

nilar

Hydride®

Annual Report 2019

 nilar



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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 110 patents within 16 different patent families** and extensive know-how on how to manufacture high-tech batteries on an industrial scale.

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

Today we have around 170 employees in Sweden and the USA. Our head office is 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

2500

2 500 kWh installed
in more than 250
reference installations

170

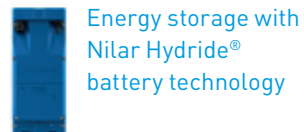
coworkers
(employed and
contracted)

10,4

10,4 MSEK in
revenue
2019

250+

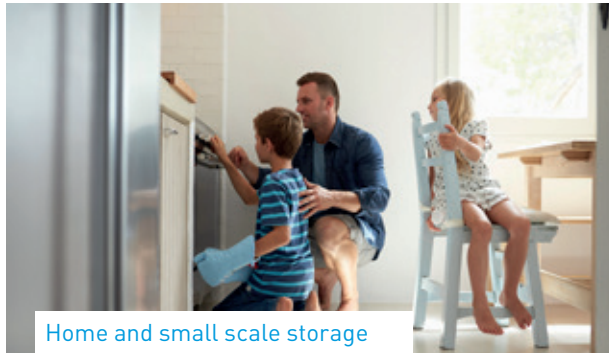
reference
installations
in operation



Energy storage with
Nilar Hydride®
battery technology



TARGET SEGMENTS



Production:

