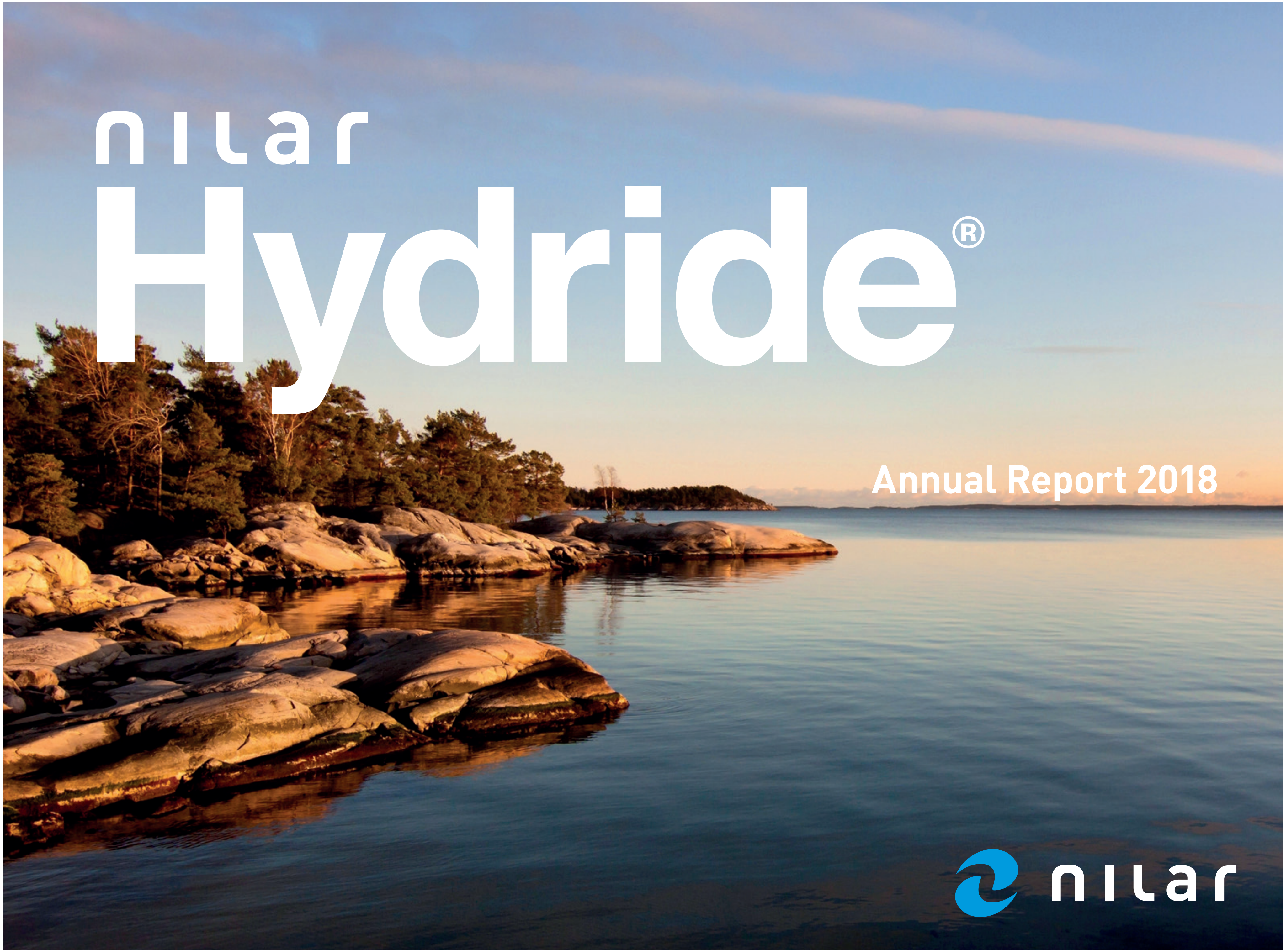


nilar Hydride®

Annual Report 2018

nilar

CONTENTS

This report has been prepared in both a Swedish and an English versions. In case of variations in the content between the two versions, the Swedish version shall govern.

NILAR IN BRIEF

Nilar was founded in year 2000 and is a high-tech niche player within stationary electrical energy storages.

Over the years we have established a large patent portfolio that contains **over 100 patents within 16 different patent families** and extensive know-how on how to manufacture high-tech batteries on an industrial scale.

We implemented our first scalable and fully automated production line 2014 and commercialized our second-generation battery in 2018.

Today we have nearly 100 employees located in Sweden and the USA, with our head office in Stockholm.

The target areas for our products are: home and small scale storage, smart grid infrastructure, and commercial and industrial support.

SUCCESS FACTORS

- Lowest lifetime cost
- Safe, non-flammable
- Environment-friendly
- Fully recyclable

2 500

2,500 kWH installed in more than 50 reference installations

100

coworkers (employed and contracted):

3,4

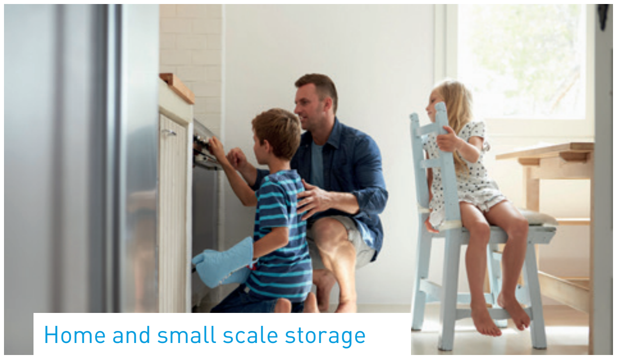
3.4 MSEK revenue 2018

50+

Reference installations in operation

Energy storage with Nilar Hydride® battery technology

TARGET SEGMENTS


Home and small scale storage


Smart grid infrastructure


Commercial and industrial support

Production: Gävle
Sales & R&D: Täby, Gävle, Denver

Selection of customers and partners:
Ferroamp
NIFE
Indutecc
Innosol
Enequi

THE YEAR IN BRIEF

FINANCIAL SUMMARY, MSEK	2018	2017	2016	2015	2014
Revenue	3.4	1.1	0.3	0.4	1.0
Capitalised expenses for development work	17.4	17.2	18.5	14.3	13.9
Gross profit	-24.3	-11.4	-4.9	-9.9	-5.0
EBITDA	-77.8	-53.1	-38.2	-33.2	-35.1
Operating profit / EBIT	-89.9	-58.5	-43.7	-39.2	-40.0
Profit/loss after tax	-91.1	-59.2	-44.0	-43.9	-31.9
Cash flow from investing activities	-45.6	-24.9	-21.5	-14.5	-17.0
Cash flow from financing activities	76.9	135.0	55.7	66.7	54.7
Shareholder equity ratio, %	70%	96%	90%	94%	64%
Debt ratio, times	0.4	0.0	0.1	0.1	0.6
Full-time equivalent employees, number	48	44	38	41	44

MSEK	2018	Q1	Q2	Q3	Q4
Revenue	3.4	0.8	0.9	0.2	1.4
Delivered systems, number	-89.9	-16.0	-17.0	-23.2	-33.7
Delivered kWh, number	38	9	6	11	12
Operating profit / EBIT	763	180	227	23	333

Q1

- Participation in the Düsseldorf Energy Storage Europe trade fair.
- Launched Nilar EC (Energy Compact) based on the new V2.0 product generation.
- Implemented and started a new production line for the V2.0 product generation.
- Delivered nine large storage systems to customers (product generation V1).

Q2

- Participation in the trade fairs Hannover Messe and Electrical Energy Storage 2018 in Munich.
- Started scaling up production in the new production line for product generation V2.
- Finetuning and ramping up production in the new production line for the V2.0 product generation installed in Q1 2018.
- Delivered six large storage systems to customers (product generation V1).

Q3

- First complete system deliveries of Nilar Hydride® EC to customers.
- Added a second shift in production. Started the project to move production to the large production hall in our factory in Gävle with the installation of a second production line (V2) planned for commissioning in April 2019.
- Delivered eleven large storage systems to customers (product generations V1 and V2).

Q4

- Added a third shift, production 24 hours per day, five days per week.
- Started investments, such as an electrode room, to meet the needs of a fully built-out Gävle factory.
- Initiated the preparations for an IPO by engaging ABG Sundal Collier and Swedbank for a pre-IPO financing in the first half of 2019.
- Delivered twelve large storage systems to customers (product generation V2).

CHAIRMAN'S STATEMENT

Is sustainability an empty word?

In this day and age, it often seems so. Surrounded by tangible signs of climate change – atrocious weather pattern, a soon ice-free winter arctic, fast receding ground water levels, to name a few – we nevertheless seem to be fighting for the planet's long-term survival by employing methods which by themselves are detrimental to sustainability. Mining scarce Cobalt with child labour, growing landfills of economically unrecyclable raw materials, and plastic seas of acidifying water depleting world-wide fish stock.

Nowhere is this contradiction truer than in the battery world. Batteries are an essential component in an increasingly more mobile world. The iPhone is unthinkable without batteries; they enable automatic picking of goods in Amazon's vast warehouses; they "fuel" the electric car revolution. Battery storage is an essential component in our growing electrical grids that electrify the world. Solar power, a growing force to balance today's mostly fossil fuel world, need batteries to deliver on its promise. Yet, today's batteries have a short life, are a tangible fire hazard. And 99% of modern batteries eventually end up in huge landfills, a tombstone to today's sustainability contradiction.

Can better technology solve this riddle?

Nilar is an attacker. As the world is flooded by huge Chinese battery conglomerates, Nilar goes back to first principles, how to build a better battery? We attack three issues: longevity, performance, safety, and stewardship of raw materials.

Boldly, Nilar has perfected its globally unique Hydride® technology:

- **Ultra-long cycle life:** Unique oxygen infusion renews, again and again, the battery towards the end of its natural life.
- **Performance:** Flat, modular, batteries have lower inherent resistance, and are robust.
- **Safety:** Completely fireproof, since nickel, in contrast to lithium, does not self-ignite.
- **Re-use of raw materials:** Using abundantly available raw materials, mostly nickel, are Hydride®-batteries economical and allow for total re-use of all material, with zero landfilling.

Will Nilar win?

Rapidly growing demand from our industrial battery storage customers – for whom safety, longevity and recyclability matter hugely – gives us confidence that as David, we shall win in our target market segments over Goliath.

For a Swedish start-up attacker, it has been an arduous task to go against the mainstream paradigm: that only Chinese mass-produced lithium has the future. But true innovation needs perseverance. Now, finally, Nilar has perfected its product, is seriously ramping up its production capacity in Gävle, and reaching out to customers globally.

Corporate partnerships in Sweden, the Netherlands, Germany and Japan, as well as patient and industrially minded shareholders, have sustained Nilar on its journey. And Europe has finally woken up to the realization that batteries are essential components to support much of its industrial base. The whole Nilar team – some 100 engineers, PhDs, operators and customer service people – look with excitement, energy and determination to a highly promising future.

Michael Obermayer
Chairman of the Board

"Europe has finally woken up to the realization that batteries are essential components to support much of its industrial base."

CEO REVIEW

In 2018, we pressed on with our strategy to launch our next generation battery product, expand the production capacity, and deepen our strategic cooperation in our three target segments (commercial and industrial support, smart grid infrastructure, and home and small scale storage). The rapid development in the energy storage market has progressed in our favor and we continue honing our market offerings. Our shareholders have continued their support to accelerate our market-oriented activities and penetration, and we are taking first steps towards a public listing of the company's shares.

MARKETS AND STRATEGY

Markets in focus

In 2017 the energy storage market started to evolve from a large number of pilot projects into a more structured market where regulations and value schemes are starting to emerge. Nilar's geographic focus continues to be the European markets, with special focus on the Nordics, Benelux, DACH (German speaking markets) and the United Kingdom. We carefully expand into the rest of Europe, in and see a strong US market for our solutions in the future.

Germany is by far the biggest market when it comes to distributed energy storage solutions – or, as we call them, "home and small scale storage". The commercial and industrial sector is increasingly interested in peak shaving applications, using energy storage solutions as a tool to perform electricity bill management.

The United Kingdom is currently the most important market in Europe for medium and large sized energy storage, with focus on the utility level. The UK government has, together with the Distributed Network Operator, created a value scheme for installing solutions that participate on the capacity market; storages act as buffers in the grid and get rewarded when they balance the grid during stressed conditions.

Sweden is now implementing new strict energy norms that affect the construction industry to provide more energy efficient buildings. These norms will become legislation in 2021 and are being taken up by the major construction companies (NCC and Skanska). Our focus on Industrial/home scale storage fit their focus.

New market openings

New York city is now applying strict safety regulations regarding building-integrated energy storage installations, especially in Manhattan, which makes it hard for lithium-ion manufacturers to provide a solution that fit these safety criteria. This is an obvious opportunity for our safe Hydride® storages; we are therefor preparing to enter the USA market.

Increasingly, we are looking at creating more niched temperature optimized battery cells, where we have a cheaper solution than lithium-ion.

COMMERCIAL

In 2018, we continued the development and sales of highly targeted products for: EV-charge (electrical vehicle charge support), home and small scale storage, and commercial and industrial storage.

Nilar Hydride® EC (Energy Compact, based on the new V2 product) was presented to the market at the Düsseldorf fair in March 2018. The product update from V1 to V2 was well received; we accepted our first orders for Nilar EC during the second quarter and shipped the first system during the autumn to a trial customer. As a further recognition of how well suited the Nilar EC product is for various applications, work has been initiated together with Fronius to integrate our batteries in their platform, and we plan to do so with several other partners.

During the year, we delivered 38 large storage systems to customers for use in PV (photovoltaic, i.e. solar) plants, home storage systems and industrial applications.

OPERATIONS

Production and Development

During the first quarter of 2019, we are finalizing the installation of a new production line to handle the production of the V2.0/Nilar Hydride® EC product. This production line is considerably more efficient than our previous production methodology; the new line employs high speed automated steps, among them laser welding of the modules. Production of V2 modules started at the beginning of May 2018, with first complete system deliveries during the autumn of last year.

In parallel with de-bottlenecking and fine-tuning the new production line for the Nilar EC product, which progressed throughout the year, we continued to follow our plan to further ramp-up our production capabilities; we initiated the project for moving production into the larger production hall in our Gävle facilities. In addition to the work to double the capacity via the installation of a second production line to be up and running during the first quarter of 2019, we recognized investments to meet the needs of a fully built-out Gävle facility – e.g. an electrode room. A second shift was added in September, with the further addition of a third shift in November.

Organization

Throughout the year, we continued to strengthen the organization, mainly within: production, application engineering, product development, and sales. We are recruiting heavily to meet production on a 24/7 basis for our soon to be doubled production lines – machine operators and production engineers.

FINANCING

During the fourth quarter, we initiated our preparations for an IPO, indicatively planned for 2020, by engaging ABG Sundal Collier and Swedbank for a pre-IPO financing in the first half of 2019.

2019 starts for Nilar with a next generation product, deepening strategic cooperation in our three target segments, and with rapidly increasing demand in all these. We thus have great expectations for this coming year.

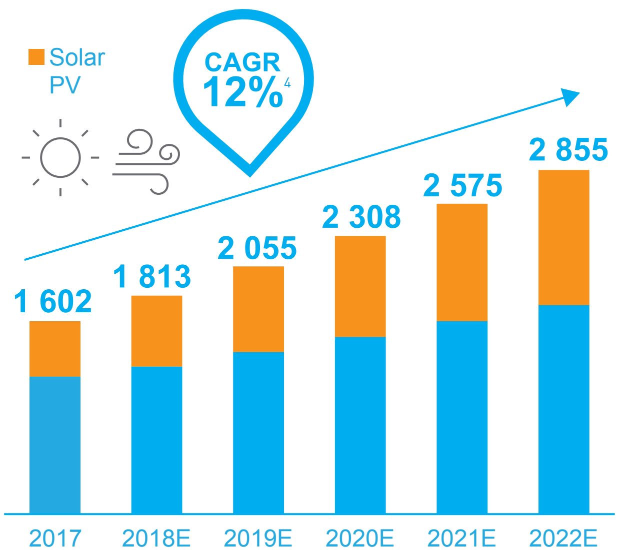
"The rapid development in the energy storage market has progressed in our favor and we continue honing our market offerings."

Marcus Wigren
CEO, Nilar International AB

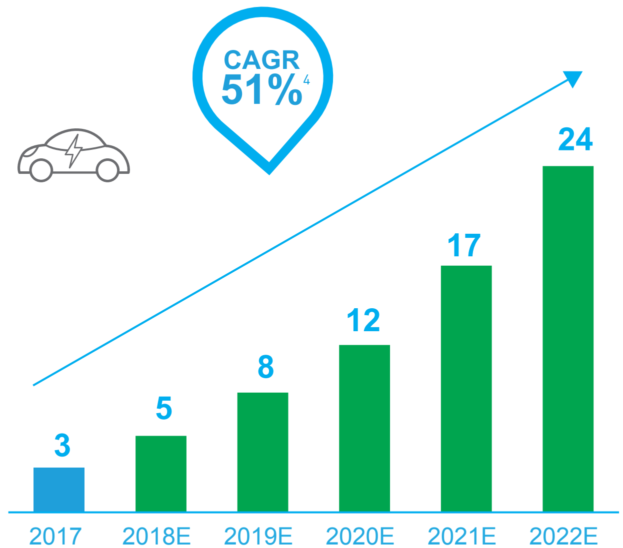
MARKET

Explosive growth in demand for battery storage. The need for battery storage is ever increasing as penetration of intermittent renewable energy sources grow.

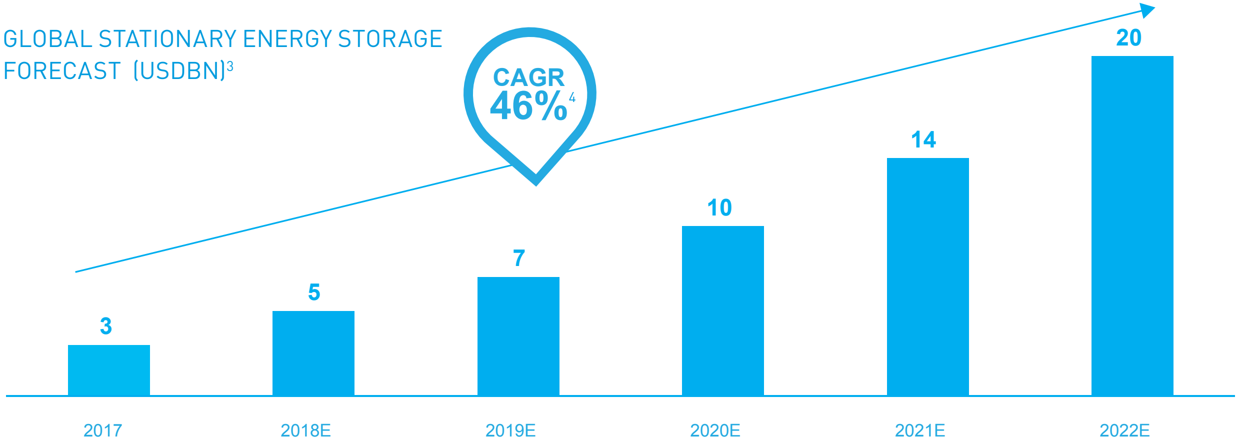
GLOBAL SOLAR PV AND WIND POWER GENERATION, (TWH)[1]



ELECTRICAL VEHICLES STOCK IN THE WORLD, MILLIONS[2]



GLOBAL STATIONARY ENERGY STORAGE FORECAST (USDBN)[3]



INTERMITTENT RENEWABLES AND ELECTRICAL VEHICLES PRESENT SIGNIFICANT CHALLENGES

Growing use of renewable energy, and particularly solar power, creates need for storage since electricity usage peaks during evenings when the sun has gone down.

The net growth of EV charging contributes to transmission load on the power grid.

The grid cannot deliver the effect required to cover the end-of-day peak.

To alleviate this situation, there are two responses from regulators and grid operators:

1. Change the tariff system (variable price dependent on demand).

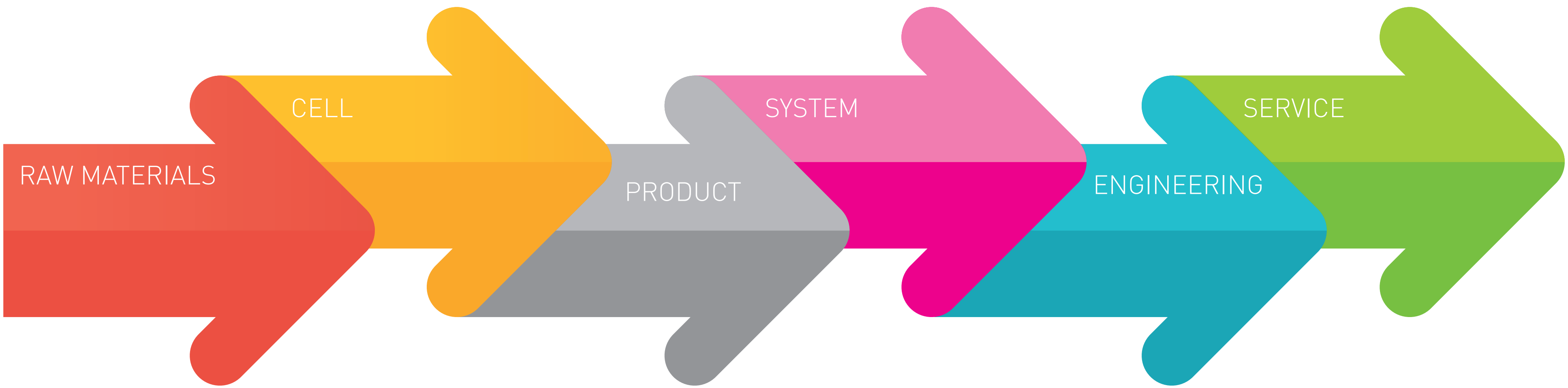
2. Support the introduction of electrical energy storages through subsidies.

1) International Energy Agency | 2) International Energy Agency | 3) Berenberg, stationary energy storage demand forecast, 2018 | 4) CAGR: Compound annual growth rate

Nilar has frequently been cited in industry publications and newspapers..and provides safe solutions to previously unsolved challenges.

OPERATION

Nilar is a unique producer of safe electrical energy storages. We distinguish ourselves from other battery suppliers by covering and controlling the entire production chain from raw materials to the commissioning of finished systems to customers. We have over 100 registered patents worldwide for our unique way of manufacturing and maintaining batteries.



RAW MATERIALS
• By starting our production process already from the raw material, we control the entire cost structure and performance of the battery.

CELL
• Unlike our competitors, we own cell production to our batteries, thus avoiding surprises and optimizing their properties.

• The production process for our bipolar cells is dry, highly automated, cost effective and industrially scalable.

• Our many years of R&D, highly qualified co-workers together with associated universities and partners has resulted in that we possess unique chemical competence and know-how about how to manufacture cells with optimal properties.

PRODUCT
• By placing our flat cells in a lasagna structure in our building block, the module, which we then build together into battery packs that can be varied in different sizes, makes us distinguish ourselves from other battery companies. Our 12-module pack, which corresponds to as many as 250 cylindrical cells, is ideal for large electrical energy storages and systems.

• Our bipolar and modular design has very few parts and couplings – all to get as cost effective battery as possible with as low electrical resistance as possible to optimize performance and longevity.

• Over the years, our talented employees together with partners have developed a highly automated production process with few manual production steps.

• To be able to develop the optimal pack and production process, we have invested heavily in connecting recognized skilled expertise in mechanics and electronics to the company.

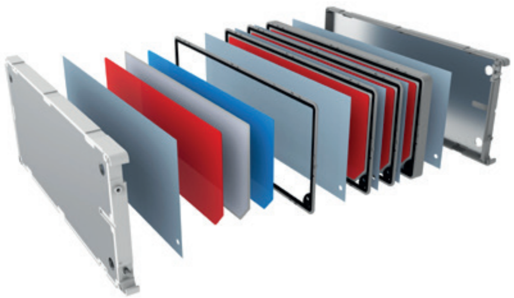
SYSTEM
• Since customers want finished and intelligent systems, not closed cells, we deliver turnkey systems that we through our unique pack and system electronics can communicate with and diagnose online – the battery can stand anywhere in the world – for optimal performance.

• To have a strong competence within BMS (Battery Management System)-Development in-house is one of our success factors.

ENGINEERING
• Our strong engineering team offers our customers and partners great opportunities to adapt standard systems to suit their specific applications.

