Annual report 2016

From battery cell to functional system
Sustainable energy storage solutions
for today's fast-moving world

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 2016, 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 2017 based on the development of powerful solutions for control of both low- as well as high voltage systems.

2016 has, in addition to active work in the market, been dominated by; tests 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 2017.

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.

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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.

Significant events

Significant financial events

- Net sales amounted to 0.3 (0.4) MSEK.
- Operating loss amounted to -43.7 (-39.2) MSEK.
- Loss after tax amounted to -44.0 (-43.9) MSEK.
- Cash flow from operating activities amounted to -37.1 (-40.2) MSEK.
- The equity/assets ratio amounted to 90 (94) %.
- During Q2-Q3 a new share issue was implemented through which approximately 50 MSEK (before issue costs) of working capital was added to the company.
- In Q4, 10 MSEK of bridge loans were raised as part of the fundraise which is being conducted during Q4 2016-Q2 2017.

Significant operational events

- Continued focus on the previously selected market segments:
    - smart grid,
    - telecommunications, and
    - renewable energy applications,
- Developed highly targeted products for:
    - home/residential storage,
    - micro grid storage,
    - power plant/utility storages, and
    - EV-link (electrical vehicle charge support).
- Several customer projects which have either been delivered to customers during 2016 or in the beginning of 2017.
- Continued the work with the new product generation ”Nilar V2.0”.

Events after the balance sheet date

- The company initiated a private placement of up to 150 MSEK in Q4 2016. The private placement is expected to be closed during Q2 2017. Per 24 May, the company had received cash and commitments of in aggregate 124 MSEK – of which 10 MSEK had been received prior to the balance sheet date in the form of a bridge loan.

Nilar – Rethinking power

With the bi-polar NiMH battery, Nilar brings you the next generation in modular power technology. The unique construction of the battery delivers incredible power and reliability from a lighter, smaller and greener unit. Furthermore, the modular design allows batteries to be coupled in parallel and series to deliver the power and capacity required to meet virtually any need. Put simply, Nilar batteries deliver more from less.

Since it was founded in 2000 by two of the leading experts from the battery branch, Nilar has always sought to challenge the norms of the battery industry. From its two R&D departments in the USA and Sweden the company has revolutionized the way industrial batteries are constructed, developing a unique energy storage system that can be easily scaled to fit different applications. Today, the batteries are produced at the company's state-of-the-art factory in Sweden.

Features of Nilar Batteries

- High modularity enables production of application specific packs.
- Highly robust and safe batteries with integrated heat transfer and no welds or intercell cables, ensure a long life.
- Attractive total cost of ownership with a long calendar and cycle life, low product liability exposure and low service costs.
- Maintenance free, fully recyclable and environmentally friendly

CEO review

The past year 2016

2016 has been a very productive year for Nilar, where we have continued to focus on the previously selected market segments:

- smart grid,
- telecommunications, and
- renewable energy applications,

and developed highly targeted products for:

- home/residential storage,
- micro grid storage,
- power plant/utility storages, and
- EV-link (electrical vehicle charge support).

Notable customer projects during the year have been (all delivered during Q1 2017):

- an energy storage for a PV plant in Sweden (30 kWh),
- a demonstration project with an English university for PV and fuel cells (25 kWh),
- a grid support system in The Netherlands (42 kWh), and another in Switzerland (72 kWh),
- an integration project with a Dutch customer regarding infrastructure around EV-link (Electrical Vehicle charge structure) (6 kWh), and
- further deliveries to existing customers.

Alongside the above, we continue tying new European systems integrators and distributors to Nilar.

We have also during the year seen the continued strong support from existing and new shareholders with the addition of 50 MSEK of equity (Q2-Q3 2016) to fund working capital and further investments in development and our production facility.

The coming year 2017

An exciting year awaits Nilar in which more customer projects, collaborations, and development projects will be initiated. In parallel with this, Nilar's organization is further being strengthened to handle the huge pressure from the market for adapting Nilar's products and systems to customer requirements.

During 2017, we continue to work on the refinement of the existing battery design – a high priority effort which will culminate in Q3 in an entirely new product generation called "Nilar V2.0". This generation will be optimized especially for all telecom customers – who greatly appreciate the characteristics of the NiMH chemistry (safety, longevity and temperature tolerance) – and is designed to optimally fit into a 19-inch rack on a systems level. Our work with this new generation will be carried out in close cooperation with the largest telecom suppliers globally.

CEO review

Nilar has continued to build its reputation through participation at the world's most important battery storage conferences (Düsseldorf Energy Storage Europe, The Battery Show, Hannover Messe, Elfack Gothenburg, ESS Inter Solar Messe Munich) and fairs, where a number of the most qualified global buyers of battery storage systems have signed orders with Nilar for evaluation systems.

We thus look with optimism at 2017 as a year when our products/systems will commercially start becoming part of the emerging energy storage world.

Michael Obermayer
CEO Nilar

Management

Michael Obermayer, CEO

- Born: 1948
- Appointed: Board member of the Company since 2012. CEO in the Company since 15 January 2016.
- Shares: 321 075 privately and through R&H Trust Co (Jersey) Limited as Trustee of the Elk Trust Share options: 54 918
- Education: MSc, Doctor chemistry, MBA INSEAD Experience: Managing Partner Fjord Capital Partners, Senior Partner McKinsey Company, CEO World Economic Forum.

Marcus Wigren, Managing Director Nilar AB

- Born: 1975
- Appointed: 2007. Managing Director Nilar AB since 15 January 2016 – formerly Head of Sales and Marketing.
- Share options: 30 000
- Education: BSc in Business Administration – University of Örebro, BSc in computers, energy, high voltage and control technique – Linköping University.
- Experience: More than 15 years of experience in marketing and sales of technical systems and products. Former; Product manager Gycom Nordic AB, Sales engineering Vacon AB, Electrical and industrial consultant Ångpanneföreningen and Process Control System consultant at Siemens Sweden, Germany, and USA.

Magnus Nordgren, CFO

- Born: 1970
- Appointed: 2013
- Share options: 21 000
- Education: BA in Business Administration, Stockholm University
- Experience: More than 20 years of experience in finance – out of which 12 years from pre-IPO and publicly listed companies. Former; CFO of Brandos AB (publ), CFO of Ortivus AB (publ) – listed on Nasdaq OMX Stockholm Small Cap, CFO of GTE plc – a clean tech company with optimization solutions for gas turbines – IPO on AIM, Director of Finance Nordics of ACNielsen.

Erik Tolagen, Head of Sales and Marketing

- Born: 1973
- Appointed: 2012
- Share options: 15 000
- Education: MSc in Mechanics
- Experience: Background in sales and product management. Special skills in system design and battery implementation, having worked closely to several of Nilar's customers during the years. Former; Engineer Svensk Konstruktionstjänst, Technical sales Promoco Scandinavia AB, Product manager Gycom Nordic AB.