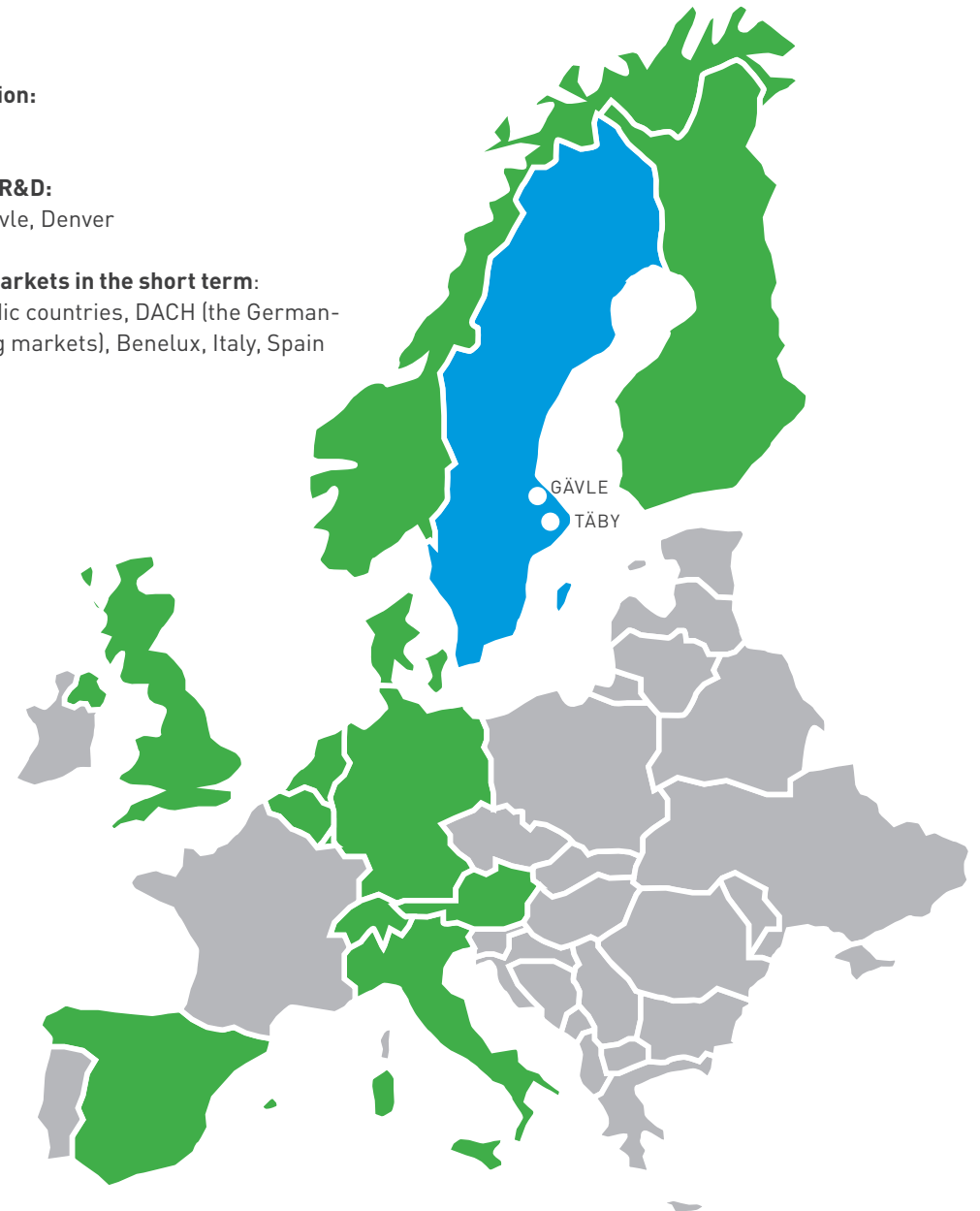
Gävle

Sales & R&D:

Täby, Gävle, Denver

Focus markets in the short term:

the Nordic countries, DACH (the German-speaking markets), Benelux, Italy, Spain



THE YEAR IN BRIEF

FINANCIAL SUMMARY, MSEK	2019	2018	2017	2016	2015
Revenue	10,4	3,4	1,1	0,3	0,4
Gross profit	-151,1	-35,7	-24,0	-19,2	-20,2
EBITDA *	-183,0	-77,8	-53,1	-38,2	-33,2
Operating profit (EBIT)	-221,7	-89,9	-58,5	-43,7	-39,2
Profit/loss after tax	-238,5	-91,1	-59,2	-44,0	-43,9
Cash flow from investing activities	-135,2	-45,6	-24,9	-21,5	-14,5
Cash flow from financing activities	420,0	76,9	135,0	55,7	66,7
Equity/asset ratio, % *	49%	70%	96%	90%	94%
Debt ratio, times *	1,0	0,4	0,0	0,1	0,1
Full-time equivalent employees, number	90	48	44	38	41

MSEK	2019	Q1	Q2	Q3	Q4
Revenue	10,4	1,5	2,5	1,8	4,6
Operating profit (EBIT)	-221,7	-31,7	-44,8	-54,4	-80,6
Delivered systems, number	202	128	33	25	16
Delivered kWh, number	2 397	396	562	397	1 042

*) Alternative performance measure. See page 92 for further explanations.



Q1

- Participated at the International trade fair for battery storage, Düsseldorf Energy Storage Europe.
- Closed production line 1 in the old production hall. Moved it to the large production hall in Gävle, restarted it, and installed production line 2. Continued construction of an electrode room.
- Initiated a pre-IPO capital raising to increase working capital to further accelerate sales activity and increase production capacity.
- Delivered 16 (9) energy storages to customer.

Q2

- Participated at the trade fairs Hannover Messe and Electrical Energy Storage 2019 in Munich.
- Commissioned the new electrode room in Gävle. Construction began on a formation house for serial formation. Ordered two additional production lines (line 3+4) for commissioning in 2020.
- Concluded the pre-IPO capital raise of SEK 327 million.
- Validated our strategy with a global management consulting firm.
- Delivered 25 (6) energy storages to customers.

Q3

- Launched a smaller product, Home Box, adapted for home storage.
- The expansion of the large production hall in Gävle to increase capacity continued. A machine for automatic electrolyte filling of modules was installed.
- Extended the shift to 2-shift, Monday-Friday, for the two production lines. Staffed the production organization further for extended shift during Q4.
- Delivered 33 (11) energy storages to customers.

Q4

- Commissioned the new formation house. Started the installation of production lines 3 and 4 in the large production hall in Gävle.
- Extended the 2-shift to include weekend (continuous 2-shift).
- Completed a SEK 175 million convertible issue (excluding costs) within the SEK 502 million pre-IPO capital raise 2019.
- Delivered 128 (12) energy storages to customer.

