasing orders during autumn 2016 based on the development of powerful solutions for control of both low- as well as high voltage systems.

2015 has, in addition to active work in the market, been dominated by; tests in order to fully characterize and verify the battery performance, development of control electronics, as well as the expansion of the production plant at the company's factory in Gävle. The company is still in a phase of heavy industrialization and expects to gradually increase sales in 2016.

Nilar is building an extensive network of distributors in Europe to within a reasonable time period successfully be able to cope with the demand for the company's solutions.

Contents

Please note that the English version of the annual report has not been reviewed by the Company’s auditors. It is for information purposes and in case of discrepancies compared to the Swedish version, the Swedish version shall prevail.

Annual report 2015
Nilar International AB (publ)

Significant events

Significant financial events

- New share issue 60,0 MSEK.
- Conversion of bridge loans and convertible loans to equity 53,0 MSEK.

Significant operational events

- Initial deliveries to selective customers have resulted in important learnings and subsequent adjustments of the Nilar technology.
- Broad marketing of Nilar and the new and unique battery technology has resulted in significant interest in the company and its products.
- A broad effort has been made to develop electronics for the control and charging of the company's batteries. Solutions for low voltage as well as high voltage systems have been developed.
- Comprehensive testing and characterizing of the different battery types have been conducted – the company has qualified insights of the battery's characteristics.
- Continued automation and tuning of the company's unique and powerful production plant enables a unique simplification of battery production.

Nilar – Rethinking power

Nilar develops and manufactures industrial, safe and eco-friendly batteries, energy storage and systems solutions for both high voltage as well as low voltage applications. The solutions are based on Nilar's bi-polar nickel-metal hydride battery. By combining the battery module in the flexible and modular pack in combination with Nilar's integrated control system (Battery Management System), the company can offer;

- easy-to-use battery solutions in voltages for 24 and 48V and up to 20 kWh, as well as
- advanced high-voltage energy storage up to 720V and megawatt hour class

Nilar offers customized management systems (BMS) for charging as well as serial parallel configurations of low voltage systems (24-48V) and controllers for more extensive battery control of high voltage systems (72-720V). For specific applications, where customers are integrating their own control system with Nilar's batteries, the company develops and provides control algorithms and settings in close cooperation with customers.

Nilar's battery is a maintenance-free, energy optimized battery for challenging industrial applications. The long operating time, the wide application range and the excellent safety and environmental characteristics of nickel-metal hydride (NiMH) creates an ideal energy supply in a variety of different applications.

Characteristics of Nilar's batteries;

- a patented bi-polar battery design that provides secure, reliable and cost efficient energy storage solutions,
- high energy density with excellent discharge ability over a wide temperature range,
- the Nilar battery requires very little – if any – maintenance, and is a closed design without emission of vapours or electrolyte,
- the battery is easy to transport and is not subject to any costly transport regulations

Nilar's battery contains no regulated heavy metals such as; mercury, cadmium, or lead. The design has been developed to allow for a cost effective recovery and high degree of recycling of materials.

NiMH vs. lead

There are three main benefits of NiMH compared to lead – lower weight, longer cycle life and label capacity. Theses make NiMH to an ideal solution when the replacement cost of the product is significant. In many cases, the NiMH battery pack survive the product itself.

NiMH vs. lithium

From a weight perspective lithium will always have an advantage – such as in an electric car – however, there are a variety of benefits of NiMH. The main benefits of NiMH in a comparison to lithium batteries are; security, no transport restrictions, function in a wide temperature range, and that they are fully recyclable.

CEO review

2015 has been a challenging year, marked by much technical work to fulfill the exacting demands of our customers. The interest and demand for Nilar's products continues to be truly extraordinary.

We have had a steady stream of inquiries of customers who simply cannot get their battery problems solved by continued use of Lead-Acid (PbAc) batteries, do not want to use Lithium Ion batteries for safety reasons, and thus expect our Nickel-Metal Hydride (NiMH) to provide the desired performance.

While our batteries in their current configuration work well, they do not yet give the desired performance for a number of special applications. Briefly, our current batteries deliver about 800 cycles under strenuous field-testing conditions; but many customers ask for about 2.000 cycles at elevated ambient temperatures. Our NiMH chemistry does, however, give us the potential to deliver 2.000+ cycles, and step-by-step, we are getting there.

Among the achievements of the year ranks the completion of Nilar's electronic battery management systems (BMS), both for high-voltage energy storage systems (typically 600V and above) and for low voltage packs (12V, 24V and 48V). Nilar, in effect, has become a systems house rather than just a battery manufacturer. A major reason for slow ramp-up of sales has been the need to complete the electronics development of our programmable battery management systems – a BMS (high voltage="LMU"; low voltage="MCU" and "CCU"). With better steering, our batteries have a much longer cycle life. We were driven by the experience that during the last years, we time and again experienced that customers' own implementations, using commercially available BMS systems, mostly developed for PbAc, were simply not capable of handling NiMH batteries. As of the end of January 2016, all BMS systems have been completed and implemented in customers' solutions.

Given our experience over the past year of strong interest from electrical utilities and building automation firms, we have decided on a two-phase strategy, tailored to our capabilities as they evolve: First, during 2016, to concentrate on attacking the **"smart grid"** segment; while in parallel to develop a new and more cost effective "packaging" for our battery. Second, towards the end of 2016, to target the **"telecom back-up"** segment. Each of these segments has a market potential in the $10+ billion range. Alongside, we will service a number of more opportunistic customers.

In particular, to service the strong interest of the telecom back-up segment, Nilar embarked on a major project – in cooperation with leading Nordic telecom equipment manufacturers – to redesign the physical form-factor and properties of Nilar's bi-polar construction to fit the exacting demands of these equipment suppliers; and of the telecom back-up battery after market. The "v2.0" project is expected to yield a next generation of the Nilar battery in early 2017.

As in previous years, we participated in the Hannover exhibition in April 2015 as well as in 2016. Besides the very significant interest in Nilar and our products, we can see a complete change in the market – a change, which fits the Nilar strategy and the system portfolio very well. The change is from low voltage solutions to the advantage of high voltage systems. At the Hannover fair 2014, around 70% of the potential customers were presenting cases including low voltage products. This year, almost 60% of the

CEO review

cases were based on high voltage components and system. Year on year, for the past four years, the sharp customer cases for Nilar have more than doubled, to currently 160 customers in the pipeline.

2015 also saw the continued strong support from the company’s shareholder base, raising some 95 MSEK of equity to fund the growth of the company. We are now starting to see interest from blue-chip investors.

Organizationally, Nilar has evolved. In January 2016, a new “leadership combo” took charge, with Dr Michael Obermayer, previously chairman of the board, taking the overall CEO role of Nilar international AB (publ), the holding company; while Marcus Wigren, for many years the customer facing leader, became CEO of the operating company, Nilar AB. The 6-person leadership team was strengthened by the appointment of Erik Tolagen as head of sales.

Overall, 2015 has been a year of rapid transition, from a company that was in effect an “R&D shop” to one that starts establishing a visible commercial footprint. 2016 will see the implementation of a number of signature “smart grid” customer systems, serving major electrical utilities as well as the vibrant building automation companies; and with the completion of the next generation Nilar battery, the company will open up the telecoms segment.

Michael Obermayer
CEO Nilar

Management

Michael Obermayer, CEO (appointed 15 January 2016)
- Born: 1948
- Appointed: Board member of the Company since 2012.
- Education: MSc, Doctor chemistry, MBA INSEAD
- Experience: Managing Partner Fjord Capital Partners, Senior Partner McKinsey Company, CEO World Economic Forum.

Peter Lageson, CEO (resigned 15 January 2016)
- Born: 1970
- Appointed: 2013
- Education: MSc Industrial Engineering and Licentiate in Industrial Marketing
- Experience: Head of Acutant Corporation Europe, Managing Director CrossControl, Founder and business manager IBX, Purcasing manager consultant segment at Ericsson.

Magnus Nordgren, CFO
- Born: 1970
- Appointed: 2013
- Education: BA in Business Administration, Stockholm University
- Experience: CFO at Brandos AB (publ), CFO at Ortivus AB (publ) – listed on Nasdaq OMX Stockholm Small Cap, CFO at GTE plc – listed on Alternative Investment Market (AIM) – London Stock Exchange, Director of Finance Nordics at ACNielsen, Business Controller at City Stormarknad.

Marcus Wigren, Head of Sales and Marketing (Managing Director Nilar AB since 15 January 2016)
- Born: 1975
- Appointed: 2007
- Education: BSc in Business Administration – University of Örebro, BSc in computers, energy, high voltage and control technique – Linköping University.
- Experience: Product manager Gycom Nordic AB, Sales engineer Vacon AB, Electrical and industrial consultant Ångpanneföreningen and Process Control System consultant at Siemens Sweden, Germany and USA.

Magnus Dahlén, Head of Product Management
- Born: 1968
- Appointed: 2013
- Education: Material phsysics, Uppsala University
- Experience: Former consultant having specialized in the field of battery technology and battery cells for industrial/military applications, and consumer products. Former employments as consultant at; Etteplan, Intertek, Sagentia Catella. Former Laboratory Manager and Development Engineer at Saft AB.

Johan Lundberg, Head of Manufacturing
- Born: 1972
- Appointed: 2010
- Education: High school engineer
- Experience: 15 years at Ericsson Gävle and Kista – out of which ten years in managerial positions. Four years in the management team for the Gävle factory as head of production.

Anders Ericson, Head of Quality Assurance
- Born: 1970
- Appointed: 2011
- Education: 80p – Electronic and Computer Engineering, University of Gävle
- Experience: Technology manager Ericsson Gävle, chairman of Ericsson's global PCB and selection of machinery, Purchasing manager Ericsson Gävle, Purchasing manager CrossControl.

Ownership

Ownership structure

Nilar's shareholders as per 9 June 2016

Name	Shares/votes	% of share capital/votes
Fjord Capital Partners related entities [1)]	645 341	27,4%
Lecorsier Investments	330 311	14,0%
Lars Fredriksson related entities [2)]	259 942	11,0%
Anders Barsk related entities [3)]	212 025	9,0%
Christmas Common Ltd/Per Krafft [4)]	189 826	8,1%
Brohuvudet AB	147 134	6,3%
Waterman 40 Holding B.V.	120 791	5,1%
Hans Franzén	94 672	4,0%
First Energy Resources Inc.	82 866	3,5%
Peter Tell associated entities [5)]	70 373	3,0%
Neil Puester associated entities	60 186	2,6%
Other	140 671	6,0%
Total	**2 354 138**	**100,0%**

Board representation:
[1)] Michael Obermayer, [2)] Lars Fredriksson, [3)] Anders Barsk, [4)] Ted Kalborg, [5)] Peter Tell

Development of share capital

Event	Year	Month	Share capital SEK	Number of ordinary shares	Number of preferential shares
Founding	2000		100 000	100 000	-
Share issue paid in cash	2004		106 130	106 130	-
Share issue paid in cash	2005		62 418	62 418	-
Share issue paid in cash	2006		14 600	14 600	-
Share issue paid in cash	2007		81 193	81 193	-
Share issue paid in cash	2009		155 773	-	155 773
New articles of association - only ordinary shares	2011		-	155 773	(155 773)
Share issue paid in cash	2011		175 407	175 407	-
Share issue paid in cash	2012		280 485	280 485	-
Share issue paid in cash	2013		298 112	298 112	-
Share issue by set-off	2014	March	2 600	2 600	-
Share issue by set-off	2014	May	13 120	13 120	-
Share issue by set-off	2014	November	68 288	68 288	-
Conversion of convertible for shares	2015	May	46 955	46 955	-
Subscription for new shares by use of warrants	2015	May	8 008	8 008	-
Conversion of convertible for shares	2015	December	848 333	848 333	-
Conversion of convertible for shares	2016	January	92 716	92 716	-
Total			**2 354 138**	**2 354 138**	**-**

Administration report
The Nilar Group 2015

The Board and the Chief Executive Officer of Nilar International AB (publ) hereby present the accounts for the financial year 2015.

The year in brief

- Net sales amounted to 0,4 (1,0) MSEK.
- Operating profit amounted to -39,2 (-40,0) MSEK.
- Profit after tax amounted to -43,9 (-31,9) MSEK.
- Cash flow from operating activities amounted to -40,2 (-39,6) MSEK.
- The equity/asset ratio amounted to 94 (64) %.
- During the reporting period, a new share issue was implemented, through which approximately 60 MSEK was added to operating capital. Further, bridge loans amounting to 34 MSEK and convertible loans of 19 MSEK were converted to equity.