Magnus Dahlén, Head of Product Management

- Born: 1968
- Appointed: 2013
- Share options: 15 000
- 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.

Anders Ericson, Head of Manufacturing

- Born: 1970
- Appointed: 2011
- Share options: 7 500
- Education: 80p – Electronic and Computer Engineering, University of Gävle
- Experience: More than 20 years of management experience and production technology Ericsson. Technical manager of Ericsson's global process for manufacturing of radio base stations. Former; Technology manager Ericsson.

Management

Anders Tangen, Head of R&D

- Born: 1968
- Appointed: 2017
- Share options: 0
- Education: Cand Scient and Dr Scient Chemistry, University of Oslo
- Experience: More than 15 years of management, experience within scientific research, product development, business development, marketing and sales.

Board of Directors

Lars Fredriksson, Chairman & Co-Founder

- Board member of the Company since 2000
- Shares: 259 942 through Fredriksson & Forssell AB Share options: 7 982
- Experience: Former CEO, Optima batteries, brought to IPO; former CEO and current chairman of Gycom AB. Deep experience in building world-wide distribution and sales organizations for battery companies.

Michael Obermayer, CEO

- See Management

Anders Barsk, vice chairman

- Board member of the Company since 2004
- Shares: 212 025 held privately and through Sagax Limited
- Experience: Investor with focus on technology. Director of Gycom AB and former Director for Boston Power Inc (Li-Ion batteries).

Anders Gudmarsson

- Board member of the Company since June 2016, alternate since 2015
- Shares: 3 694
- Master of Law, Uppsala
- Former; Assistant judge, Court of Appeal, Stockholm, President Boliden Intermarket and Flakt Service Sweden, Managing Partner Odgers Berndtson, Stockholm.

Alexander Izosimov

- Board member of the Company since June 2016
- Shares: 100
- Education: M.Sc. in Production Management Systems and Computer Science, MBA INSEAD
- President and CEO AO VimpelCom (later Vimpelcom Ltd.), President for CIS, Central Europe and Nordics Mars Inc., McKinsey & Co. (Stockholm, London). Board experience: EVRAZ Plc, LM Ericsson AB, MTG AB, East Capital AB, Transcom SPA, ICC (International Chamber of Commerce) Carlsberg (advisory board) Orkla (advisory board) Dynasty Foundation.

Peter Tell

- Board member of the Company since 2010
- Shares: 78 244 through Stamfar Peter AB and XAOC AB Share options: 2 685
- Experience: Founder of PIAB AB vacuum division. Currently member of the Board and the CTO of PIAB. In 2006 PIAB was sold to Altor Equity Partners. Altor sold Piab to EQT during 2015.

Ownership

Ownership structure

Nilar's shareholders as per 31 December 2016

Name	Shares/votes	% of share capital/votes
Fjord Capital Partners related entities [1)]	686 341	26,2%
Lecorsier Investments	379 002	14,5%
Fredriksson & Forssell [2)]	259 942	9,9%
Sagax Limited/Anders Barsk [3)]	212 025	8,1%
Christmas Common Ltd/Per Krafft[4)]	189 826	7,3%
Brohuvudet AB	163 495	6,3%
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Segulah Venture AB	52 500	2,0%
Other	219 945	8,4%
Total	**2 615 541**	**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	-
Share issue by set-off	2016	July	261 403	261 403	-
Total			**2 615 541**	**2 615 541**	**-**

Administration report The Nilar Group 2016

The Board and the Chief Executive Officer of Nilar International AB, corporate registration number 556600-2977, hereby present the accounts for the financial year 2016.

The year in brief

- Net sales amounted to 0.3 (0.4) MSEK.
- Operating profit amounted to -43.7 (-39.2) MSEK.
- Profit after tax amounted to -44.0 (-43.9) MSEK.
- Cash flow from operating activities amounted to -37.1 (-40.2) MSEK.
- The equity/asset ratio amounted to 90 (94) %.
- During the reporting period, a new share issue was implemented, through which approximately 50 MSEK was added to operating capital. Further, 10 MSEK of bridge loans were raised.

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 2016, 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 2017 based on the development of powerful solutions for control of both low- as well as high voltage systems.

2016 has, in addition to active work in the market, been dominated by; tests 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 2017.

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 2016

Income and financial position

Sales

Net sales for the Group for the full year amounted to 0.3 (0.4) MSEK.

Income. net financial income and tax

The gross profit for the Group for the full year amounted to -19.2 (-20.2) 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 -26.0 (-21.3) MSEK.

Other operating income comprised of; development grants from Energimyndigheten, salary contributions, and an EU sponsored project was 1.5 (2.3) MSEK.

Operating loss for the full year was -43.7 (-39.2) MSEK. Depreciation and amortization of tangible and intangible assets for the full year was -5.5 (-6.0) MSEK. Financial items were -0.3 (-4.7) MSEK. Pre-tax loss was -44.0 (-43.9) MSEK.

Capitalized expenditure for development referring to expenses for; product development, production technique development and costs for establishing the expanded production facility was -18.5 (-14.3) MSEK.

Loss after tax for the full year was -44.0 (-43.9) MSEK.

Cash flow, investments, and liquidity

Net cash generated from operating activities for the full year was -37.1 (-40.2) MSEK, out of which 1.4 (-2.3) MSEK is related to changes in working capital. Net cash before changes in working capital was -38.5 (-37.9) MSEK.

Investments for the full year were -21.5 (-14.5) MSEK, comprised of capitalized development costs -18.5 (-14.3) MSEK and capital investments in the new factory -3.0 (-0.2) MSEK.

Cash flow from financing activities for the full year was 55.7 (66.7) MSEK, mainly explained by the 50 MSEK new share issue before issue costs, the 10 MSEK bridge loan issue and -2.9 MSEK amortization of loans issued by Almi and Norrlandsfonden.

Net cash flow for the full year was -2.8 (12.0) MSEK. Cash and cash equivalents at the end of the year was 17.6 (20.5) MSEK.

Balance sheet

Total assets are 206.8 (193.5) MSEK. The Group's intangible assets at the end of the period amounted to 166.5 (148.6) MSEK, out of which 164.1 (145.6) MSEK are capitalized expenditures for development work and 2.5 (3.0) MSEK are capitalized expenditures related to patents.

At the end of the period, current assets amounted to 27.9 (30.5) MSEK. Inventories amounted to 5.7 (6.5) MSEK.

At the end of the period, equity in the Group amounted to 186.0 (181.4) MSEK. The equity/asset ratio was 90 (94) %.

Research and development

The Company does not conduct research. 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. Development expenses amounted to a total of -6.6 (-2.2) MSEK, and are attributable to development of products and production technology. Capitalized development expenditures related to development expenses for products and production technology amounted to -18.5 (-14.3) MSEK.