CHAIRMAN'S STATEMENT

2019 has been an important year in Nilar's development to become a vibrant commercial company: from an innovative R&D project in its early years in the United States, through the development of prototypes in Sweden and the installation of a variety of energy storages for beta testing in strategically selected locations in Europe, to making commercial launches during the past year.

Three milestones have been passed

During the past year, we have achieved the following milestones along the way in our development.

1. Commercial launch of the next-generation safe battery pack, which in addition to competitive performance has led Nilar on the road to continuous cost reduction, especially with its patented electrolyte filling technology, the company's next launch, a feature that is globally unique to Nilar.
2. The development and establishment of a manufacturing capacity that, when scaled up, begins to create major economies of scale that make Nilar's products cost competitive against all significant competition from China, Korea and Japan.
3. Establishment of a number of strategic partnerships across Europe with partners active in system integration. The cooperation is an entry into the European energy storage market, which is a global leader and is growing rapidly.

The future

Going forward, Nilar will fully exploit its competitive advantages in terms of battery pack life, unmatched safety and environmental sustainability thanks to the potential for total recyclability. All these functions are important for building integrated energy storage.

- Longevity is important because solar panel installations with 25-year life cycles are becoming more common across Europe – largely as a result of government subsidies in many European countries to accelerate the decarbonization of our societies.
- Safety matters because most energy storages will be installed in buildings near people.
- Recyclability is important competitively because it is very clear that growing landfills of discarded batteries that have reached the end of their life are as great a threat to our environment as carbon dioxide emissions in themselves.

Nilar's ambition, and biggest challenge, over the next three years will be to scale up production at a very high rate. Market demand is growing almost explosively.

Scaling up high precision and high-tech manufacturing is not easy. But Nilar is fortunate to be well integrated into a country with good access to engineers with excellence, where there is a centuries-old tradition and ability to supply the world market with industrial products.

Nilar's team is confident in following its compatriots in electrical engineering and telecommunications to become, within its energy storage niche, one of a few world leaders.

Michael Obermayer

Chairman of the Board

"Nilar's ambition, and biggest challenge, over the next three years will be to scale up production at a very high rate. Market demand is growing almost explosively."



CEO REVIEW

In 2019, we continued our efforts to commercialize Nilar: placing our new battery generation in the market, starting our new production line and validating our market strategy in the three target segments: home and small scale storage, commercial and industrial support, and energy storage for electric car charging. The rapid development of the energy storage market is to our advantage and we continue to hone our market offerings and broaden the product portfolio. Nilar's shareholders showed their continued support and we started preparations for a market listing of the company's shares.

MARKET AND STRATEGY

The energy storage market

In 2019, the energy storage market has grown significantly, driven by continued rapid electrification of society. Both government incentives and legislative changes have created favorable conditions. Several countries, including Sweden, have introduced financial support for energy storage, while the frequency regulation market has been opened up for energy storage.

Markets in focus

European markets continue to be in Nilar's geographical focus, with a particular focus on the Nordic countries, Benelux, DACH (the German-speaking markets) and the UK. In 2020, we will continue to analyze and develop operations in several markets in Europe such as Italy and Spain. In the longer term, we see opportunities for expansion in Australia, the US and India.

Germany continues to be the largest market when it comes to 'distributed energy storage', the summary term for energy storages to private households, commercial real estate and industries. There is an increasing interest

in energy storage solutions in these segments when there is a need for tools to cut power peaks and control electricity bill costs. During the year, interest from the Netherlands and Switzerland also strengthened in these segments.

In the UK, the government, together with the Distribution Network Operator, has created a value system for the capacity market, where energy storages act as buffers and create balance in the electricity grid. Now the market for smaller energy storages has also begun to develop, creating business opportunities for the distributed solutions that are Nilar's focus.