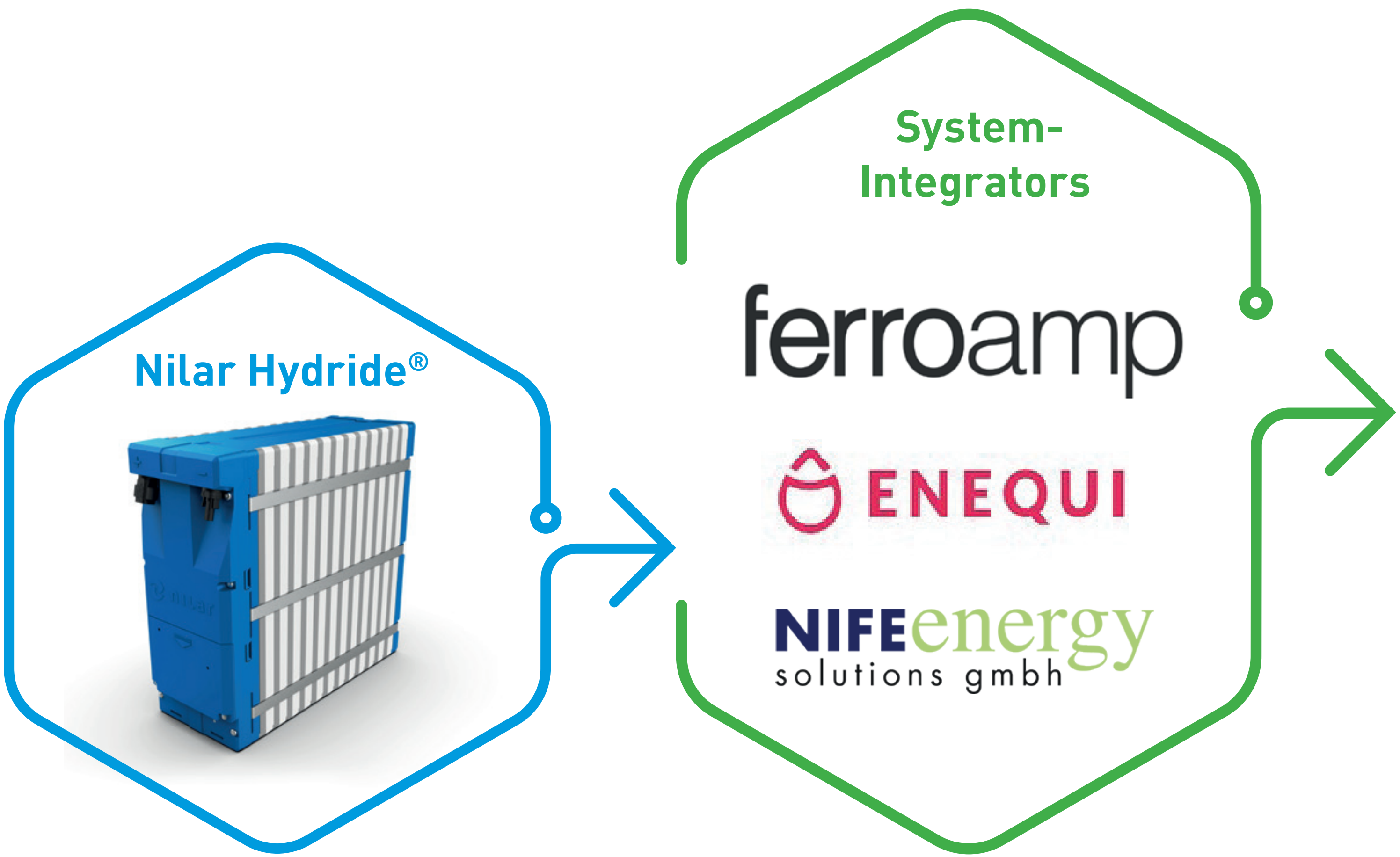
• Having deployment skills in-house enables us to take the systems all the way out to the customer.

SERVICE
• With our patented ability to refill our batteries with life, we will in the future be able to offer our customers various forms of services and service around our batteries.

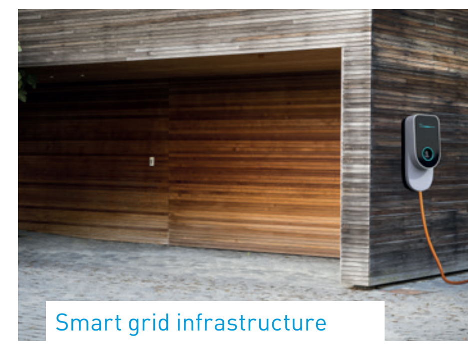


STRATEGY

Nilar has established its position in the market as a provider of high-quality energy storage solutions.




Home and small scale storage


Smart grid infrastructure


Commercial and industrial support

Nilar's strategy is to provide our Nilar Hydride® batteries to system integrators for their system solutions to end customers in the segments we have chosen as our target segments.

More and more system integrators choose Nilar Hydride® to expand their product portfolios with our unique characteristics such as: ultra-long life, safety and high performance at low and high temperatures. Together, we provide optimal solutions for our customers.

USER BENEFITS

The ideal home energy storage solution

Choosing an energy storage solution can be tricky. We believe that homeowners and residents should be able to sleep soundly at night knowing they have safe, environmentally conscious solutions that can be placed in their homes along with all their other appliances. Nilar home energy storage solutions are designed to be safer than "safe" and recyclable, making them the perfect solution to fit any home.

- Peak shaving
- Time shifting
- Renewable integration
- Grid stability and flexibility

Safe, environmentally conscious energy storage solutions

Today's grid cannot handle the new demands from mass electric vehicle charging and overall increased electrification. Without substantial investments into power line upgrades from utility companies and governments, energy storage will prove to be an important part of the electrical infrastructure of the future. A solution powered by Nilar is the most effective way to tackle these coming challenges.

- Fast EV-charge support
- Peak shaving
- Demand responsive

Industrial and commercial energy storage solutions

More and more businesses are investing in energy storage. It can be used to support renewables and to reduce peaks in power consumption, thus contributing to financial savings and making enterprises more sustainable. The modular Nilar Hydride® batteries support a range of scalable energy storage solutions to meet the needs of your business. For electric vehicle charging stations, industrial and commercial needs, our modular cabinet and rack solutions are ideal.

- EV charge support
- Electricity bill management
- Safe for use in residential buildings

ENABLES CONVERSION TO RENEWABLE ENERGY SOURCES

Energy storage allows energy to be used when it is needed and not when it is produced. The technology enables a faster and more cost-effective conversion to renewable energy sources.

The phasing out of fossil fuels is an important part of the UN Agenda 2030, i.e. the 17 global targets adopted by world leaders 2015. They will contribute to socially, economically and environmentally sustainable development and be achieved in all countries of the world in 2030. Three of these goals are addressed in a direct way by Nilar's solutions. Goal 7: Affordable and clean energy, goal 11: Sustainable cities and communities and goal 12: Responsible consumption and production.

Nilar's energy storage technology allows for smaller energy plants, such as private solar panel solutions, smaller wind turbines and other small-scale energy production, to store self-produced electricity and/or buy other electricity when it is cheaper and then sell any surplus. Even industries that generate waste heat, for example, can convert it into electricity and then store for their own use or others ´ needs.

After many years of development work and strong partnerships, Nilar offers solutions that can be adapted to society's many and varied needs. One such example is the growing demand from society for the conservation of electricity from alternative sources of energy for charging electric vehicles and boats. Nilar's solutions have as examples been used in applications for ferry operation and for charging stations for cars. Another example is similar need for alternative energy sources in homes and homes.

How Nilar manages the three most important environmental aspects of energy storage

Life

Because the production of storage solutions is very resource intensive, the life span of the product is important. And although Nilar's products are 100 percent recyclable, energy is spent, even during recycling. It is against this backdrop that Nilar's last breakthrough received a lot of attention. The company's research team has developed a process, in which oxygen is introduced into the battery when it is in use, thus significantly extending the life of the product.

Another important part is the Nilars Battery Management System, (BMS), software and sensors that ensure that the battery is used as efficiently as possible which also has a positive impact on the longevity. It also includes the ability to diagnose and communicate with the system online regardless of where it is installed.

Environmentally friendly and efficient production

Nilar's manufacturing plant in Gävle uses 100 percent of renewable energy and since energy is a significant manufacturing resource, this is an important sustainability aspect.

Nilar controls and manages the entire manufacturing process, from raw material to finished storage module, in its own premises in Gävle. The company has strong quality routines, short time from design to finished product and an automated production process, all factors that enable efficient manufacturing.

The production process is standardized and in the future easy to establish at locations close to the customers/ system integrators.

Customized and secure solutions

Nilar focuses on modular solutions of stationary storage requirements for home and residence, electric car charging and industrial and public storage needs. Nilar's tailored products make the solutions neither under-or oversized. By working with strong system integrators, the Nilar reaches out, without building unnecessary infrastructure, and Energilagringsmodulerna can be used for many applications.

Thanks to unique materials solutions, Nilar's products have strong safety performance, and are durable for large temperature changes.

Overall, these factors contribute to energy storage solutions that have a low lifetime cost. Nilar's solutions are attractive for customers who prioritize strong security performance, need adaptation to specific energy storage needs and who prefer recyclable alternatives.

Phasing out fossil fuels is an important part of the UN Agenda 2030 and three of the 17 goals are addressed directly by Nilar's solutions.

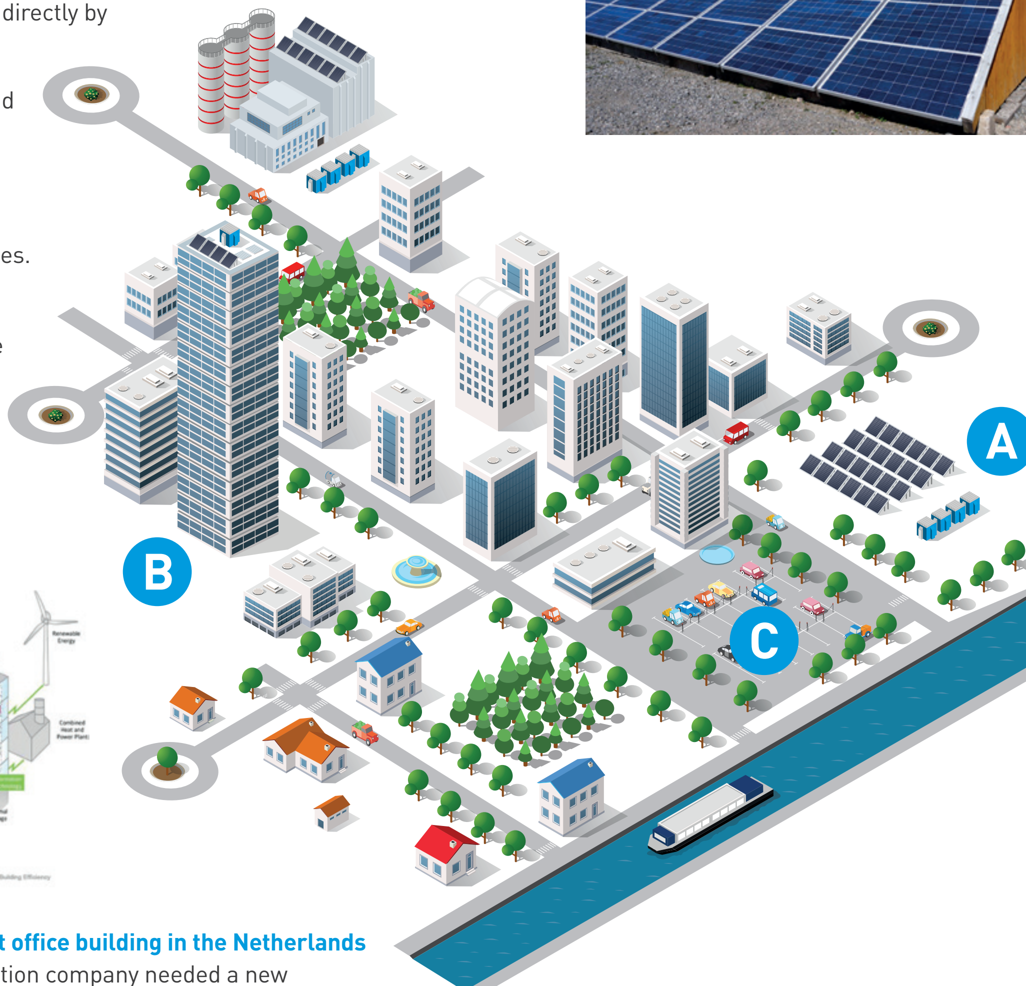
Goal 7: Affordable and clean energy.

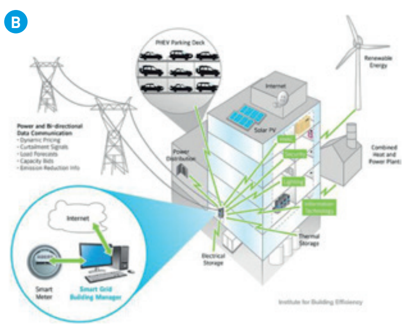
Goal 11: Sustainable cities and communities.

Goal 12: Responsible consumption and production.

Intelligent management of solar energy with storage

Nilar has together with a leading Swedish system integrator developed a high-voltage solution for energy storage with a storage capacity of 30 kWh from small-to medium-sized solar power installations. The system is expected to be a popular energy saving addition to Nordic households and office buildings.





Energy storage for intelligent office building in the Netherlands

When a leading Dutch installation company needed a new dynamic energy storage solution for an office building, they turned to Nilar. Together, the companies developed an interconnected energy management system to deliver smart electricity distribution throughout the building. Nilar's bipolar battery technology allows excess energy to be stored, utilized or effectively distributed back to the smart grid.

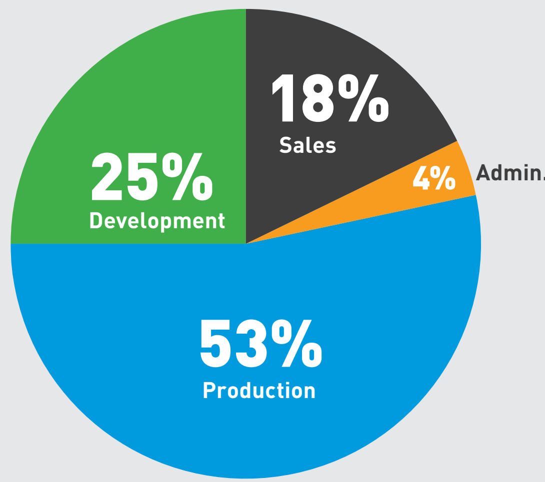
Re-conceptualizing of shopping malls in Italy – energy saving for a greener shopping environment

In malls in Italy it is not unusual that the air conditioning is running 24/7: a practice that is neither sustainable nor cost-effective. Nilar was chosen to provide an efficient storage solution for Italy's first energy-smart shopping Centre – Grosseto.

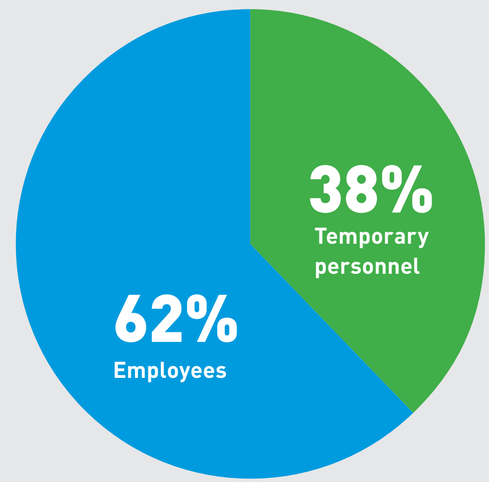
EMPLOYEES

To enable our expansion plans, the number of coworkers has increased significantly in 2018. The number of employees and temporary personnel increased to 97 from 62 at the beginning of the year.

Coworkers by function



Form of employment



27%

of our coworkers are women

Nilar's team of dedicated coworkers consists among others of: civil engineers, doctors, economists and experts in production technology. We work purposefully to find people with the right skills and to be an attractive and long-term employer.

Our coworkers have unique expertise in chemistry, mechanics, electronics, production technology and programming. We have close cooperation with, among others, Stockholm University and Uppsala University/Ångström Laboratory.

During 2018 we have been working focused on strengthening the organization to enable our expansion plans, where we have gone from 1 to 3-shift 24 hours a day, five days a week, in our newly installed production line. During 2019 we will grow even more when we double our production capacity and go up to production 24 hours a day seven days a week.

Employees divided into age categories

< 30	30-50	> 50
29%	**42%**	**29%**

HISTORY

The world needs safer, cheaper and environmentally sound Energy Storage Systems (EES). Nilar Hydride® EES are the globally lowest cost battery systems, with the longest life, being totally fire-proof and fully recyclable.

On 20 March 1800, Alessandro Volta wrote to the London Royal Society to describe his technique for producing electric current using the first ever battery – a stack of flat zinc and copper plates. Since then, batteries have been at the heart of our electrical system through many cycles of innovation. The latest being the family of lithium as well as hydride technologies.

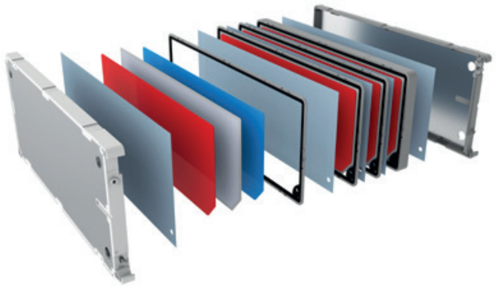
2000, two centuries later, two men sat in Denver wondering whether they could construct a battery which would improve on the known shortcomings of the emerging lithium technology: short longevity, flammability and dependence of difficult raw materials. They knew what they were talking about. Lars Fredriksson, a Swedish entrepreneur, had built Optima batteries into a significant company, which recently had been acquired by Johnson Control. Neil Puester had for years worked in the space industry with advanced hydrogen batteries – his signature is on a battery in a moon lander on the moon.

Why build a new battery?

LF: Volta had in many ways the ideal construction idea – layers of flat stacked electrodes, which results in principle in the highest performance.

NP: You see, for years, researchers had been trying to make flat battery stacks – the holy grail of battery building. But it is tricky to construct such battery cells. They tend to leak during charge and discharge, when the internal pressure of a cell changes. So all other modern battery chemistries are either packaged as cylinders, in little tubes – think of 10,000 such little cells coupled together through a myriad of wires in a big Tesla pack. Or they are U-shaped prismatic cells, which is what you find in all lead-acid car batteries and in pouches. Those are cheaper to manufacture, but not optimal.

LF: We thought we could build large flat cells. And layer them into modules, each much larger than Tesla's cells. Such modules can then be stacked for serial connection without lots of wiring, which eliminates resistance. Thus the ultimate concept of a modular system was born.



START-UP PHASE		DEVELOPMENT PHASE	
2000 Nilar project started by Lars Fredriksson and Neil Puester.	**2005** Prototype manufacturing.	**2012** R&D production line in Gävle.	**2013** Development of modules and modular systems.

How did you then realize your dream?

NP: In 2001, we started the Nilar project in my garage in Denver. We wanted to build batteries for large stationary energy storage systems, not for cars. It was clear already then that our current electricity grids would come under a lot of stress. From growing intermittent wind-power, from solar,and from the need for more power in offices, industry and homes. Little did we know of the now rampantly growing need for rapidly charging electrical vehicles! The only way to de-stress the grid is to build in buffers – battery energy storages – at various levels.

LF: One serious issue is that lithium batteries are prone to burning. That is not necessarily serious for cars or electrical scooters. But if you need a big energy storage in your office's basement or in a shopping center garage, you do not want to have a fire risk there. So early on, we chose hydride (NiMH) as or chemistry which was invented at the same time as lithium batteries. It is totally safe, has been tested in more than 4 million Toyota Prius cars, and thrives in a large temperature interval, unlike lithium. The extra weight of hydride batteries does not matter in stationary energy storage systems.

NP: Also, we found over time that we could manufacture our cells and modules in a plant that costs less than half of what an equivalent output lithium plant costs. That is because producing hydride cells is much simpler than lithium cells.

So where do you stand today?

NP: It took many years to perfect our ideas – with today more than 100 patents granted across the world. But now we are there. Along the way, we had to become an electronics company, too. We design our own battery management systems and program these with advanced algorithms. We are also connected real-time with any battery pack we have delivered anywhere in the world and can do systems updates remotely.

LF: Not so fast, Neil. So in 2010, we decided to industrialize Nilar's battery in Sweden, where we found capable industrial engineers who had learned their craft at Ericsson and other hi-tech places.

In 2013, we commercially launched our first battery systems. They have now been battle tested, with installations across Europe: Sweden, the UK, Germany, Holland, Switzerland and Italy. We supply these to highly specialised systems integrators in these countries, who design applications for their customers. In 2018, we launched our next battery module and pack version which we now produce in a totally automated plant.

And last year, in 2018, we made the biggest improvement: we constructed a battery which is revived towards the end of its normal life, after about 2,000 cycles, through oxygen re-generation of the gradually consumed electrolyte.

We now supply battery systems which have the highest lifetime energy throughput of any battery, and thus the lowest per cycle cost in the world – in short the globally cheapest battery. We will be launching this during 2019.

Of course, most of the work has been done by Nilar's incredibly competent team, under the leadership of CEO Marcus Wigren and chairman Michael Obermayer. Since 2010, the number of coworkers has grown from six to more than 100 today, most of whom operate at our plant in Gävle and in Denver. And key has been our research partnerships with prof Dag Noréus at Stockholm University, with Dr Uwe Köhler, previous R&D head of Varta, and with the Japanese company Fujitsu-FDK.

What is next?

LF: Demand for Nilar Hydride® battery systems is booming, driven by huge growth in Nilar's target markets. According to Bloomberg, energy storage yearly growth will be at more than 30% for the next three decades. So, rapidly ramping up Nilar's production capacity is first priority. With that goal, Nilar is on a path towards an IPO in not too distant a future.

COMMERCIALIZATION PHASE

2014
Implementation of scalable and fully automated production line. Development of BMS for low and high voltage.

2017
Development of turnkey solutions for smart grid applications.

2018
Volume deliveries of Nilar's complete bipolar battery energy storages.

2019
Development of a revolutionary method for the manifold of battery life for Nilar Hydride® and announcement of IPO plans.

INVESTING FOR GROWTH

Nilar's investments are made to develop our products and production methods (intangible fixed assets) and our production facilities (tangible fixed assets).