The Parent Company

Revenue for the parent company during the full year was 0 (0) MSEK. Loss after tax was -62.9 (-58.8) MSEK. Group purchases were 0 (0) MSEK. Financial items were -50.8 (-40.3) MSEK due to group transactions, in which the Parent Company has issued shareholder contributions amounting to -52.5 (-37.8) MSEK.

Net cash flow for the full year was -2.8 (10.9) MSEK. Cash and cash equivalents at the end of the year was 15.2 (18.1) MSEK.

The number of employees was 3 (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

Administration report

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. The Company is working systematically to secure alternative suppliers to limit the risks.

Financial risks

Currency risks

Nilar's reporting currency is SEK; however, as the majority of the sales will be made outside Sweden, the Company might be 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.

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 based on 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. In addition to qualified personnel, the Company takes assistance from qualified external patent attorneys. 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. The Company does not have any 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 38 (41).

Dividends

The Board proposes that no dividends be paid for the financial year 2016.

Events after the balance sheet date

The company initiated a private placement of up to 150 MSEK in Q4 2016. The private placement is expected to be closed during Q2 2017. Per 24 May, the company had received cash and commitments of in aggregate 124 MSEK – of which 10 MSEK had been received prior to the balance sheet date in the form of a bridge loan.

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 311 245 335 SEK and the share premium reserve of 386 509 225 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 19 June 2017.

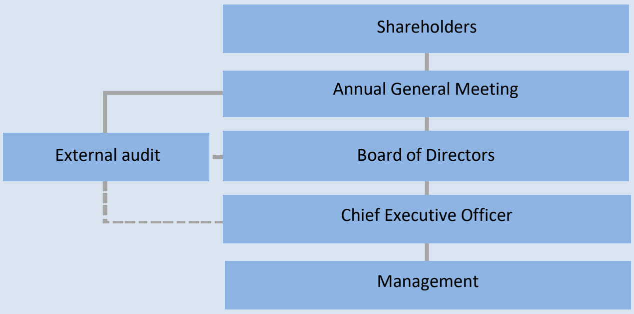
Parent Company	**SEK**
The following profits are at the disposal of the annual general meeting:	
Share premium reserve	386 509 225
Profit/loss brought forward	(248 343 505)
Net loss for the year	(62 901 830)
Total	**75 263 890**

Corporate governance report

Nilar International AB is a Swedish limited liability company.

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 the underlying internal regulations in place in the Company.

Nilar's Corporate management structure



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Administration report

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.

Nilar's shareholders (per 31 December 2016)

Name	Shares/votes	% of share capital/votes
Fjord Capital Partners related entities [1]	686 341	26,2%
Lecorsier Investments	379 002	14,5%
Fredriksson & Forssell [2]	259 942	9,9%
Sagax Limited/Anders Barsk [3]	212 025	8,1%
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Brohuvudet AB	163 495	6,3%
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Hans Franzén	110 378	4,2%
First Energy Resources Inc.	82 866	3,2%
Stamfar Peter AB/XAOC AB [5]	78 244	3,0%
Neil Puester/Trilogy Equities Partnership LLC	60 186	2,3%
Segulah Venture AB	52 500	2,0%
Other	219 945	8,4%
Total	**2 615 541**	**100,0%**

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

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 Articles of Association,
- 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 2015 took place on 30 June 2016. 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 2015, 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 AB 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 1 000 000 shares, to be paid in cash, in kind and/or by set-off.

Extraordinary General Meetings

During the year, an extraordinary general meeting was held on 19 April 2016. Notice was issued in accordance with the articles of association.

Members of the Board appointed by the general meeting of shareholders

The articles of association stipulate that the Board of directors shall consist of three to ten directors with no more than ten deputy directors.

The Board of Nilar comprises six 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 managing director of Nilar AB and the Company's CFO participates when appropriate.

Board	Appointed	Attendance	Independence [1]	Remuneration SEK'000
Lars Fredriksson, chairman	2000	12 (14)	No [2]	-
Anders Barsk, vice chairman	2004	12 (14)	Yes	-
Michael Obermayer, CEO	2012	14 (14)	No [2]	-
Anders Gudmarsson (appointed 30 June 2016)	2016	3 (5)	Yes	-
Alexander Izosimov (appointed 30 June 2016)	2016	4 (5)	Yes	-
Ted Kalborg (deputy director since 30 June 2016)	2007	9 (9)	Yes	-
Peter Tell	2010	14 (14)	Yes	-
Total				**-**

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

[2] Michael Obermayer is not considered by the Code to be independent in relation to the company in his capacity as larger shareholder and CEO of the company. Lars Fredriksson was CEO of the company up until 2013.

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 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.

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Administration report

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 work of the Board of Directors

In Nilar, because 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, based on 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 2016, the issues which were by far the most important and the most time-consuming for the Board were the share issue and the preparations for the fundraising which is being conducted during the spring of 2017.

During the financial year, the Board held 14 recorded meetings, as well as numerous informal meetings, 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.

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 2016 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.

Remuneration

Board fees and audit fees

The Annual General Meeting of 2015 resolved that no Board fees were to be paid, and that audit fees were to be paid on invoice, based on the actual time incurred for the completion of the assignment.

Remuneration to senior executives

The Executive Director has not received any salary in his capacity of major shareholder in the company. For other senior executives reporting directly to the CEO market wages are applied.

Pension benefits are defined contribution and do not exceed 35 per cent of the basic salary. In the event of termination by the company, the period of notice does not exceed twelve months. In the event of termination by the company, a maximum of nine months' salary may apply.

Salaries and benefits are detailed in the annual accounts note 5. There is no remuneration committee within Nilar. The Board fulfill the duties of the remuneration committee.

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.

Control environment

The Board of Nilar International AB 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. Based on 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 to ensure that the risks the Company is exposed to are managed in an appropriate manner under the terms of the established framework.

Administration report

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.

Täby, 24 May 2017
Nilar International AB (556600-2977)
The Board of Directors

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Consolidated statement of income

	Note	2016 SEK'000	2015 SEK'000
Revenue	2	**271**	377
Cost of sales		**(19 508)**	(20 560)
Gross profit		**(19 237)**	(20 183)
Research & development expenses		**(6 589)**	(2 241)
Distribution and selling costs		**(11 630)**	(9 415)
Administrative expenses		**(7 736)**	(9 681)
Other operating income	6	**1 474**	2 311
Operating income	3, 4, 5	**(43 718)**	(39 209)
Financial income	7	**6**	2
Financial expenses	7	**(286)**	(4 653)
Financial costs - net		**(280)**	(4 651)
Profit/loss before tax		**(43 998)**	(43 861)
Income tax	8	**-**	-
Net profit/loss for the year		**(43 998)**	(43 861)
Other comprehensive income			
Currency translation differences		**(37)**	(58)
Other comprehensive income for the year, net after tax		**(37)**	(58)
Total comprehensive income for the year		**(44 035)**	(43 919)