Information regarding the operations

After several years of ambitious development and industrialization, the company has successfully launched solutions for both high voltage and low voltage systems based on the company's unique industrial and bi-polar nickel-metal hydride battery. In 2015, the industrialization and the wide release of the company's battery solutions to market continued. The interest is massive, and the company expects increasing orders during autumn 2016 based on the development of powerful solutions for control of both low- as well as high voltage systems.

2015 has, in addition to active work in the market, been dominated by; tests in order to fully characterize and verify the battery performance, development of control electronics, as well as the expansion of the production plant at the company's factory in Gävle. The company is still in a phase of heavy industrialization and expects to gradually increase sales in 2016.

Nilar is building an extensive network of distributors in Europe to within a reasonable time period successfully be able to cope with the demand for the company's solutions.

Administration report

The full year 2015

Income and financial position

Sales

Net sales for the Group for the full year amounted to 0,4 (1,0) MSEK.

Income, net financial income and tax

The gross profit for the Group for the full year amounted to -20,2 (-15,2) MSEK. Cost of goods includes costs for; materials, costs for the production plant and production personnel.

Operating expenses for the Group for the full year amounted to -21,3 (-26,4) MSEK.

Other operating income – comprising of development grants – amounted to 2,3 (1,6) MSEK.

For the full year, operating losses for the Group amounted to -39,2 (-40,0) MSEK. Depreciation and amortization of tangible and intangible fixed assets amounted to a total of -6,0 (-4,9) MSEK. Net financial items amounted to -4,7 (-3,7) MSEK. Profit before tax amounted to -43,9 (-43,7) MSEK.

Capitalized expenditure for development – referring to expenses for product- and production technology development – for the full year amounted to -14,3 (-13,9) MSEK.

Profit after tax for the full year amounted to -43,9 (-31,9) MSEK.

Cash flow, investments, and liquidity

The operating activities provided a negative cash flow of -40,2 (-39,6) MSEK for the full year, of which -2,3 (-1,1) MSEK relates to changes in working capital. Cash flow prior to changes in working capital amounted to -37,9 (-38,5) MSEK.

Investments for the full year amounted to a total of -2.8 (-3.1) MSEK, primarily comprising capitalized expenditure for development, as well as capitalized expenses for the installation of a new financial system.

Investments for the full year amounted to a total of -14,5 (-17,0) MSEK, primarily comprising of purchases of machinery to the expanded factory and capitalized expenditure for development.

Cash flow from financing activities for the full year amounted to 66,7 (54,7) MSEK, which is primarily explained by the private placement share issue of 60,0 MSEK, and the conversion of bridge loans of 34 MSEK and convertible loans of 19 MSEK to equity.

Cash flow for the year was 12,0 (-1,9) MSEK. At the end of the financial year, cash and cash equivalents amounted to a total of 20,5 (8,5) MSEK.

Balance sheet

At the end of the year, total assets amounted to 193,5 (175,5) MSEK. The Group’s intangible assets amounted to a total of 148,6 (135,0) MSEK. The assets are comprised of capitalized expenses for development of 145,6 (131,3) MSEK and patents of 3,0 (3,7) MSEK.

Administration report

At the end of the year, current assets amounted to 30,5 (21,0) MSEK. Inventories amounted to 6,5 (10,0) MSEK.

At the end of the year, equity in the Group amounted to 181,4 (144,8) MSEK. The equity/asset ratio amounted to 94 (64) %.

Research and development

The Company does not conduct research. Development expenses amounted to a total of -2,2 (-5,2) MSEK, and are attributable to development of products and production technology.

The Parent Company

During the period, net sales for the Parent Company amounted to 0 (0,9) MSEK. Profit after tax amounted to -58,8 (-84,0) MSEK. Intra-Group purchases amounted to 0 (1,0) MSEK. Net financial income amounted to -40,3 (-69,6) MSEK. During the year, the Parent Company has issued shareholder contributions amounting to 37,8 (68,8) MSEK and group contributions amounting to 0 (0) MSEK.

Cash flow for the year was 10,9 (-1,2) MSEK. At the end of the financial year, cash and cash equivalents amounted to 18,1 (7,2) MSEK.

The number of employees was 7 (7).

Significant risks and factors of uncertainty

Nilar is affected by several external and internal factors, which may result in an outcome different from forecasts, previous development and expectations. The following list includes a selection of the risks which the Company considers significant; however, it is not an exhaustive description of all risks that may arise.

- Industry and market risks
  - Customers
  - Increased competition
  - Business cycles
- Operational risks
  - Production
  - Development resources
  - Forecasting ability
  - Commodity prices – access to raw materials
- Financial risks
  - Currency risks
  - Continuous financing
- Legal risks
  - Legislation, regulations and compliance
  - Intellectual property rights
  - Fiscal risks

Industry and market risks

Customers

Nilar faces a wide interest from the market and is not dependent on a small number of customers or market segments, which could pose a risk.

Increased competition

The demand for advanced batteries to replace the traditional lead-acid batteries but also for new applications is extensive. Nilar challenges primarily existing suppliers of lead-acid batteries. Nilar faces limited competition, the most obvious challenge is to get customers to take the step to phase out the old technology – something many are very keen to do, while some others are more cautious, even if they see the potential. For smaller battery packs, lithium batteries seem like a relevant competitor, i.e. where it security- and cost wise is possible to use lithium batteries.

Business cycles

Limited risk, where customers may be slightly more cautious to change technology in a recession.

Operational risks

Production

The production method is simple compared to what you see in more traditional battery companies. Supply of metal powders, primarily from China, poses a certain risk element. The Company is working systematically to secure alternative suppliers to limit the risks.

Development resources

Supply of personnel with deeper battery expertise is a challenge. The Company has so far successfully managed to find highly qualified personnel in the battery area.

Forecasting ability

Nilar is active on the rapidly growing market for industrial batteries. The business has to date not had any significant sales, but is expected to show significant growth in the coming years. Making predictions in such an environment is difficult even for a short period of time and the actual outcome may differ significantly regarding, for example; turnover, gross margins, inventory volumes and liquidity.

Commodity prices – access to raw materials

A specific dependency exists for nickel prices, which has to some extent fluctuated over the years. Dependence, however, is limited to 5% of customer price and is managed in customer agreements.

Financial risks

Currency risks

Nilar’s reporting currency is SEK; however, as the majority of the sales are made outside Sweden, the Company is exposed to fluctuations in exchange rates. This primarily applies to transactions, but also to balance sheet items from foreign subsidiaries and branch offices, which are translated into the reporting currency.

Administration report

Continuous funding

Nilar is expected to grow significantly and the funding of the investments and the working capital required in the future have been forecasted on the basis of historical KPIs and other known factors. The Company's current growth plan requires that Nilar raises new capital. Conditions of such a transaction is affected by the current situation on the financial market and cannot be guaranteed to be favorable. Nilar’s sources of capital to secure going concern includes e.g.; bank loans, shareholder loans and capital contributions by shareholders. Given these sources of capital, the Board believes that necessary capital will be available.

Legal risks

Legislation, regulations and compliance

The battery is eco-friendly and the production has the necessary permits required.

Intellectual property rights

Nilar is working to protect trademarks and domain names in the countries in which the Company is, or may consider becoming, active. It cannot, however, be guaranteed that the measures taken are sufficient. Nor is it guaranteed that Nilar, in the future, could not infringe, or be accused of infringing, a third party’s intellectual property rights.

Fiscal risks

Nilar conducts operations in various countries and it cannot be guaranteed that Nilar’s interpretation and application of the prevailing laws, regulations or rules based on legal practice have been, or will be, correct in the future or that such laws, regulations, rules or practice will not be altered, potentially with a retroactive effect. The Company may be affected by alterations in other countries’ fiscal legislation and may be required to pay additional taxes, interest or possibly penalty charges in conjunction with a future tax assessment, or it may need to write down deferred tax assets.

Environmental information

Nilar holds a permit under the environmental code for the factory in Gävle to manufacture batteries which do not contain cadmium, lead or mercury. The Company has a license to produce a maximum of two million batteries per year.

Personnel

During the year, the average number of employees in the Group was 41 (44).

Dividends

The Board proposes that no dividends be paid for the financial year 2015.

Please note that the English version of the annual report has not been reviewed by the Company’s auditors. It is for information purposes and in case of discrepancies compared to the Swedish version, the Swedish version shall prevail.

Administration report

Events after the balance sheet date

- Michael Obermayer has been appointed new CEO of Nilar International AB (publ) after Peter Lageson on 15 January 2016 resigned from his role as CEO. Lars Fredriksson has been appointed Chairman of the Board following Michael Obermayer's resignation from the role. Marcus Wigren – former Head of Sales and marketing – was on 15 January 2016 appointed Managing Director of Nilar AB, which is the operating entity of the Group.
- New shares and share capital per 25 January 2016 – following the registration of the new share issues during 2015 – are 2 354 138 shares and 2 354 138 SEK respectively.
- At the Extra General Meeting held on 29 April 2016, the shareholders decided to implement an incentive program for top management comprising of warrants. At the most, 261 571 warrants can be issued, which equals a 10% dilution of current shareholders.
- During 2016, the Company is conducting a fundraising with Vator Securites AB as advisors. The fundraising is expected to be completed during June 2016.

Guidelines for remuneration to senior executives

General

Nilar shall have the remuneration levels and employment terms necessary to recruit, motivate and retain a management team with good skills and capacity to reach set objectives and taking account of the individual employee's skills. Market rates must therefore be the guiding principle for salary and other remuneration to senior executives in Nilar.

Senior executives for whom the guidelines are applicable

The guidelines are to include the Executive Director and other senior executives who comprise Group management – the group of senior executives appointed by the Board.

Deviation from the guidelines in specific cases

The Board holds the right to deviate from the guidelines should there, in an individual case, be specific grounds for the deviation.

Future prospects

All statements regarding the future in this Annual report are based on the Company's best assessment at the date of the submission of the Annual report. Like all future assessments, such statements include risks and uncertainties which may imply that the actual outcome is different.

Administration report

Proposed treatment of loss

The Board of Directors and the Executive Officer propose that the losses of 248 343 506 SEK and the share premium reserve of 328 948 045 SEK be carried forward. The income statements and balance sheets of the Group and the Parent Company will be presented for adoption at the Annual General Meeting on 30 June 2016.

Parent Company	**SEK**
The following profits are at the disposal of the annual general meeting:	
Share premium reserve	328 948 045
Profit/loss brought forward	(189 527 453)
Net loss for the year	(58 816 053)
Total	**80 604 539**

Corporate governance report

Nilar International AB (publ) is a Swedish limited liability company.

Corporate governance and internal controls in Nilar have been established on the basis of Swedish law.

Governance, management and control are allocated between the shareholders at the Annual General Meeting (AGM), the Board of Directors and the Executive Director in accordance with the regulations stated in the Swedish Companies Act, the Articles of Association and the internal regulations established by the Board of Directors and Company management. The cooperation with the Company's auditors constitutes an important part of the work. The most important internal management instruments for corporate governance comprise the resolutions taken by the AGM regarding, for example, the Articles of Association and remuneration guidelines. Thereafter follow the formal work plan for the Board, the Board's terms of reference for the Chief Executive Officer (CEO), and all of the underlying internal regulations in place in the Company.

The Annual General Meeting

In accordance with the Companies Act, the Annual General Meeting of Shareholders is the highest decision-making body in which the shareholders exercise their right to vote. At the Annual General Meeting, resolutions are taken regarding the Annual report, dividends, the appointment of the Board and auditors, remuneration to the members of the Board and auditors, as well as other matters in accordance with the Companies Act and the Articles of Association. The Articles of Association include no limitations regarding the number of votes each shareholder is entitled to hold at a general meeting. The Articles of Association do not include specific rules regarding the appointment and dismissal of members of the Board or alterations of the Articles of Association. All shareholders who are included in the shareholders' register, and who have notified their participation in time, have the right to participate in the meeting and to vote pursuant to their shareholding. Shareholders can also be represented by proxies at the meeting. Notice of a general meeting of shareholders is to be delivered by mail to the shareholders no earlier than six and no later than two weeks prior to the general meeting of shareholders.