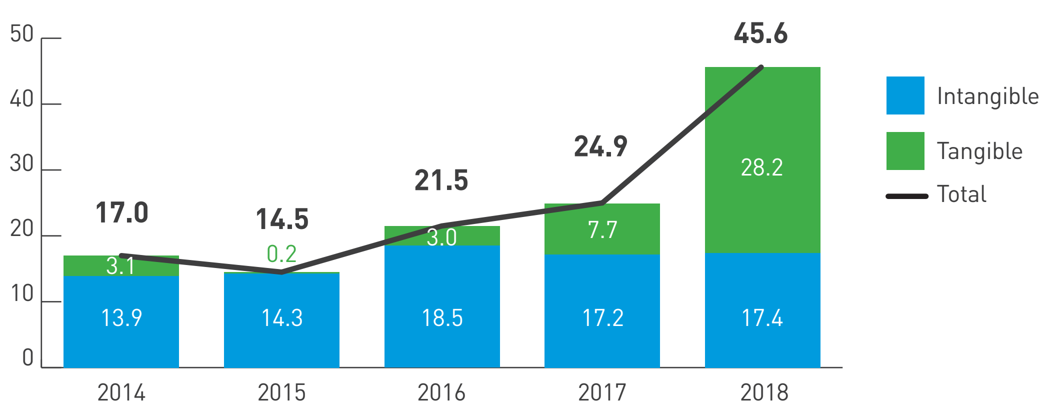
INTANGIBLE

- Patents
- Products
- Production processes
- Battery Management System (BMS)

TANGIBLE

- Machinery and equipment
- Extensions in rented premises

INVESTMENT



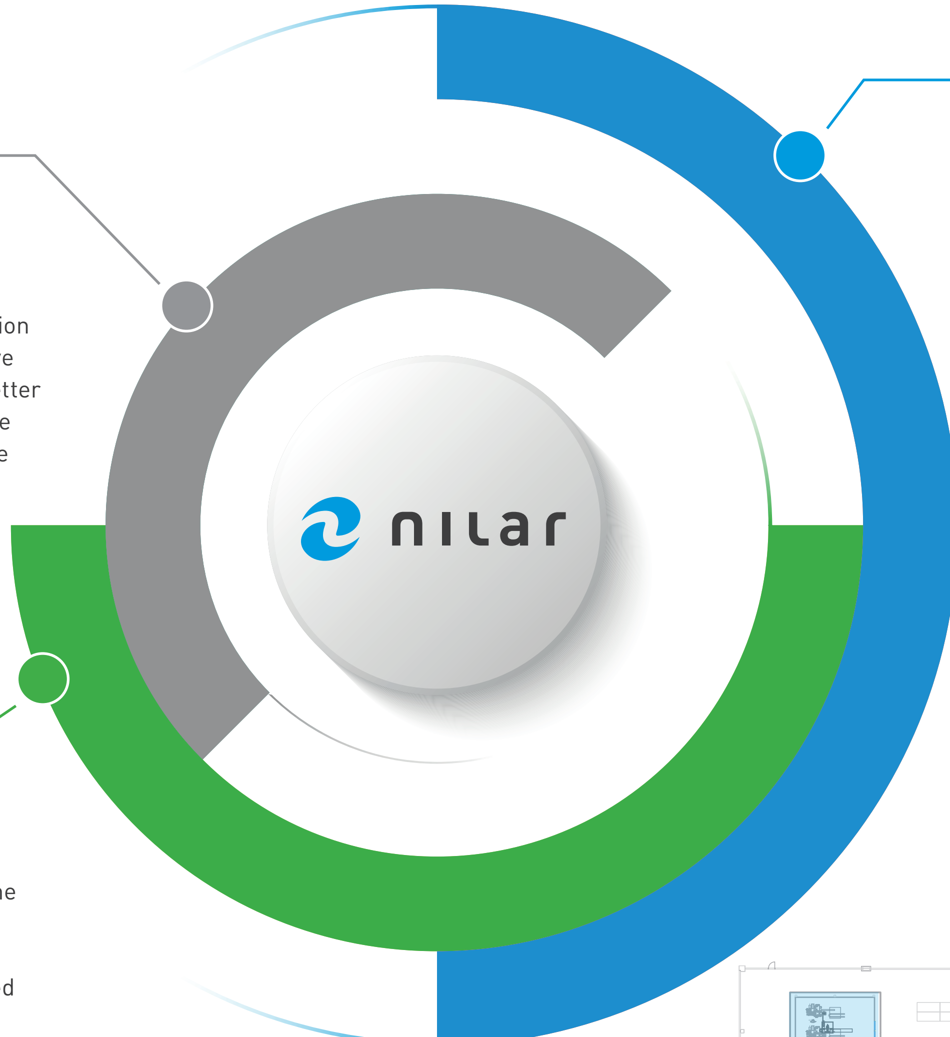
INVESTMENTS LAST THREE YEARS

2016

21.5 MSEK total investments.

18.5 MSEK investments (intangible) to further develop our first-generation product V1. The goal of the new generation V2 was to improve performance, improve the battery's external dimensions for better fit in applications, remove costs from the product and make production even more efficient.

3.0 MSEK investments (tangible) in the production line for V1.



2017

24.9 MSEK total investments.

17.2 MSEK investments (intangible) in the continued and final development of the new product generation V2 and related production processes. We also continued the development of our BMS.

7.7 MSEK investments (tangible) in the first new production line for V2.

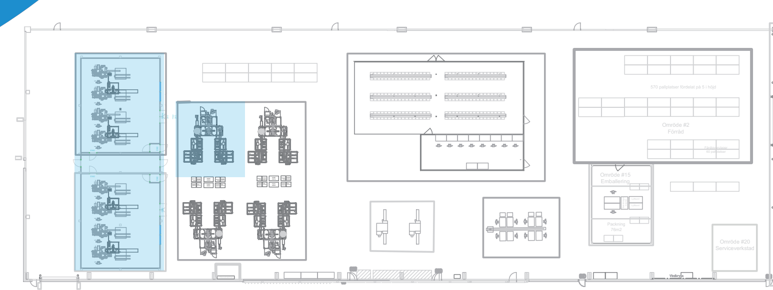
2018

45.6 MSEK total investments.

17.4 MSEK investments (intangible) in our second-generation product V2/Nilar EC Hydride® launched in Q1, BMS and in our third-generation product V3/gas refill which is expected to be launched during 2019.

28.2 MSEK investments (tangible) in new production line and peripheral equipment for our second-generation product V2/Nilar EC Hydride®. The first production line was launched in Q2. During H2 we started investments for a second production line together with an electrode room to provide electrodes to a in the future fully developed Gävle factory.

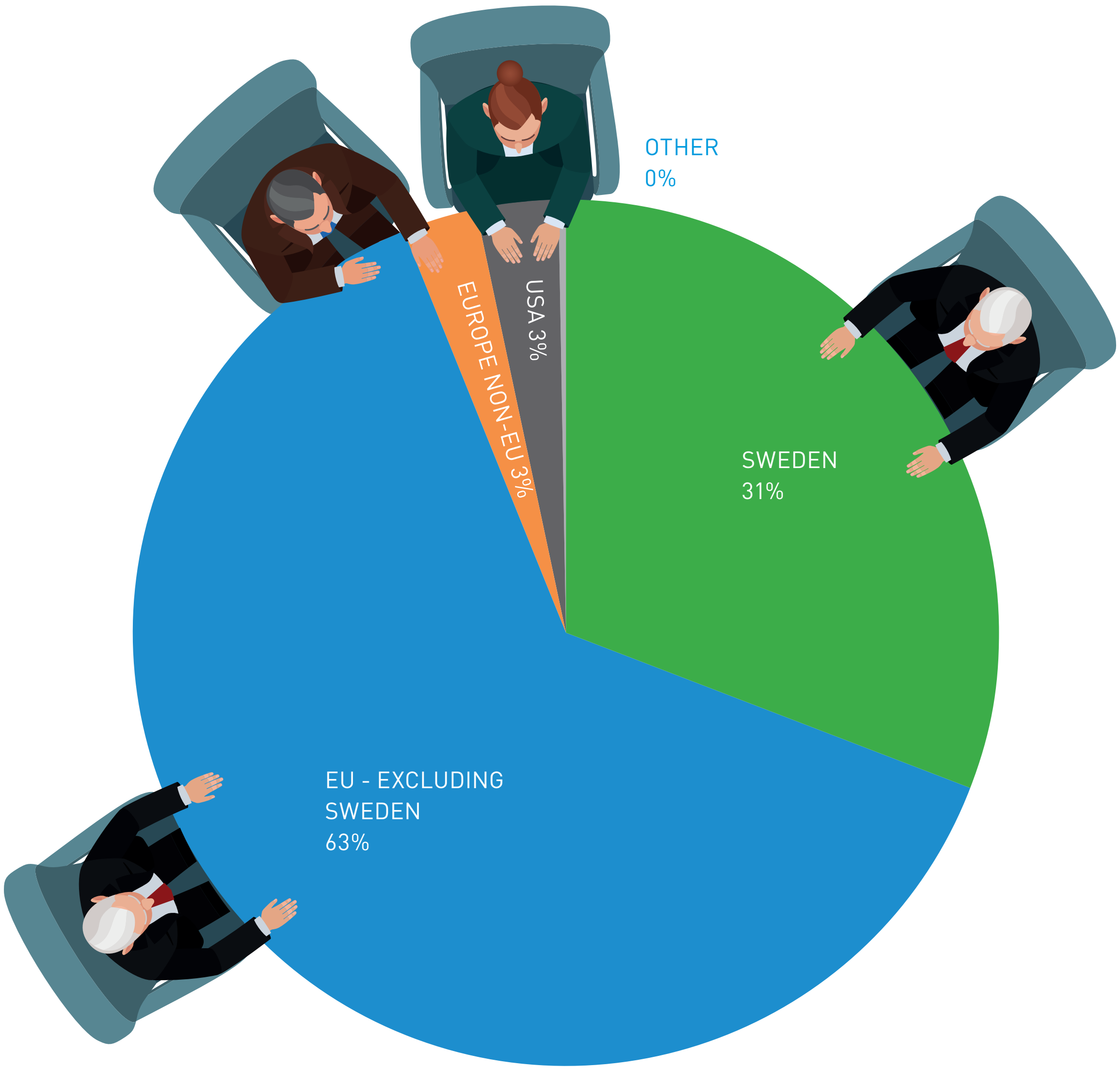
A fully developed factory in Gävle can contain up to eight production lines.



Layout of the Gävle factory.

SHAREHOLDER INFORMATION

SWEDISH AND FOREIGN OWNERSHIP



Nilar International AB (publ) is a Swedish public company. The company's shares are not listed on any public exchange.

The share capital amounts to SEK 3,450,982 divided into 3,450,982 shares with a quota value of SEK 1.00. Each share entitles the holder to one vote and equal right to share in the company's capital and earnings.

SHAREHOLDERS

At the end of 2018, the company had a total of 118 (120) shareholders.

The five largest shareholders controlled at year-end 49.9 (49.1) per cent of the capital and votes.

SHARE REGISTER

Nilar was at year-end 2018 not yet affiliated with Euroclear.

FINANCIAL INFORMATION

Nilar annually publishes four interim reports and an annual report. The reports are available to read and download or order as a printout from the company's website www.nilar.com.

ANNUAL GENERAL MEETING 2019

The annual general meeting of Nilar International AB (publ) will be held on Wednesday 19 June at 10.00 at the company's lawyers Baker & McKenzie with address Vasagatan 7, 101 23 Stockholm.

NILAR'S 15 LARGEST SHAREHOLDERS PER 31 DECEMBER 2018

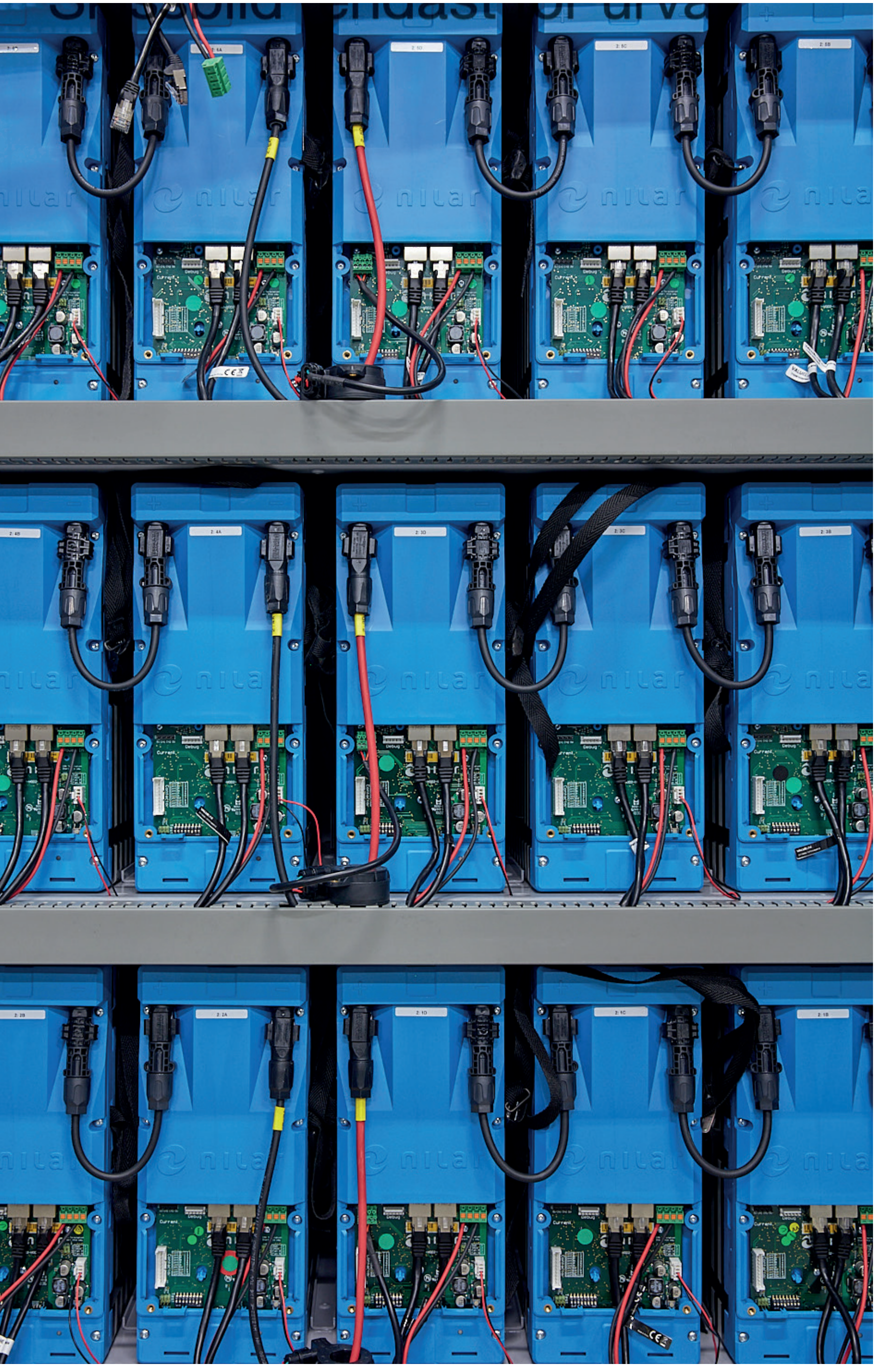
NAME	NUMBER OF SHARES	SHARE% CAPITAL/VOTES
Christopher Braden	466 133	13.5%
Climate Delta K/S	420 000	12.2%
R&H Trust Co[1]	344 649	10.0%
Fredriksson & Forssell AB [2]	267 924	7.8%
Ivory Investments Sarl	222 184	6.4%
Sagax Limited/Anders Barsk [3]	212 025	6.1%
Brohuvudet AB	168 627	4.9%
Fjord Advisors AB	142 590	4.1%
Hans Franzén	127 196	3.7%
Christmas Common Ltd	123 020	3.6%
Stamfar Peter AB/XAOC AB [4]	90 856	2.6%
First Energy Resources Inc.	82 866	2.4%
Per Krafft	76 303	2.2%
Segulah Venture AB	65 544	1.9%
Waterman 40 Holding B.V.	60 449	1.8%
Other	580 616	16.8%
Total	**3 450 982**	**100%**

Board representation:
1) Michael Obermayer. 2) Lars Fredriksson. 3) Anders Barsk. 4) Peter Tell.

DEVELOPMENT OF SHARE CAPITAL

	REGISTRATION DATE	MONTH	CHANGE IN NO. OF SHARES	NO. OF SHARES AFTER ISSUE
Founding	2000		100 000	100 000
New Share issue	2004		106 130	206 130
New Share issue	2005		62 418	268 548
New Share issue	2006		14 600	283 148
New Share issue	2007		81 193	364 341
New Share issue [4]	2011		155 773	520 114
New Share issue	2011		175 407	695 521
New Share issue	2012		280 485	976 006
New Share issue	2013		298 112	1 274 118
New Share issue [1]	2014		84 008	1 358 126
Warrants [2]	2015		895 288	2 253 414
New Share issue [3]	2015		8 008	2 261 422
Warrants [2]	2016	Jan	92 716	2 354 138
New Share issue [1]	2016	Jul	261 403	2 615 541
New Share issue [1]	2017	Jun	420 000	3 035 541
New Share issue [1]	2017	Jul	172 765	3 208 306
New Share issue [1]	2017	Dec	61 588	3 269 894
New Share issue [3]	2017	Dec	685	3 270 579
New Share issue [3]	2018	Jul	200	3 270 779
New Share issue [3]	2018	Dec	180 203	3 450 982

1) Share issue by set-off
2) Conversion of convertibles for shares.
3) Subscription for new shares by use of warrants
4) New Articles of Association - conversion of preference shares from 2009.



FINANCIAL INFORMATION

BOARD OF DIRECTORS' REPORT

The Board and the CEO of Nilar International AB (publ), corporate registration number 556600-2977, hereby present the accounts for the financial year 2018.

Ownership structure

Nilar International AB (publ) is a Swedish public company. The company's shares are not listed on any public exchange.

THE GROUP'S BUSINESS

After several years of ambitious development and industrialization, the company launched specialized products for: EV-charge (electrical vehicle charge support), home and small scale storage, and commercial and industrial storage based on the Company's unique bi-polar nickel-metal hydride battery.

In 2018, the industrialization and the wide release of the Company's battery solutions to market continued. 2018 has, in addition to active work in the market, been dominated by next generation products 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 2019.

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.

ÅRET I KORTHET

Nilar has during 2018 actively participated in international the trade fairs for electrical energy storage. During the first quarter, Nilar Hydride® EC (Energy Compact) based on the new V2 product generation, was launched.

A production line for the new V2 product generation was implemented and started during the first quarter, with ramp-up of production in and first complete system deliveries during the following quarters.

During the year, 38 large energy storage systems were delivered to customers, an increase from the 13 energy storage system delivered in 2017.

Nilar has during the year actively worked to scale up production capacity to meet the high demand for electrical energy storages. During the third quarter, a second production shift was added to further increase in the fourth quarter with a third shift to production 24 hours a day, five days a week. During the third and fourth quarters, the company worked with a project to move production to the large production hall in the Gävle factory with the installation of a second production line for commissioning in the first quarter of 2019.

Investments have been recognized for an electrode room and associated equipment to meet the needs of a fully built-out Gävle facility which will consist of eight production lines with peripheral equipment.

During the year, the number of employees and contracted personnel within the Group increased significantly to meet the Company's expansion plans. Employed and contracted personnel increased to 97 from 62 at the beginning of the year.

The staff increased was mainly within: production, development, and sales.

During the fourth quarter preparations for an IPO was initiated by engaging ABG Sundal Collier and Swedbank for a pre-IPO financing in the first half of 2019.

FINANCIAL SUMMARY, MSEK	2018	2017	2016	2015	2014
Revenue	3.4	1.1	0.3	0.4	1.0
Capitalised expenses for development work	17.4	17.2	18.5	14.3	13.9
Gross profit	-24.3	-11.4	-4.9	-9.9	-5.0
EBITDA	-77.8	-53.1	-38.2	-33.2	-35.1
Operating profit / EBIT	-89.9	-58.5	-43.7	-39.2	-40.0
Profit/loss after tax	-91.1	-59.2	-44.0	-43.9	-31.9
Cash flow from investing activities	-45.6	-24,9	-21.5	-14.5	-17.0
Cash flow from financing activities	76.9	135.0	55.7	66.7	54.7
Shareholder equity ratio, %	70%	96%	90%	94%	64%
Debt ratio, times	0.4	0.0	0.1	0.1	0.6
Full-time equivalent employees, number	48	44	38	41	44

Revenue and results

Revenue for the full year was 3.4 (1.1) MSEK.

Gross profit for the full year was -24.3 (-11.4) MSEK. Cost of sales includes costs for goods, the production facility, and production staff. Capitalized expenditure for development referring to expenses for product development, production technique development and costs for establishing the expanded production facility was 17.4 (17.2) MSEK.

Operating expenses for the Group was -54.6 (-43.2) MSEK.

Other operating income for the full year comprised of salary contributions, F/X gains and sale of fixed assets was 0.9 (1.5) MSEK.

Operating loss for the full year was -89.9 (-58.5) MSEK. Depreciation and amortization of tangible and intangible assets for the full year was -12.1 (-5.4) MSEK. Financial items were -1.1 (-0.7) MSEK. Pre-tax loss was -91.1 (-59.2) MSEK.

Loss after tax for the full year was -91.1 (-59.2) MSEK.

Cash flow, working capital, investments and financial position

Net cash generated from operating activities for the full year was -73.6 (-52.9) MSEK, out of which 7.3 (1.1) MSEK is related to changes in working capital. Net cash before changes in working capital was -80.9 (-54.0) MSEK.

Investments for the full year were 45.6 (24.9) MSEK, comprised of capitalized development costs 17.4 (17.2) MSEK and capital investments in the new factory 28.2 (7.7) MSEK.

Cash flow from financing activities for the full year was 76.9 (135.0) MSEK, explained by 18.0 MSEK of equity subscriptions and payments related to investor share options from 2015, and 58.8 MSEK as part of the private placement being conducted Q4 2018-Q1 2019.

Net cash flow for the full year was -42.3 (57.1) MSEK. Cash and cash equivalents at the end of the year was 32.5 (74.8) MSEK.

Total assets are 288.6 (284.7) MSEK. The Group's intangible assets at the end of the period amounted to 193.3 (183.2) MSEK, out of which 191.8 (181.3) MSEK are capitalized expenditures for development work and 1.5 (2.0) MSEK are capitalized expenditures related to patents.

At the end of the period, current assets amounted to 56.1 (86.2) MSEK. Inventories amounted to 8.0 (4.7) MSEK.

At the end of the period, equity in the Group amounted to 201.3 (274.3) MSEK. The equity/asset ratio was 70 (96) %.

Risks and risk management

Exposure to risk is a natural part of running a business and this is reflected in Nilar's approach to risk management. This aims to identify risks and prevent risks from occurring or to limit any damage resulting from these risks. Risks can be categorized as financial risks, business cycle, markets- and external risks, operational risks, and sustainability risks. For a description of how the Group manages these risks in its activities, see Note 5. Risks and risk management.

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 approximately 300 MSEK of new capital during 2019. After the balance sheet date, the Company has concluded a capital raise of 327 MSEK. For further information, see section "Post balance sheet events".

Permits and the environment

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.

Post balance sheet events

Pre-IPO capital raise

The company has during Q4 2018-Q2 2019 conducted a pre-IPO capital raising with the help of the investment banks ABG Sundal Collier and Swedbank. The fundraising of SEK 327 million, including interest expense for loans later converted (and before fees), was completed on 16 May 2019. As Per 23 May, the company had received full payment. The SEK 327 million has been converted to equity in its entirety. SEK 52.8 million had been paid into the company in Q4 2018 in the form of a loan with mandatory conversion at the closing of the pre-IPO round.

Bridge loan converted into loan with pre-IPO conversion rights

The bridge loan of SEK 6 million outstanding on 31 December 2018 has following the balance sheet date been converted to a loan with conversion rights pre-IPO, on the same terms as other outstanding loans of SEK 52.8 million. The loan has in its entirety been converted to equity in the completed pre-IPO capital raise.

Extra ordinary general meeting

An extra ordinary general meeting took place on 5 March 2019 (the "EGM"). The shareholders were summoned to the EGM in accordance with the company's articles of association. All resolutions as proposed in the notice were passed unanimously. Notable resolutions were: the post transfer purchase clause in the articles of association was removed, a central securities depository clause was introduced in the articles of association in order to enable to register the company with Euroclear Sweden AB, the limits for the share capital and limits for the number of shares in the articles of association were increased, and the board was authorized to issue shares.

PARENT COMPANY

Revenue for the Parent Company for the full year was 0 (0) MSEK. Loss after tax was -88.2 (-93.1) MSEK, mainly explained by write-down of shares in subsidiaries of -81.4 (-84.0) MSEK. Group purchases were 0 (0) MSEK. Financial items were -80.4 (-83.0) MSEK due to group transactions, in which the Parent Company during the period has issued shareholder contributions amounting to -81.4 (-84.0) MSEK, which subsequently has been written off.

Net cash flow for the full year was -52.8 (57.0) MSEK. Cash and cash equivalents at the end of the year was 19.4 (72.2) MSEK.

The equity/asset ratio was 70 (96) %. Equity was 96.7 (166.8) MSEK.

Total number of shares

The total number of shares per 31 december 2018 was 3,450,982. Per the balance sheet date there were 149 500 share options outstanding.

Board activities

The Board has adopted a set of working procedures and a number of policies that define the allocation of responsibilities between the Board, the CEO, the committees of the Board of Directors and Group management. The Board has ultimate responsibility for the Group's operations and organization and ensures that the duties of the CEO as well as financial operations are carried out in compliance with established principles. The Board held eleven minuted meetings during the year.

From its membership, the Board has appointed an audit committee that held two meetings during the year.

Guidelines for remuneration to senior executives

Nilar shall have the compensation levels and terms of employment required to recruit, motivate and retain a management with good competence and capacity to achieve the set goals and take into account the competence of the individual executive. Marketability must therefore be the overall principle of remuneration and other remuneration to senior executives of the CEO and other executives who are members of the group Management – the Group's leading executives.

Corporate governance report

Nilar leaves a separate corporate governance report, which is included in this annual report on pages 65-69.