Consolidated balance sheet

	Note	2016-12-31 SEK'000	2015-12-31 SEK'000
Assets			
Fixed assets			
Intangible assets	9		
Patents		**2 460**	2 983
Capitalized expenses for development work		**164 062**	145 588
Total intangible assets		**166 522**	148 572
Tangible fixed assets			
Property, plant and equipment	10	**10 176**	14 413
Fixed assets under construction	11	**2 217**	-
Total tangible assets		**12 393**	14 413
Financial non-current assets			
Deferred tax assets	12	**-**	-
Total financial fixed assets		**-**	-
Total fixed assets		**178 915**	162 985
Current assets			
Inventories	14	**5 743**	6 488
Accounts receivable - trade	13, 15	**11**	226
Tax assets		**367**	720
Other receivables	16	**2 443**	1 431
Prepaid expenses and accrued income	17	**1 682**	1 154
Cash and cash equivalents	13, 18	**17 624**	20 451
Total current assets		**27 870**	30 470
Total assets		**206 785**	193 455

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Consolidated balance sheet (continued)

	Note	**2016-12-31 SEK'000**	2015-12-31 SEK'000
Equity			
Equity attributable to the shareholders in the Parent Company			
Share capital	19	**2 616**	2 261
Non-registered share capital		**-**	9 272
Other contributed capital	19	**419 141**	361 580
Statutory reserves		**6 263**	6 300
Retained earnings		**(241 980)**	(197 982)
Total equity		**186 040**	181 431
Liabilities			
Non-current liabilities			
Borrowings	13, 20	**-**	1 944
Deferred tax liabilities	12	**-**	-
Total non-current liabilities		**-**	1 944
Current liabilities			
Borrowings	13, 20	**11 945**	2 917
Accounts payable - trade	13	**4 630**	1 520
Other liabilities	21	**974**	2 185
Accrued expenses and deferred income	13, 22	**3 196**	3 457
Total current liabilities		**20 745**	10 080
Total equity and liabilities		**206 785**	193 455

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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 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
Opening balance per 1 January 2016	19	**2 261**	**9 271**	**361 580**	**6 300**	**(197 982)**	**181 431**
Comprehensive income							
Net profit/loss for the year		-	-	-	-	(43 998)	(43 998)
Other comprehensive income		-	-	-	(37)	-	(37)
Total comprehensive income		**-**	**-**	**-**	**(37)**	**(43 998)**	**(44 035)**
Transactions with shareholders							
New share issue		354	(9 271)	58 846	-	-	49 929
Share issue expenses		-	-	(1 484)	-	-	(1 484)
Option programme		-	-	200	-	-	200
Closing balance per 31 December 2016	19	**2 616**	**-**	**419 141**	**6 263**	**(241 980)**	**186 040**

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Consolidated statement of cash flows

	Note	2016 SEK'000	2015 SEK'000
Cash flows from operating activities			
Operating profit/loss after financial items		**(43 998)**	(43 861)
Depreciation/amortization		**5 516**	6 001
Profit/loss on disposal of fixed assets		**37**	28
Translation differences		**(37)**	(58)
Income taxes paid		**-**	-
Cash flows from operating activities before changes in working capital		**(38 483)**	(37 889)
Cash flow before working capital changes			
(Increase)/decrease in inventories		**745**	3 506
(Increase)/decrease in operating receivables		**(972)**	(990)
Increase/(decrease) in operating liabilities		**1 638**	(4 823)
Total changes in working capital		**1 411**	(2 307)
Cash flows from operating activities		**(37 072)**	(40 196)
Cash flows from investing activities			
Investments in Intangible assets	9	**(18 497)**	(14 285)
Investments in tangible fixed assets	10, 11	**(2 986)**	(243)
Cash flows from investing activities		**(21 482)**	(14 529)
Cash flows from financing activities			
New share issue	19	**48 645**	112 474
Repayment of debt		**(2 917)**	(104 424)
Loans raised		**10 000**	58 627
Cash flows from financing activities		**55 728**	66 677
(Decrease)/Increase in cash and cash equivalents		**(2 827)**	11 952
Cash and cash equivalents at beginning of year	18	**20 451**	8 499
Effect of exchange rate changes on cash and cash equivalents		**-**	-
Cash and cash equivalents at year-end	18	**17 624**	20 451

The Group has during the full year received interest income of 6 (2) kSEK and has paid interest of 192 (291) kSEK.

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Parent company statement of income

	Note	**2016 SEK'000**	2015 SEK'000
Revenue	2	**-**	(0)
Cost of sales		**(256)**	(683)
Gross profit		**(256)**	(683)
Research and development expenses		**(2 671)**	(3 122)
Distribution and selling costs		**(3 818)**	(4 906)
Administrative expenses		**(5 340)**	(9 775)
Other operating income		**-**	-
Operating profit	3, 4, 5	**(12 081)**	(18 483)
Finance income	7	**1 761**	1 839
Finance costs	7	**(94)**	(4 362)
Write-down of shares in subsidiaries		**(52 487)**	(37 810)
Finance costs - net		**(50 820)**	(40 334)
Profit before income tax		**(62 902)**	(58 817)
Group contributions issued		**-**	-
Profit before income tax		**(62 902)**	(58 817)
Deferred tax	8	**-**	-
Profit for the period		**(62 902)**	(58 817)
Parent company statement of other comprehensive income			
Other comprehensive income for the year, net after tax		-	-
Total comprehensive income		**(62 902)**	**(58 817)**

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Parent company balance sheet

	Note	2016-12-31 SEK'000	2015-12-31 SEK'000
Assets			
Fixed assets			
Intangible assets	9		
Patents		**2 460**	2 983
Capitalized expenditure for development work		**90 989**	90 989
Total intangible assets		**93 449**	93 972
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		**14 527**	16 525
Deferred tax assets	12	**-**	-
Total financial non-current assets		**14 628**	16 626
Total fixed assets		**108 077**	110 598
Current assets			
Accounts receivable - trade	15	**-**	-
Tax assets		**285**	488
Other receivables	16	**453**	300
Prepaid expenses and accrued income	17	**419**	346
Cash and bank balances	18	**15 233**	18 062
Total current assets		**16 390**	19 197
Total assets		**124 466**	129 794

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Parent company balance sheet (continued)

	Note	2016-12-31 SEK'000	2015-12-31 SEK'000
Equity and liabilities			
Equity			
Restricted equity			
Share capital		**2 616**	2 261
Non-registered share capital		**-**	9 272
Statutory reserve		**34 401**	34 401
Total restricted equity		**37 017**	45 934
Non-restricted equity			
Share premium reserved		**386 509**	328 948
Profit/loss brought forward		**(248 344)**	(189 527)
Profit/loss for the year		**(62 902)**	(58 816)
Total non-restricted equity		**75 264**	80 605
Total equity		**112 281**	126 539
Current liabilities			
Borrowing	20	**10 000**	-
Accounts payable - trade	13	**827**	273
Other liabilities	21	**74**	810
Accrued expenses and deferred income	22	**1 285**	2 173
Total current liabilities		**12 186**	3 256
Total equity and liabilities		**124 466**	129 794