Administration report

The Annual General Meeting of 2014 took place on 30 June 2015. The date of the AGM was published in a similar manner as in previous years. At the AGM, registered shareholders were present. In addition to the AGM's resolution to approve the income statements and balance sheets of the Company and the Group, and not to pay any dividends in 2014, resolutions were made regarding; discharge from liability for the members of the Board and the CEO, the appointment of members of the Board, re-appointment of Deloitte as auditors, Board fees and audit fees, and to authorize the Board of Directors to during the period up until the next annual general meeting, on one or more occasions, with or without preferential rights for the shareholders and within the limits of the Articles of Association, to resolve to issue in the maximum of 282 617 shares, to be paid in cash, in kind and/or by set-off.

Extraordinary General Meetings

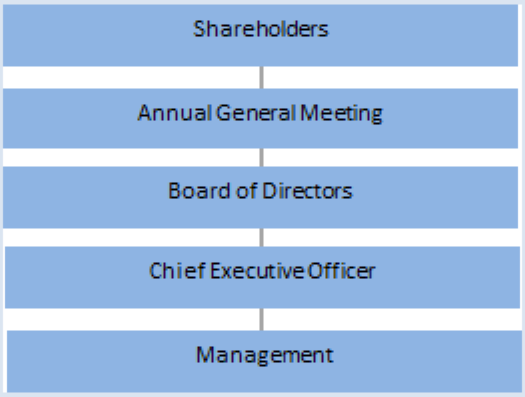
During the year, two extraordinary general meetings were held on 25 March and 25 September 2015. Notices to both general meetings were issued in accordance with the articles of association.

Board fees and audit fees

The term for the Company's current auditor, Deloitte AB, with Kerstin Sundberg as the Auditor-in-Charge, expires at the end of the financial year of 2015 or later.

The Annual General Meeting of 2014 resolved that no Board fees were to be paid, and that audit fees were to be paid on invoice, on the basis of the actual time incurred for the completion of the assign-ment.

Nilar's Corporate management structure



Administration report

Nilar's shareholders (per 9 June 2016)

Name	Shares/votes	% of share capital/votes
Fjord Capital Partners related entities [1)]	645 341	27,4%
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Neil Puester associated entities	60 186	2,6%
Other	140 671	6,0%
Total	**2 354 138**	**100,0%**

Board representation:
[1)] Michael Obermayer, [2)] Lars Fredriksson, [3)] Anders Barsk, [4)] Ted Kalborg, [5)] Peter Tell

The work of the Board of Directors

In Nilar, as a result of the Company's situation and size, the Board has been extremely active in its work and worked closely with the CEO and management regarding matters primarily related to strategy, funding and competences.

The CEO participates in each Board meeting and reports the Company's business situation, future prospects, financial position and significant events and, prior to the end of the year, the proposed budget and management plan for the following year. The Company's CFO also participates in the Board meetings and acts as the Board's secretary and coordinator. Other salaried employees in the Company also participate in Board meetings when necessary and, during the year, almost all senior executives have, on at least one occasion, made a presentation to the Board.

Guidelines for the Board's work are based on the Board's formal work plan, which regulates the division of responsibilities between the Board, the Chairman of the Board and the CEO, as well as the assignments to be managed by the General Meeting of Shareholders. The Board's formal work plan is established on an annual basis at the Board meeting following election and is adjusted when necessary. At the Board meeting following election, decisions are also taken regarding committee work, signatory authorizations, Group-wide policies and an annual plan for the work of the Board. At one of the ordinary meetings of the Board which precede the AGM, the approval of the Annual report, proposed appropriation of profits, confirmation of location and date and issues to be discussed by the AGM are addressed

The Board of Nilar has, on the basis of a detailed annual plan for its work, combined the management of all important and significant formalities and control areas with larger reviews of important functions and operational areas. In 2015, the issues which were by far the most important and the most time-consuming for the Board were the share issue, the development of a long-term business plan, and the preparations for the fundraising which is being conducted during the spring of 2016.

Administration report

During the financial year, the Board held twelve recorded meetings, as well as numerous informal meetings, in order to support the work of Company management. The members of the Board have also actively supported Company management in various matters, and the Board can be considered to have been extremely active, with a significant degree of interaction between Company management and the Board on important issues.

Members of the Board appointed by the general meeting of shareholders

The Board of Nilar comprises five individuals appointed by the general meeting of shareholders and no member is appointed by a professional organization. The CEO is not part of the Board. The CFO participates when appropriate.

Board	Appointed	Attendance	Independence [1]	Remuneration SEK'000
Michael Obermayer, chairman	2012	12 (12)	No	-
Anders Barsk, vice chairman	2004	10 (12)	Yes	-
Lars Fredriksson	2000	12 (12)	No	-
Ted Kalborg	2007	7 (12)	Yes	-
Peter Tell	2010	9 (12)	Yes	-
Patrik Walldov (resigned 30 juni 2015)	2010	4 (5)	Yes	-
Total				**-**

[1] Refers to if the director is to be considered independent in relation to the larger shareholders.

Chairman of the Board

The Chairman of the Board is responsible for ensuring that the work of the Board is consistent with the regulations in the Articles of Association, Companies Act and the formal work plan for the Board, and for organizing and managing the work of the Board in such a manner so as to create the best possible preconditions for the work of the Board. The work assignments of the Chairman of the Board are regulated in Nilar’s formal work plan for the Board of Directors.

The CEO

In accordance with the prevailing corporate governance model in Sweden, the Board has delegated the operative management responsibility to the CEO. On an annual basis, the Board confirms the terms of reference for the CEO, clarifying the responsibility regarding the day-to-day management and operations of the Company. The CEO is, thus, to follow the guidelines announced by the Board. In his or her work, the CEO is to ensure that the operations are conducted in accordance with sound business principles, that the management of assets is undertaken in a secure manner, that the Company’s compliance is ensured in the long term, that the necessary competences are available in the Company, and that the Company’s operations are conducted according to the laws, statutes and the regulations of the relevant authorities, and in accordance with the Articles of Association. In addition, the CEO is to ensure that Nilar’s accounting records are maintained in accordance with statutory requirements

The Board’s report regarding internal controls and risk management

In accordance with the Swedish Companies Act, the Board is responsible for the internal controls.

Administration report

Control environment

The Board of Nilar International AB (publ) establishes, on an annual basis, the formal work plan for their work, and the terms of reference for the CEO. Nilar's CEO and Group management hold the full operative responsibility for the internal controls. On the basis of the Board's guidelines, and on laws and regulations regarding financial reporting, Company management has established an allocation of roles and responsibilities for employees active within the financial reporting in the Group.

Risk assessment

The aim of risk assessment at Nilar is to ensure the Group's earnings development and financial position. Company management and the Board work continuously and actively with risk assessment and risk management in order to ensure that the risks the Company is exposed to are managed in an appropriate manner under the terms of the established framework.

Nilar also closely cooperates with the Company's auditors in order to be able to identify risks at an early stage in the consolidated accounts.

Nilar's specific and general risks are described in the Annual report.

Control activities

Given the size of the Company, Nilar has deliberaterly chosen not to establish any separate function for internal controls; instead, this work has been delegated to various members of senior management as part of the continuous management work.

Information and communication

Information regarding Nilar's managing documents such as Group policies, handbooks and guidelines, is accessible at the Company's head office, and is coordinated for the Group by the Group Company's CFO. Significant guidelines, manuals and similar documents are updated and communicated continuously to the employees concerned.

Follow-up

Follow-ups are performed continuously by the management, with reporting to the Board. Given the Company's relatively small size, follow-up primarily takes place through the management forum used at any given time within the Company.

Administration report

Auditors

Deloitte AB has been appointed as the auditor of the Company, with Authorized Public Accountant Kerstin Sundberg as the Auditor-in-Charge. The assignment expires at the end of the financial year 2015 or later.

The audit primarily includes the accounting records and an examination of the Annual report, annual accounts, as well as certain audit consultancy services.

Swedish code for corporate management

The Company is not obliged to follow the Swedish Corporate Governance Code, as it is not listed on a regulated market.

Täby, 9 June 2016
Nilar International AB (publ) (556600-2977)
The Board of Directors

Please note that the English version of the annual report has not been reviewed by the Company's auditors. It is for information purposes and in case of discrepancies compared to the Swedish version, the Swedish version shall prevail.

Consolidated statement of income

	Note	2015 SEK'000	2014 SEK'000
Revenue	2	**377**	952
Cost of sales		**(20 560)**	(16 158)
Gross profit		**(20 183)**	(15 206)
Research & development expenses		**(2 241)**	(5 222)
Distribution and selling costs		**(9 416)**	(6 716)
Administrative expenses		**(9 681)**	(14 461)
Other operating income	6	**2 311**	1 585
Operating income	3, 4, 5	**(39 210)**	(40 020)
Financial income	7	**2**	21
Financial expenses	7	**(4 653)**	(3 701)
Financial costs - net		**(4 651)**	(3 680)
Profit/loss before tax		**(43 861)**	(43 700)
Income tax	8	**-**	11 760
Net profit/loss for the year		**(43 861)**	(31 940)
Other comprehensive income			
Currency translation differences		**(58)**	(30)
Other comprehensive income for the year, net after tax		**(58)**	(30)
Total comprehensive income for the year		**(43 919)**	(31 970)

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Consolidated balance sheet

	Note	**2015-12-31 SEK'000**	2014-12-31 SEK'000
Assets			
Fixed assets			
Intangible assets	9		
Patents		**2 983**	3 696
Capitalized expenses for development work		**145 588**	131 303
Total intangible assets		**148 571**	134 999
Tangible fixed assets			
Property, plant and equipment	10	**14 413**	18 835
Fixed assets under construction	11	**-**	651
Total tangible assets		**14 413**	19 486
Financial non-current assets			
Deferred tax assets	12	**-**	-
Total financial fixed assets		**-**	-
Total fixed assets		**162 984**	154 485
Current assets			
Inventories	14	**6 488**	9 995
Accounts receivable - trade	13, 15	**226**	17
Tax assets		**720**	559
Other receivables	16	**1 431**	670
Prepaid expenses and accrued income	17	**1 154**	1 295
Cash and cash equivalents	13, 18	**20 451**	8 499
Total current assets		**30 470**	21 035
Total assets		**193 454**	175 520

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Consolidated balance sheet (continued)

	Note	2015-12-31 SEK'000	2014-12-31 SEK'000
Equity			
Equity attributable to the shareholders in the Parent Company			
Share capital	19	**2 261**	1 358
Non-registered share capital		**9 271**	562
Other contributed capital	19	**361 580**	258 719
Statutory reserves		**6 300**	6 358
Retained earnings		**(197 982)**	(154 121)
Total equity		**181 431**	112 875
Liabilities			
Non-current liabilities			
Borrowings	13, 20	**1 944**	3 055
Deferred tax liabilities	12	**-**	-
Total non-current liabilities		**1 944**	3 055
Current liabilities			
Borrowings	13, 20	**2 917**	47 603
Accounts payable - trade	13	**1 520**	1 416
Other liabilities	21	**2 185**	1 826
Accrued expenses and deferred income	13, 22	**3 457**	8 744
Total current liabilities		**10 079**	59 589
Total equity and liabilities		**193 454**	175 520
Pledged assets	23	**30 000**	30 000
Contingent liabilities		**-**	-

Consolidated statement of changes in equity

		Attributable to the shareholders of the parent company					
	Note	Share capital SEK'000	Non-registered share capital SEK'000	Other contributed capital SEK'000	Reserves SEK'000	Retained earnings SEK'000	Total equity SEK'000
Opening balance per 1 January 2014		**1 274**	**-**	**227 260**	**6 388**	**(122 180)**	**112 742**
Comprehensive income							
Net profit/loss for the year		-	-	-	-	(31 940)	(31 940)
Other comprehensive income		-	-	-	(30)	-	(30)
Total comprehensive income		**-**	**-**	**-**	**(30)**	**(31 940)**	**(31 970)**
Transactions with shareholders							
New share issue		84	562	31 294	-	-	31 941
Option programme		-	-	164	-	-	164
Opening balance per 1 January 2015	19	**1 358**	**562**	**258 719**	**6 358**	**(154 121)**	**112 876**
Comprehensive income							
Net profit/loss for the year		-	-	-	-	(43 861)	(43 861)
Other comprehensive income		-	-	-	(58)	-	(58)
Total comprehensive income		**-**	**-**	**-**	**(58)**	**(43 861)**	**(43 919)**
Transactions with shareholders							
New share issue		903	8 709	102 861	-	-	112 474
Option programme		-	-	-	-	-	-
Closing balance per 31 December 2015	19	**2 261**	**9 271**	**361 580**	**6 300**	**(197 982)**	**181 431**