In Sweden, financial support for energy storages was introduced and a decision was taken at the end of 2019 to extend the aid in 2020, creating good conditions for the introduction of energy storages in private households. During the year, Nilar launched a solution that is optimized for this segment; where Nilar currently has a market-leading position. During 2019, power failures in the electricity grid around Sweden have been reported on a number of occasions and according to the major electricity companies, energy storage will

play a significant role in the future in order to increase the flexibility of Sweden's electricity grid. This means that even larger energy storage projects are likely to be realized.

New market opportunities

The European Union has set a goal of regaining a leading position in batteries and is investing heavily in this strategically important industry. A long service life is particularly important for users of stationary energy storages in private households, commercial properties and industries. Nilar is developing a new technology that provides a revolutionary opportunity for long life by adding life to an already installed battery. The new technology offers cost advantages and creates opportunities for Nilar to further increase competitiveness and become a significant player in this new European strategy.

COMMERCIAL

During the first half of 2019, we had our marketing strategy validated by a leading global management consulting company. We have confirmed the target segments energy storages for home and small scale

storage, commercial and industrial support, and energy storage for electric car charging. We have gained a deeper insight into the economic benefits of end customers in installing energy storages, where Nilar's system will in the near future have the industry's lowest total cost of ownership. This is important where storage life is crucial.

During the full year we delivered over 200 storage systems to customers for use in PV plants (photo-voltaics), energy storage in homes and for industrial applications; a sharp increase compared to the 38 reference systems delivered in 2018. Although we quickly expanded our production capacity, we remained heavily limited in production.

During the year we expanded our sales and distributor network with strategic partners in Italy, the UK and Spain. Together with one of our strategic partners, we have during the year developed and launched a new 6 kWh home storage product, 'Home Box', which has been dimensioned to be able to use the state subsidy on the Swedish market. We plan to expand the business with additional partners to make Nilar an important player in the Swedish domestic market.

OPERATIONS

Production and development

During the first half of 2019 we closed down our pilot production line in the old production hall, updated it and moved it to the large production hall in Gävle. We also installed production line 2, at the same time as we completed the construction and commissioning of a new electrode room. Production lines 3 and 4 were ordered in the second quarter for commissioning in the second half of 2020.

During the year, we gradually increased our shift. During quarter 3, the shift for production line 1 and 2 was increased to Monday-Friday, and during quarter 4 the shift was extended to include weekends (continuous 2-shifts). We staffed the production organization further for increased production in 2020.

In parallel with our investment in machinery in accordance with the business plan to be fully built out in Gävle by the end of 2021, work is also continuing to optimize the product's robustness, quality and performance.

With over 250 customer installations with varying configurations and in different operating environments in Sweden, DACH, Benelux and Italy, we quickly accumulate knowledge about the necessary updates in material selection and construction to ensure optimal function. In order to become a sustainable company even more so, we will use only renewable electricity in 2020.

Organization

We strengthened our capacity for rapid growth by reorganizing in line with a medium-sized producing company.

During the second quarter, a central product management department was established and during the third quarter positions were filled within HR and quality assurance. At the Gävle factory, a site manager was recruited to take up her position in the first quarter of 2020.

We have started evaluating ideas for the next production facility in accordance with the business plan and are starting discussions with potential partners for our strategic "factory-in-a-box" concept.

FINANCING

During the fourth quarter, we continued our preparations for a market listing. Carnegie was appointed financial advisor and the 2019 pre-IPO financing round totaling SEK 502 million was closed with a SEK 175 million convertible loan in order to finance the company until a market listing.

COVID-19

The covid-19 pandemic brings significant uncertainty that could affect the sales and production of the energy storage market. This may affect Nilar's production rate

in 2020 with ongoing adjustments to both purchasing and production. Given the uncertain situation, it is not currently possible to estimate the full potential impact for the Nilar Group, but there is a significant risk of a negative financial impact on the Group.

Management is fully focused on getting Nilar through the consequences of covid-19 and then continue to create value for our customers and shareholders.