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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 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	-	102 861	-	-	112 474
Opening balance per 1 January 2016	19	**2 261**	**9 271**	**34 401**	**328 948**	**(189 527)**	**(58 816)**	**126 538**
Comprehensive income								
Net profit/loss for the year		-	-	-	-	-	(62 902)	(62 902)
Other comprehensive income		-	-	-	-	(58 816)	58 816	-
Total comprehensive income		**-**	**-**	**-**	**-**	**(58 816)**	**(4 086)**	**(62 902)**
Transactions with shareholders								
New share issue		354	(9 271)	-	58 846	-	-	49 929
Share issue expenses		-	-	-	(1 484)	-	-	(1 484)
Option programme		-	-	-	200	-	-	200
Closing balance per 31 December 2016	19	**2 616**	**-**	**34 401**	**386 509**	**(248 344)**	**(62 902)**	**112 281**

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Parent company statement of changes in cash flows

	Note	2016 SEK'000	2015 SEK'000
Cash flow from operating activities			
Operating profit before financial items		**(62 902)**	(58 816)
Depreciation/amortization		**547**	713
Profit/loss on disposal of fixed assets		**-**	-
Write-down of shares in subsidiaries		**52 487**	37 810
Income tax paid		**-**	-
Cash flow from operating activities before changes in working capital		**(9 868)**	(20 293)
Cash flow from changes in working capital			
(Increase)/decrease in operating receivables		**(22)**	(120)
Increase/(decrease) in accounts payable - trade		**554**	(275)
Increase/(decrease) in operating liabilities		**(1 626)**	(4 217)
Total changes in working capital		**(1 094)**	(4 612)
Cash flow from operating activities		**(10 963)**	(24 904)
Cash flow from investment activities			
Investments in intangible assets	9	**(23)**	-
Loans granted to subsidiaries		**(50 489)**	(32 423)
Cash flow from investment activities		**(50 513)**	(32 423)
Cash flow from financing activities			
New share issue		**48 645**	112 474
Repayment of liabilities		-	(102 897)
Borrowings		**10 000**	58 627
Cash flow from financing activities		**58 645**	68 206
Cash flow for the year		**(2 830)**	10 878
Cash and cash equivalents at the beginning of the year	18	**18 063**	7 185
Cash and cash equivalents at year-end	18	**15 233**	18 063

The Parent Company has during 2016 received interest income of 2 (2) kSEK and has paid interest of 0 (0) kSEK.

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Notes to the accounts

1 Significant accounting policies

The consolidated financial statements include the Swedish Parent Company, Nilar International AB, 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 2016 was approved by the Board of Directors on 24 May 2017. The Annual report is subject to approval by the Annual General Meeting on 19 June 2017.

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 (Årsredovisningslagen) 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.

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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.

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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 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 2016

New or revised standards and new interpretations have not had any material impact on the Group's financial statements in 2016.

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.

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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.

Notes to the accounts

2 Distribution of net sales

Net sales are distributed by geographical market as follows:

Group	**2016 SEK'000**	2015 SEK'000
Sweden	108	67
EU	163	310
Outside EU	-	-
Group total	**271**	377

Group	**2016 SEK'000**	2015 SEK'000
Sales of goods	271	377
Group total	**271**	377

Parent Company	**2016 SEK'000**	2015 SEK'000
Sales of goods	-	-
Parent Company total	**-**	-

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3 Expenses by type of cost

Group	2016 SEK'000	2015 SEK'000
Goods for resale	(6 276)	(5 151)
Remuneration expenses to employees	(15 763)	(19 912)
Depreciation/amortization and write-downs	(5 516)	(6 009)
Other expenses	(17 908)	(10 826)
Total costs of goods sold, sales and administration	**(45 463)**	(41 898)

Moderbolaget	2016 SEK'000	2015 SEK'000
Goods for resale	(9)	-
Remuneration expenses to employees	(4 376)	(11 643)
Depreciation/amortization and write-downs	(547)	(713)
Other expenses	(7 153)	(6 129)
Total costs of goods sold, sales and administration	**(12 086)**	(18 485)

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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	2016 SEK'000	2015 SEK'000
Deloitte AB		
Audit assignment	235	195
Audit activities other than audit assignment	10	75
Total	**245**	270
EKS&H		
Audit assignment	129	121
Total	**129**	121
Group total	**374**	391

Parent Company	2016 SEK'000	2015 SEK'000
Deloitte AB		
Audit assignment	185	145
Audit activities other than audit assignment	10	75
Parent Company total	**195**	220

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5 Remuneration to employees, etc.

Group	2016 SEK'000	2015 SEK'000
Salaries and other provisions	17 584	18 683
Social security contributions	5 097	6 669
Pension costs - defined contribution plans	1 864	2 266
Group total	**24 545**	27 618

Salaries, other provisions and social security contributions	**2016 SEK'000** Salaries and other provisions (of which bonus)	2015 SEK'000 Salaries and other provisions (of which bonus)
Board Members, Executive Director and other senior executives	9 583	10 000
Other employees	14 962	17 618
Group total	**24 545**	27 618

Gender distribution in the Group (including subsidiaries) for Board Members and other senior executives	**2016**		2015	
	Number on balance sheet date	**Of whom men**	Number on balance sheet date	Of whom men
Members of the Board	5	5	5	5
Executive Director and other senior executives	5	5	7	7
Group total	**10**	**10**	12	12

Parent Company	2016 SEK'000	2015 SEK'000
Salaries and other provisions	2 520	7 648
Social security contributions	993	2 820
Pension costs - defined contribution plans	864	1 355
Parent Company total	**4 376**	11 823

Salaries, other provisions and social security contributions	**2016 SEK'000** Salaries and other provisions (of which bonus)	2015 SEK'000 Salaries and other provisions (of which bonus)
Board Members, Executive Director and other senior executives	3 489	7 169
Other employees	887	4 654
Parent Company total	**4 376**	11 823

5 Remuneration to employees, etc. (cont.)

Average number of employees with geographical distribution per country	2016 Average number of employees	2016 Of whom women	2015 Average number of employees	2015 Of whom women
Sweden	3	-	7	1
Parent Company total	**3**	**-**	7	1
Subsidiary				
Sweden	32	13	31	14
USA	3	-	3	-
Subsidiary total	**35**	**13**	**34**	14
Group total	**38**	**13**	41	15

Gender distribution in Parent Company	2016 Number on balance sheet date	2016 Of whom men	2015 Number on balance sheet date	2015 Of whom men
Members of the Board	5	5	5	5
Executive Director and other senior executives	1	1	5	5
Parent Company total	**6**	**6**	10	10

6 Other operating income

Group	2016 SEK'000	2015 SEK'000
Energimyndigheten	1 200	663
Salary contributions	147	323
EU funding	52	1 308
Profit sale of fixed asset	71	-
Insurance compensation	2	-
Foreign exchange gains	3	16
Other operating income	**1 474**	2 311

The Company participates since 2013 in a 3-year project (project number 37720-1) 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 1 200 (663) kSEK has been recognized as income in 2016 – 2 205 kSEK in total since the beginning of the project.