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Consolidated statement of cash flows

	Note	**2015 SEK'000**	2014 SEK'000
Cash flows from operating activities			
Operating profit/loss after financial items		**(43 861)**	(43 700)
Depreciation/amortization		**6 001**	4 994
Profit/loss on disposal of fixed assets		**28**	42
Share-based payments		**-**	164
Translation differences		**(58)**	(30)
Income taxes paid		**-**	-
Cash flows from operating activities before changes in working capital		**(37 890)**	(38 530)
Cash flow before working capital changes			
(Increase)/decrease in inventories		**3 506**	(1 058)
(Increase)/decrease in operating receivables		**(990)**	(626)
Increase/(decrease) in operating liabilities		**(4 823)**	602
Total changes in working capital		**(2 307)**	(1 082)
Cash flows from operating activities		**(40 197)**	(39 612)
Cash flows from investing activities			
Investments in Intangible assets	9	**(14 285)**	(13 942)
Investments in tangible fixed assets	10, 11	**(243)**	(3 083)
Cash flows from investing activities		**(14 528)**	(17 025)
Cash flows from financing activities			
New share issue	19	**112 474**	31 941
Repayment of debt		**(104 424)**	(7 942)
Loans raised		**58 627**	30 742
Cash flows from financing activities		**66 677**	54 741
(Decrease)/Increase in cash and cash equivalents		**11 952**	(1 896)
Cash and cash equivalents at beginning of year	18	**8 499**	10 394
Effect of exchange rate changes on cash and cash equivalents		**-**	-
Cash and cash equivalents at year-end	18	**20 451**	8 499

The Group has during 2015 received interest income of 2 (21) kSEK and has paid interest of 291 (514) kSEK.

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Parent company statement of income

	Note	2015 SEK'000	2014 SEK'000
Revenue	2	**(0)**	918
Cost of sales		**(683)**	(1 016)
Gross profit		**(683)**	(98)
Research and development expenses		**(3 122)**	(2 685)
Distribution and selling costs		**(4 906)**	(3 431)
Administrative expenses		**(9 775)**	(8 274)
Other operating income		**-**	-
Operating profit	3, 4, 5	**(18 483)**	(14 411)
Finance income	7	**1 839**	2 367
Finance costs	7	**(4 362)**	(3 193)
Write-down of shares in subsidiaries		**(37 810)**	(68 765)
Finance costs - net		**(40 333)**	(69 591)
Profit before income tax		**(58 816)**	(84 002)
Group contributions issued		**-**	-
Profit before income tax		**(58 816)**	(84 002)
Deferred tax	**8**	**-**	-
Profit for the period		**(58 816)**	(84 002)
Parent company statement of other comprehensive income			
Other comprehensive income for the year, net after tax		-	-
Total comprehensive income		**(58 816)**	**(84 002)**

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Parent company balance sheet

	Note	2015-12-31 SEK'000	2014-12-31 SEK'000
Assets			
Fixed assets			
Intangible assets	9		
Patents		**2 983**	3 696
Capitalized expenditure for development work		**90 989**	90 988
Total intangible assets		**93 972**	94 684
Tangible fixed assets			
Property, plant and equipment	10	**-**	-
Total tangible assets		**-**	-
Financial non-current assets			
Participations in Group companies	26	**101**	101
Receivables from Group companies		**16 525**	21 913
Deferred tax assets	12	**-**	-
Total financial non-current assets		**16 626**	22 014
Total fixed assets		**110 598**	116 698
Current assets			
Accounts receivable - trade	15	**-**	-
Tax assets		**488**	395
Other receivables	16	**300**	314
Prepaid expenses and accrued income	17	**346**	305
Cash and bank balances	18	**18 062**	7 185
Total current assets		**19 196**	8 199
Total assets		**129 794**	124 897

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Parent company balance sheet (continued)

	Note	2015-12-31 SEK'000	2014-12-31 SEK'000
Equity and liabilities			
Equity			
Restricted equity			
Share capital		**2 261**	1 358
Non-registered share capital		**9 271**	562
Statutory reserve		**34 401**	34 401
Total restricted equity		**45 933**	36 321
Non-restricted equity			
Share premium reserved		**328 948**	226 087
Profit/loss brought forward		**(189 527)**	(105 525)
Profit/loss for the year		**(58 816)**	(84 002)
Total non-restricted equity		**80 605**	36 560
Total equity		**126 538**	72 881
Current liabilities			
Borrowing	20	**-**	44 269
Accounts payable - trade	13	**273**	548
Other liabilities	21	**810**	593
Accrued expenses and deferred income	22	**2 173**	6 606
Total current liabilities		**3 256**	52 016
Total equity and liabilities		**129 794**	124 897
Pledged assets	23	**20 000**	20 000
Contingent liabilities		**-**	-

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Parent company statement of changes in equity

	Note	Share capital SEK'000	Non-registered share capital SEK'000	Statutory reserve SEK'000	Other contri-buted capital SEK'000	Free reserves SEK'000	Profit/ loss for the year SEK'000	Total equity SEK'000
Opening balance per 1 January 2014		**1 274**	**-**	**34 401**	**194 792**	**(66 309)**	**(39 216)**	**124 942**
Comprehensive income								
Net profit/loss for the year		-	-	-	-	-	(84 002)	(84 002)
Other comprehensive income		-	-	-	-	(39 216)	39 216	-
Total comprehensive income		**-**	**-**	**-**	**-**	**(39 216)**	**(44 786)**	**(84 002)**
Transactions with shareholders								
New share issue		84	562	-	-	-	-	31 941
Opening balance per 1 January 2015	19	**1 358**	**562**	**34 401**	**34 401**	**(105 525)**	**(84 002)**	**72 881**
Comprehensive income								
Net profit/loss for the year		-	-	-	-	-	(58 816)	(58 816)
Other comprehensive income		-	-	-	-	(84 002)	84 002	-
Total comprehensive income		**-**	**-**	**-**	**-**	**(84 002)**	**25 186**	**(58 816)**
Transactions with shareholders								
New share issue		903	8 709	-	-	-	-	112 474
Closing balance per 31 December 2015	19	**2 261**	**9 271**	**34 401**	**34 401**	**(189 527)**	**(58 816)**	**126 538**

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Parent company statement of changes in cash flows

	Note	2015 SEK'000	2014 SEK'000
Cash flow from operating activities			
Operating profit before financial items		**(58 816)**	(84 002)
Depreciation/amortization		**713**	586
Profit/loss on disposal of fixed assets		**-**	42
Write-down of shares in subsidiaries		**37 810**	68 765
Income tax paid		**-**	-
Cash flow from operating activities before changes in working capital		**(20 293)**	(14 609)
Cash flow from changes in working capital			
(Increase)/decrease in operating receivables		**(120)**	47
Increase/(decrease) in accounts payable - trade		**(275)**	(1 157)
Increase/(decrease) in operating liabilities		**(4 217)**	4 292
Total changes in working capital		**(4 612)**	3 182
Cash flow from operating activities		**(24 905)**	(11 427)
Cash flow from investment activities			
Investments in intangible assets	9	**-**	(39)
Loans granted to subsidiaries		**(32 423)**	(47 927)
Cash flow from investment activities		**(32 423)**	(47 966)
Cash flow from financing activities			
New share issue		**112 474**	31 941
Repayment of liabilities		**(102 897)**	(4 469)
Borrowings		**58 627**	30 742
Cash flow from financing activities		**68 204**	58 214
Cash flow for the year		**10 876**	(1 178)
Cash and cash equivalents at the beginning of the year	18	**7 186**	8 364
Cash and cash equivalents at year-end	18	**18 062**	7 186

The Parent Company has during 2015 received interest income of 2 (11) kSEK and has paid interest of 0 (6) kSEK.

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1 Significant accounting policies

The consolidated financial statements include the Swedish Parent Company, Nilar International AB (publ), 556600-2977 and its subsidiaries. The Group's business consists of development, production, marketing and sales of batteries and associated products. The development, manufacturing and production is mainly performed by the Swedish subsidiary Nilar AB in Gävle. Development and sales is partly carried out by Nilar Inc., located in Colorado, USA.

The Parent Company is a limited liability company based in Sweden. The address of the head office is Stockholmsvägen 116B, 187 30 Täby.

The Annual report as of 31 December 2015 was approved by the Board of Directors on 9 June 2016. The Annual report is subject to approval by the Annual General Meeting on 30 June 2016.

All amounts are presented in thousands of SEK unless otherwise stated. Comparative figures are presented in parentheses.

Basis of preparation

The Consolidated financial statements have been prepared in accordance with International Reporting Standards and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as endorsed by the European Union (EU). The Swedish Annual Accounts Act and RFR 1 ”Supplementary Accounting Rules for Group Companies”.

The Parent Company applies the same accounting policies as the Group, with the exceptions mentioned under the section "The Parent Company's accounting policies". The Parent Company applies the Swedish Annual Accounts Act (Årsredovisningslagenh) and Recommendation RFR 2 "Accounting for Legal Entities", of the Swedish Financial Accounting Standards Council. The deviation that arise from IFRS policies do so due to the application of the Swedish Annual Accounts Act and the Swedish tax regulations.

Basis of the preparations of the consolidated financial statements

The consolidated financial statement has been prepared based on the assumption of going concern. The Group applies the historical cost method when preparing the financial statements, if nothing else is described below. The Group's reporting currency is Swedish kronor (SEK), which is the Parent Company's functional currency.

Basis of consolidation

The consolidated financial statements incorporate financial statements of the Parent Company and its subsidiaries. The financial reports for the Parent Company and the subsidiaries that are incorporated in the consolidated financial statements regard the same reporting and are prepared according to the same accounting policies.

1 Significant accounting policies (cont.)

All intragroup transactions, assets and liabilities are eliminated and therefore not included in the consolidated financial statements.

Subsidiaries

The consolidated financial statements incorporate subsidiaries in which the Parent Company has more than 50 percent of the shares or entities controlled by the Parent Company and its subsidiaries.

Consolidation of a subsidiary begins when the Company obtains control and ceases when the Company loses control of the subsidiaries.

Non-controlling interests

Non-controlling interests is equity in a subsidiary not attributable, directly or indirectly, to a parent. Their part of the results is included in the reported results of the consolidated financial statements and the net assets are recognized in the equity of the consolidated financial statements.

Translation of financial statements of foreign subsidiaries

The foreign subsidiaries' financials are converted to the currency applied in the consolidated financial statements, which is Swedish krona (SEK). The subsidiaries' income statements are translated using the average exchange rate of the period and the balance sheets are translated using the exchange rate of the balance sheet date. Surplus values that were recognized when a foreign subsidiary has been acquired, such as goodwill and other previously not recorded intangible assets, are considered at each subsidiary and are thus converted to the exchange rate of the closing date. Foreign exchange differences arising on such translation are recognized in "Other comprehensive income".

On disposal of a subsidiary, the exchange differences are reclassified to profit or loss.

Gross accounting

Gross accounting is applied throughout the report for assets and liabilities, except when both an asset and a liability exists towards the same counterpart and they legally are offsettable. Gross accounting is also applied for income and expenses if nothing else is stated.

Classification of assets and liabilities

Fixed assets, long-term liabilities and provisions are expected to be recovered or become due later than twelve months after the closing date. Current assets, short-term liabilities and provisions are expected to be recovered or become due within twelve months after the closing date.

Related-party transactions

Transactions with related parties are conducted with terms comparable to third party transactions. Parties are considered to be related if the Company has the control or significant influence regarding making financial or operational decisions. It also includes the companies and physical persons that have the potential to exercise control or significant influence over the Group's financial or operational decisions.

1 Significant accounting policies (cont.)

Business combinations

Business combinations are accounted for using the acquisition method. The purchase price is measured at fair value of the transferred assets, liabilities and the issued shares. The purchase price also includes fair value of assets and liabilities that are part of the contingent consideration.

Acquisition-related costs are recognized in profit or loss (other operating expenses) as incurred. At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value.

For each business combination, the Group shall determine if the Group will measure the non-controlling interests in the acquiree at either fair value or the present ownership instruments' proportionate share in the recognized amounts of the acquiree's identifiable net assets.