Sustainability report

The Company provides a separate sustainability report, which is included in this annual report on pages 18-19.

Proposed treatment of loss

PARENT COMPANY	2018
The following profits are at the disposal of the annual general meeting:	
Share premium reserve	551 411 513
Profit/loss brought forward	-404 340 270
Net loss for the year	-88 225 109
Total	**58 846 134**

Dividends

The Board proposes that no dividends be paid for the financial year 2018.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

TSEK	NOTE	2018	2017
Revenue	6	3 396	1 118
Capitalization of development costs		17 392	17 200
Cost of sales		-45 096	-29 708
Gross profit		**-24 308**	**-11 389**
Research & development expenses		-33 700	-23 376
Distribution and selling costs		-17 934	-14 045
Administrative expenses		-14 923	-11 189
Other operating income	10	930	1 456
Operating income	7, 8, 9	**-89 935**	**-58 543**
Financial income	11	2	-
Financial expenses	11	-1 125	-707
Finance costs - net		**-1 123**	**-707**
Profit/loss before tax		**-91 058**	**-59 249**
Income tax	12	-	-
Net profit/loss for the year		**-91 058**	**-59 249**
Other comprehensive income			
Items that may later be reversed in the income statement			
Currency translation differences		-52	-69
Other comprehensive income for the year, net after tax		**-52**	**-69**
Total comprehensive income for the year		**-91 110**	**-59 318**

Comments on the consolidated income statement

Net sales for the full year totaled 3.4 (1.1) MSEK. The Group's gross profit amounted to -24.3 (-11.4) MSEK. Included in the gross profit are capitalized expenditure for development of 17.4 (17.2) MSEK.

Profit before depreciation (EBITDA) amounted to -77.8 (-53.1) MSEK. During the year, depreciation of capitalized expenditure for development was started Profit before tax (EBIT) were -89.9 (-58.5) MSEK.

The Group's net financial items were -1.1 (-0.7) MSEK. Financial expenses were -1.1 (-0.7) MSEK mainly comprised of interest expense.

The Group's profit before and after tax amounted to -91.1 (-59.3) MSEK.

CONSOLIDATED BALANCE SHEET

TSEK	NOTE	31-12-2018	31-12-2017
ASSETS			
FIXED ASSETS			
Intangible assets	13		
Patents		1 519	1 953
Capitalized expenses for development work		191 785	181 263
Total intangible fixed assets		**193 304**	**183 216**
Tangible fixed assets	14		
Property, plant and equipment		16 230	7 031
Fixed assets under construction		23 235	8 217
Total tangible fixed assets		**39 465**	**15 249**
Total fixed assets		**232 769**	**198 464**
CURRENT ASSETS			
Inventories	16	8 010	4 678
Accounts receivable - trade	17	2 604	1 107
Tax assets		301	305
Other receivables	18	10 182	3 544
Prepaid expenses and accrued income	19	2 204	1 822
Cash and cash equivalents	15, 25	32 480	74 752
Total current assets		**55 782**	**86 209**
Total assets		**288 551**	**284 673**

TSEK	NOTE	31-12-2018	31-12-2017
EQUITY AND LIABILITIES			
EQUITY			
Share capital	22	3 451	3 271
Other contributed capital	22	584 044	566 082
Statutory reserves		-238	-186
Retained earnings		-385 907	-294 849
Total equity		**201 350**	**274 319**
LIABILITIES			
Current liabilities			
Borrowings	15	58 802	-
Accounts payable - trade	15	19 937	7 185
Other liabilities	20	1 392	1 064
Accrued expenses and deferred income	21	7 070	2 106
Total current liabilities		**87 201**	**10 354**
Total equity and liabilities		**288 551**	**284 673**

Comments to the balance sheet

Consolidated total assets at year-end were 288.6 (284.7) MSEK.

Intangible assets were 193.3 (183.2) MSEK, out of which 191.8 (181.3) MSEK was comprised of capitalized expenditures for development work and 1.5 (2.0) MSEK of capitalized expenditures related to patents.

Equity in the Group at the end of the year amounted to 201.3 (274.3) MSEK. The equity/asset ratio was 70 (96) %.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY					
TSEK	NOTE	SHARE CAPITAL	NON-REGISTERED SHARE CAPITAL	OTHER CONTRIBUTED CAPITAL	RESERVES	RETAINED EARNING	TOTAL EQUITY
Opening balance per 1 January 2017	22	**2 616**	**-**	**419 141**	**-117**	**-235 600**	**186 040**
Comprehensive income							
Net profit/loss for the year		-	-	-	-	-59 249	-59 249
Other comprehensive income		-	-	-	-69	-	-69
Total comprehensive income		**-**	**-**	**-**	**-69**	**-59 249**	**-59 318**
Transactions with shareholders							
New share issue		655	-	146 941	-	-	147 596
Total transactions with shareholders		**655**	**-**	**146 941**	**-**	**-**	**147 596**
Opening balance per 1 January 2018	22	**3 271**	**-**	**566 082**	**-186**	**-294 849**	**274 319**
Comprehensive income							
Net profit/loss for the year		-	-	-	-	-91 058	-91 058
Other comprehensive income		-	-	-	-52	-	-52
Total comprehensive income		**-**	**-**	**-**	**-52**	**-91 054**	**-91 110**
Transactions with shareholders							
New share issue		180	-	17 862	-	-	18 042
Option programme		-	-	100	-	-	100
Total transactions with shareholders		**180**	**-**	**17 962**	**-**	**-**	**18 142**
Closing balance per 31 December 2018	22	**3 451**	**-**	**584 044**	**-238**	**-385 907**	**201 350**

Comments on changes in equity

In addition to the net profit and translation differences for the year of -91.1 (-59.3) MSEK transactions with shareholders of 18.1 (147.6) MSEK had an impact on equity.

CONSOLIDATED CASH FLOW STATEMENT

TSEK	NOTE	2018	2017
Cash flows from operating activities			
Earnings after financial items		-91 058	-59 249
Interest paid and received		-1 125	-41
Adjustment for other non-cash items			
Depreciation on tangible and intangible fixed assets		11 307	5 393
Translation differences		-52	-69
Cash flow from operating activities before changes in working capital		**-80 929**	**-53 967**
Cash flow from changes in working capital			
Increase (-) /decrease (+) in inventories		-3 332	1 065
Increase (-) /decrease (+) in operating receivables		-8 512	-2 276
Increase (+) /decrease (-) in operating liabilities		19 170	2 266
Total changes in working capital		**7 326**	**1 056**
Cash flow from operating activities		**-73 602**	**-52 911**
Investing activities			
Investments in Intangible assets	13	-17 392	-17 200
Investments in tangible fixed assets	14	-28 220	-7 742
Cash flow from investing activities		**-45 612**	**-24 941**
Financing activities			
New share issue	22	18 042	136 925
Option programme	22	100	-
Repayment of debt		-	-1 945
Loans raised		58 802	-
Cash flow from financing activities		**76 943**	**134 980**
Cash flow for the year		**-42 271**	**57 128**
Reconciliation of cash and cash equivalents			
Cash equivalents as of beginning of the financial year	15	74 752	17 624
Cash flow for the year		-42 271	57 128
Cash and cash equivalents at the end of the year	15	**32 480**	**74 752**

Comments on the cash flow statement

Cash flow from operating activities before changes in working capital totaled -80.9 (-54.0) MSEK. The effect on cash flow of the change in working capital amounted to 7.3 (1.1) MSEK. Inventories changed during the year by -3.3 (1.1) MSEK while current receivables changed by -8.8 (-2.3) MSEK. Current liabilities increased by 19.5 (2.3) MSEK.

Investments in intangible and tangible fixed assets amounted to 45.6 (24.9) MSEK. Investments of 17.4 (17.2) MSEK relate to intangible fixed assets. Motsvarande för materiella tillgångar uppgick till 28.2 (7.7) MSEK. Depreciation amounts to 11.3 (5.4) MSEK.

Cash flow from financing activities totaled 76.9 (135,.0) MSEK. Cash flow from new share issue amounted to 18.0 (136.9) MSEK. Loans taken as part of pre-IPO capital raising totaled 58.8 (-) MSEK.

Cash and cash equivalents at the end of the year amounted to 32.5 (74.8) MSEK.

NOTES FOR THE GROUP

All amounts are in TSEK unless otherwise stated. Figures in brackets refer to the previous year. Some figures are rounded, so amounts might not always appear to match when added up.

NOTE 1. GENERAL INFORMATION

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

NOTE 2. CHANGES DURING THE REPORTING PERIOD

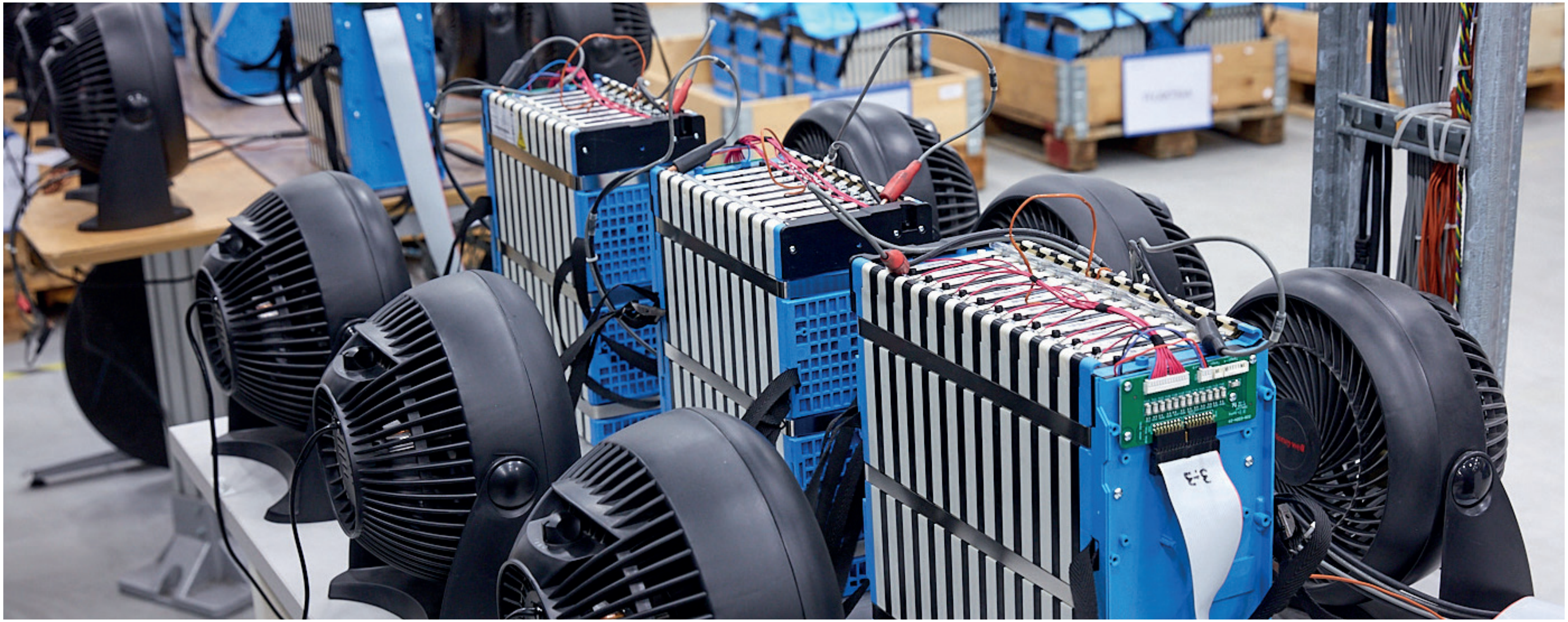
The Group's financial position and profit were affected by the following events and transactions during the reporting period..

Financial position and profit during the reporting period
A detailed report of the Group's financial position and profit can be found in the Board of Directors' Report.

NOTE 3. SPECIFICATION OF THE GROUP'S HOLDINGS OF PARTICIPATIONS IN GROUP COMPANIES

PARTICIPATIONS IN SUBSIDIARIES	31-12-2018	31-12-2017
Opening acquisition cost	101	101
Shareholder contributions	81 400	84 011
Impairment of shareholder contributions	-81 400	-84 011
Closing reported value	101	101

SUBSIDIARY/CORPORATE IDENTITY NUMBER/REGISTERED OFFICE	COUNTRY	PARTICIPATION, % 31-12-2018
Nilar AB, 556790-0815, Gävle	Sweden	100%
Nilar Inc., 1415595, Delaware	USA	100%



NOTE 4. SUMMARY OF IMPORTANT ACCOUNTING POLICIES AND DISCLOSURES

The consolidated financial statements in their Swedish original form have been prepared in accordance with IFRS as adopted by the EU and in accordance with the Council for financial reporting's recommendation, RFR 1, Supplementary accounting rules for groups, and the Annual Accounts Act. The English translation of the consolidated financial statements, although professionally translated, cannot guarantee compliance with generally accepted IFRS terminology. The consolidated financial statements have been prepared in accordance with the cost method.

In addition to these standards, both the Swedish Companies Act and the Annual Accounts Act require certain supplementary disclosures to be made.

The accounting policies applied in the preparation of the consolidated financial statements are disclosed in the respective notes in order to provide a better understanding of the respective accounting field.

See the table below for reference to the note in which each significant accounting policy is used and the applicable IFRS standard that is deemed to have significant influence.

IMPORTANT ESTIMATES AND ASSESSMENTS FOR ACCOUNTING PURPOSES

Preparing financial reports in accordance with IFRS requires important accounting estimates to be made. In addition, the management needs to make certain assessments in the application of the company's accounting policies. The areas subject to a high degree of assessment or complexity, or areas in which assumptions and estimates are of considerable importance to the consolidated financial statements, are indicated in the following table. The estimates and assumptions are regularly reviewed, and the effect on the carrying amounts is recognized in the income statement.

Estimates and assessments are continually evaluated and are based on historical experience and other factors, including the anticipation of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future.

ACCOUNTING POLICY	NOTE		IFRS-STANDARD
Consolidated financial statements	4	Consolidated financial statements	IFRS 10
Income	6	Income	IFRS 15
Operating expenses	7	Operating expenses	IAS 1
Share-based remuneration	9	Employees, employee benefit expenses and remuneration to the Board	IFRS 2
Financial income and expenses	11	Financial income and expenses	IFRS 9
Income tax	12	Tax	IAS 12
Intangible fixed assets	13	Intangible fixed assets	IAS 38
Tangible fixed assets	14	Tangible fixed assets	IAS 16
Accounts receivable	17	Financial instruments by category	IAS 18, IAS 32, IFRS 7, IFRS 9
Accounts payable	15	Financial instruments by category	IAS 32, IAS 37, IFRS 7, IFRS 9
Inventories	16	Inventories	IAS 2
Share-based instruments	23	Share-based instruments	IFRS 2
Cash flow statement	25	Cash flow	IAS 7
Operational leasing	26	Leasing	IFRS 16
Transactions with related parties	27	Transactions with related parties	IAS 24
Provisions	29	Other provisions	IAS 28, IAS 37, IFRS 11

IMPORTANT ESTIMATES AND ASSESSMENTS	NOTE	
Impairment of intangible assets	13	Capitalized expenditure for research and development
Valuation tax loss carryforwards	12	Deferred tax

CONSOLIDATED FINANCIAL STATEMENTS

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.

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".

	Average rate		Closing rate	
	2018	2017	2018	2017
USD	8.69	8.54	8.97	8.23

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.

Business combinations

Business combinations are reported according to the acquisition method. The purchase price for the business combination is measured at fair value at the time of acquisition, which is calculated as the sum of the fair values at the date of acquisition of the assets, accrued or assumed liabilities and equity shares issued in exchange for control over the acquired business. Acquisition-related expenses are recognized in the income statement as they arise. The purchase price also includes the fair value at the date of acquisition of the assets or liabilities resulting from an agreement on contingent consideration. Changes in the fair value of a contingent consideration arising from additional information obtained after the date of acquisition if facts and circumstances at the date of acquisition qualify as adjustments in the valuation period and adjusted retroactively, with the corresponding adjustment of goodwill. Contingent consideration that is classified as equity is not revalued and the subsequent regulation is reported within equity. All other changes in the fair value of a contingent additional consideration are reported in the income statement.

The identifiable acquired assets and liabilities assumed are reported at fair value at the acquisition date, with the following exceptions:

- Deferred tax receivable or debt and liabilities or assets attributable to the acquired company's employee benefits agreement are recognized and valued in accordance with IAS 12 income taxes and IAS 19 employee benefits.

- Liabilities or equity instruments relating to the equity-related allocations of the acquired entity or to the exchange of share-based allocations of the acquiree against the share- The acquisition date in accordance with IFRS 2 share-based payment.

- Assets (or disposal group) classified as being held for sale in accordance with IFRS 5 Non-current assets held for sale and discontinued operations are valued in accordance with that standard.

For business combinations where the sum of the purchase price, any non-controlling interest and fair value at the time of acquisition of previous shareholdings exceeds fair value at the time of acquisition of identifiable acquired net assets, the difference is reported as goodwill in the balance sheet. If the difference is negative, this is reported as a gain on an acquisition at a low price directly in the result after a review of the difference.

For each business combination, previous non-controlling interest in the acquired company is valued at either fair value or the value of the proportional share of the non-controlling interest of the acquired company's identifiable net assets.

Non-recurring items

Non-recurring items are recognized separately in the financial statements when this is necessary for explaining the Group's results. Non-recurring items refer to significant income or expense items that are recognized separately because of the importance of their nature or amount.

Segment recognition

The Group consists of only one reportable segment, Nilar, as it is at this level that the Group's management team has responsibility for the allocation of resources and assesses the business's results.

Operating segments are reported in a way that is consistent with the internal reporting submitted to the highest executive decision-maker. The highest executive decision-maker is the role with responsibility for allocating resources and making assessments of the results of the operating segments. The executive management team of the Group has been identified as having this role.

NOTE 5. RISKS AND RISK MANAGEMENT

FINANCIAL RISK FACTORS

Through its operations the Group is exposed to various kinds of financial risks; currency risk, interest rate risk, credit risk 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.

Currency 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 2018, Nilar's financial assets were subject to the following translation exposure:

TSEK	31-12-2018	31-12-2017
EUR	279	510
USD	3 682	-
Other currencies	-	37
Total	**3 961**	**548**

The Group had no balance sheet exposure of financial assets.

If the Swedish krona had been weakened/strengthened by 5% against the other currencies, other variables being constant, the impact on net income and equity would have been 198 (27) TSEK.

(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.

Interest rate risk

Nilar has interest-bearing financial liabilities whose changes linked to market interest rates affect earnings and cash flow from operating activities. Interest rate risk refers to the risk that changes in the general interest rate situation negatively affect the Group's net profit. Nilar's interest rate risk arises from long-term borrowing. Borrowing at variable interest rates exposes the Group to interest rate risk regarding cash flow, which is partly neutralized by cash funds with variable interest rates. During 2018 and 2017, the Group's borrowing was at a variable rate of SEK.

The Group has analyzed its sensitivity to interest rate changes. Analysis shows that the effect on earnings and equity of a change of 1 percentage point would give a maximum change of 588 (0) TSEK.

Credit risk

Credit risk or counterparty risk is the possibility that the counterparty in a financial transaction fails to fulfil its obligations on the due date. Nilar's credit risk includes bank balances and accounts receivable. Regarding liquid funds, it is estimated that the credit risk is low as 100% of Nilar's total liquid funds are held by counterparties that are large well-known banks in Sweden – such as Nordea – with a high credit rating. For accounts receivable, the credit risk in Nilar is considered to be low when the proportion of accounts receivable that is recognized in the balance sheet is of non-significant amounts. The maximum credit risk corresponds to the book value of the financial assets. The assessment is that there is no significant concentration of credit risks. Reserve for accounts receivable is assessed on the basis of individual assessments based on past events, current conditions and forecasts for future economic conditions. The loss reserve for accounts receivable and contract assets is always valued at an amount equivalent to the maturity of expected loan losses. Reviews to assess business risks in these relationships occurs continuously and impairment of claims occurs when there is objective evidence that overdue amounts will not be paid. For the Group's credit losses and maturity structure, see note 15. Financial instruments by category.

Liquidity Risk

Liquidity risk is the risk that Nilar lacks liquid funds for the payment of its commitments regarding 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. The conditions for such a possible transaction are, inter alia, affected by the current situation in the financial market. 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:

PER 31 DECEMBER 2018 (INCLUDING INTEREST PAYMENTS)	NOMINAL AMOUNT	LESS THAN 6 MONTHS
Loan with conversion rights pre-IPO	52 802	52 802
Bridge loan	6 000	6 000
Accounts payable and other liabilities	19 937	19 937
Total	**78 739**	**78 739**

PER 31 DECEMBER 2017 (INCLUDING INTEREST PAYMENTS)	NOMINAL AMOUNT	LESS THAN 6 MONTHS
Accounts payable and other liabilities	7 185	7 185
Total	**7 185**	**7 185**

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. During 2018, a new issue has been initiated, see note 22. Share capital and other capital contributions.

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

The equity/assets ratio for the Group as at 31 December 2018 amounts to 70 (96) percent. The parent company's equity ratio was 60 (99) percent.

BUSINESS CYCLE, MARKET AND EXTERNAL RISKS

Global market and macroeconomic risks

Nilar operates in a global market – energy storage – characterized by strong growth as a result of growth in intermittent electricity production (wind and solar) and conversion to electric drive in the transport sector (e.g. electric and hybrid cars), where customers are driven by macroeconomic factors, which may affect demand for the Group's products. By operating in several segments, this risk exposure is reduced. Nilar operates in the energy storage market and with special focus on three segments: home and small-scale storage, smart grid infrastructure, and commercial and industrial support. The Group's sales are also distributed over several customers, product-wise and geographically. The use of production forecasts and close relationships with customers keeps the Group well informed about customer plans.

The financial performance of the business depends on the Group's ability to react quickly to changes in demand for the Group's products and to adjust production levels and operating costs accordingly. Entering new markets requires well-developed plans, processes and local knowledge where cultural and political aspects are important to take into account. Nilar has experience in entering new markets as well as geographical areas, which preferably takes place through partners with good knowledge of the local market.

Legal and political risks

Legislation, regulation and compliance

Nilar operates within different jurisdictions and is subject to local rules and laws within respective jurisdiction as well as comprehensive international rules. Changes in local and international rules and laws as well as policy decisions may affect the Group's operations including demand for the Group's products. Nilar meets these risks through continuous work with risk assessments and, if necessary, consult with external expertise.

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 right.

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.

OPERATIONAL RISKS

Customer dependence

Nilar meets a broad interest from the market but remains dependent on a smaller number of customers and market segments. Nilar strives to broaden the customer base, also geographically, as well as to develop the product portfolio.

Production

Nilar's business plan includes a significant capacity expansion, and Nilar is systematically working on securing alternative suppliers to limit the risks in this part.

Global supply chain

In the global supply chain there are various risks related to dependence on specific suppliers, raw materials and inputs, logistics and quality. Among raw materials and inputs, Nilar is most exposed to nickel, where changes in prices can affect the Group's performance. However, the dependency is limited to about 5% of the customer price and is handled in the customer agreements. The prices of raw materials are periodically adjusted to current market levels based on price developments during the period. Nilar's supply chain is global, which places great demands on purchasing processes, quality assurance and follow-up. Nilar meets these risks through active purchasing, quality and logistical work, where the global purchasing strategy is under continuous review and update aimed at optimizing the Group's sourcing, ensuring compliance with codes of conduct and requested volume at the right time and at the right price and quality.

IT-related risks
Nilar's business is dependent on IT systems as well as hardware that supports the Group's production, logistics and order management. An interruption in a system that supports these can have a negative impact on the Company's production and the ability to fulfil its delivery obligations. Nilar manages IT-related risks on a continuous basis through the Group's central IT department. Nilar has established routines regarding information security and processes for follow-up and control. Nilar seeks to ensure an IT environment that can be quickly replicated at a possible outage.

Product liability, warranty and recall
Nilar has a product liability and a warranty liability for delivered products. To limit the risk of claims, Nilar implements extensive testing in the development phase of the products and quality and control measures in the production phase. Nilar has signed insurance covering a certain amount against damages regarding product liability and recall.

Environmental risks
Nilar's business is licensed and notifiable. Nilar holds permission under the environmental code to manufacture batteries that do not contain cadmium, lead or mercury in the factory in Gävle. The Company is authorized to produce a maximum of two million batteries per year.