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6 Other operating income (cont.)

The Company is since 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 52 (1 308) kSEK as income in 2016 in respect of this project.

During the year, the Company received wage subsidies with 147 (323) 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	**2016 SEK'000**	2015 SEK'000	**2016 SEK'000**	2015 SEK'000
Interest income on bank balances	6	2	2	2
Interest income group companies	-	-	1 759	1 837
Financial income	**6**	2	**1 761**	1 839

	Group		Parent Company	
Financial expenses / Interest expenses and similar profit/loss items	**2016 SEK'000**	2015 SEK'000	**2016 SEK'000**	2015 SEK'000
Interest expenses on borrowings	(8)	(3 466)	(8)	(3 466)
Interest expenses on convertible loan	(86)	(896)	(86)	(896)
Interest expenses group companies	-	-	-	-
Interest expenses on loans	(190)	(267)	-	-
Other interest expenses	(2)	(24)	(0)	(0)
Exchange losses	-	-	0	-
Financial expenses	**(286)**	(4 653)	**(94)**	(4 362)
Financial items, Group - net	**(280)**	(4 651)	**1 667**	(2 523)

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8 Income tax/Tax on profit for the year

	Group		Parent Company	
	2016 SEK'000	2015 SEK'000	**2016 SEK'000**	2015 SEK'000
Deferred tax	-	-	-	-
Deferred tax regarding previous years	-	-	-	-
Income tax	-	-	-	-

	Group		Parent Company	
	2016 SEK'000	2015 SEK'000	**2016 SEK'000**	2015 SEK'000
Profit before tax	(43 998)	(43 861)	(62 902)	(58 816)
Income tax calculated according to national tax rates prevailing on profit in each country. 22% in Sweden.	9 680	9 649	13 838	12 940
Tax effects of:				
- Non-taxable income	0	0	0	0
- Non-deductible expenses	(19)	(22)	(10 730)	(8 333)
- Taxable losses for which no deferred tax assets have been reported	(9 660)	(9 627)	(3 108)	(4 607)
- Deferred tax capitalized intangible assets	-	-	-	-
- Deferred tax employee share options	-	-	-	-
Amounts relating to previous years	-	-	-	-
Tax income	**(0)**	0	**(0)**	0

9 Intangible assets

Patents

Group	2016-12-31 SEK'000	2015-12-31 SEK'000
Accumulated acquisitions at beginning of year	6 843	6 843
Acquisitions	23	-
Amortizations	-	-
Accumulated acquisitions at end of year	6 867	6 843
Accumulated depreciations at beginning of year	(3 860)	(3 147)
Amortizations	-	-
Depreciations	(547)	(713)
Accumulated depreciation at end of year	(4 407)	(3 860)
Group total	**2 460**	**2 983**

Parent Company	2016-12-31 SEK'000	2015-12-31 SEK'000
Accumulated acquisitions at beginning of year	6 843	6 843
Acquisitions	23	-
Amortizations	-	-
Accumulated acquisitions at end of year	6 867	6 843
Accumulated depreciations at beginning of year	(3 860)	(3 147)
Amortizations	-	-
Depreciations	(547)	(713)
Accumulated depreciation at end of year	(4 407)	(3 860)
Parent Company total	**2 460**	**2 983**

On 31 December 2016, 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	2016-12-31 SEK'000	2015-12-31 SEK'000
Accumulated acquisitions at beginning of year	145 588	131 303
Acquisitions	18 474	14 285
Amortizations	-	-
Accumulated acquisitions at end of year	164 062	145 588
Accumulated depreciations at beginning of year	-	-
Amortizations	-	-
Depreciations	-	-
Accumulated depreciation at end of year	-	-
Group total	**164 062**	**145 588**

Group	2016-12-31 SEK'000	2015-12-31 SEK'000
Product development	153 526	137 200
Production process development	6 772	5 906
Development of ERP system	1 354	1 069
Development of LMU	2 410	1 413
Group total	**164 062**	**145 588**

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 164.1 (145.6) MSEK. This value also corresponds to the valuation of the company at the latest share issue in 2016. The company makes use of a ten-year forecasting period as the market for energy storages is deemed to be in the early stages of its life cycle, and where the company's products are expected to – based on information obtained at various trade shows, market reports from several different sources, customers, and partners – be well positioned to meet market demand for energy storages. The company's products, depending on use, has an estimated life of 10-20 years, why a depreciation period of ten years and more is deemedappropriate. 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	2016-12-31 SEK'000	2015-12-31 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	2016-12-31 SEK'000	2015-12-31 SEK'000
Accumulated acquisitions at beginning of year	28 960	28 093
Acquisitions	717	866
Amortizations	(165)	(28)
Translation difference	53	29
Accumulated acquisitions at end of year	29 565	28 960
Accumulated depreciations at beginning of year	(14 546)	(9 258)
Amortizations	153	-
Depreciations	(4 970)	(5 296)
Translation difference	(26)	7
Accumulated depreciation at end of year	(19 388)	(14 546)
Group total	**10 176**	**14 413**

Parent Company	2016-12-31 SEK'000	2015-12-31 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	**-**	**-**

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11 Fixed assets under construction

Group	2016-12-31 SEK'000	2015-12-31 SEK'000
Accumulated acquisitions at beginning of year	(0)	651
Acquisitions	2 751	34
Amortizations	(535)	(685)
Translation difference	-	-
Accumulated acquisitions at end of year	2 217	(0)
Accumulated depreciations at beginning of year	-	-
Amortizations	-	-
Depreciations	-	-
Accumulated depreciation at end of year	-	-
Group total	**2 217**	**(0)**

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

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

12 Deferred tax

Deferred tax liabilities are distributed as follows:

Group	2016-12-31 SEK'000	2015-12-31 SEK'000
Deferred tax income regarding losses carried forward	(16 076)	(12 012)
Deferred tax related to accumulated loss carryforwards	61 008	47 520
Revaluation of deferred tax assets	(44 932)	(35 508)
Total deferred tax in the Income Statement	**-**	-

Group	2016-12-31 SEK'000	2015-12-31 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 73.1 MSEK and consequently a deferred tax liability of 22% of 73.1 MSEK. The Parent Company and the Swedish subsidiary, on the other hand, has unused tax losses amounting to 277 MSEK, why a deferred tax asset is also 22% of 277 MSEK. The remaining tax loss carryforwards of 203.9 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.