The amount of the purchase price, non-controlling interest and fair value of the acquirer´s previously held equity exceeds the fair value of the Group's share of the identifiable acquired net assets, is recognized as goodwill.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Expenses related to repair and maintenance activities are recognized in profit or loss as incurred. Expenses for improvements of an asset's performance increases the value of the asset. The Group applies component depreciation, which means that each part of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the assets and is recognized in profit or loss as other operating income or other operating expenses.

Property, plant and equipment are depreciated on a systematic basis over its estimated useful life. The useful life is reviewed at the end of each reporting period and adjusted if needed.

1 Significant accounting policies (cont.)

When determining the depreciable amount of an asset, the residual value is considered. A straight-line depreciation method is used for all types of assets with the following depreciation:

	Number of years
Inventories	5 – 7 years

Intangible assets

Intangible assets with finite useful lives are carried at cost less amortization and impairment losses. Amortization is recognized on a systematic basis over depreciated during the assets estimated useful life. The useful life is reviewed at the end of each reporting period and adjusted if needed. When determining the depreciable amount of an asset, the residual value is considered.

Development expenditures activities are recognized as an intangible asset when they qualify for recognition according to IAS 38 and are estimated to amount a significant proportion of the product's development as a whole. Other development expenditures are recognized as an expense.

The most important criteria for capitalization of development expenditures are that the asset will generate probable future economic benefits or cost savings, and there are technical and commercial conditions to complete the development.

The development expenditure capitalized are generated externally as well as internally and includes direct costs for services used. Directly attributable costs that are capitalized as part of the product development, production processes, production facility project and implementation of software systems include expenditures to third parties and employees.

Amortization shall begin when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Impairment of tangible or intangible assets

If there is any indication that tangible or intangible assets have suffered an impairment loss, the recoverable amount of the asset is estimated. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. The recoverable amount is the higher of net realizable value and value in use. Testing of the recoverable amount is done for cash generating units.

Intangible assets with indefinite useful lives are not amortized, but tested for impairment annually.

1 Significant accounting policies (cont.)

Impairment losses recognized in prior periods are reversed if the asset's recoverable amount is estimated to exceed the carrying amount. The loss is reversed only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognized for the asset in prior years.

Financial assets

Classification

Nilar classifies its financial assets into only one category: Loans and accounts receivables.

The classification of financial assets depends on the underlying purpose for which the financial asset was acquired. The classification is set by management at initial recognition.

All purchases and sales of financial assets are recognized on the transaction date.

Loans and accounts receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loan receivables are initially measured at fair value and are subject to regular and systematical analysis to determine the amount to which it is expected to be recovered. If a loan receivable is deemed doubtful, a reservation is made with the difference between the carrying amount and the present value of estimated future cash flows. If applicable, interest income from loan receivables is included in the financial income.

Accounts receivables are initially measured at fair value. At the end of the reporting period when objective evidence shows that the asset's value will not be recovered a reserve is done for doubtful accounts. Losses from doubtful accounts are recognized in the income statement as other operating costs.

The Group's cash and cash equivalents, trade receivables and other short-term receivables are included in this category.

1 Significant accounting policies (cont.)

Recognition and measurement

Purchases and sales of financial assets are recognized on the transaction date, i.e. the date that the Group commits to purchase or sell the asset. Financial instruments are initially measured at fair value including transaction costs, which is applied for all assets that are not measured at fair value through profit or loss. Financial assets measured at fair value through profit or loss are initially recognized at fair value with transactions costs in profit or loss. Financial assets are derecognized when the right to receive cash flows have expired or is transferred and the Group has transferred substantially all of the risks and rewards of the ownership. Financial assets available for sale and financial assets measured at fair value through profit or loss are recognized after the acquisition at fair value. Loan and trade receivables are recognized after the purchase at amortized cost with application of the effective interest method.

Gains and losses as a result of changes in the fair value in the category financial assets valued at fair value through profit or loss are recognized in the period they occur and are included in the income statement under financial income or financial expenses.

Dividend income from securities measured at fair value through profit or loss are recognized in the income statement on the date that the Group’s right to receive payment is established.

Impairment of financial assets – loans and receivables

Financial assets are assessed for indicators of impairment at the end of each reporting period. A financial asset or a group of financial assets are considered to be impaired and are subject to impairment when there is reliably estimated objective evidence that, as a result of one or more events (loss events) that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For the category loans and receivables, the impairment is calculated as the difference between the carrying amount and the present value of future cash flows, discounted at the financial asset’s original effective interest rate at the initial recognition of the financial asset. An impairment is then recognized in the income statement.

Financial liabilities

Nilar only has liabilities in the category financial liabilities that are measured at amortized cost.

Liabilities are initially recognized at fair value, with deduction of transaction costs. In subsequent periods these liabilities are recognized at amortized cost using the effective interest method. The Group’s trade liabilities, borrowings and other short term liabilities and accrued costs are included in this category.

1 Significant accounting policies (cont.)

Nilar estimates that the interest rate on the convertible debt instruments of 12 % is the interest rate that the Group would have to pay for a loan without any right of conversion but otherwise with the same conditions as the convertible debt, and hence the full convertible loan amount has been allocated to the liability component.

Borrowing costs

Borrowing costs are interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs that are directly attributable to the financing of an asset that take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of that asset. Other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Inventories

Inventories are stated at the lower of cost or net realizable value. The costs of inventories is determined using the first-in, first-out (FIFO) basis. The inventory consists of; materials, assets held for sale and assets in the process of production. The cost of inventories comprises all costs of purchase and costs for import duties and freight. Net realizable value is the estimated selling price less estimated cost of sales.

Provisions

Provisions are recognized when the Group has a present, legal or constructive, obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, for example from an insurance contract, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions for warranties is based on historical warranty data and the current trends that can indicate that future demands can deviate from the historical data.

Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Nilar. A contingent liability can also be a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

1 Significant accounting policies (cont.)

Convertible debt instrument
Convertible debt instruments issued by the Company that can be converted to shares through the use of a conversion option are recognized as a compound instrument and are classified as a financial liability and an equity instrument. Convertible debt instruments where both the holder and Nilar can call for conversion have the same accounting treatment.

The fair value of the liability at the date of issuance is estimated as the present value of future cash flows discounted with the prevailing market interest rate for similar non-convertible instruments. The fair value of the part classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole.

Transaction costs relating to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Interest expenses are recognized in the income statement and calculated using the effective interest method.

Employee benefits

Short-term employee benefits
Short-term benefits, such as wages, salaries, social security contributions costs, holiday remuneration and bonuses are recognized in the period in which the employees render the related services.

Pensions
Nilar’s long-term employee benefit plan only include defined contribution plans.

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Obligations for contributions to defined-contribution pension plans are recognized as an employee benefit expense in the income statement in the periods during which services are rendered by employees.

Employee share-option plan
A share-based incentive program is an employee option plan that is equity-settled in accordance with to IFRS 2.

According to IFRS 2, the fair value is determined at the grant date of the equity. Share-based payments are expensed on a straight-line basis over the vesting period, based on the Group´s estimate of equity instruments that will vest, with a corresponding increase in equity. The fair value of the employee share-options is estimated at grant date, using the Black-Scholes model for pricing of options.

1 Significant accounting policies (cont.)

The accumulated cost that is recognized at each reporting date shows to which extent the vesting period has past and the estimated number share-based instruments that will be vested.

Leases

Leases, in which substantially all the risks and rewards of ownership has been transferred to the Group, are classified as finance leases. Finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. Lease payments is allocated between finance expenses and a reduction of the lease obligation. Property, plant and equipment that are leased are depreciated over the estimated useful lives.

Leases in which substantially all risks and rewards of ownership not are transferred to the lessee are classified as operating leases. Operating lease payments are recognized as an expense in the statement of comprehensive income on a straight-line basis over the lease term. In the event that lease incentives are received to enter the lease agreement, such incentives are considered.

Nilar only holds leases that are classified as operating leases.

Revenue recognition

Revenue is recognized revenue when the amount of revenue can be measured reliably and it is probable that future economic benefits will flow to the Group.

Interest income

Interest income is recognized when it is earned. Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable.

Dividend income

Dividend income from investments is recognized in profit or loss when the shareholder's right to receive payment has been established.

Government grants

Government grants are measured at fair value when there is reasonable assurance that the entity will comply with the conditions attaching to them and the grants will be received.

Government grants related to assets are recognized in the statement of financial position as a deduction of the grant in arriving at the carrying amount of the asset. Grants related to income are presented as part of profit or loss, either separately or under a general heading such as “Other income”.

1 Significant accounting policies (cont.)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Income tax is recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the tax effect are also recognized in other comprehensive income or in equity.

Current tax is the tax currently payable or refundable for the year, including adjustment of current tax related to prior periods. The tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is calculated in accordance with the balance sheet method. Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases. Deferred tax assets are recognized for all tax-deductible temporary differences, for example carryforward of unused tax losses, to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable the sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities is offset if there is a legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax is attributed to the same entity in the Group and the same taxation authority.

Cash flow

Cash and cash equivalents include cash on hand and demand deposits and highly liquid investments with a maturity of less than three months and which are subject to an insignificant risk of changes in value. Short term bank overdrafts are included in cash and cash equivalents. Cash flow is presented in the statement of cash flow. Cash flow from operating activities is presented using the indirect method.

1 Significant accounting policies (cont.)

Parent company accounting principles

The consolidated financial statements of Nilar has been prepared in accordance with IFRS. The Parent Company, Nilar International AB (publ) applies RFR 2, Accounting for legal entities.

The Parent Company applies the same accounting policies as the Group, with the following exceptions:

Presentation of financial statements

The Parent Company's financial statements are prepared in accordance with the Swedish Annual Accounts Act, (Årsredovisningslagen). The income statement consists of two statements produced separately: income statement and statement of comprehensive income. The statement of change in equity is prepared in accordance with the format used by the Group but contains the columns specified in the Swedish Annual Accounts Act. Differences in the presentation of the Parent Company's financial statements compared to presentation of the Group's consolidated financial statements mainly refers to titles, financial income and expenses and items within equity.

Investment in subsidiaries

Investments in subsidiaries are accounted for in the Parent Company at historical cost less impairment losses. The purchase price also includes fair value of assets and liabilities that are part of the contingent consideration. Acquisition-related costs and contingent considerations (if any) are included in the carrying amount.

If there is any indication that shares in subsidiaries have suffered an impairment loss, the recoverable amount of the asset is estimated. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. The impairment is recognized and incorporated in the "Result from participations in Group companies".

Shareholders' contributions and Group contributions

Shareholders' contributions are capitalized in shares and participations by the giver, to the extent there is no impairment loss. All Group contributions are recognized as appropriations in the income statement.

1 Significant accounting policies (cont.)

Application of new and revised accounting principles

New or amended IFRS standards and new interpretations 2015

New or revised standards and new interpretations have not had any material impact on the Group's financial statements in 2015.

New IFRS not yet applied

The following describes the new and revised standards and interpretations that are expected to have impact on the Group's financial statements in the period in which they are applied for the first time.

IFRS 15 Revenue from contracts with customers means a model for revenue recognition for almost all income arising from contracts with customers, with the exception of leases, financial instruments and insurance contracts. The purpose of a new revenue standard is to have a single policy-based standard for all industries to replace existing standards and statements of income. The basic principle of revenue recognition is that the company will recognize revenue when all risks and benefits associated with the goods and or services passes to customers in exchange for compensation for these goods and or services. The new standard could have implications on service agreements, sales with various elements of goods and or services, long-term contracts, consultants' fees and license-based sales. All businesses will be affected by the new, significantly enhanced disclosure requirements. Management's assessment is that the application of IFRS 15 may affect the reported amounts in the financial statements regarding the Group's financial assets and liabilities. A detailed analysis of the effects of the application of IFRS has not yet been implemented, why the effects cannot yet be quantified.

IFRS 9 Financial instruments intended to replace IAS 39 Financial instruments: the IASB now has completed a whole "package" of changes relating to the reporting of financial instruments. This package provides a model for the classification and measurement of financial instruments, a forward-looking ("expected loss") impairment model and an essentially revised approach to hedge accounting. IFRS 9 comes into force on 1 January 2018, assuming that the EU adopts standard. The main requirements of IFRS 9 is described below.