Forecasting
Nilar operates on the rapidly growing market for industrial batteries. The business has to date not had any substantial sales but is expected to show significant growth in the coming years. To make forecasts in such an environment is difficult even for a short time ahead and the actual outcome can mean major deviations for e.g. sales, gross margins, inventory volumes and liquidity.

SUSTAINABILITY RISKS
Environmental principles
In the context of Nilar's operations, renewable and finite natural resources are used, which can have a negative impact on the environment in the future. Resources such as fossil fuels, coal and metals are considered to be finite, where, however, metals can be reused. Examples of renewable resources include water, wind and solar energy.

Nilar is engaged in active environmental work to ensure that the operations are conducted with minimal impact on the environment that is practically possible and financially justifiable. The main environmental impact of resource consumption is in the area of energy, where the Group strives to use renewable electricity, recycling and energy-efficient production processes.

To minimize the use of fossil fuels, the logistics function works to ensure efficient logistics and transport solutions.

Social responsibility
Nilar operates in a global market parallel to various interest groups, where consideration of human health, well-being and rights are fundamental values. When imbalances arise in these circumstances, there are risks of concern and conflict both for the individual and for society as a whole. Nilar's ambition is to meet all interest groups with respect and good ethics.

Organization and competence Increase
Nilar is dependent on being able to attract and retain the right employees. To ensure that Nilar is perceived as an attractive employer, Nilar conducts employee surveys and provides internal development and career opportunities. Nilar also strives for clear internal communication on goals and strategy. The supply of personnel with deeper battery competence is a challenge. The Company has so far successfully managed to find qualified personnel in the battery area.

Corporate governance
Risks exist when businesses directly or indirectly fail to comply with applicable laws, regulations, policies and the accepted norms of society. Nilar conducts its business in a responsible and efficient manner, with high business ethics, good risk control and healthy corporate culture. Governing policies and policies are the basis for sustainable and long-term entrepreneurship, where the Group's code of conduct is indicative of all decisions made in the business.

NOTE 6. INCOME

The Group has the predominant share of its revenues in Northern Europe.

	2018	2017
Sweden	1 766	577
EU	1 200	5
Outside EU	430	536
Total income	**3 396**	**1 118**

The Group's customers

Nilar's geographical focus is within the European markets, with a special focus on the Nordic countries, the Benelux, the DACH (German-speaking markets) and the UK.

The customers are mainly system integrators in electrical energy storage.

ACCOUNTING POLICIES

Changes in accounting principles

New or amended IFRS standards and new interpretations 2018

IFRS 15 Revenue from contracts with customers

Since 1 January 2018, the group has applied IFRS 15, which replaces IAS 18 "Revenue". The introduction of the standard has not brought about any significant effects and there is no transitional effect in equity to present. No translation of comparative figures has taken place.

An analysis has been made of the group's different types of agreements with customers to determine whether they qualify to be a contract under IFRS 15. A majority of the contracts are in accordance with the current price list where the customer receives the product at the time it is delivered, and the control passes to the customer. Invoicing and revenue are based on a pre-agreed price.

Nilar's revenue consists of 100% of product sales of systems. Revenue recognition is done at present on delivery and when the control has been transferred to the customer. The company has no contractual assets, contractual liabilities or remaining performance commitments.

NOTE 7. OPERATING EXPENSES

The Group reports its income statement based on functions. The key cost items are presented below.

	2018	2017
Changes in inventories, cost of goods sold	-17 829	-12 683
Costs for remuneration to employees and directors (note 9)	-38 105	-33 461
Costs for temporary labour	-14 994	-580
Depreciation	-12 006	-5 417
Other costs	-28 719	-26 177
Total costs for goods sold, development, sales and administration	**-111 653**	**-78 318**

Depreciation of intangible assets 7 303 (507) TSEK has been recognized under the Development costs in the income statement. Depreciation of tangible assets 4 703 (4 910) TSEK has been recognized under Cost of goods sold 4 644 (4 883) TSEK and Administration expenses 59 (26) TSEK.

ACCOUNTING POLICIES

The income statement is presented in the functional form. The functions are as follows:

Cost of goods sold includes cost of handling and manufacturing costs including payroll and material costs, purchased services, facility costs and depreciation of tangible fixed assets used in the production process.

Development costs include costs for the own R&D organization, hired consultants and depreciation and write-downs for intangible assets such as patents and capitalized development costs.

Selling expenses include costs for the own sales organization and depreciation of property, plant and equipment used by the group's sales organization. Provisions to, and reversals of reserves for doubtful accounts receivable, are also included in the function Selling expenses in the income statement.

Administrative expenses relate to the costs of boards, management and staff functions in the Group, and depreciation and write-downs of tangible assets used by the Group's administrative functions.

NOTE 8. AUDIT FEES

	2018	2017
Deloitte AB		
Audit engagement	-395	-250
Other audit activities	-150	-25
Other services	-	-150
Total Deloitte	**-545**	**-425**

Audit engagement' refers to the examination of the financial statements and accounting records and the Board's and President and CEO's administration, other tasks that might be incumbent on the company's auditors, and advice or other assistance as a result of observations during the audit or the implementation of the other duties referred to. Everything else is other assignments.

During the year, Deloitte carried out an IPO-readiness study on behalf of the Company to analyze the Company's preparation for a listing.

NOTE 9. EMPLOYEES, EMPLOYEE BENEFIT EXPENSES AND REMUNERATION TO THE BOARD

	Number of people		Of whom men %	
AVERAGE NUMBER OF EMPLOYEES	2018	2017	2018	2017
Parent Company	1	1	100	100
Subsidiaries				
Sweden	44	40	64	62
USA	3	3	67	67
Total subsidiaries	47	43	64	63
Total average number of employees	**48**	**44**	**65**	**64**

	Number of people		Of whom women %	
GENDER DISTRIBUTION ON THE BOARD AND IN EXECUTIVE MGMT	2018	2017	2018	2017
Board	8	6	13	-
Executive management	5	5	-	-

	Salaries and remuneration		Social security expenses	
SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY EXPENSES	2018	2017	2018	2017
Parent Company	-2 884	-1 453	-855	-439
(of which pension costs)	-636	-221		
Subsidiaries	-26 976	-25 278	-7 390	-6 291
(of which pension costs)	-1 863	-1 995		
Total salaries, other remuneration and social security expenses	**-29 860**	**-26 731**	**-8 245**	**-6 730**
(of which pension costs)	-2 499	-2 215		

	Management staff		Other employees	
SALARIES AND OTHER REMUNERATION ACCORDING TO COUNTRY, MANAGEMENT STAFF AND OTHER EMPLOYEES	2018	2017	2018	2017
Parent Company and subsidiaries in Sweden	-7 492	-8 455	-28 435	-22 971
Subsidiaries overseas	-	-	-2 177	-2 035
Total	**-7 492**	**-8 455**	**-30 613**	**-25 006**

Fees are paid to the chairman and members of the Board according to the AGM's decision. During the year, the Board of directors has not received any fees.

Other senior executives directly subordinated to the CEO receive market-based salary. Pension benefits are defined contribution and do not exceed 35% of the fixed salary. Upon termination by the company, the period of notice is 3-12 months. Upon termination by the company, severance pay equal to a maximum of nine months' salary may apply.

Incentive program

Incentive programs are used to ensure that key personnel and advisors contribute to long-term value growth and that shareholders and employees have a common interest in the share's positive value development.

Incentive programs are used to ensure that key personnel and advisors contribute to long-term value growth and that shareholders and employees have a common interest in the share's positive value development.

ACCOUNTING POLICIES

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 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.

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.

NOTE 10. OTHER OPERATING INCOME

	2018	2017
Energimyndigheten	-	222
Salary contributions	372	426
EU funding	-	776
Profit sale of fixed asset	195	-
Sales of scrap	116	-
Insurance compensation	-	0
Foreign exchange gains	247	31
Total other operating income	**930**	**1 455**

During the year, the Company received a salary grant of 372 (426) TSEK for a doctoral student at KTH.

ACCOUNTING POLICIES

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".

NOTE 11. FINANCIAL INCOME AND EXPENSES

FINANCIAL INCOME	2018	2017
Exchange rate differences	2	-
Total financial income	**2**	**-**

FINANCIAL EXPENSES	2018	2017
Interest expenses to shareholders	-1 116	-664
Other interest expenses	-10	-41
Exchange losses	-0	-2
Total financial expenses	**-1 125**	**-707**

ACCOUNTING POLICIES

Financial income and expenses consist of interest income from bank funds and receivables, interest expenses on loans, dividend income and exchange rate differences.

The interest component of financial lease payments is recognized in the income statement in accordance with the effective interest method, whereby interest is distributed so that each accounting period is charged with an amount based on the liability recognized during the period in question. Issue expenses and similar direct transaction costs for raising loans are included in the acquisition cost of the borrowing and are expensed in accordance with the effective interest method.

NOTE 12. TAX

REPORTED TAX	2018	2017
Deferred tax	-	-
Deferred tax regarding previous years	-	-
Total reported tax	**-**	**-**

RECONCILIATION OF EFFECTIVE TAX	2018	2017
Profit before tax	-91 058	-59 249
Income tax calculated according to national tax rates prevailing on profit in each country. 22% in Sweden.	20 033	13 035
Tax effects of:		
- Non-taxable income	-67	-42
- Taxable losses for which no deferred tax assets have been reported	-19 966	-12 992
- Deferred tax capitalized intangible assets	-	-
- Deferred tax employee share options	-	-
Amounts relating to previous years	-	-
Total reported tax	**0**	**0**

ACCOUNTING POLICIES

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 is 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.

NOTE 13. INTANGIBLE ASSETS

	31-12-2018			31-12-2017		
TSEK	PATENTS	CAPITALIZED EXPENDITURE FOR RESEARCH AND DEVELOPMENT	TOTAL	PATENTS	CAPITALIZED EXPENDITURE FOR RESEARCH AND DEVELOPMENT	TOTAL
Accumulated cost of acquisition						
At the start of the year	6 867	181 263	188 129	6 867	164 062	170 929
Acquisitions for the year	-	17 392	17 392	-	17 200	17 200
At year-end	**6 867**	**198 654**	**181 263**	**6 867**	**181 263**	**188 129**
Accumulated depreciation						
At the start of the year	-4 914	-	-4 407	-4 407	-	-3 860
Depreciation for the year	-434	-6 869	-7 376	-507	-	-547
At year-end	**-5 347**	**-6 869**	**-11 783**	**-4 914**	**0**	**-4 407**
Recognized value						
At the start of the year	1 953	181 263	183 723	2 460	164 062	166 522
At year-end	**1 519**	**191 785**	**193 738**	**1 953**	**181 263**	183 215

Patents

Nilar had as of 31 December 31 2018, approximately 105 active patents/patent applications.

The depreciation of patents takes place during the term of the patent, from the date on which the patents have been approved.

Capitalized development expenses

Capitalized development expenses relate to costs for:

	31-12-2018	31-12-2017
Product development	173 059	167 135
Production process development	7 799	6 842
Development of ERP system	1 286	1 354
Development of BMS	9 641	5 932
Total captialized expenditure for development work	**191 785**	**181 263**

During the autumn of 2018, the Board of Directors assessed that the developed product had reached such maturity and that repetitive sales of the products had started to occur; hence depreciation should start from the beginning of the fourth quarter of 2018.

ACCOUNTING POLICIES

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.

The following depreciation periods are applied:

- Patents 5 years
- Capitalized development expenditures 7 years

Impairment of intangible assets

If there is any indication that an intangible asset has 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.

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.

IMPORTANT ESTIMATES AND ASSESSMENTS

Capitalized expenditure for research and development

Nilar capitalizes expenses attributable to: product development, production process development, BMS (Battery Management System) development and implementation of ERP systems to the extent they are deemed to meet the criteria according to IAS 38 paragraph 57 as referred to on page 45 in the Annual Report.

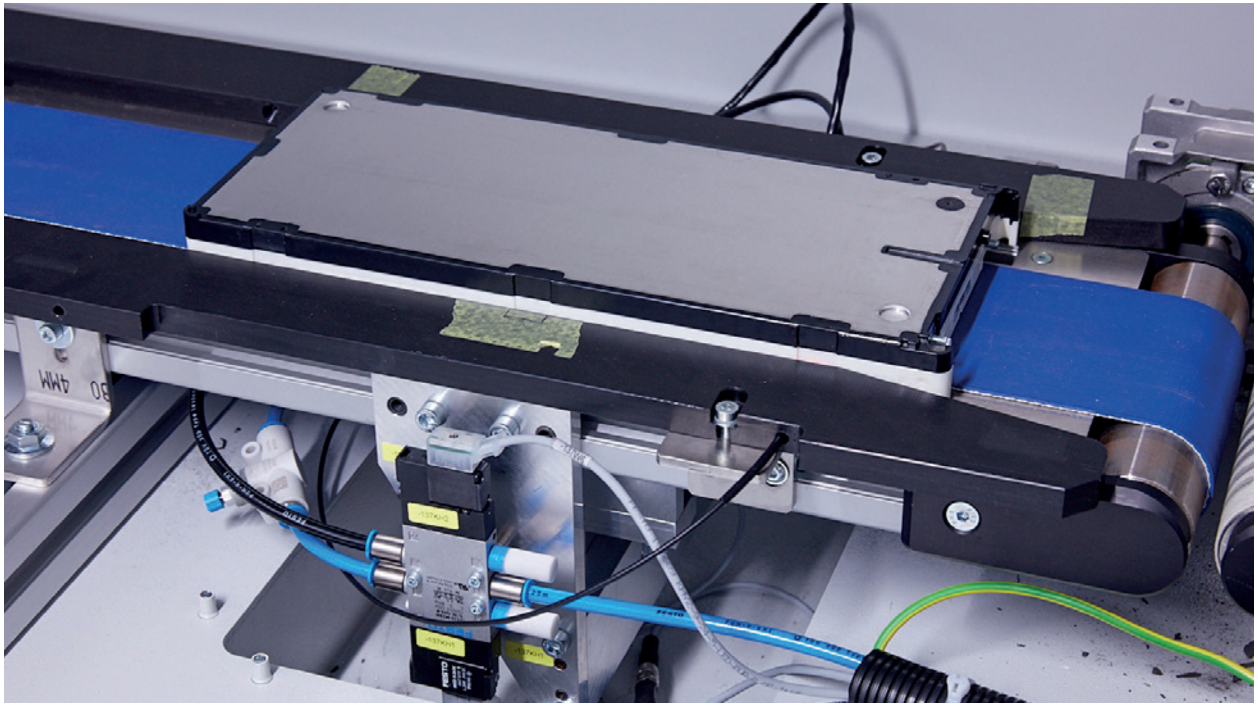
The Company continuously evaluates whether there is reason to write down the value of the assets. Financial forecasts are prepared continuously. A ten-year forecasting horizon is used as the market for electrical energy storages is deemed to be at an early stage of its life cycle, and where the Company's products – based on information obtained at various trade fairs, from market reports from several different sources, customers and partners – are deemed to be well positioned to meet market demand for energy storages.

In the assessment of future cash flows, assumptions are made primarily for sales growth, operating margin and discount rate. The estimated growth rate is based on industry forecasts. The forecasted operating margin has been based on management's expectations of the market. The discount rate of 20% before tax reflects specific risks linked to the asset. In any case, a higher or lower discount rate may be used, depending on the circumstances, e.g. the specific market of the country. After the ten-year period, a growth rate of two percent is applied, which coincides with the Group's long-term assumption of inflation and the long-term growth of the market.

The Board's view is that the net present value of cash flows for the next ten years substantially exceeds the book value of intangible fixed assets of 191.8 (181.3) MSEK. This value also fits well with the valuation of the Company assessed by two independent investment banks in connection with the ongoing capital acquisition in 2019. Reasonable changes to the above assumptions would not result in any impairment loss on the capitalized development expenditure.

The Company's products, depending on their use, have an estimated lifespan of 10–20 years. Due to the long lifespan, the Board of Directors considers that a depreciation period of seven years, which is slightly longer than the usual amortization period for intangible fixed assets of five years, is appropriate for the Company's capitalized expenditure for development.

During the autumn of 2018, the Board of Directors assessed that the developed product had reached such maturity and that repetitive sales of the products began to occur, and the depreciation of generations V1 and V2 with associated BMS should begin from Q4 2018.



NOTE 14. TANGIBLE ASSETS

	31-12-2018			31-12-2017		
	PROPERTY, PLANT AND EQUIPMENT	FIXED ASSETS UNDER CONST-RUCTION	TOTAL	PROPERTY, PLANT AND EQUIPMENT	FIXED ASSETS UNDER CONST-RUCTION	TOTAL
Accumulated cost of acquisition						
At the start of the year	31 306	8 217	39 523	29 565	2 217	31 781
Acquisitions for the year	14 118	28 243	42 361	1 775	6 001	7 776
Reclassification to acquisitions of property, plant and equipment	-	-13 226	-13 226	-	-	-
Divestments and disposals	-1 007	-	-1 007	-	-	-
Translation difference	93	-	93	-34	-	-34
At year-end	**44 509**	**23 235**	**67 744**	**31 306**	**8 217**	**39 523**
Accumulated depreciation						
At the start of the year	-24 274	-	-24 274	-19 388	-	-19 388
Divestments and disposals	723	-	723	-	-	153
Depreciation for the year	-4 703	-	-4 703	-4 908	-	-4 908
Translation difference	-24	-	-24	22	-	22
At year-end	**-28 279**	**-**	**-28 279**	**-24 274**	**-**	**-24 274**
Recognized value						
At the start of the year	7 031	8 217	15 249	10 176	2 217	12 393
At year-end	**16 230**	**23 235**	**39 465**	**7 031**	**8 217**	**20 135**

Machinery and equipment refer to equipment used for production and development.

Fixed assets under construction refers to unfinished production equipment.

ACCOUNTING POLICIES

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. 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.

The following depreciation periods are applied: 5 years

Impairment of tangible assets

If there is any indication that a tangible asset has 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.

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.

NOTE 15. FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets

As of 1 January 2018, (the transition date for IFRS 9), Nilar classifies its financial instruments in the following categories: financial assets valued at fair value either via the income statement or other comprehensive income or financial assets valued at the accrued cost.

The classification depends on the purpose for which the financial asset was acquired and the contractual terms for the cash flow of the assets. The management determines the classification of financial assets upon their first recognition. The Group only has financial assets in the accrued cost category. For comparison year 2017, the Group classifies its financial instruments into the following categories: financial assets at fair value through the income statement; loans and accounts receivable; financial assets available for sale; and derivatives as hedging instruments. At the start of 2017, there were only financial assets in the Loans and accounts receivable category. These were reclassified on 1 January 2018 into the Accrued cost category according to IFRS 9. The reclassification had no effect on the reported amounts.

Financial assets at accrued cost

Assets that are held for the purposes of collecting contractual cash flows, and where the cash flows only constitute capital amounts and interest are valued at the accrued cost. They are included under current assets, with the exception of items maturing more than 12 months after the balance sheet date, which are classified as fixed assets. Interest income from these financial assets is recognized using the effective interest method and are included in financial income. The Group's financial assets that are valued at the accrued cost (previously Loans and receivables) are made up of the items, accounts receivable, other long-term receivables and cash equivalents.

FINANCIAL ASSETS	ACCRUED COST OF AQUISITION 31-12-2018	LOANS AND ACCOUNTS RECEIVABLE 31-12-2017
Accounts receivable (note 17)	2 604	1 107
Cash and cash equivalents	32 480	74 752
Total financial assets	**35 085**	**75 859**

ACCOUNTING POLICIES

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.

Financial assets and liabilities are offset and reported on a net basis in the balance sheet when a legal right to offset the carrying amounts exists and there is an intention to settle them on a net basis or to simultaneously realize the asset and settle the debt. The legal right must not be dependent on future events and it must be legally binding for the company and counterparty, both during normal business activities and in the event of order cancellation, insolvency or bankruptcy.

The Group assesses the future anticipated credit losses that are connected to assets recognized at accrued costs. The Group recognizes a credit reserve for anticipated credit losses at each reporting date. The loss provisions regarding financial assets are based on assumptions of the risk of bankruptcy and anticipated losses. The Group makes its own assessments of the assumptions and choices regarding input data for calculating the impairment. These are based on history, known market conditions and forward-looking estimates at the end of each reporting period. For assessment of the credit reserve for accounts receivable, see Note 17.

Financial liabilities

As of 1 January 2018, the Group classifies its financial liabilities in the categories of: liabilities valued at accrued cost and derivative instruments. At the start of 2017, the Group classified its financial instruments into the following categories: liabilities assessed at fair value through the income statement; other financial liabilities; and derivatives as hedging instruments. At the start of 2017, there were only financial liabilities in the Other financial liabilities category. These were reclassified on 1 January 2018 into the category "Liabilities valued at accrued cost". The reclassification had no effect on the reported amounts.

Financial liabilities are distributed in the balance sheet using the following amounts:

FINANCIAL LIABILITIES	ACCRUED COST OF AQUISITION 31-12-2018	OTHER FINANCIAL LIABILITIES 31-12-2017
Borrowing		
Loan with conversion right pre-IPO	52 802	-
Bridge loan	6 000	-
Total borrowing	58 802	-
Accounts payable	19 937	7 185
Accrued interest expenses	1 117	-
Total financial liabilities	**79 855**	**7 185**

BORROWING	AMOUNT PER 31-12-2018	MATURITY DATE	INTEREST RATE
Loan with conversion right pre-IPO	52 802	30-06-2019	6%
Bridge loan	6 000	30-06-2019	10%
Total borrowing	**58 802**		

Loans with pre-IPO conversion rights

The Company conducts during the first half of 2019 a pre-IPO fundraising with the help of the investment banks ABG Sundal Collier and Swedbank. The investment banks ´ external marketing efforts against institutional investors began in February 2019. In order to allow the early raising of capital from existing and certain related new investors, the Board of Directors of the Company has decided to issue a financial instrument of up to 120 MSEK for investors willing to pay in early for a loan with conversion right with mandatory conversion at a later date against a at the time of payment not yet known conversion rate.

The amount the lenders paid to the Company represents 90% of the nominal amount, the receivable the lender received. 6% yearly interest runs against the nominal amount which, together with the accrued interest, shall in its entirety be converted to equity at the closure of the pre-IPO fundraising round.

As Per 31 December 2018, the Company had received 52.8 MSEK in cash. 58.7 MSEK constituted debt to the lenders.

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loan instrument with 10% annual interest rate has been issued. There is no clause on conversion to shares in the loan agreement, but the loan amount, together with accrued interest, is to be paid back to the lender at the end of the capital acquisition round.

ACCOUNTING POLICIES

Accounts payable

Accounts payable are obligations to pay for goods or services acquired from suppliers in the ordinary course of business. Accounts payable are classified as current liabilities if they fall due within one year or earlier. If not, they are recognized as long-term liabilities.

Derivative instruments and hedging instruments

At the end of 2018 and 2017 the Group had no derivative contracts.

Fair value

In the event that fair value deviates from the book value, information about fair value is presented in the relevant note. On the balance sheet dates in 2017 and 2016 there were no financial assets and liabilities recognized at fair value.

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.

Nilar estimates that the interest rate on the convertible debt instruments of 6% 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. 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.

Changes in accounting principles

New or amended IFRS standards and new interpretations 2018

IFRS 9 replaces IAS 39. The standard entails new principles for the classification of financial assets, insurance accounting and for credit reserve. For means of payment, receivables and liabilities with variable interest rates and short-term receivables and liabilities, the fair value is equated with the carrying amount. Hedging of future currency flows is not applied within the group and thus has no impact. Thus, IFRS 9 does not affect the income statement and balance sheet of Nilar.

IFRS 9 replaces the “losses incurred” model from IAS 39 with a model for “expected loan losses”. According to IAS 39, loan losses were only reported when objective loss events were observed, while according to IFRS 9 they are reported on expectation basis without any loss events occurring. The group has concluded that the introduction of IFRS 9 impairment requirements does not result in any change in write-downs as at 1 January 2018. The group has used the exception not to convert comparative figures for previous periods of seeing classification and measurement (including impairment).

NOTE 16. INVENTORIES

INVENTORIES	31-12-2018	31-12-2017
Raw materials	6 904	3 456
Stock of semi-finished products	1 106	1 223
Total inventories	**8 010**	**4 678**

The expenditure for inventories as expensed is included in the item Goods for resale, note 7 Operating expenses.

ACCOUNTING POLICIES

Inventories

Inventories are stated at the lower of cost or net realizable value. The costs of inventories are 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.