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13 Financial instruments per category

Group **Assets in the balance sheet**	**Loans receivable and accounts receivable - trade SEK'000**
31 December 2015	
Accounts receivable - trade	226
Cash and cash equivalents	20 451
Total	**20 677**
31 December 2016	
Accounts receivable - trade	11
Cash and cash equivalents	17 624
Total	**17 634**

Group **Liabilities in the balance sheet**	**Other financial liabilities SEK'000**
31 December 2015	
Borrowings	4 861
Accounts payable - trade	1 520
Prepaid income and accrued expenses	7
Total	**6 388**
31 December 2016	
Borrowings	11 945
Accounts payable - trade	4 630
Prepaid income and accrued expenses	-
Total	**16 575**

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 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	**2016-12-31 SEK'000**	2015-12-31 SEK'000
Raw materials	3 591	4 119
Work in progress	1 978	2 025
Finished goods	174	344
Group total	**5 743**	6 488

The Parent Company does not have any inventories.

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15 Accounts receivable - trade

Group	**2016-12-31 SEK'000**	2015-12-31 SEK'000
Accounts receivable - trade	11	226
Less: reserve for doubtful debts	-	-
Accounts receivable - trade - net	**11**	226

Maturity	**2016-12-31 SEK'000**	2015-12-31 **SEK'000**
Receivables not yet matured	-	226
1-30 days	3	-
31-60 days	9	-
> 61 days	-	-
Total mature accounts receivable - trade	**11**	226

Parent Company	**2016-12-31 SEK'000**	2015-12-31 SEK'000
Accounts receivable - trade	-	-
Less: reserve for doubtful debts	-	-
Accounts receivable - trade - net	**-**	-

Maturity	**2016-12-31 SEK'000**	2015-12-31 **SEK'000**
Receivables not yet matured	-	-
1-30 days	-	-
31-60 days	-	-
> 61 days	-	-
Total mature accounts receivable - trade	**-**	**-**

16 Other receivables

Group	2016-12-31 SEK'000	2015-12-31 SEK'000
VAT	1 148	730
	1 091	-
Other receivables	204	701
Group total	**2 443**	1 431

Parent Company	2016-12-31 SEK'000	2015-12-31 SEK'000
VAT	453	300
Other receivables	-	0
Parent Company total	**453**	300

17 Prepaid expenses and accrued income

Group	2016-12-31 SEK'000	2015-12-31 SEK'000
Prepaid lease fees	1 120	592
Prepaid pension costs	1	60
Prepaid insurance	119	121
Other items	442	381
Group total	**1 682**	1 154

Parent Company	2016-12-31 SEK'000	2015-12-31 SEK'000
Prepaid lease fees	102	72
Prepaid pension costs	-	60
Prepaid insurance	-	4
Other items	317	210
Parent Company total	**419**	346

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	**2016-12-31 SEK'000**	2015-12-31 SEK'000
Cash and bank balances	17 624	20 451
Group total	**17 624**	20 451

Parent Company	**2016-12-31 SEK'000**	2015-12-31 SEK'000
Cash and bank balances	15 233	18 062
Parent Company total	**15 233**	18 062

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 2015	**1 358**	**1 358**	**258 719**	**260 077**
New share issue	903	903	102 861	103 764
Option programmes	-	-	-	-
As per 1 January 2016	**2 261**	**2 261**	**361 580**	**363 841**
New share issue	354	354	57 561	57 915
Option programmes	-	-	-	-
As per 31 December 2016	**2 616**	**2 616**	**419 141**	**421 756**

Share capital consists of 2 615 541 shares. Each share entitles the holder to 1 vote. All shares issued by the Parent Company have been paid in full.

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20 Borrowings

Group	2016-12-31 SEK'000	2015-12-31 SEK'000
Long-term		
Almi	-	972
Norrlandsfonden	-	972
Total long-term borrowings	**-**	**1 944**
Short-term		
Almi	972	1 459
Norrlandsfonden	972	1 458
Bridge loans	10 000	-
Total short-term borrowings	**11 945**	**2 917**
Total borrowings	**11 945**	4 861

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

Borrowings	Amount per 2016-12-31 SEK'000	Maturity date	Interest rate
Almi	972 216	2017-07-31	Variable. 5.39%
Norrlandsfonden	972 300	2017-07-31	Stibor 90 + 5%
Total borrowings	**1 944 516**		

During the year, 2 917 (1 528) kSEK has been amortized on long-term borrowings.

Bridge loan

During the year, 10 MSEK of bridge loans have been issued as part of the capital raise which takes place during the spring of 2017. The terms of the loan give the Company the right to request conversion of the loan to equity. The bridge loan accrues at 10% annual interest and gives the lender the right to request conversion of the claim to shares if the Company so wishes. The subscription price per share to which set off may take place shall be 90% of the subscription price in the capital raise.

20 Borrowings (cont.)

Parent Company	2016-12-31 SEK'000	2015-12-31 SEK'000
Long-term		
Convertible loan	-	-
Bridge loans	10 000	-
Total borrowings	**10 000**	-

21 Other liabilities

Group	2016-12-31 SEK'000	2015-12-31 SEK'000
Accrued payroll taxes	423	487
Social security expenses	409	459
Tax on pension	-	522
Ongoing development projects	-	717
Other current liabilities	142	-
Group total	**974**	2 185

Parent Company	2016-12-31 SEK'000	2015-12-31 SEK'000
Accrued payroll taxes	44	256
Output VAT Sweden	31	198
Tax on pension	-	356
Parent Company total	**74**	810

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22 Accrued expenses and deferred income

Group	**2016-12-31 SEK'000**	2015-12-31 SEK'000
Accrued empoyee-related items	1 797	3 073
Accrued interest for convertible loans and bridge loans	16	7
Accrued audit expenses	338	170
Accrued consulting fees	368	160
Accrued marketing expenses	434	-
Other items	244	47
Group total	**3 196**	3 457

Parent Company	**2016-12-31 SEK'000**	2015-12-31 SEK'000
Accrued empoyee-related items	248	1 996
Accrued interest for convertible loans	16	7
Accrued audit expenses	213	121
Accrued consulting fees	355	51
Accrued marketing expenses	434	1
Other items	19	1
Parent Company total	**1 285**	2 176

23 Pledged assets and contingent liabilities

Group	2016-12-31 SEK'000	2015-12-31 SEK'000
Pledged assets		
Floating charges	10 000	10 000
Total pledged assets	**10 000**	10 000
Contingent liabilities		
Other contingent liabilities	-	-
Total contingent liabilities	**-**	-

Parent Company	2016-12-31 SEK'000	2015-12-31 SEK'000
Pledged assets		
Floating charges	-	-
Total pledged assets	**-**	-
Contingent liabilities		
Other contingent liabilities	-	-
Total contingent liabilities	**-**	-

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. 20 MSEK of the remaining pledged assets are unused.

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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	**2016-12-31 SEK'000**	2015-12-31 SEK'000
Within one year	4 271	3 013
More than one year and within five years	7 463	10 942
Group total	**11 734**	13 955

Costs for operational leasing in the Group during the financial year amounted to 4 127 (3 827) kSEK.