New requirements for the classification and measurement of financial assets are introduced. The categories of financial assets in IAS 39 are replaced by two categories, where valuation is at fair value or amortized cost. Amortized cost is used for instruments which are held in a business model whose objective is to obtain the contracted cash flows; which shall constitute payments of principal and interest on the principal amount at the specified date. Other financial assets at fair value and the ability to apply the “fair value option” as in IAS 39 are retained. Changes in fair value shall be recognized in profit or loss, except for changes in the value of equity instruments that are not held for trading and for whom initial choices are made to account for changes in the value of other comprehensive income.

1 Significant accounting policies (cont.)

IFRS 9 will also contain elements relating to classification and measurement of financial liabilities. Most is consistent with the previous rules in IAS 39, except for financial liabilities that are measured at fair value on a voluntary basis according to the so-called "fair value option". For these liabilities the change in value is split on changes that are attributable to own credit rating and on changes in reference interest rate. The new impairment model will require more regular impairment of "expected credit losses" and these should be reported from the initial recognition of the asset. The new rules on hedge accounting means, among other things, simplifications of the performance tests and extension of what is permitted hedging instruments and hedged items. Enhanced disclosure requirements in the period when IFRS 9 is applied for the first time are introduced in IFRS 7. Management's assessment is that the application of IFRS 9 can affect the amounts reported in the financial statements regarding the Group's financial assets and liabilities. A detailed analysis of the effects of application of IFRS 9 has not yet been implemented, why the effects cannot yet be quantified.

IFRS 16 Leases was issued on 13 January 2016 and is to replace IAS 17 Leases. IFRS 16 introduces a “right of use model" and means for the lessee that virtually all leases should be reported in the balance sheet, classification of operational and financial leasing agreements should therefore not be made. Excluded are leases with a lease period which is 12 months or less and leasing agreements amounting to smaller values. Depreciation on the asset and the interest expense on the debt is reported in the income statement. The standard includes more extensive disclosure requirements compared with the current standard. IFRS 16 is applicable for reporting periods beginning 1 January 2019, with earlier application permitted provided that IFRS 15 applied simultaneously. The standard is not yet adopted by the EU.

Other new and revised standards and interpretations that have not entered into force are assessed by the management of the Company not to have any material effect on the consolidated financial statements when they are applied for the first time.

2 Distribution of net sales

Net sales are distributed by geographical market as follows:

Group	**2015 SEK'000**	2014 SEK'000
Sweden	67	913
EU	310	21
Outside EU	-	17
Group total	**377**	952

Group	**2015 SEK'000**	2014 SEK'000
Sales of goods	377	952
Group total	**377**	952

Parent Company	**2015 SEK'000**	2014 SEK'000
Sales of goods	-	918
Parent Company total	**-**	918

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Notes to the accounts

3 Expenses by type of cost

Group	**2015 SEK'000**	2014 SEK'000
Goods for resale	(5 151)	(3 246)
Remuneration expenses to employees	(19 912)	(22 535)
Depreciation/amortization and write-downs	(6 009)	(4 946)
Other expenses	(10 826)	(11 830)
Total costs of goods sold, sales and administration	**(41 898)**	(42 557)

Moderbolaget	**2015 SEK'000**	2014 SEK'000
Goods for resale	-	(1 016)
Remuneration expenses to employees	(11 643)	(13 102)
Depreciation/amortization and write-downs	(713)	(586)
Other expenses	(6 129)	(702)
Total costs of goods sold, sales and administration	**(18 485)**	(15 406)

4 Audit fees

Audit assignments refers to the audit of the annual accounts, accounting records and the administration of the Board of Directors and the Executive Director, other tasks that is the duty of the Company's auditors to perform and advice or other assistance arising from observations made during the audit or the implementation of such other work assignments. Everything else is other assignments.

Group	**2015 SEK'000**	2014 SEK'000
Deloitte AB		
Audit assignment	195	173
Audit activities other than audit assignment	75	-
Total	**270**	173
Ernst & Young AB		
Audit assignment	-	92
Audit activities other than audit assignment	-	-
Total	**-**	92
EKS&H		
Audit assignment	121	108
Total	**121**	108
Group total	**391**	373

Parent Company	**2015 SEK'000**	2014 SEK'000
Deloitte AB		
Audit assignment	145	173
Audit activities other than audit assignment	75	-
Total	**220**	173
Ernst & Young AB		
Audit assignment	-	92
Audit activities other than audit assignment	-	-
Total	**-**	92
Parent Company total	**220**	265

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5 Remuneration to employees, etc.

Group	2015 SEK'000	2014 SEK'000
Salaries and other provisions	18 683	22 079
Social security contributions	6 669	7 079
Pension costs - defined contribution plans	2 266	2 151
Group total	**27 618**	31 310

Salaries, other provisions and social security contributions	**2015 SEK'000 Salaries and other provisions (of which bonus)**	2014 SEK'000 Salaries and other provisions (of which bonus)
Board Members, Executive Director and other senior executives	10 000	11 281
Other employees	17 618	20 028
Group total	**27 618**	31 310

Gender distribution in the Group (including subsidiaries) for Board Members and other senior executives	**2015**		2014	
	Number on balance sheet date	**Of whom men**	Number on balance sheet date	Of whom men
Members of the Board	5	5	6	6
Executive Director and other senior executives	7	7	7	7
Group total	**12**	**12**	13	13

Parent Company	**2015 SEK'000**	2014 SEK'000
Salaries and other provisions	7 648	9 126
Social security contributions	2 820	2 980
Pension costs - defined contribution plans	1 355	1 466
Parent Company total	**11 823**	13 572

Salaries, other provisions and social security contributions	**2015 SEK'000 Salaries and other provisions (of which bonus)**	2014 SEK'000 Salaries and other provisions (of which bonus)
Board Members, Executive Director and other senior executives	7 169	7 972
Other employees	4 654	5 600
Parent Company total	**11 823**	13 572

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5 Remuneration to employees, etc. (cont.)

Average number of employees with geographical distribution per country	2015 Average number of employees	2015 Of whom women	2014 Average number of employees	2014 Of whom women
Sweden	7	1	7	1
Parent Company total	**7**	**1**	7	1
Subsidiary				
Sweden	31	14	34	14
USA	3	-	3	-
Subsidiary total	**34**	**14**	**37**	14
Group total	**41**	**15**	44	15

Gender distribution in Parent Company	2015 Number on balance sheet date	2015 Of whom men	2014 Number on balance sheet date	2014 Of whom men
Members of the Board	5	5	6	6
Executive Director and other senior executives	5	5	5	5
Parent Company total	**10**	**10**	11	11

6 Other operating income

Group	2015 SEK'000	2014 SEK'000
Energimyndigheten	1 972	867
Salary contributions	323	611
Sales of scrap	-	13
Insurance compensation	-	77
Foreign exchange gains	16	17
Other operating income	**2 311**	1 585

In July 2013 a 3-year project (project number 37720-1) was initiated along with Stena Recycling AB, Stockholm University and Chalmers University of technology AB with support from the Swedish Energy Agency (Energimyndigheten). The aim of the project is to increase the rate of re-use and/or recycling of nickel-metal hydride batteries (NiMH batteries). Total grant amounts to 5 500 kSEK – of which 663 (342) kSEK has been recognized as income in 2015.

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6 Other operating income (cont.)

The Company is since October 2013 part of a EU-funded project (project number 608678) working for energy savings in defined shopping centers within the EU. The Company has recognized 1 308 (525) kSEK in 2015 in respect of this project.

During the year, the Company received wage subsidies with 323 (611) kSEK.

7 Financial income and expenses/Other interest income and similar profit/loss items, and interest expenses and similar profit/loss items

	Group		Parent Company	
Financial income / Other interest income and similar profit/loss items	**2015 SEK'000**	2014 SEK'000	**2015 SEK'000**	2014 SEK'000
Interest income on bank balances	2	21	2	11
Interest income group companies	-	-	1 837	2 356
Financial income	**2**	21	**1 839**	2 367

	Group		Parent Company	
Financial expenses / Interest expenses and similar profit/loss items	**2015 SEK'000**	2014 SEK'000	**2015 SEK'000**	2014 SEK'000
Interest expenses on borrowings	(3 466)	(1 841)	(3 466)	(1 841)
Interest expenses on convertible loan	(896)	(1 346)	(896)	(1 346)
Interest expenses group companies	-	-	-	-
Interest expenses on loans	(267)	(506)	-	-
Other interest expenses	(24)	(8)	(0)	(6)
Exchange losses	-	-	-	-
Financial expenses	**(4 653)**	(3 701)	**(4 362)**	(3 193)
Financial items, Group - net	**(4 651)**	(3 680)	**(2 523)**	(826)

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8 Income tax/Tax on profit for the year

	Group		Parent Company	
	2015	2014	**2015**	2014
	SEK'000	SEK'000	**SEK'000**	SEK'000
Deferred tax	**-**	11 760	**-**	-
Deferred tax regarding previous years	**-**	-	**-**	-
Income tax	**-**	11 760	**-**	-

	Group		Parent Company	
	2015	2014	**2015**	2014
	SEK'000	SEK'000	**SEK'000**	SEK'000
Profit before tax	(43 861)	(43 700)	(58 816)	(84 002)
Income tax calculated according to national tax rates prevailing on profit in each country. 22% in Sweden.	9 649	9 614	12 940	18 480
Tax effects of:				
- Non-taxable income	0	0	0	0
- Non-deductible expenses	(22)	(23)	(8 333)	(15 169)
- Taxable losses for which no deferred tax assets have been reported	(9 627)	5 283	(4 607)	(3 311)
- Deferred tax capitalized intangible assets	-	(3 059)	-	-
- Deferred tax employee share options	-	(55)	-	-
Amounts relating to previous years	-	-	-	-
Tax income	**0**	11 760	**0**	(0)

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9 Intangible assets

Patents

Group	2015-12-31 SEK'000	2014-12-31 SEK'000
Accumulated acquisitions at beginning of year	6 843	6 846
Acquisitions	-	39
Amortizations	-	(42)
Accumulated acquisitions at end of year	6 843	6 843
Accumulated depreciations at beginning of year	(3 147)	(2 561)
Amortizations	-	-
Depreciations	(713)	(586)
Accumulated depreciation at end of year	(3 860)	(3 147)
Group total	**2 983**	**3 696**

Parent Company	2015-12-31 SEK'000	2014-12-31 SEK'000
Accumulated acquisitions at beginning of year	6 843	6 846
Acquisitions	-	39
Amortizations	-	(42)
Accumulated acquisitions at end of year	6 843	6 843
Accumulated depreciations at beginning of year	(3 147)	(2 561)
Amortizations	-	-
Depreciations	(713)	(586)
Accumulated depreciation at end of year	(3 860)	(3 147)
Parent Company total	**2 983**	**3 696**

The Company has after examination of; applied, registered and granted patents in 2015 discarded non active patents with 0 (42) kSEK. On 31 December 2015, Nilar had approximately 90 active patents/patent applications.

Depreciation of patents occurs during the term of the patent, from the date the patents have been approved.

9 Intangible assets (cont.)

Capitalized expenditure for research and development

Group	2015-12-31 SEK'000	2014-12-31 SEK'000
Accumulated acquisitions at beginning of year	131 303	117 400
Acquisitions	14 285	13 903
Amortizations	-	-
Accumulated acquisitions at end of year	145 588	131 303
Accumulated depreciations at beginning of year	-	-
Amortizations	-	-
Depreciations	-	-
Accumulated depreciation at end of year	-	-
Group total	**145 588**	**131 303**

Group	2015-12-31 SEK'000	2014-12-31 SEK'000
Product development	137 200	125 104
Production process development	5 906	5 063
Development of ERP system	1 069	767
Development of LMU	1 413	369
Group total	**145 588**	**131 303**

Capitalized development expenses relate to costs for product and production technology development. Amortization of the assets begins when the products and the production plant is fully developed.

The Company updates on a continuous basis so-called "impairment tests" to assess whether it is necessary to write down the value of assets. The Company prepares cash flow forecasts based on the by the Board of Directors most recently adopted financial forecasts. The Board's view is that the next 10 years' effect of cash flows, which include the Board's adopted forecast with a residual value with the adopted growth of 2%, is substantially higher than the book value of the intangible assets of 145,6 (131,3) MSEK. The Company has not put together any cash flow projections beyond these ten years.

The discount rate used to discount the cash flows from operations amounted to 20%.