NOTE 17. ACCOUNTS RECEIVABLE

ACCOUNTS RECEIVABLE	31-12-2018	31-12-2017
Accounts receivable	2 604	1 107
Less reservation for doubtful accounts receivable	0	0
Total accounts receivable	**2 604**	**1 107**

Accounts receivable are receivables from customers from the sale of the Group’s products and services. In the event that these are expected to be settled after more than 12 months after the balance sheet date, these are classified as other long-term receivables.

The reported amounts per currency for the Group’s accounts receivable are as follows:

ACCOUNTS RECEIVABLE FOR EACH CURRENCY	31-12-2018	31-12-2017
SEK	1 705	575
EUR	715	533
USD	184	-
Total accounts receivable	**2 604**	**1 107**

Impairment assessment of accounts receivable

For accounts receivable, the Group applies the simplified approach for credit reserve, that is, the reserve will correspond to the expected loss over the entire customer claim life span. To measure the expected credit losses, accounts receivable has been grouped according to the counterparty’s payment history.

The credit losses are listed in the Group's report of the comprehensive income under the item sales and administration costs. Accounts receivable and current receivables are written off when there is no reasonable expectation of repayment. These customers normally pay on the agreed due date and the Group has a history of very low credit losses. The loss provision included as of 1 January 2018, calculated in accordance with IAS 39, was assessed based on the new criteria for expected loss provisions in accordance with IFRS 9. The management's analysis shows that the loss provision essentially corresponds to the expected future loss risk according to IFRS 9. The transition to IFRS 9 has therefore not had any effect on the reported amounts. The age analysis of accounts receivable is as below.

AGE ANALYSIS, ACCOUNTS RECEIVABLE	31-12-2018	31-12-2017
Receivables not yet matured	1 267	654
Less than 3 months	632	453
3 to 6 months	162	-
More than 6 months	543	-
Total accounts receivable due	1 337	453
Total accounts receivable	**2 604**	**1 107**

Management believes that a maturity analysis of future payments does not deviate significantly from the above age analysis. The Group defines defaults as receivables that are overdue by more than 90 days and in these cases an individual assessment and reservation is made. The company has chosen not to make any provision for bad debts at year-end 2018, as it is considered probable that all accounts receivable due over more than 90 days will be paid.

NOTE 18. OTHER RECEIVABLES

	31-12-2018	31-12-2017
VAT	5 321	2 569
Receivables suppliers	-	381
Other receivables	4 862	594
Total other receivables	**10 182**	**3 544**

NOTE 19. PREPAID EXPENSES AND ACCRUED INCOME

	31-12-2018	31-12-2017
Prepaid lease fees	1 551	1 135
Prepaid insurance	112	150
Other items	541	536
Total prepaid expenses and accrued income	**2 204**	**1 822**

NOTE 20. OTHER LIABILITIES

	31-12-2018	31-12-2017
Accrued payroll taxes	689	535
Social security expenses	699	524
Other current liabilities	4	5
Total other liabilities	**1 392**	**1 064**

NOTE 21. ACCRUED EXPENSES AND PREPAID INCOME

	31-12-2018	31-12-2017
Accrued empoyee-related items	2 331	1 805
Accrued interest for loans with conversion rights pre-IPO	1 117	-
Accrued audit expenses	435	300
Accrued consulting fees	2 251	-
Accrued marketing expenses	936	-
Other items	-	1
Total accrued expenses and prepaid income	**7 070**	**2 106**

NOTE 22. SHARE CAPITAL AND OTHER CONTRIBUTED CAPITAL

	NUMBER OF SHARES	SHARE CAPITAL	OTHER CONTRIBUTED CAPITAL	TOTAL
As per 1 Januari 2017	**2 616**	**2 616**	**419 141**	**421 757**
New share issue	655	655	146 941	147 596
As per 1 Januari 2018	**3 271**	**3 271**	**566 082**	**569 353**
New share issue	180	180	17 862	18 042
Option program	-	-	100	100
As per 31 December 2018	**3 451**	**3 451**	**584 044**	**587 494**

The total number of ordinary shares as at 31 December 2018 amounts to 3,450,982. The quotient value per share is SEK 1.00. All issued shares are fully paid.

ACCOUNTING POLICIES

Equity is divided between capital attributable to Parent Company shareholders and non-controlling interests. Value transfers in the form of e.g. dividends from the Parent Company and the Group shall be based upon the Board's established statement on the proposed dividend. This statement has to take into account the legal precautionary rules to avoid dividends greater than what financial coverage exists for.

Share capital

Ordinary shares are classified as equity. Transaction costs directly attributable to the issue of new shares or options are recognized net after tax in equity as a deduction from the issue settlement. When financial liabilities are eliminated through the repayment of part or all of the loan being through issued shares, the shares are valued at fair value and the difference between this value and the book value of the loan is recognized in the income statement. In the event that the lender is, directly or indirectly, a shareholder and acts as a shareholder, the issued amount corresponds to the book value of the financial liability which is thereby eliminated (so-called set-off issue). In this way there is no gain or loss to recognize in the income statement.

Other contributed capital

Refers to equity contributed by the owners.

NOTE 23. SHARE-BASED INSTRUMENTS

	2017:1	2016:1	2015:1
Start date	05-12-2017	29-04-2016	01-10-2015
End date	05-12-2021	29-04-2020	01-10-2018
Share price (SEK)	230	100	100
Exercise price per share (SEK)	418	276	100
Volatility	0.3	0.3	0.3
Expected life (years)	4.0	4.0	3.0
Risk free rate	-0.2%	-0.2%	0.0%
Yield	-	-	-
Market value per option according to Black-Scholes (SEK)	9.97	1.43	20.51
Number initially granted	122 071	139 500	181 088
Outstanding 1 January 2018	-	139 500	180 403
Granted 2018	10 000	-	-
Lapsed prior years	-	-	-
Lapsed 2018	-112 071	-	-
Exercised 2018	-	-	-180 403
Matured 2018	-	-	-
Outstanding per 31 December 2018	**10 000**	**139 500**	**-**

At the beginning of the year, the company had three option programs, one of which matured in 2018.

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.

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.

At the extraordinary general meeting held in December 2017, it was decided to implement a share option program (2017:1) targeted to management and directors comprising 122,071 share options. 10,000 of the share options were issued in Q4 2018. No additional share options within program 2017: 1 in addition to the 10,000 will be allocated. The share options were issued at market value. The share options vest over three years and expire on 5 December 2021.

At the extraordinary general meeting held in April 2016, it was decided to implement a share option program (2016:1) targeted 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. The options matured during 2018. Full subscriptions for new shares in the company were received.

Average weighted strike price for the share option programmes 2016:1 and 2017:1 is SEK 285 per share.

Possible dilution effect with full exercise of outstanding share options is 4.3%.

	NUMBER PER 31-12-2018	DILUTION EFFECT
Issued shares	**3 450 982**	
Granted options		
Option program 2016:1	139 500	4.0%
Option program 2017:1	10 000	0.3%
Number of shares after dilution - outstandning share options	**3 600 482**	**4.3%**

ACCOUNTING POLICIES

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

NOTE 24. DEFERRED TAX

	31-12-2018	31-12-2017
Deferred tax income regarding losses carried forward	-20 764	-19 860
Deferred tax related to accumulated loss carryforwards	91 087	76 025
Revaluation of deferred tax assets	-70 323	-56 164
Total deferred tax liabilities	**-**	**-**

ACCOUNTING POLICIES

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.

IMPORTANT ESTIMATES AND ASSESSMENTS

Valuation of capitalized development expenses in the consolidated accounts means a taxable temporary difference of 100.8 MSEK and consequently a deferred tax liability of 20.6% of 100.8 MSEK. The Parent Company and the Swedish subsidiary, on the other hand, has unused tax losses amounting to 442 MSEK, why a deferred tax asset is also 20.6% of -442 MSEK. The remaining tax loss carryforwards of 341.2 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. Nilar makes the assessment that the tax loss carryforwards are first expected to be utilized 2023 whereby the deficits and deferred tax are valued according to the Riksdag´s approved tax rate of 20.6%.

NOTE 25. NET CASH/NET DEBT

	31-12-2018	31-12-2017
Cash and bank accounts	32 480	74 752
Total cash and bank accounts	**32 480**	**74 752**

	31-12-2018	31-12-2017
Current interest-bearing liabilities	-58 802	-
Cash and cash equivalents	32 480	74 752
Net cash (+) / net debt (-)	**-26 322**	**74 752**

"Cash and cash equivalents" in the balance sheet and cash flow statement refers solely to cash and bank accounts. Outstanding bank funds of 32.5 (74.8) MSEK are, in their entirety, placed in banks with the highest credit rating from leading credit institutions.

Current interest-bearing liabilities consist of loans with pre-IPO conversion rights and bridge loans, see note 15 Financial instruments by category.

ACCOUNTING POLICIES

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.

NOTE 26. LEASING

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:

	2018	2017
Within one year	4 332	4 311
Between one and five years	14 147	4 207
After more than five years	16 936	-
Total leasing agreements	**35 416**	**8 517**

Costs for operational leasing in the Group during the financial year amounted to 5 863 (5 864) TSEK. The Group's longest operational leasing agreement extends to 2028.

ACCOUNTING POLICIES

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.

Changes in accounting principles

New standards and interpretations that come into force in 2019 and beyond

IFRS 16 Leases were adopted in 2017 with effect from 1 January 2019. The new standard covers rules for both lessors and lessees. Nilar is a lessee for primarily premises, cars and machinery, which means that the accounting changes from 2019. The change will have no effect on the result, but on the other hand, transfer within the income statement and Nilar's initial estimate is that IFRS 16 will have a small positive effect on operating profit and a minor effect on earnings after financial items. Furthermore, the balance sheet will be affected by the fact that the present value of future leasing fees is reported as an asset or liability. As of 1 January 1 2019, the debt and the asset are estimated at approximately 11.3 MSEK.

Nilar has chosen to report the transition to the new standard with the simplified method. The relief rule of not establishing one comparative year has been applied. Leases less than 12 months or ending within 12 months of the transition date are classified as short-term contracts and are therefore not included in the reported leasing debt. Agreements with a new acquisition value of less than 5,000 USD have been classified as low value contracts and are not included in the reported liability.

NOTE 27. TRANSACTIONS WITH RELATED PARTIES

R&H Trust/Michael Obemayer, Fjord Capital Partners, Fredriksson & Forssell AB, Sagax Limited/Anders Barsk, and Stamfar Peter AB / XAOC 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.

Remuneration to senior executives

Remuneration to senior executives is stated in note 9, Employees, personnel costs and fees to the Board of Directors.

Transactions between group companies

The Parent Company has purchased goods from Group companies amounting to 0 (0) TSEK. Receivables between the Parent Company and the Group companies amount to 45 549 (2 211) TSEK. Interest income from Group companies amount to 2 110 (1 648) TSEK. Interest expenses to Group companies amounts to 0 (0) TSEK.

In 2018, the Parent Company has issued shareholder contributions amounting to 81.3 (84.0) MSEK – out of which 78.0 (80.0) MSEK tol Nilar AB and 5,4 (4,0) MSEK till Nilar Inc.. Write-down of shareholder contributions has also been made in the Parent Company.

Share issue

During 2018, the Company undertook a new share issue which provided the Company 18.0 (147.8) MSEK of working capital after transaction costs.

ACCOUNTING POLICIES

Transactions with related parties

Transactions have been made with related parties on terms equivalent to those that prevail in commercial transactions.

The internal prices of transactions between Group companies are based on the arm's-length principle (i.e. between parties that are independent of each other and well informed and that have an interest in the transactions).

NOTE 28. PLEDGED ASSETS AND CONTINGENT LIABILITIES

PLEDGED ASSETS	31-12-2018	31-12-2017
Mortgage letters	30 000	30 000
Total pledged assets	**30 000**	**30 000**

CONTINGENT LIABILITIES	31-12-2018	31-12-2017
Other contingent liabilities	**-**	**-**
Total contingent liabilities	-	-

None of the company's mortgage letters amounting to MSEK 30 have been pledged.

ACCOUNTING POLICIES

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.

NOTE 29. OTHER PROVISIONS

The Company has no provisions as of 31 December 2018.

ACCOUNTING POLICIES

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.

PARENT COMPANY'S INCOME STATEMENT OF COMPREHENSIVE INCOME

TSEK	NOTE	2018	2017
Revenue		-	-
Cost of sales		-	-134
Gross profit		**-**	**-134**
Research and development expenses		-1 854	-1 486
Distribution and selling costs		-0	-3 129
Administrative expenses		-6 139	-5 316
Other operating income		171	-
Operating loss	2, 3, 4	**-7 822**	**-10 065**
Finance income	5	2 114	1 648
Finance costs	5	-1 118	-667
Write-down of shares in subsidiaries		-81 400	-84 011
Finance costs - net		**-80 403**	**-83 031**
Loss after net financial items		**-88 225**	**-93 096**
Group contributions issued		-	-
Profit before income tax		**-88 225**	**-93 096**
Deferred tax	6	-	-
Profit for the year		**-88 225**	**-93 096**
Parent company statement of other comprehensive income			
Other comprehensive income for the year, net after tax		-	-
Total comprehensive income		**-88 225**	**-93 096**

PARENT COMPANY'S CASH FLOW STATEMENT

TSEK	NOTE	2018	2017
Cash flow from operating activities			
Operating profit before financial items		- 88 225	-93 095
Write-down of shares in subsidiaries		81 400	84 011
Income tax paid and received		-1 118	-1
Adjustment for other non-cash items			
Other adjustments		434	507
Cash flow from operating activities before changes in working capital		**-7 510**	**-8 578**
Cash flow from changes in working capital			
Increase (-) / decrease (+) in operating receivables		-2 232	-200
Increase (+) / decrease (-) in accounts payable - trade		1 208	837
Increase (+) / decrease (-) in operating liabilities		3 495	-326
Total changes in working capital		**2 471**	**311**
Cash flow from operating activities		**-5 039**	**-8 267**
Investing activities			
Loans granted to subsidiaries		-124 737	-71 695
Cash flow from investing activities		**-124 737**	**-71 695**
Financing activities			
New share issue		18 042	136 925
Option programme		100	-
Loans raised		58 802	-
Cash flow from financing activities		**76 943**	**136 926**
Cash flow for the year		**-52 833**	**56 964**
Reconciliation of cash and cash equivalents			
Cash equivalents as of beginning of the financial year		72 196	15 233
Cash flow for the year		-52 833	56 964
Cash and cash equivalents at year-end		**19 363**	**72 196**

PARENT COMPANY'S BALANCE SHEET

TSEK	NOTE	31-12-2018	31-12-2017
ASSETS			
FIXED ASSETS			
Intangible assets	15		
Patents		1 519	1 953
Capitalized expenses for development work		90 989	90 989
Total intangible fixed assets		**92 508**	**92 942**
Tangible fixed assets			
Property, plant and equipment		-	-
Total tangible fixed assets		**-**	**-**
Financial non-current assets			
Participations in Group companies	7	101	101
Receivables from Group companies		45 549	2 211
Total financial non-current assets		**45 650**	**2 312**
Total fixed assets		**138 158**	**95 254**
CURRENT ASSETS			
Accounts receivable - trade		2 889	-
Tax assets		301	305
Other receivables		170	533
Prepaid expenses and accrued income	8	230	519
Cash and cash equivalents		19 363	72 196
Total current assets		**22 952**	**73 553**
Total assets		**161 109**	**168 806**

TSEK	NOTE	31-12-2018	31-12-2017
EQUITY AND LIABILITIES			
EQUITY			
Restricted equity			
Share capital	9	3 451	3 271
Statutory reserve		34 401	34 401
Total restricted equity		**37 852**	**37 672**
Non-restricted equity			
Share premium reserve		551 412	533 450
Profit/loss brought forward		-404 340	-311 245
Profit/loss for the year		-88 225	-93 095
Total non-restricted equity		**58 847**	**129 110**
Total equity		**96 699**	**166 782**
LIABILITIES			
Current liabilities			
Borrowings	10	58 802	-
Accounts payable - trade	10	2 872	1 664
Other liabilities	11	79	69
Accrued expenses and deferred income	10	2 657	292
Total current liabilities		**64 410**	**2 025**
Total equity and liabilities		**161 109**	**168 806**

PARENT COMPANY'S STATEMENT OF CHANGES IN EQUITY

TSEK	NOTE	RESTRICTED EQUITY SHARE CAPITAL	RESTRICTED EQUITY STATUTORY RESERVE	NON-RESTRICTED EQUITY SHARE PREMIUM RESERVE	NON-RESTRICTED EQUITY PROFIT/LOSS BROUGHT FORWARD	NON-RESTRICTED EQUITY PROFIT/LOSS FOR THE YEAR	TOTAL EQUITY
Opening balance per 1 January 2017	9	**2 616**	**34 401**	**386 509**	**-248 344**	**-62 902**	**112 281**
Comprehensive income							
Other comprehensive income		-	-	-	-62 902	62 902	-
Net profit/loss for the year		-	-	-	-	-93 095	-93 095
Total comprehensive income		**-**	-	-	**-62 902**	**-30 193**	**-93 095**
Transactions with shareholders							
Share issue expenses		655	-	146 941	-	-	147 596
Total transactions with shareholders	9	**655**	**-**	**146 941**	**-**	**-**	**147 596**
Closing balance per 31 December 2017		**3 271**	**34 401**	**533 450**	**-311 245**	**-93 095**	**166 782**
Comprehensive income							
Other comprehensive income		-	-	-	-93 095	93 095	-
Net profit/loss for the year		-	-	-	-	-88 225	-88 225
Total comprehensive income		**-**	**-**	**-**	**-93 095**	**4 870**	**-88 225**
Transactions with shareholders							
Share issue expenses		180	-	17 862	-	-	18 042
Option programme		-	-	100	-	-	100
Total transactions with shareholders	9	**180**	**-**	**17 961**	**-**	**-**	**18 142**
Closing balance per 31 December 2018	9	**3 451**	**34 401**	**551 412**	**-404 340**	**-88 225**	**96 699**

THE PARENT COMPANY'S ACCOUNTING POLICIES

All amounts are in TSEK unless otherwise stated. Figures in brackets refer to the previous year. Some figures are rounded, so amounts might not always appear to match when added up.

NOTE 1. ACCOUNTING POLICIES

The Parent Company applies standard RFR 2 Accounting for legal entities, issued by the Swedish Financial Reporting Board.

Application of RFR 2 means that the Parent Company should, as far as possible, apply all IFRS approved by the EU within the framework of the Annual Accounts Act and the Social Security Act and take into account the relationship between reporting and taxation. The Parent Company applies other accounting principles than the Group in the cases listed below.

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.

Changed accounting policies

The changes in RFR 2 Accounting for legal entities that have come into force and apply for the financial year 2018 have not had any significant impact on the Parent Company's financial reports.

Changes in RFR 2 that have come into force

IFRS 9 Financial instruments

In RFR 2, there are exceptions to applying IFRS 9 to legal entities and instead stipulate provisions for accounting of financial instruments in RFR 2, which shall be applied by the companies that choose to apply the exemption. The changes in RFR 2 regarding IFRS 9 shall be applied to fiscal years beginning January 1, 2018. Nilar has chosen to apply the exception and the changes in RFR 2 are not deemed to have any significant impact on the parent company's financial reports.

IFRS 15 Revenue from contracts with customers

Due to the connection between accounting and taxation, the rules in IFRS 15 regarding revenue recognition of performance obligations that are fulfilled over time when performing assignments at a fixed price need not be applied in legal person. The assignments may be reported as revenue when the work is substantially completed (the method of completion). The changes in RFR 2 regarding IFRS 15 shall be applied to fiscal years beginning January 1, 2018. The parent company's revenues are limited and the changes in RFR 2 have not had any significant impact on the parent company's financial reports.

Changes in RFR 2 that have not yet come into force

IFRS 16 Leases

Due to the connection between accounting and taxation, the rules in IFRS 16 need not be applied in legal person. Reporting of leasing agreements is instead made in accordance with rules in RFR 2. The changes in RFR 2 regarding IFRS 16 shall be applied to financial years beginning January 1, 2019. The parent company has no significant leasing agreements and will not be affected by the changes in RFR 2.

NOTE 2. OPERATING EXPENSES

	2018	2017
Cost of goods sold	-	-70
Costs for remuneration to employees and directors	- 3 739	-3 899
Depreciation	-434	-507
Other costs	-3 820	-5 588
Total costs for goods sold, development, sales and administration	**-7 993**	**-10 065**

NOTE 3. REMUNERATION TO AND REIMBURSEMENT OF AUDITORS

	2018	2017
Deloitte AB		
Audit engagement	-320	-175
Other audit activities	-150	-25
Other services	-	-150
Total Deloitte	**-470**	**-350**

NOTE 4. EMPLOYEES, EMPLOYEE BENEFIT EXPENSES AND REMUNERATION TO THE BOARD

The company has 1 (1) employees. Note 9 for the Group describes total remuneration for the Board of Directors and senior executives.

AVERAGE NUMBER OF EMPLOYEES	2018	2017
Women	-	-
Men	1	1
Total	**1**	**1**

SALARIES, REMUNERATION, SOCIAL SECURITY COSTS AND PENSION EXPENSES	2018	2017
Salaries and remuneration to Board members, the CEO and the CFO	-2 247	-1 232
Salaries and remuneration to other employees	-	-
Total salaries and remuneration	**-2 247**	**-1 232**
Statutory social security costs	-855	-439
Pension expenses for Board members, the CEO and the CFO	-636	-221
Pension expenses for other employees	-	-
Total social security costs and pension expenses	**-1 491**	**-660**
Total	**-3 739**	**-1 892**

NUMBER OF BOARD MEMBERS ON THE BALANCE SHEET DATE	2018	2017
Women	1	-
Men	7	6
Total	**8**	**6**

NUMBER OF CEOS AND OTHER SENIOR EXECUTIVES	2018	2017
Women	-	-
Men	1	1
Total	**1**	**1**

NOTE 5. FINANCIAL INCOME AND EXPENSES

FINANCIAL INCOME	2018	2017
Interest income group companies	2 113	1 648
Exchange gains	2	-
Total financial income	**2 114**	**1 648**

FINANCIAL EXPENSES	2018	2017
Interest expenses to shareholders	-1 116	-665
Other interest expenses	-3	-1
Exchange losses	-	-2
Total financial expenses	**-1 118**	**-668**

No part of interest expenses to shareholders is paid.

NOTE 6. TAX

REPORTED TAX	2018	2017
Deferred tax	-	-
Deferred tax regarding previous years	-	-
Total reported tax	**-**	**-**

RECONCILIATION OF EFFECTIVE TAX	2018	2017
Profit before tax	-86 357	-93 095
Income tax calculated according to national tax rates prevailing on profit in each country. 22% in Sweden.	18 999	20 481
Tax effects of:	-	-
- Non-taxable income	-	-
- Non-deductible costs	-17 911	-18 485
- Taxable losses for which no deferred tax assets have been reported	-1 088	-1 995
- Utilization of previously non-capitalized loss carryforwards	-	-
- Effect of higher tax rate abroad	-	-
- Deferred tax capitalized intangible assets	-	-
- Deferred tax employee share options	-	-
Amounts relating to previous years	-	-
Total reported tax	**0**	**0**

NOTE 7. PARTICIPATIONS IN GROUP COMPANIES

PARTICIPATIONS IN SUBSIDIARIES	31-12-2018	31-12-2017
Opening acquisition cost	101	101
Shareholder contributions	81 400	84 011
Impairment of shareholder contributions	-81 400	-84 011
Closing reported value	**101**	**101**

SUBSIDIARY/CORPORATE IDENTITY NUMBER/REGISTERED OFFICE	COUNTRY	PARTICIPATION, % 31-12-2018
Nilar AB, 556790-0815, Gävle	Sverige	100%
Nilar Inc., 1415595, Delaware	USA	100%

NOTE 8. PREPAID EXPENSES AND ACCRUED INCOME

	31-12-2018	31-12-2017
Prepaid lease fees	107	104
Prepaid insurance	6	34
Other items	116	380
Total prepaid expenses and accrued income	**230**	**519**

NOTE 9. SHARE CAPITAL

SHARE CAPITAL	TOTAL ANTAL AKTIER
Number of shares outstanding as at 31 December 2016	**2 615 541**
Share issue by set-off	655 038
Number of shares outstanding as at 31 December 2017	**3 270 579**
Subsription for new shares by use of warrants	180 403
Number of shares outstanding as at 31 December 2018	**3 450 982**

The total number of ordinary shares as of 31 December 2018 amounts to 3,450,982. The quotient value per share is 1.00 SEK and correspond to 1 vote per share. All issued shares are fully paid.