Parent Company	**2016-12-31 SEK'000**	2015-12-31 SEK'000
Within one year	145	300
More than one year and within five years	27	90
Parent Company total	**172**	390

Costs for operational leasing in the Parent Company during the financial year amounted to 715 (463) kSEK.

The Parent Company does not have any operational leasing agreements extending beyond five years.

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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. 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

	2016 SEK'000	2015 SEK'000
Salaries and other current remuneration	9 583	10 000
Severance pay	-	653
Total	**9 583**	10 652

Transactions between group companies

The Parent Company has purchased goods from Group companies amounting to 0 (0) kSEK. Receivables between the Parent Company and the Group companies amount to 14 527 (16 525) kSEK. Interest income from Group companies amount to 1 759 (1 837) kSEK. Interest expenses to Group companies amounts to 0 (0) kSEK.

In 2016, the Parent Company has issued shareholder contributions amounting to 52.5 (37.8) MSEK – out of which 47.5 (33) MSEK to Nilar AB and 5.0 (4.8) MSEK to Nilar Inc.

Share issue

During 2016, the Company undertook a new share issue which provided the Company 48.6 (112.5) MSEK of working capital after transaction costs.

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26 Participations in subsidiaries

Parent Company	2016-12-31 SEK'000	2015-12-31 SEK'000
Opening acquisition cost	101	101
Shareholder contributions	52 487	37 810
Impairment of shareholder contributions	(52 487)	(37 810)
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	2016-12-31 SEK'000	2015-12-31 SEK'000
Nilar AB	556790-0815	Gävle	100%	1 000	100	100
Nilar Inc.	1415595	Delaware, USA	100%	10 000	1	1

27 Information regarding the Parent Company

Nilar International AB 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 2016 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 2016, Nilar's financial assets were subject to the following translation exposure:

	2016-12-31 SEK'000	2015-12-31 SEK'000
EUR	342	61
USD	39	-
Other currencies	-	14
Total	**381**	75

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 19 (4) 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 2016 and 2015, 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 19 (31) kSEK.

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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 number 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 based on 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.

The Group's financial liabilities and maturity structure are as follows:

2016-12-31	Currency	Nominal amount SEK'000	< 1 month SEK'000	1-3 months SEK'000	3-12 months SEK'000	1-5 years SEK'000	> 5 years SEK'000	Total SEK'000
Bank loan	SEK	1 944	286	568	1 123	-	-	1 977
Bridge loan	SEK	10 000	-	-	10 500	-	-	10 500
Total interest bearing liabilities		**11 944**	**286**	**568**	**11 623**	**-**	**-**	**12 477**
Other liabilities		4 630	4 619	11	-	-	-	4 630
Total		**16 574**	**4 905**	**579**	**11 623**	**-**	**-**	**17 107**

The table above includes forecasted future nominal discounted payments. Hence, the amounts are not found in the balance sheet.

For other operational risks, see pages 10-12.

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28 Financial risk management (cont.)

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 2016 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

	2016:1	**2015:1**
Start date	2016-04-29	2015-10-01
End date	2020-04-29	2018-10-01
Share price (SEK)	100	100
Exercise price per share (SEK)	276	100
Volatility	30,0%	30,0%
Expected life (years)	4,0	3,0
Risk free rate	(0,15%)	0,00%
Yield	-	-
Market value per option according to Black-Scholes (SEK)	1,43	20,51
Number initially granted	139 500	181 088
Outstanding 1 January 2016	-	181 088
Granted 2016	139 500	-
Lapsed prior years	-	-
Lapsed 2016	-	-
Exercised 2016	-	-
Matured 2016	-	-
Outstanding per 31 December 2016	**139 500**	**181 088**

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

29 Share-based instruments (cont.)

The fair value of the share 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.

At the extraordinary general meeting held in April 2016, it was decided to implement a share option programme (2016:1) targetted to management and advisors comprising 261 571 share options. 139 500 of the share options were issued in August 2016. The share options were issued at market value. The share options vest over three years and expire on 29 April 2020.

Share options granted under program 2015:1 have been used as part of the capital raising during 2015, where one new share option was received for each four new shares subscribed.

Average weighted strike price for the share option programmes 2015:1 och 2016:1 is SEK 176 per share.

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, referred to on page 33 in the Annual report.

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 164.1 (145.6) MSEK. This value also corresponds to the valuation of the company at the latest share issue in 2016. The company makes use of a ten-year forecasting period as the market for energy storages is

30 Important estimates and assessments (cont.)

deemed to be in the early stages of its life cycle, and where the company's products are expected to – based on information obtained at various trade shows, market reports from several different sources, customers, and partners – be well positioned to meet market demand for energy storages. The company's products, depending on use, has an estimated life of 10-20 years, why a depreciation period of ten years and more is deemedappropriate. The Company has not put together any cash flow projections beyond these ten years.

Valuation of losses carried forward

Valuation of capitalized development expenses in the consolidated accounts means a taxable temporary difference of 73.1 MSEK and consequently a deferred tax liability of 22% of 73.1 MSEK. The Parent Company and the Swedish subsidiary, on the other hand, has unused tax losses amounting to 277 MSEK, why a deferred tax asset is also 22% of 277 MSEK. The remaining tax loss carryforwards of 203.9 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

The company initiated a private placement of up to 150 MSEK in Q4 2016. The private placement is expected to be closed during Q2 2017. Per 24 May, the company had received cash and commitments of in aggregate 124 MSEK – of which 10 MSEK had been received prior to the balance sheet date in the form of a bridge loan.

32 Proposed treatment of loss

The Board of Directors and the Executive Officer propose that the losses of 311 245 335 SEK and the share premium reserve of 386 509 225 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 19 June 2017.

Parent Company	**SEK**
The following profits are at the disposal of the annual general meeting:	
Share premium reserve	386 509 225
Profit/loss brought forward	(248 343 505)
Net loss for the year	(62 901 830)
Total	**75 263 890**

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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 24 May 2017. The consolidated income statement and balance sheet are subject to approval at the Annual General Meeting on 19 June 2017.

Täby, 24 May 2017

Lars Fredriksson
Chairman of the Board of Directors

Anders Barsk
Board Member

Anders Gudmarsson
Board Member

Alexander Izosimov
Board Member

Michael Obermayer
Board Member and Chief Executive Officer

Peter Tell
Board Member

Our audit report was presented on 29 May 2017
Deloitte AB

Kerstin Sundberg
Autorized Public Accountant

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About Nilar

History

2001-2013:

- Product development

2014:

- Implementation of scalable and fully automated production line

2015-today:

- Increasing sales efforts
- Delivery to customers
- Expansion of product 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
Anders Gudmarsson
Alexander Izosimov
Michael Obermayer, Chief Executive Officer
Peter Tell

Investor relations

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

Address

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Stockholmsvägen 116B
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Sweden

Website

www.nilar.com

Corporate identity number

556600-2977

Auditor

Deloitte AB
113 79 Stockholm

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