9 Intangible assets (cont.)

Parent Company	2015-12-31 SEK'000	2014-12-31 SEK'000
Accumulated acquisitions at beginning of year	90 989	90 989
Acquisitions	-	-
Amortizations	-	-
Accumulated acquisitions at end of year	90 989	90 989
Accumulated depreciations at beginning of year	-	-
Reversal of accumulated depreciations	-	-
Depreciations	-	-
Accumulated depreciation at end of year	-	-
Parent Company total	**90 989**	**90 989**

10 Tangible fixed assets

Group	2015-12-31 SEK'000	2014-12-31 SEK'000
Accumulated acquisitions at beginning of year	28 093	17 963
Acquisitions	866	10 063
Amortizations	(28)	-
Translation difference	29	67
Accumulated acquisitions at end of year	28 960	28 093
Accumulated depreciations at beginning of year	(9 258)	(4 850)
Amortizations	-	-
Depreciations	(5 296)	(4 359)
Translation difference	7	(49)
Accumulated depreciation at end of year	(14 547)	(9 258)
Group total	**14 413**	**18 835**

Parent Company	2015-12-31 SEK'000	2014-12-31 SEK'000
Accumulated acquisitions at beginning of year	-	-
Amortizations	-	-
Accumulated acquisitions at end of year	-	-
Accumulated depreciations at beginning of year	-	-
Amortizations	-	-
Depreciations	-	-
Accumulated depreciation at end of year	-	-
Parent Company total	**-**	**-**

11 Fixed assets under construction

Group	**2015-12-31 SEK'000**	2014-12-31 SEK'000
Accumulated acquisitions at beginning of year	651	7 698
Acquisitions	34	1 357
Amortizations	(685)	(8 404)
Translation difference	-	-
Accumulated acquisitions at end of year	(0)	651
Accumulated depreciations at beginning of year	-	-
Amortizations	-	-
Depreciations	-	-
Accumulated depreciation at end of year	-	-
Group total	**(0)**	**651**

Fixed assets under construction refers to not yet completed manufacturing equipment.

The Parent Company does not have any fixed assets under construction.

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12 Deferred tax

Deferred tax liabilities are distributed as follows:

Group	**2015-12-31 SEK'000**	2014-12-31 SEK'000
Deferred tax income regarding losses carried forward	(12 012)	(8 869)
Deferred tax regarding employee share-options	-	73
Deferred tax related to accumulated loss carryforwards	47 520	35 569
Revaluation of deferred tax assets	(35 508)	(26 773)
Total deferred tax in the Income Statement	**-**	(0)

Group	**2015-12-31 SEK'000**	2014-12-31 SEK'000
Deferred tax liabilities to be utilized after more than 12 months' time	-	-
Deferred tax liabilities to be utilized within 12 months' time	-	-
Total deferred tax liabilities	**-**	-
Tax assets (net)	-	-

The Parent Company does not have any deferred tax assets or liabilities.

Valuation of capitalized development expenses in the consolidated accounts means a taxable temporary difference of 54,6 MSEK and consequently a deferred tax liability of 22% of 54,6 MSEK. The Parent Company and the Swedish subsidiary, on the other hand, has unused tax losses amounting to 216 MSEK, why a deferred tax asset is also 22% of 216 MSEK. The remaining tax loss carryforwards of 161,4 MSEK are not recognized as deferred tax assets.

When the temporary difference will bring current tax, the equivalent tax loss carryforwards will be utilized, so that there is no current tax payment. Therefore, reported net deferred tax assets and liabilities are 0.

13 Financial instruments per category

Group **Assets in the balance sheet**	**Loans receivable and accounts receivable - trade SEK'000**
31 December 2014	
Accounts receivable - trade	17
Cash and cash equivalents	8 499
Total	**8 516**
31 December 2015	
Accounts receivable - trade	226
Cash and cash equivalents	20 451
Total	**20 677**

Group **Liabilities in the balance sheet**	**Other financial liabilities SEK'000**
31 December 2014	
Borrowings	50 658
Accounts payable - trade	1 416
Prepaid income and accrued expenses	4 467
Total	**56 541**
31 December 2015	
Borrowings	4 861
Accounts payable - trade	1 520
Prepaid income and accrued expenses	7
Total	**6 388**

13 Financial instruments per category (cont.)

IFRS 13 Fair Value Measurement contains a valuation hierarchy with regard to input to the valuation. This valuation hierarchy is divided into three levels, consistent with the levels introduced in IFRS 7 Financial Instruments: Disclosures. The three levels are:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has access to at the valuation date.
- Level 2: Inputs other than quoted prices included in Level 1, which are directly or indirectly observable for the asset or liability. It can also refer to inputs other than quoted prices that are observable for the asset or liability, such as interest rates, yield curves, volatility and multiples.
- Level 3: Unobservable inputs for the asset or liability. At this level should be taken into account assumptions that market participants would use in pricing the asset or liability including risk assumptions.

For all of the items above, the booked value is an approximation of the true value, why these records are not divided into levels according to the valuation hierarchy.

14 Inventories

Group	**2015-12-31 SEK'000**	2014-12-31 SEK'000
Raw materials	4 119	5 946
Work in progress	2 025	3 429
Finished goods	344	620
Group total	**6 488**	9 995

The Parent Company does not have any inventories.

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15 Accounts receivable - trade

Group	2015-12-31 SEK'000	2014-12-31 SEK'000
Accounts receivable - trade	226	17
Less: reserve for doubtful debts	-	-
Accounts receivable - trade - net	**226**	17

Maturity	2015-12-31 SEK'000	2014-12-31 SEK'000
Receivables not yet matured	226	17
1-30 days	-	-
31-60 days	-	-
> 61 days	-	-
Total mature accounts receivable - trade	**226**	17

Parent Company	2015-12-31 SEK'000	2014-12-31 SEK'000
Accounts receivable - trade	-	-
Less: reserve for doubtful debts	-	-
Accounts receivable - trade - net	**-**	-

	2015-12-31 SEK'000	2014-12-31 SEK'000
Receivables not yet matured	-	-
1-30 days	-	-
31-60 days	-	-
> 61 days	-	-
Total mature accounts receivable - trade	**-**	**-**

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16 Other receivables

Group	2015-12-31 SEK'000	2014-12-31 SEK'000
VAT	730	670
Other receivables	701	0
Group total	**1 431**	670

Parent Company	2015-12-31 SEK'000	2014-12-31 SEK'000
VAT	300	314
Other receivables	0	-
Parent Company total	**300**	314

17 Prepaid expenses and accrued income

Group	2015-12-31 SEK'000	2014-12-31 SEK'000
Prepaid lease fees	592	900
Prepaid pension costs	60	106
Prepaid insurance	121	133
Other items	381	156
Group total	**1 154**	1 295

Parent Company	2015-12-31 SEK'000	2014-12-31 SEK'000
Prepaid lease fees	72	88
Prepaid pension costs	60	106
Prepaid insurance	4	4
Other items	210	107
Parent Company total	**346**	305

18 Cash and cash equivalents/Cash and bank balances

The item Cash and cash equivalents in the balance sheet and cash flow statement includes the following items:

Group	**2015-12-31 SEK'000**	2014-12-31 SEK'000
Cash and bank balances	20 451	8 499
Group total	**20 451**	8 499

Parent Company	**2015-12-31 SEK'000**	2014-12-31 SEK'000
Cash and bank balances	18 062	7 185
Parent Company total	**18 062**	7 185

19 Share capital and other contributed capital

	Number of shares ('000)	Share capital SEK'000	Other contributed capital SEK'000	Total SEK'000
As per 1 January 2014	**1 274**	**1 274**	**227 260**	**228 534**
New share issue	84	84	31 294	31 378
Option programmes	-	-	164	164
As per 31 December 2014	**1 358**	**1 358**	**258 719**	**260 077**
New share issue	903	903	102 861	103 764
Option programmes	-	-	-	-
As per 31 December 2015	**2 261**	**2 261**	**361 580**	**363 841**

Share capital consists of 2 261 422 shares. Each share entitles the holder to 1 vote. All shares issued by the Parent Company have been paid in full.

After the balance sheet date, an additional 92 716 shares related to the share issue conducted in 2015 have been registered. After this registration, the share capital consists of 2 354 138 shares.

20 Borrowings

Group	**2015-12-31 SEK'000**	2014-12-31 SEK'000
Long-term		
Almi	972	1 528
Norrlandsfonden	972	1 527
Total long-term borrowings	**1 944**	**3 055**
Short-term		
Almi	1 459	1 667
Norrlandsfonden	1 458	1 667
Convertible loan	-	15 000
Bridge loans	-	29 269
Total short-term borrowings	**2 917**	**47 603**
Total borrowings	**4 861**	50 658

All borrowings are in SEK. The maturity date and interest rate conditions are shown below:

Borrowings	**Amount per 2015-12-31 SEK'000**	**Maturity date**	**Interest rate**
Almi	2 430 500	2017-07-31	Variable. 5.39%
Norrlandsfonden	2 430 350	2017-07-31	Stibor 90 + 5%
Total borrowings	**4 860 850**		

Convertible loan

During the year, the convertible loans amounting to 15 MSEK have – as was decided by the Extraordinary General Meeting held on 15 April 2013 – been converted to equity.

Bridge loan

The Bridge loan – a debt instrument up to 50 MSEK – issued in 2014 was during the year in its entirety converted to equity.

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20 Borrowings (cont.)

Parent Company	2015-12-31 SEK'000	2014-12-31 SEK'000
Long-term		
Convertible loan	-	15 000
Bridge loans	-	29 269
Total borrowings	**-**	44 269

During the year, 1 528 (3 472) kSEK has been amortized against long-term bank loans.

Group	less than 1 year SEK'000	1-2 years SEK'000	2-5 years SEK'000	more than 5 years SEK'000
Almi	1 551	988	-	-
Norrlandsfonden	1 550	988	-	-
Total payments	**3 101**	**1 976**	**-**	**-**

21 Other liabilities

Group	2015-12-31 SEK'000	2014-12-31 SEK'000
Accrued payroll taxes	487	515
Social security expenses	459	501
Tax on pension	522	298
Ongoing development projects	717	512
Group total	**2 185**	1 826

Parent Company	2015-12-31 SEK'000	2014-12-31 SEK'000
Accrued payroll taxes	256	234
Output VAT Sweden	198	186
Tax on pension	356	173
Parent Company total	**810**	593

22 Accrued expenses and deferred income

Group	2015-12-31 SEK'000	2014-12-31 SEK'000
Deferred holiday pay	1 204	1 142
Accrued interest for convertible loans and bridge loans	7	4 467
Accrued expenses for employee share-options	-	717
Other items	2 246	2 418
Group total	**3 457**	8 744

Parent Company	2015-12-31 SEK'000	2014-12-31 SEK'000
Deferred holiday pay	674	442
Accrued interest for convertible loans	7	4 467
Other items	1 492	1 697
Parent Company total	**2 173**	6 606

23 Pledged assets

Group	2015-12-31 SEK'000	2014-12-31 SEK'000
Floating charges	30 000	30 000
Group total	**30 000**	30 000

Parent Company	2015-12-31 SEK'000	2014-12-31 SEK'000
Floating charges	20 000	20 000
Parent Company total	**20 000**	20 000

10 MSEK of the Company's pledged assets are used as collateral for loans from Almi and Norrlandsfonden, where security is divided vertically and proportionally.

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24 Lease agreements

Operational leasing

The Group's and Parent Company's operating leases essentially relates to; renting of machinery, cars, office and factory premises in Täby, Gävle and Denver, United States. Sublease does not occur.

Future minimum lease payments under non-cancellable operating lease agreements in force at the end of the reporting period are due as follows:

Group	**2015-12-31 SEK'000**	2014-12-31 SEK'000
Within one year	3 013	2 735
More than one year and within five years	10 942	10 473
Group total	**13 955**	13 208

Costs for operational leasing in the Group during the financial year amounted to 3 827 (521) kSEK.

Parent Company	**2015-12-31 SEK'000**	2014-12-31 SEK'000
Within one year	300	178
More than one year and within five years	90	193
Parent Company total	**390**	371

Costs for operational leasing in the Parent Company during the financial year amounted to 463 (256) kSEK.

25 Transactions with related parties

Fjord Capital Partners, Fredriksson & Forssell AB, Sagax Limited/Anders Barsk, Christmas Common Ltd, and Stamfar Peter AB are considered to have significant influence over Nilar International AB (publ). Other related parties are all subsidiaries within the Group, as well as senior executives of the Group, that is, the Board and management, as well as their family members.