NOTE 10. OTHER FINANCIAL LIABILITIES

OTHER FINANCIAL LIABILITIES	31-12-2018	31-12-2017
Borrowing	58 802	-
Accounts payable	2 872	1 664
Accrued interest expenses	1 117	-
Total other financial liabilities	**62 791**	**1 664**

NOTE 11. OTHER LIABILITIES

OTHER LIABILITIES	31-12-2018	31-12-2017
Accrued payroll taxes	46	40
Social security expenses	32	29
Other current liabilities	-	-
Total other liabilities	**79**	**69**

NOTE 12. ACCRUED EXPENSES AND DEFERRED INCOME

	31-12-2018	31-12-2017
Accrued empoyee-related items	245	140
Accrued interest for convertible and shareholder loans	1 117	-
Accrued expenses for share-based payments	-	-
Accrued audit expenses	360	151
Accrued consulting fees	-	1
Accrued marketing expenses	937	1
Other items	-	2
Total accrued expenses and deferred income	**2 658**	**296**

NOTE 13. PLEDGED ASSETS AND CONTINGENT LIABILITIES

PLEDGED ASSETS	31-12-2018	31-12-2017
Mortgage letters	20 000	20 000
Total pledged assets	**20 000**	**20 000**

CONTINGENT LIABILITIES	2018-12-31	2017-12-31
Other contingent liabilities	-	-
Total contingent liabilities	-	**-**

NOTE 14. LEASING

	31-12-2018	31-12-2017
Within one year	129	199
Between one and five years	-	182
After more than five years	-	-
Total leasing agreements	**129**	**381**

NOTE 15. INTANGIBLE ASSETS

	31-12-2018			31-12-2017		
	PATENTS	CAPITALIZED EXPENDITURE FOR RESEARCH AND DEVELOPMENT	TOTAL	PATENTS	CAPITALIZED EXPENDITURE FOR RESEARCH AND DEVELOPMENT	TOTAL
Accumulated cost of acquisition						
At the start of the year	6 867	90 989	97 855	6 867	90 989	97 855
At year-end	**6 867**	**90 989**	**97 855**	**6 867**	**90 989**	**97 855**
Accumulated depreciation						
At the start of the year	-4 914	-	-4 914	-4 407	-	-4 407
Depreciation for the year	-434	-	-434	-507	-	-507
At year-end	**-5 347**	**-**	**-5 347**	**-4 914**	**-**	**-4 914**
Recognized value						
At the start of the year	1 953	90 989	92 942	2 460	90 989	93 449
At year-end	**1 519**	**90 989**	**92 508**	**1 953**	**90 989**	**92 942**

NOTE 16. POST BALANCE SHEET EVENTS

Pre-IPO capital raise

The company has during Q4 2018-Q2 2019 conducted a pre-IPO capital raising with the help of the investment banks ABG Sundal Collier and Swedbank. The fundraising of SEK 327 million, including interest expense for loans later converted (and before fees), was completed on 16 May 2019. As Per 23 May, the company had received full payment. The SEK 327 million has been converted to equity in its entirety. SEK 52.8 million had been paid into the company in Q4 2018 in the form of a loan with mandatory conversion at the closing of the pre-IPO round.

Bridge loan converted into loan with pre-IPO conversion rights

The bridge loan of SEK 6 million outstanding on 31 December 2018 has following the balance sheet date been converted to a loan with conversion rights pre-IPO, on the same terms as other outstanding loans of SEK 52.8 million. The loan has in its entirety been converted to equity in the completed pre-IPO capital raise.

Extra ordinary general meeting

An extra ordinary general meeting took place on 5 March 2019 (the "EGM"). The shareholders were summoned to the EGM in accordance with the company's articles of association. All resolutions as proposed in the notice were passed unanimously. Notable resolutions were: the post transfer purchase clause in the articles of association was removed, a central securities depository clause was introduced in the articles of association in order to enable to register the company with Euroclear Sweden AB, the limits for the share capital and limits for the number of shares in the articles of association were increased, and the board was authorized to issue shares.

DECLARATION AND SIGNATURES

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, 27 May 2019

Michael Obermayer
Chairman of the Board

Anders Barsk
Board member

Stefan De Geer
Board member

Gunilla Fransson
Board member

Lars Fredriksson
Board member

Anders Gudmarsson
Board member

Alexander Izosimov
Board member

Peter Tell
Board member

Marcus Wigren
CEO

Our auditors' report was submitted on 27 May 2019
Deloitte AB

Jonas Ståhlberg
Authorized Public Accountant

AUDITOR'S REPORT

To the Annual General Meeting of Nilar International AB, corporate identity number 556600-2977

Report on the annual accounts and consolidated accounts

Statements

We have carried out an audit of the annual accounts and the consolidated accounts of Nilar International AB for the financial year 2018-01-01-2018-12-31. The company's annual accounts and consolidated accounts are included on pages 29-60 of this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Parent Company as at 31 December 2018 and of its financial performance and cash flow for the year according to the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the Group's financial position as at 31 December 2018 and of its financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The Board of Directors' report is consistent with the other parts of the annual accounts and the consolidated accounts.

We therefore recommend that the annual general meeting adopt the income statement and balance sheet of the Parent Company and the Group.

Basis for statements

We conducted the audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibility under these standards is described in more detail in the section "Auditor's Responsibility". We are independent in relation to the Parent Company and the Group according to good ethics in Sweden and have otherwise fulfilled our professional ethical responsibility according to these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide the basis for our opinion.

Information other than the annual accounts and consolidated accounts

The Board of Directors and the CEO are responsible for the other information. The other information consists of pages 1-28, 64 and 70-78 but does not include the annual accounts, the consolidated financial statements and our audit report regarding them.

Our statement regarding the annual accounts and consolidated accounts does not include this information and we do not make a statement with evidence regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, it is our responsibility to read the information identified above and consider whether the information is materially irreconcilable with the annual accounts and consolidated accounts. This review also takes into account the knowledge we have otherwise acquired during the audit and assesses whether the information in general seems to contain material misstatement.

If, based on the work done on this information, we conclude that the other information contains a material misstatement, we are obliged to report this. We have nothing to report in this respect.

Responsibilities of the Board of Directors and the CEO

The Board of Directors and the CEO are responsible for the presentation of the annual accounts and consolidated accounts and provide a true and fair view in accordance with the Annual Accounts Act and, in the case of the consolidated financial statements, according to IFRS as adopted by the EU. The Board of Directors and the CEO are also responsible for the internal control they deem necessary for the preparation of annual accounts and consolidated accounts that do not contain material misstatements, whether due to irregularities or error.

In drawing up the annual accounts and the consolidated accounts, the Board of Directors and the CEO are responsible for assessing the Company's and the Group's ability to continue operations. They inform, where applicable, of conditions that may affect the ability to continue operations and to use the assumption of continued operation. However, the assumption of continued operation is not applied if the board of directors and the CEO intend to liquidate the Company, cease operations or have no realistic alternative to doing any of these.

Auditor's responsibility

Our aim is to achieve a reasonable degree of certainty as to whether the annual accounts and consolidated accounts as a whole do not contain material misstatements, whether due to fraud or error, and to provide an audit report that contains our statements. Reasonable security is a high degree of security but does not guarantee that an audit conducted according to ISA and generally accepted auditing practices in Sweden will always detect a material misstatement if one exists. Errors may arise due to irregularities or errors and are considered essential if they are individually or together reasonably expected to affect the economic decisions that users make on the basis of the annual accounts and consolidated accounts.

As part of an audit according to ISA, we use professional judgement and have a professionally sceptical attitude throughout the revision. Also:

• We identify and assess the risks of material misstatement in the annual accounts and consolidated accounts, whether due to irregularities or errors, design and carry out audit measures, inter alia, from these risks and collect sufficient and effective audit evidence to provide a basis for our opinion. The risk of not detecting a material misstatement as a result of irregularities is higher than that of a material misstatement due to errors, since irregularities may include conduct in collusion, forgery, intentional omissions, incorrect information or breach of internal control.

• We obtain an understanding of the part of the company's internal control that is relevant to our audit to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of internal control.

• We evaluate the adequacy of the accounting policies used and the reasonableness of accounting estimates and related disclosures of the Board of Directors and the CEO.

• We draw a conclusion on the adequacy of the Board of Directors and the CEO using the assumption of continued operation in the drawing up of the annual accounts and consolidated accounts. We also conclude, on the basis of the audit evidence gathered, whether there is any material uncertainty relating to such events or circumstances that may lead to significant doubts about the Company's and the Group's ability to continue activities. If we conclude that there is a material uncertainty, the audit report must draw attention to the information in the annual accounts and consolidated accounts of the essential uncertainty or, where such disclosures are statement on the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence gathered up to the date of the audit report. However, future events or circumstances may cause a company and a group to no longer be able to continue operations.

• We evaluate the overall presentation, structure and contents of the annual accounts and consolidated accounts, including the disclosures, and if the annual accounts and consolidated accounts reflect the underlying transactions and events In a manner that gives a fair view.

• We collect sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group in order to make a statement regarding the consolidated financial statements. We are responsible for the management, monitoring and execution of the Group audit. We are alone responsible for our statements.

We must inform the Board about, among other things, the planned scope and direction of the audit and its timing. We must also provide information on significant observations during the audit, including any significant shortcomings in internal control that we have identified.

Report on other legislative and regulatory requirements

Statements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the CEO of Nilar International AB for the financial year 2018-01-01-2018-12-31 and the proposed appropriations of the Company's profit or loss.

We recommend that the annual general meeting disposes of the profit in accordance with the proposal in the Board of Directors' report and grants the members of the Board of Directors and the CEO discharge from liability for the financial year.

Basis for statements

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibility under this is described in more detail in the section Auditor's responsibility. We are independent in relation to the Parent Company and the Group according to good ethics in Sweden and have otherwise fulfilled our professional ethical responsibility according to these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide the basis for our opinion.

Responsibilities of the Board of Directors and the CEO

The Board of Directors is responsible for the proposal for appropriations of the Company's profit or loss. A dividend proposal includes an assessment of whether the dividend is justifiable considering the requirements which the Company's and the Group's type of operations, size and risks place on the size of the Parent Company's and the Group's equity and their consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes the continuous assessment of the company's and the Group's financial situation and ensuring that the company's organization is designed so that the accounting, the management of assets and the company's financial affairs in general are controlled in a reassuring manner. The CEO shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and, among other things, take measures as necessary for ensuring the compliance of the company's accounting with the law and for ensuring the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the CEO in any material respect:

• has undertaken any action or been guilty of any omission which can give rise to liability for the company; or

• has in any other way acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with a reasonable degree of assurance whether the proposal is in accordance with the Companies Act. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability for the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we use professional judgement and have a professionally sceptical attitude throughout the revision. The audit of the management and proposed appropriation of the company's profit or loss is mainly based on the revision of the accounts. The additional auditing measures carried out are based on our professional judgement on the basis of risk and materiality. This means that we focus the scrutiny on such measures, areas and circumstances that are essential to the operation and where deviations and infringements would be of particular importance for the Company's situation. We will review and test decisions, decisions, measures taken and other conditions relevant to our opinion on discharge. As a basis for our opinion on the board's proposed appropriation of the Company's profit or loss, we examined whether the proposal is in accordance with the Companies Act.

Stockholm, 27 May 2019
Deloitte AB

Jonas Ståhlberg
Authorized Public Accountant

DEFINITIONS

Gross margin
Gross profit/loss as a percentage of net sales for the year.

EBITDA
Earnings before Interest Taxes and Amortization.

EBITDA margin
Operating profit/loss before depreciation and amortization as a percentage of net sales for the year.

EBIT
Earnings before Interest and Taxes.

EBIT margin (operating margin)
Operating profit/loss after depreciation and amortization as a percentage of net sales for the year.

Number of employees (Headcount)
The actual number of employees, including absent employees and temporary employees, regardless of working hours.

Average number of employees (FTE)
The total number of hours worked divided by normal annual working hours, expressed as the number of full-time positions.

Net cash/net debt
Interest-bearing liabilities less interest-bearing assets, all calculated at year-end.

OEM
Original Equipment Manufacturer.

Debt/equity ratio
Interest-bearing net liabilities divided by equity.

Shareholder equity ratio
Equity in relation to total assets.

IPO
Initial public offering. Stock market listing.

CAGR
Compound annual growth rate

Cabinet 11,5 kWh Cabinet 17,2 kWh Cabinet 23 kWh Cabinet 28,8 kWh Rack 48 kWh and Rack 57,6 kWh

CORPORATE GOVERNANCE REPORT

Nilar International AB (publ) is a Swedish public limited company with its registered office in Täby, Sweden.

The Code is available on the website of the Swedish Corporate Governance Board at www.bolagsstyrning.se. The Code applies to all Swedish companies whose shares are listed on a regulated market in Sweden and is to be adhered to in full in connection with the first AGM held in the year following listing. Nilar initiated an adaptation to the Code in connection with the Annual General Meeting 2018 and has since then applied the Code.

The Company does not need to obey all rules in the Code but has options for selecting alternative solutions which it may deem better suit its circumstances provided that any non-compliance and alternative solutions are described, and the reasons explained in the corporate governance report.

This corporate governance report has been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Code of Corporate Governance. It has been checked by the company's auditors.

Board members elected at the 2018 Annual General Meeting

The table below provides an overview of the composition of the Board in 2018. Additional information about Board members can be found on pages 74-75.

NAME	BOARD ROLE	ELECTED/ APPOIN-TED	AUDIT COMMITTEE	NOMINATIONS COMMITTEE	INDEPENDENCE OF THE COMPANY AND CORPORATE MANAGEMENT	INDEPENDENCE OF THE COMPANY'S MAJOR SHAREHOLDERS
Michael Obermayer	Chairman [1]	2012	Member	Chairman	No[1]	No
Anders Barsk	Vice chairman	2004	-	-	Yes	Yes
Stefan De Geer	Member	2017	Chairman	-	Yes	Yes
Gunilla Fransson	Member [3]	2018	-	-	Yes	Yes
Lars Fredriksson	Member [2]	2000	-	-	Yes	Yes
Anders Gudmarsson	Member	2016	Member	Member	Yes	Yes
Alexander Izosimov	Member	2016	-	-	Yes	Yes
Peter Tell	Member	2010	-	-	Yes	Yes

1) CEO until 1 April 2018, chairman from 1 April 2018. 2) Chairman until 1 April 2018. 3) Appointed 14 May 2018.

ANNUAL GENERAL MEETING

Under the Swedish Companies Act the Annual General Meeting (AGM) is the Company's highest decision-making body. At AGMs, shareholders exercise their voting rights over key issues, such as the adoption of income statements and balance sheets, the appropriation of the company's profits, the authorization to release the members of the Board of Directors and the CEO from liability for the financial year, the election of Board members and auditors and the remuneration for the Board of Directors and the auditors.

Besides the AGM, additional general meetings may be convened. In accordance with the Articles of Association, all meetings shall be convened through announcements in Post- och Inrikes Tidningar and by posting the convening notice on the company's website. An announcement shall be placed in Svenska Dagbladet announcing that the meeting has been convened.

Right to attend AGMs

All shareholders who are directly registered in the register of shareholders held by Euroclear Sweden AB five working days before the general meeting and who have notified the company of their intention to attend (with any assistants) the AGM by the date stated in the notice of the AGM have the right to attend the meeting and vote in accordance with the number of shares they hold. Shareholders may attend the AGM in person or through a proxy and may also be accompanied by at most two people.

Initiatives from shareholders

Shareholders who wish to have a question addressed at the AGM must submit a written request to the Board which shall be received by the Board no later than seven weeks prior to the AGM.

Major shareholders

At the end of 2018 the Company had a total of 118 (121) shareholders.
The five largest shareholders controlled 49.9% (49.1) of capital and votes at the end of the year.

Annual General Meeting 2019

The 2019 Annual General Meeting will be held on Wednesday 19 June at 10.00 at the company's lawyers Baker & McKenzie with address Vasagatan 7, 101 23 Stockholm. More information is available at www.nilar.com.

NOMINATIONS COMMITTEE

The nominations committee shall comprise four members – one representative each for the three largest shareholders on the final banking day in September who wish to appoint a member to the committee, and the Chairman of the Board. The three largest shareholders are considered to be the three largest shareholders as registered with Euroclear Sweden AB on the final banking day in September. In the event of a major change in ownership a new major shareholder is entitled, if it so requests, to appoint a representative to the nominations committee.

The instructions for the nominations committee were adopted at the AGM held on 14 May 2018. The nominations committee shall, among other activities, submit proposals for the Chairman of the AGM, the number of Board members elected by the AGM, the names of the Chairman of the Board and other Board members elected by the AGM, the members of the Board's committees, the appointment of auditors and the remuneration to auditors. Michael Obermayer was appointed Chairman of the nominations committee.

NOMINATIONS COMMITTEE	COMPANY
Michael Obermayer, chairman	Nilar International AB
Anders Gudmarsson	
Henrik Perlmutter	Fjord Advisors AB

BOARD OF DIRECTORS

The Board of Directors is the highest decision-making body after the general meeting. Under the Swedish Companies Act, the Board of Directors is responsible for the company's management and organization, which means the Board of Directors is responsible for setting goals and strategies, for providing procedures and systems for the evaluation of established goals, for the systematic assessment of the company's financial position and profits and for evaluating the operational management.

In addition, the Board of Directors is responsible for ensuring that the annual accounts and the consolidated financial statements are prepared on time. Furthermore, the Board of Directors appoints the CEO.

Members of the Board of Directors are appointed annually by the AGM for the period until the end of the next AGM. According to the company's Articles of Association, the portion of the Board of Directors elected by the general meeting shall consist of a minimum of three and a maximum of ten members with a maximum of ten deputies.

Chairman of the Board

The Chairman of the Board is elected by the AGM. The Chairman of the Board has special responsibility for leading the work of the Board of Directors and for ensuring that the Board of Directors' work is efficiently organized.

Board's procedures

The Board of Directors follows written rules of procedure, which are revised annually and are adopted by the constituting board meeting each year.

Among other things, the rules of procedure regulate functions and the division of work between the members of the Board and the CEO. At the time of the constituting Board meeting, the Board of Directors also establishes instructions for financial reporting and instructions for the CEO, in addition to rules of procedure for the Board's audit and remuneration committees.

The Board of Directors meets at least five times a year in addition to the constituting Board meeting in accordance with a predetermined annual schedule. Besides these meetings, additional meetings can be arranged to discuss issues which cannot be postponed until the next ordinary meeting. Besides the meetings of the Board, the Chairman of the Board and the CEO systematically discuss the management of the company.

At present, the company's Board of Directors consists of eight ordinary elected members. Board members are presented in more detail in the section 'Board of Directors, senior executives and auditors.

Board meetings in 2018

Attendance of Board members at Board meetings in 2018.

NAMES OF THE BOARD MEMBERS	ATTENDANCE/ TOTAL NUMBER OF MEETINGS
Michael Obermayer	11/11
Anders Barsk	11/11
Stefan De Geer	11/11
Gunilla Fransson	8/8
Lars Fredriksson	11/11
Anders Gudmarsson	11/11
Alexander Izosimov	11/11
Peter Tell	10/11

Evaluation of Board activities in 2018

Each year the Board evaluates its work and this evaluation is presented and discussed at a Board meeting. The purpose of this evaluation is to develop work procedures and enhance efficiency. The evaluation is carried out with the support of external consultants and is based on a survey. The results and an analysis of the survey are reported to the Board and this is followed by a discussion and then an identification of focus areas for future work.

The nominations committee receives the report and the Conclusions and outcomes of the Board in their entirety.

AUDIT COMMITTEE

Nilar has an audit committee consisting of three members: Stefan De Geer (Chairman), Anders Gudmarsson and Michael Obermayer.

The members of the committee may not be employed by the company. At least one member must have accounting or auditing skills. The committee shall appoint one of its members as its Chairman. The audit committee shall, without it affecting the responsibilities and tasks of the Board of Directors: monitor the company's financial reporting; monitor the efficiency of the company's internal controls, internal auditing and risk management; inform itself of the auditing of the annual report and the consolidated accounts; scrutinize and monitor the impartiality of the auditors and pay close attention to whether the auditors are providing other services besides audit services for the company; and assist in drawing up proposals for the general meeting's decision on the appointment of auditors. The audit committee shall meet regularly with the company's auditors. The audit committee has no special decision-making powers.

NAMES OF THE BOARD MEMBERS	ATTENDANCE/ TOTAL NUMBER OF MEETINGS
Stefan De Geer	2/2
Anders Gudmarsson	2/2
Michael Obermayer	2/2

THE CEO AND OTHER SENIOR EXECUTIVES

The CEO reports to the Board of Directors and is primarily responsible for the company's day-to-day administration and operations. The division of responsibilities between the Board of Directors and the CEO is set out in the rules of procedure for the Board and the instructions for the CEO. The CEO is also responsible for drafting reports and compiling information from the management ahead of Board meetings and for presenting the material at the meetings. Under the instructions for financial reporting, the CEO is responsible for financial reporting in the company and is thus required to ensure that the Board obtains sufficient information to enable it to continuously evaluate Nilar's profit and financial position. The CEO is therefore required to inform the Board of the company's development, sales volume, profit and financial position, liquidity and credit situation, important business events and other circumstances the knowledge of which cannot be assumed to be irrelevant to the company's shareholders and directors. The CEO and other senior executives are presented in more detail in the section headed "Board of Directors, senior executives and auditors".

REMUNERATION TO THE BOARD AND SENIOR EXECUTIVES

Remuneration to the Board

Fees and other remuneration to elected members of the Board, including the Chairman, are determined by the AGM. The AGM held on 14 May 2018 resolved that no fee should be paid to the Board.

Remuneration to senior executives

Salaries and other terms of employment shall be such that Nilar can always attract and retain skilled senior executives at a reasonable cost to the company. Remuneration at Nilar shall be based on the nature of the role, performance, competitiveness and fairness. The salaries of senior executives consist of a fixed salary, variable remuneration, pension and other benefits. Every senior executive shall be offered a fixed salary in line with market conditions and based on their responsibility, expertise and performance. In addition, the AGM may decide to offer long-term incentive programmes such as share and share price-related incentive programmes. These incentive programmes are intended to contribute to long-term value growth and provide a shared interest in value growth for shareholders and employees.

For further information about remuneration to senior executives, see Note 9 to this annual report.

EXECUTIVE MANAGEMENT

In 2018, the executive management consisted of five members: the CEO, CFO, Head of Sales & Marketing, Head of R&D, and the Head of Manufacturing. The executive management team meets two times per month to follow up business and financial results. Great importance is attached to maintaining close contact with the operational business. See pages 76-77.

INTERNAL AUDIT

Nilar applies the Swedish Code of Corporate Governance with the following exceptions.

A special function for internal audits has not been established within the company. The Board makes an assessment each year whether to establish a function for internal auditing. In 2018 the Board decided that this was not necessary. In reaching this decision the Board decided that internal controls are primarily exercised through the following:

- operations managers at various levels
- local and central finance functions
- monitoring by the executive management team

In light of the above points together and considering the size of the company, the Board believes that it is not economically viable to set up an additional administrative function.

INTERNAL CONTROL

This section contains the Board's annual report on how internal control in relation to financial reporting is organized. The basis for this description is the Swedish Code of Corporate Governance's rules and guidelines prepared by the Confederation of Swedish Enterprise and FAR SRS.

The Board's responsibility for internal control is established in the Swedish Companies Act and internal control regarding financial reporting is covered by the Board's reporting instructions for the CEO. Nilar's financial reporting complies with the laws and rules for companies listed on the Stockholm stock exchange and the local rules that apply in all of the countries where business is carried out.

In addition to external rules and recommendations there are internal instructions, guidelines and systems as well as the internal delegation of responsibility and authority with the overall aim of providing good control over financial reporting.

Control environment

The control environment forms the basis for internal control. Nilar's control environment comprises, among other things, an organization structure, instructions, policies, guidelines, reporting and defined areas of responsibility. The Board has overall responsibility for internal control in relation to financial reporting. The Board has established written procedures outlining the Board's responsibility and regulating the Board's and its committees' division of responsibilities. The Board has appointed an audit committee with the task of safeguarding established policies for financial reporting and compliance with internal control. This committee is also responsible for maintaining appropriate relations with the company's auditors. The Board has also prepared instructions for the CEO and has agreed how economic reporting shall be submitted to the Board of Nilar International AB (publ). The Group's CFO reports the results of the Group's efforts relating to internal control to the audit committee. The results of the audit committee's work in the form of observations, recommendations and proposals for decisions and measures are reported regularly to the Board. Nilar International AB's significant steering documents in the form of policies, guidelines and manuals, to the extent they relate to financial reporting, are kept up to date and communicated through established channels to the companies in the Group. Systems and procedures have been established to supply the management with the necessary reports about business results in relation to established targets. Information systems have been established as necessary to ensure that reliable and up-to-date information is provided so that the management can perform its duties correctly and efficiently.

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.

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.

Internal control in relation to financial reporting

Financial reports are prepared monthly, quarterly and annually for the Group and subsidiaries. In connection with reporting, comprehensive analyses and associated comments are prepared along with up-to-date forecasts aimed at ensuring, among other things, that financial reporting is accurate. Finance staff and controllers with functional responsibility for accounts, reports and the analysis of financial development work at the Group and unit levels.

Nilar's internal control activities aim to ensure that the Group meets its objectives for financial reporting.

The Financial reporting shall

- be correct and complete, and meet all applicable laws, rules and recommendations;
- provide a fair description of the company's business; and
- support a rational and informed valuation of the business.

In addition to these three objectives, internal financial reporting shall support proper business decision-making at all levels of the Group.

Information and communication

Internal information and communication aim to create awareness among the Group's employees of internal and external control instruments as well as of authorities and responsibilities. Information and communication about internal control instruments for financial reporting are accessible by all employees.

The key tools for this are Nilar's manuals, policies, intranet and training activities.

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.

Follow-up of financial information

The Board publishes, and has responsibility for, the company's financial reporting.

The audit committee supports the Board by preparing activities that assure the quality of the company's financial reporting. This is partly achieved by the audit committee checking the financial information and the company's financial controls.

The Board is informed monthly about business development, profit, financial position and cash flow. Outcomes and forecasts are assessed and monitored.

All of the Group's companies report financial information in accordance with an established format and established accounting policies. In connection with this reporting, an analysis and risk assessment of the financial situation are carried out.

AUDITORS

Nilar's auditors are Deloitte AB (Deloitte), with Jonas Ståhlberg being the authorised public accountant in charge of the audit. Deloitte audits Nilar International AB (publ) and all major subsidiaries. Each year the audit includes a statutory audit of Nilar's annual accounts, a statutory audit of the Parent Company and all significant subsidiaries.

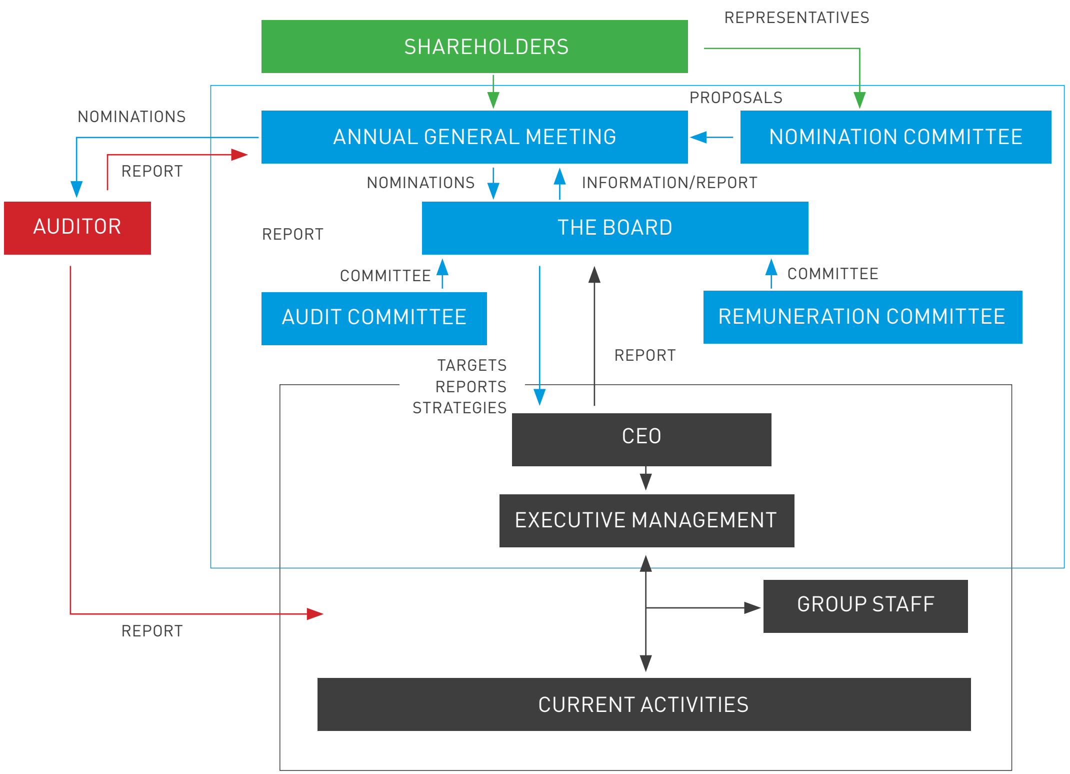
During the third quarter a meeting is held with the executive management to determine an audit plan and to analyse the organisation, operations, business processes and balance sheet items for the purpose of identifying areas with an elevated risk of errors in financial reporting.

In addition, a meeting is held with the audit committee for the reconciliation of strategy and aims. The auditor also attends at least one Board meeting each year pursuant to the rules of procedure of the audit committee meeting.

In accordance with the company's articles of association, the company shall have at least one, and at most two, auditors, with no more than two deputy auditors or one or two registered accounting firms. In accordance with the articles of association, the mandate period for the auditors shall be one year.

COMMUNICATION

The company's information to shareholders and other stakeholders is supplied via the annual report, interim reports and press releases. All external information is published on the company's website at www.nilar.com.



OVERVIEW OF CORPORATE GOVERNANCE

SIGNATURES

Täby, 27 May 2019

Michael Obermayer
Chairman of the Board

Anders Barsk
Board member

Stefan De Geer
Board member

Gunilla Fransson
Board member

Lars Fredriksson
Board member

Anders Gudmarsson
Board member

Alexander Izosimov
Board member

Peter Tell
Board member

Marcus Wigren
CEO

AUDITOR'S STATEMENT ON THE CORPORATE GOVERNANCE REPORT

To the Annual General Meeting of the shareholders of Nilar International AB (publ), corporate identity number 556600-2977

Assignment and division of responsibility

It is the Board of Directors that is responsible for the Corporate Governance Report for the year 2018 presented on pages 65-69 and its preparation in accordance with the Annual Accounts Act.

The focus and scope of the review

Our review has been conducted in accordance with FAR's statement RevU 16 "Auditor's review of the corporate governance report". This means that our review of the corporate governance report has a different focus and is substantially smaller in scope than the focus and scope of an audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that this review provides a sufficient basis for our opinion.

Statement

A corporate governance report has been prepared. Information in accordance with Chapter 6, Section 6, second paragraph, points 2 to 6 of the Annual Accounts Act and Chapter 7, Section 31, second paragraph, of the same act are consistent with the annual report and the consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm, 27 May 2019
Deloitte AB

Jonas Ståhlberg
Authorized Public Accountant

THE BOARD OF DIRECTORS

PETER TELL MICHAEL OBERMAYER GUNILLA FRANSSON ANDERS GUDMARSSON LARS FREDRIKSSON STEFAN DE GEER

Not in the picture: Anders Barsk and Alexander Izosimov.

	MICHAEL OBERMAYER	ANDERS BARSK	STEFAN DE GEER	GUNILLA FRANSSON	LARS FREDRIKSSON	ANDERS GUDMARSSON	ALEXANDER IZOSIMOV	PETER TELL
	Chairman of the Board	Board member	Board member and chairman of the audit committee	Board member	Board member and co-founder	Board member	Board member	Board member
Year elected	2012	2004	2017	2018 (14 May)	2000	2016	2016	2010
Current employment	Managing Partner Fjord Capital Partners	Investor	Advisor	-	-	-	-	-
Born	1948	1950	1956	1960	1949	1948	1964	1947
Education	MSc chemistry, KTH, PhD chemistry, Max Plank Ins, MBA INSEAD.	MSc chemistry, KTH, MBA Harvard Business School.	JD, Stockholm university.	MSc chemical engineering, Lic of technology, KTH.	-	JD, Uppsala university.	MSc, Moscow, MBA INSEAD.	-
Nationality	German/Swedish	Swedish	Swedish	Swedish	Swedish	Swedish	Swedish	Swedish
Other duties	Chairman Samplix ApS	-	Chairman Halmslätten Fastighets AB (pub) and PCTC Invest AB; Board member Origa Care AB (publ).	Board member in Trelleborg AB, Nederman AB, Eltel AB, Enea AB and some unlisted companies, including chairman of Novare Peritos AB and Net Insight AB.	-	Board member Tech Troopers AB.	-	-
Independent of the company and corporate management	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Independent of the company's major shareholders	No	Yes	Yes	Yes	No	Yes	Yes	Yes
Previous experience	Senior Partner McKinsey Company, vd World Economic Forum. Board member in Pöyry Plc, Fluitec BV, Tesla Inc. (observatör), IBO, RSP Systems ApS.	Investor in technology, insurance and real estate companies in the US and Europe. Strategy consultant at Boston Consulting Group.	Head of corporate finance at Pareto Securities Stockholm, general counsel E. Öhman J:or AB, partner of Gernandt & Danielsson Advokatbyrå.	Member of SAAB AB's group management, several senior positions in the Ericsson group	Chairman and former CEO of Gycom AB, CEO of Optima Batteries. Extensive experience of building worldwide sales and distribution organizations for battery companies.	Assistant judge, Court of Appeal, Stockholm, President Boliden Intermarket and Flakt Service Sweden, Managing Partner Odgers Berndtson, Stockholm	CEO AO VimpelCom (Vimpelcom Ltd.), CEO 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.	Founder of PIAB AB's vacuum division.
Shareholding as at 31 December 2018	346 969	212 025	-	-	267 924	3 763	12 800	90 856
Share options as at 31 December 2018	24 000	-	5 000	5 000	-	-	-	-
Number of Board meetings Attendance/total number of meetings*	11/11	11/11	11/11	8/8	11/11	11/11	11/11	10/11
Audit committee Attendance/total number of meetings*	Yes 2/2	No -	Yes 2/2	No -	No -	Yes 2/2	No -	No -
Remuneration 2018	-	-	-	-	-	-	-	-

EXECUTIVE MANAGEMENT AND AUDITOR

ANDERS TANGEN

ERIK TOLAGEN

MARCUS WIGREN

MAGNUS NORDGREN

ANDERS ERICSSON

	MARCUS WIGREN	MAGNUS NORDGREN	ANDERS ERICSSON	ANDERS TANGEN	ERIK TOLAGEN	JONAS STÅHLBERG
Current position	CEO	CFO	Head of Manufacturing	Head of R&D	Head of Sales and Marketing	Deloitte AB Chief auditor
In current position/ Employed in the company	2018/2007	2013	2011	2017	2016/2012	Auditor of the company since 2017.
Education	BSc in computers, energy, high voltage and control technique, Linköping University, BSc in Business Administration, University of Örebro.	BA in Business Administration, Stockholm university.	80p Electronic and Computer Engineering, University of Gävle.	80p Electronic and Computer Engineering, University of Gävle.	MSc in Mechanics, Linköping University	Authorized Public Accountant
Previous experience	CEO Nilar AB since 2016, Head of sales and marketing of Nilar 2007-2016, 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.	CFO of Brandos AB (publ), CFO of Ortivus AB (publ) - listed on Nasdaq OMX Stockholm Small Cap, CFO of GTE plc - listed on AIM, London, Director of Finance Nordics for ACNielsen, Business Controller City Stormarknad.	Technology manager Ericsson Gävle, Chairman Ericsson's global process for manufacturing of radio base stations, Purchasing manager Ericsson Gävle, Purhasing manager CrossControl.	CEO BRANN AB, Section Manager, Project Manager, Senior Scientist GE Healthcare, Scientist Nycomed Imaging, Board member Patrafee AB and SEPAF.	Engineer Svensk Konstruktionstjänst, Technical sales Promoco Scandinavia AB, Product manager Gycom Nordic AB.	
Born	1975	1970	1970	1968	1973	1975
Nationality	Swedish	Swedish	Norwegian	Swedish	Swedish	Swedish
Other duties	Board member Power Circle.	-	-	-	-	
Shareholding as at 31 December 2018	-	-	-	-	-	
Share options as at 31 December 2018	30 000	21 000	7 500	-	15 000	

KEY FIGURES FOR THE GROUP

MSEK	2018	2017	2016	2015	2014
Income statement					
Revenue	3.4	1.1	0.3	0.4	1.0
Capitalised expenses for development work	17.4	17.2	18.5	14.3	13.9
Gross profit	-24.3	-11.4	-4.9	-9.9	-5.0
EBITDA	-77.8	-53.1	-38.2	-33.2	-35.1
Operating profit / EBIT	-89.9	-58.5	-43.7	-39.2	-40.0
Profit/loss before tax	-91.1	-59.2	-44.0	-43.9	-43.7
Profit/loss after tax	-91.1	-59.2	-44.0	-43.9	-31.9
Other					
Depreciation	-12.1	-5.4	-5.5	-6.0	-4.9
intangible fixed assets	-7.3	-0.5	-0.5	-0.7	-0.6
tangible fixed assets	-4.7	-4.9	-5.0	-5.3	-4.4
Capitalised expenses for development work	17.4	17.2	18.5	14.3	13.9
Full-time equivalent employees, number	48	44	38	41	44
Cash flow from					
operating activities	-73.6	-52.9	-37.1	-40.2	-39.6
investing activities	-45.6	-24.9	-21.5	-14.5	-17.0
financing activities	76.9	135.0	55.7	66.7	54.7
Cash flow for the period	-42.3	57.1	-2.8	12.0	-1.9
Number of ordinary shares and share options in issue, thousand					
Weighted average number of ordinary shares in issue, thousand	3 281.2	2 912.5	2 471.5	1 439.8	1 293.1
Weighted average number of share options in issue, thousand	275.3	320.6	228.3	181.1	79.2

MSEK	2018	2017	2016	2015	2014
Balance sheet					
Non-current assets	232.8	198.5	178.9	163.0	154.5
Current assets	56.1	86.2	27.9	30.5	21.0
Total assets	288.9	284.7	206.8	193.5	175.5
Equity	201.3	274.3	186.0	181.4	112.9
Non-current liabilities	-	-	-	1.9	3.1
Current liabilities	87.5	10.4	20.7	10.1	59.6
Total equity and liabilities	288.9	284.7	206.8	193.5	175.5
Other					
Patents	1.5	2.0	2.5	3.0	3.7
Capitalised expenditure for development work	191.8	181.3	164.1	145.6	131.3
Property, plant and equipment	16.2	7.0	10.2	14.4	18.8
Fixed assets under construction	23.2	8.2	2.2	-	0.7
Inventory	8.0	4.7	5.7	6.5	10.0
Cash and cash equivalents	32.5	74.8	17.6	20.5	8.5
Shareholder equity ratio, %	70%	96%	90%	94%	64%
Debt ratio, times	0.4	0.0	0.1	0.1	0.6
Number of ordinary shares and share options in issue at end of period, thousand					
Shares in issue at end of period, thousand	3 451.0	3 270.6	2 615.5	2 261.4	1 358.1
Share options in issue at end of period, thousand	149.5	319.9	320.6	181.1	-

QUARTERLY DATA FOR THE GROUP

	2018				2017				2016			
MSEK	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Income statement												
Revenue	1.4	0.2	0.9	0.8	0.6	0.0	0.4	0.1	0.0	0.0	0.1	0.1
Capitalised expenses for development work	4.7	3.8	4.1	4.7	5.7	3.8	3.9	3.9	4.5	4.3	4.3	5.3
Gross profit	-10.8	-8.9	-1.8	-2.9	-3.8	-4.4	-2.9	-0.3	-1.2	-1.1	-2.7	0.2
EBITDA	-25.3	-21.9	-15.7	-14.9	-16.2	-13.9	-13.4	-9.8	-11.3	-7.5	-11.2	-8.2
Operating profit / EBIT	-33.7	-23.2	-17.0	-16.0	-17.4	-15.2	-14.8	-11.1	-12.7	-8.9	-12.6	-9.6
Profit/loss before tax	-34.8	-23.2	-17.0	-16.0	-17.4	-15.2	-15.1	-11.5	-12.8	-8.8	-12.7	-9.6
Profit/loss after tax	-34.8	-23.2	-17.0	-16.0	-17.4	-15.2	-15.1	-11.5	-12.8	-8.8	-12.7	-9.6
Other												
Depreciation	-8.4	-1.4	-1.3	-1.1	-1.3	-1.4	-1.4	-1.4	-1.4	-1.4	-1.4	-1.4
intangible fixed assets	-7.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
tangible fixed assets	-1.3	-1.2	-1.2	-1.0	-1.2	-1.2	-1.3	-1.3	-1.2	-1.2	-1.3	-1.2
Capitalised expenses for development work	4.7	3.8	4.1	4.7	5.7	3.8	3.9	3.9	4.5	4.3	4.3	5.3
Full-time equivalent employees, number	55	50	44	44	44	45	44	43	39	38	37	36
Cash flow from												
operating activities	-22.6	-19.5	-15.4	-16.1	-12.5	-13.0	-11.6	-15.8	-9.8	-8.4	-11.2	-7.8
investing activities	-20.5	-9.3	-8.6	-7.2	-9.6	-3.7	-7.3	-4.3	-6.3	-4.9	-4.9	-5.4
financing activities	60.8	16.2	0.0	-	11.0	2.7	111.0	10.3	9.2	3.5	43.5	-0.4
Cash flow for the period	17.6	-12.7	-24.0	-23.2	-11.0	-14.1	92.1	-9.9	-6.9	-9.8	27.4	-13.6
Ordinary shares and share options in issue, thousand												
Weighted average number of ordinary shares in issue, thousand	3 312.8	3 270.8	3 270.6	3 270.6	3 226.1	3 188.2	2 620.2	2 615.5	2 615,5	2 576,2	2 354,1	2 340,2
Weighted average number of share options in issue, thousand	141.8	319.7	319.9	319.9	320.5	320.6	320.6	320.6	320,6	230,6	181,1	181,1

MSEK	18-12-31	18-09-30	18-06-30	18-03-31	17-12-31	17-09-30	17-06-30	17-03-31	16-12-31	16-09-30	16-06-30	16-03-31
Balance sheet												
Non-current assets	232.8	219.8	211.8	204.5	198.5	190.1	187.7	181.9	178.9	174.0	170.5	167.0
Current assets	56.1	28.8	40.9	63.7	86.2	98.1	113.1	20.1	27.9	33.8	43.0	15.9
Total assets	288.9	248.5	252.7	268.3	284.7	288.3	300.9	202.0	206.8	207.8	213.5	182.9
Equity	201.3	234.2	241.3	258.3	274.3	280.7	266.2	174.5	186.0	198.8	159.1	171.8
Non-current liabilities	-	-	-	-	-	-	-	-	-	-0.1	0.7	1.5
Current liabilities	87.5	14.3	11.4	9.9	10.4	7.5	34.6	27.5	20.7	9.1	53.8	9.6
Total equity and liabilities	288.9	248.5	252.7	268.3	284.7	288.3	300.9	202.0	206.8	207.8	213.5	182.9
Other												
Patents	1.5	1.6	1.7	1.8	2.0	2.1	2.2	2.3	2.5	2.6	2.7	2.9
Capitalised expenditure for development work	191.8	194.0	190.1	186.0	181.3	175.6	171.8	167.9	164.1	159.5	155.2	150.9
Property, plant and equipment	16.2	17.3	14.8	6.2	7.0	7.2	8.5	9.1	10.2	11.4	12.6	13.2
Fixed assets under construction	23.2	6.8	5.1	10.5	8.2	5.3	5.3	2.5	2.2	0.6	-	0.0
Inventory	8.0	6.9	7.5	5.2	4.7	7.2	8.7	7.9	5.7	4.9	4.9	6.1
Cash and cash equivalents	32.5	14.9	27.5	51.5	74.8	85.8	99.8	7.7	17.6	24.5	34.3	6.8
Shareholder equity ratio, %	70%	94%	95%	96%	96%	97%	88%	86%	90%	96%	74%	94%
Debt ratio, times	0.4	0.1	0.0	0.0	0.0	0.0	0.1	0.2	0.1	0.0	0.3	0.1
Ordinary shares and share options in issue at end of period, thousand												
Shares in issue at end of period, thousand	3 451.0	3 270.8	3 270.8	3 270.6	3 270.6	3 208.3	3 035.5	2 615.5	2 615.5	2 615.5	2 354.1	2 354.1
Share options in issue at end of period, thousand	149.5	319.7	319.7	319.9	319.9	320.6	320.6	320.6	320.6	320.6	181.1	181.1

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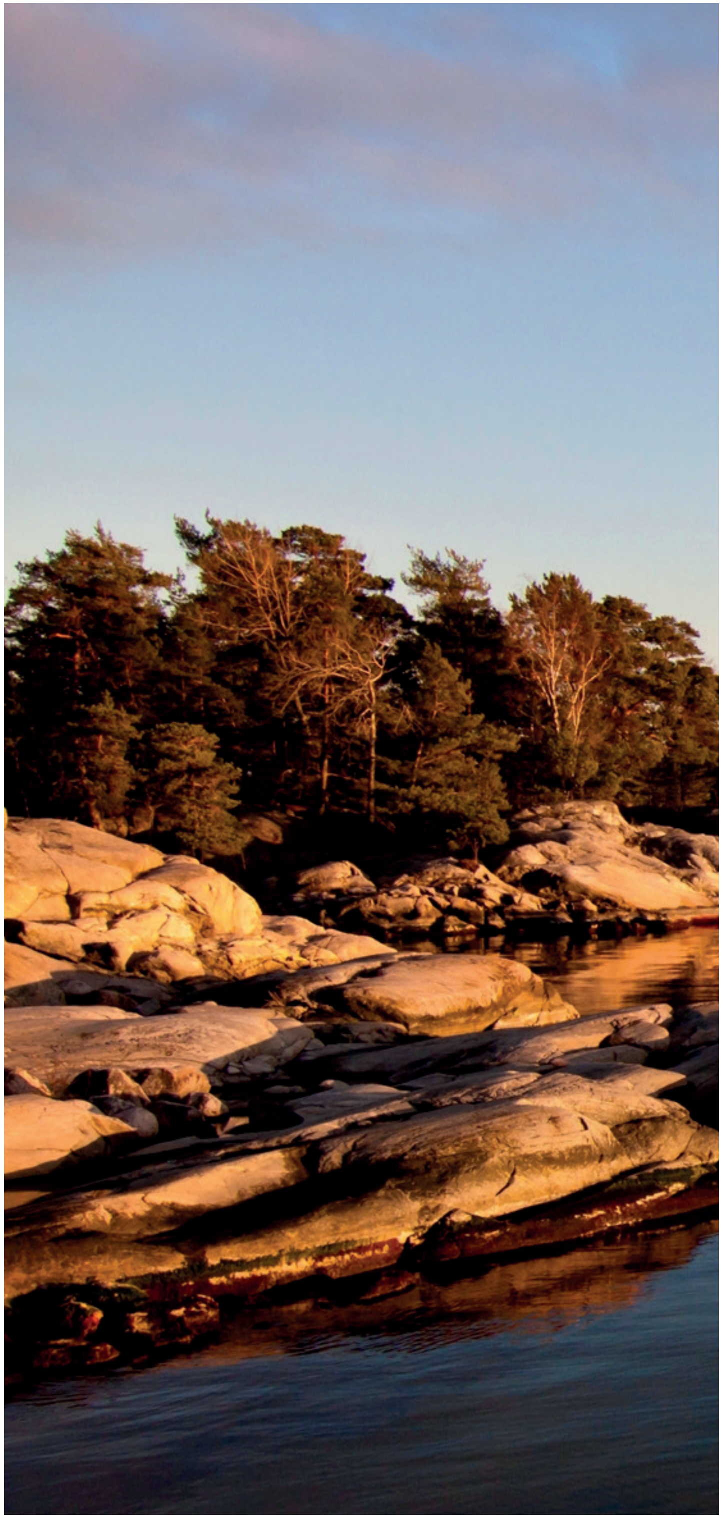

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