The following transactions have occurred with related parties:

Remuneration to senior executives

	2015 SEK'000	2014 SEK'000
Salaries and other current remuneration	10 000	11 281
Severance pay	653	-
Share-based payment	-	136
Total	**10 653**	11 417

Transactions between group companies

The Parent Company has purchased goods from Group companies amounting to 0 (1 016) kSEK. Receivables between the Parent Company and the Group companies amount to 16 525 (21 913) kSEK. Interest income from Group companies amount to 1 837 (2 356) kSEK. Interest expenses to Group companies amounts to 0 (0) kSEK.

In 2015, the Parent Company has issued shareholder contributions amounting to 37,8 (68,8) MSEK – out of which 33 (30) MSEK to Nilar AB and 4,8 (38,8) MSEK to Nilar Inc.

Share issue

During 2015, the Company undertook a new share issue which provided the Company 112,5 (31,9) MSEK. Through the rights issue, the Company received about 60 MSEK in working capital. 34 MSEK of bridge loans and 19 MSEK of convertible loans were converted into equity.

9,2 MSEK of the 60 MSEK were converted to equity after the balance sheet date, and are listed as non-registered share capital in the Annual report.

26 Participations in subsidiaries

Parent Company	**2015-12-31 SEK'000**	2014-12-31 SEK'000
Opening acquisition cost	101	101
Shareholder contributions	37 810	68 765
Impairment of shareholder contributions	(37 810)	(68 765)
Closing reported value	**101**	101

The Parent Company holds shares in the following subsidiaries:

					Reported value	
Name	Corporate Identity Number	Registered office	Share of capital	Number of shares	**2015-12-31 SEK'000**	2014-12-31 SEK'000
Nilar AB	556790-0815	Täby	100%	1 000	100	100
Nilar Inc.	1415595	Delaware, USA	100%	10 000	1	1

27 Information regarding the Parent Company

Nilar International AB (publ) is a limited liability company registered in Sweden with the Corporate Identity Number 556600-2977, and with its registered offices in Täby. The address of the head office is Stockholmsvägen 116B, 187 30 Täby. The consolidated accounts for 2015 comprise the Parent Company and its subsidiary, referred to collectively as the Group.

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28 Financial risk management

Financial risk factors

Through its operations the Group is exposed to various kinds of financial risks; foreign exchange-, interest-, credit- and liquidity risks that may impact the Group's result and financial position. The Group Management of Nilar has decided not to actively manage its risks e.g. through the use of derivatives. The significant risks for Nilar are described below.

a) Foreign exchange risk

(i) Transaction risk

Transaction risk is the risk that the Group's net income and cash flow are impacted by changes in value of commercial flows due to changes in exchange rates. Nilar is mainly exposed to currency risk against SEK through purchases and sales in EUR and USD.

As per 31 December 2015, Nilar's financial assets were subject to the following translation exposure:

	2015-12-31 SEK'000	2014-12-31 SEK'000
EUR	61	-
USD	-	5
Other currencies	14	14
Total	**75**	19

The Group had no balance sheet exposure of financial assets.

A change in the exchange rate of the Swedish krona (SEK) against the other currencies (EUR and USD) by 5% would impact profit and equity by 4 (1) kSEK.

(ii) Translation risk

The Group is exposed to a risk from the translation of net assets of foreign subsidiaries to the consolidation currency, Swedish krona (SEK). The Group has foreign subsidiaries in the United States (USD). The Group is exposed to translation risk when these subsidiaries are translated into SEK.

b) Interest risk

Nilar's financial liabilities change in response to changes in interest rates and these changes impact profits and cash flow from operations. The interest risk refers to the risk that changes in general interest rates will have a negative impact on the Group's net income. Interest risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest risk, which is partly offset by liquidity held at variable rates. In 2015 and 2014, the Group only had borrowings at variable rates in SEK.

The Group has analyzed its interest rate sensitivity. The result shows that a change in the Group's interest rate on borrowings by 1% would change income and equity by 31 (36) kSEK.

28 Financial risk management (cont.)

c) Credit risk

Credit risk or counterparty risk refers to the risk that the counterparty in a transaction causes the Group a loss by not fulfilling their contractual obligations. The Group's exposure to credit risk is primarily attributable to bank balances and receivables. The credit risk in bank balances is limited, since 100 % of Nilar's liquidity is held by counterparties that are well-known banks in Sweden, such as Nordea, with high credit rating. The Group's exposure to credit risk attributable to account receivables is limited as the amount of receivables is insignificant. For the Group's credit losses in receivables and maturity structure see note 20 Borrowings.

d) Liquidity risk

Liquidity risk is the risk that the Group will have difficulties meeting its commitments relating to the Group's financial liabilities. To ensure a good liquidity for the operations the Group analyzes liquidity needs every week through liquidity forecasts covering the coming twelve weeks. In addition to the rolling liquidity forecasts the Group also establishes rolling twelve-month forecasts and annual financial plans.

Nilar is expected to grow significantly and the funding of the investments and the working capital required in the future have been forecasted on the basis of historical KPIs and other known factors. The Company's current growth plan requires that Nilar raises new capital. Conditions of such a transaction is affected by the current situation on the financial market and cannot be guaranteed to be favorable. Nilar's sources of capital to secure going concern includes e.g.; bank loans, shareholder loans and capital contributions by shareholders. Given these sources of capital, the Board believes that necessary capital will be available.

For other operational risks, see pages 9-11.

Capital risk management

Nilar's objective of capital management is to ensure the Group's ability to continue its operations, generate returns to the shareholders, create value to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. To ensure the capital structure the Group has the ability to return capital to the shareholders, issue new shares or sell assets to decrease liabilities. For this purpose, in 2015 the Group has issued new shares, please see note 19, Share capital and other capital contributions.

Follow-up regarding capital requirements is continuous. Further, Nilar does not work actively with any explicit qualitative measures.

29 Share-based instruments

	2015:1	2013:1	2012:2	2012:1	2010:1
Start date	2015-10-01	2013-04-04	2012-02-09	2012-02-09	2010-04-30
End date	2018-10-01	2015-09-30	2014-12-31	2014-12-31	2014-12-31
Share price (SEK)	100	375	188	188	110
Exercise price per share (SEK)	100	450	188	188	165
Volatility	30,0%	30,0%	30,0%	30,0%	30,0%
Expected life (years)	3,0	2,5	2,9	2,9	4,7
Risk free rate	0,00%	1,45%	1,45%	1,45%	1,45%
Yield	-	-	-	-	-
Market value per option according to Black-Scholes (SEK)	20,51	49,62	41,02	41,02	15,71
Number initially granted	181 088	82 484	3 717	1 000	50 000
Outstanding 1 January 2015	-	79 160	-	-	-
Granted 2015	181 088	-	-	-	-
Lapsed prior years	-	-	-	-	-
Lapsed 2015	-	-	-	-	-
Exercised 2015	-	-	-	-	-
Matured 2015	-	(79 160)	-	-	-
Outstanding per 31 December 2015	**181 088**	-	-	-	-

The options are issued by the Group subsidiaries: Nilar Inc and Nilar Svenska AB. The options may be used by the holder at any time after the vesting date until the exercise. Each option gives the right to subscribe one ordinary share in Nilar International AB (publ). In the event that options are issued to employees its granted unvested employee share-option upon termination of employment will be forfeited. The options are associated with pre-emption.

The fair value of the options has been determined by using the Black-Scholes valuation model. Significant factors to the model are described in the table above. Parameters such as volatility and risk free rate has been estimated by a third party.

Employee share-options granted under the program in 2010:1 and 2012:2 were free of charge, why Nilar must pay tax on the benefit and social security contributions for the value of the share-options granted. Expected social security contributions have been calculated and provision has been made.

All employee share-options lapsed during 2014. The Group’s costs for the employee share-options (including costs for taxes and social costs) amounted to 0 (0,3) MSEK.

Share-options granted under the programs in 2013:1 and 2015:1 have been used as part of the capital raisings during 2013 and 2015.

30 Important estimates and assessments

Estimates regarding the values of balance sheet items and assessments made in the application of accounting principles are continuously assessed, and are based on previous experience and other factors, including expectations for future events which can be regarded as reasonable under the prevailing circumstances.

Important estimates and assessments for accounting purposes

The Group makes estimates and assumptions regarding the future. The estimates for accounting purposes will, by definition, rarely correspond to the actual outcome. A summary of the estimates and assumptions which imply a significant risk for material adjustments in the reported values of assets and liabilities in the coming financial year is provided below.

Capitalized expenditure for development

Nilar capitalizes expenditure attributable to product development, production process development, and the implementation of business systems to the extent they are assessed to meet the criteria stipulated in IAS 38 paragraph 57.

Valuation of losses carried forward

Valuation of capitalized development expenses in the consolidated accounts means a taxable temporary difference of 54,6 MSEK and consequently a deferred tax liability of 22% of 54,6 MSEK. The Parent Company and the Swedish subsidiary, on the other hand, has unused tax losses amounting to 216 MSEK, why a deferred tax asset is also 22% of 216 MSEK. The remaining tax loss carryforwards of 161,4 MSEK are not recognized as deferred tax assets.

When the temporary difference will bring current tax, the equivalent tax loss carryforwards will be utilized, so that there is no current tax payment. Therefore, reported net deferred tax assets and liabilities are 0.

31 Events after the balance sheet date

- Michael Obermayer has been appointed new CEO of Nilar International AB (publ) after Peter Lageson on 15 January 2016 resigned from his role as CEO. Lars Fredriksson has been appointed Chairman of the Board following Michael Obermayer's resignation from the role. Marcus Wigren – former Head of Sales and marketing – was on 15 January 2016 appointed Managing Director of Nilar AB, which is the operating entity of the Group.
- New shares and share capital per 25 January 2016 – following the registration of the new share issues during 2015 – are 2 354 138 shares and 2 354 138 SEK respectively.
- At the Extra General Meeting held on 29 April 2016, the shareholders decided to implement an incentive program for top management comprising of warrants. At the most, 261 571 warrants can be issued, which equals a 10% dilution of current shareholders.
- During 2016, the Company is conducting a fundraising with Vator Securites AB as advisors. The fundraising is expected to be completed during June 2016.

Certification by the Board and CEO

The annual accounts have been prepared in accordance with generally accepted accounting principles in Sweden and the consolidated financial statements have been prepared in accordance with the International Accounting Standards as prescribed by the European Parliament and Council Regulation (EC) No 1606/2002 dated July 19, 2002 on the application of International Accounting Standards. The annual accounts and consolidated accounts give a true and fair view of the development of the business activities, financial position and results of operation as well as the significant risks and uncertainties which the Parent company and the Entities incorporated in the Nilar Group are exposed to.

The Annual report, as noted below, was approved for issue by the Board and CEO on 9 June 2016. The consolidated income statement and balance sheet are subject to approval at the Annual General Meeting on 30 June 2016.

Täby, 9 June 2016

Lars Fredriksson
Chairman of the Board of Directors

Anders Barsk
Board Member

Ted Kalborg
Board Member

Michael Obermayer
Board Member and Chief Executive Officer

Peter Tell
Board Member

Our audit report was presented on 9 June 2016 and deviates from the standard design
Deloitte AB

Kerstin Sundberg
Autorized Public Accountant

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About Nilar

History

2001 – 2013: Product development

- 2001: Founded Nilar and commenced the registration of patents. Recruitment of experienced team of engineers in the United States.
- 2003: Produced the first electrodes as well as the first prototype modules.
- 2004: Extension of the patent portfolio and R&D organization.
- 2007: Major R&D projects with a large truck manufacturer.
- 2011: Industrialization of the product and production started. Transfer of management functions from the United States to Sweden started.
- 2012: Implementation of the first industrial production line and battery development laboratory in high-quality premises in Gävle.
- 2013: Development of modules and modular systems.

2014 – today: Serial production

- 2014: Implementation of scalable and fully automated production line.
- 2015-today:
    - Increasing sales efforts.
    - Delivery to the customer.
    - Expansion of production capacity and performance.
    - The continued development of the next generation of solutions (power, micro hybrid etc.) based on demand from key customers.

Shareholder information

Board of Directors

Anders Barsk
Lars Fredriksson, Chairman
Ted Kalborg
Michael Obermayer, Chief Executive Officer
Peter Tell

Investor relations

Magnus Nordgren, Chief Financial Officer
E-mail: investor@nilar.com

Address

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Website

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Corporate identity number

556600-2977

Auditor

Deloitte AB
113 79 Stockholm

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