Marcus Wigren

CEO

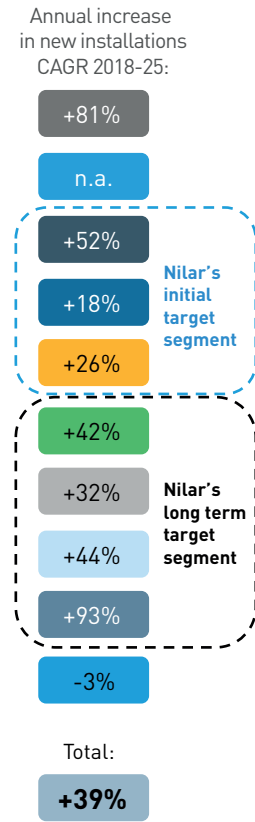
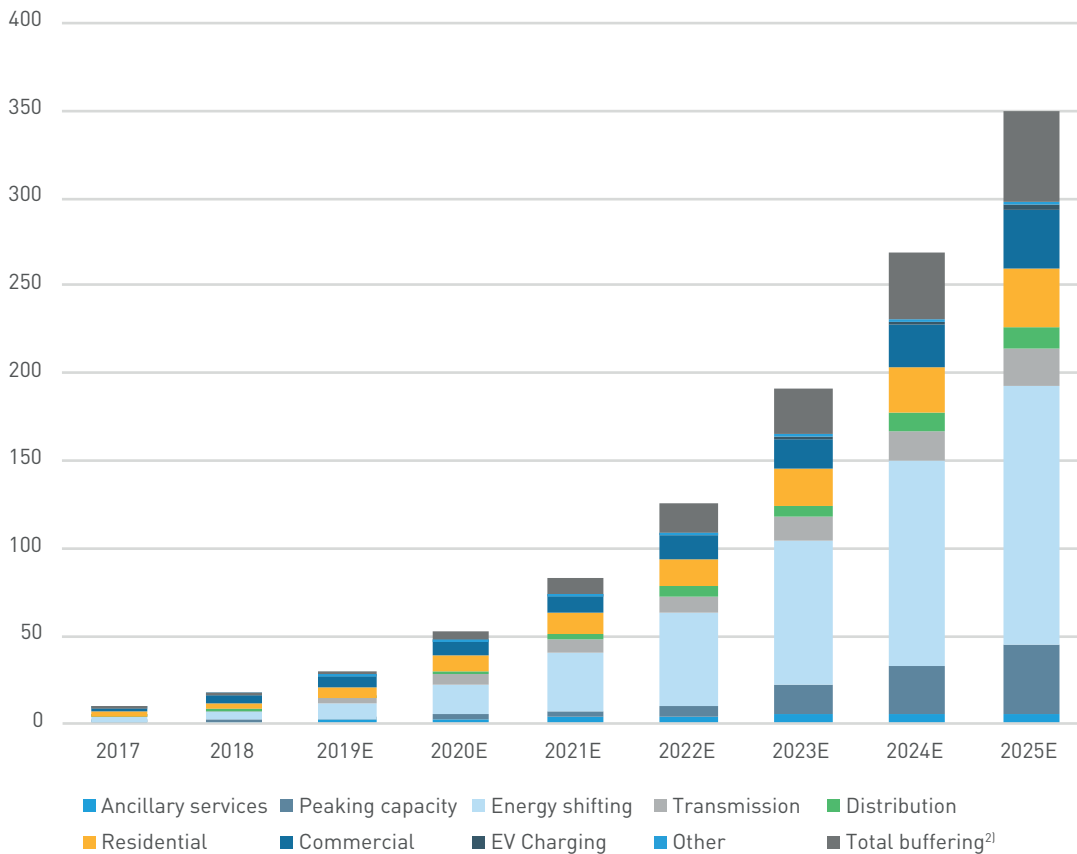
"The rapid development of the energy storage market is to our advantage and we continue to hone our market offerings and broaden the product portfolio."



MARKET

Explosive growth in demand for energy storage in batteries. The need for battery storage is increasing as a result of growing renewable energy sources with varying output during the day.

Global cumulative electrical energy storage installations (GWh)¹⁾



RAPID MARKET GROWTH

Increasing need of flexibility

- Supply flexibility:** Increased integration of renewable power sources which generate a need for flexibility in supply.
- Demand flexibility:** Increased variation in demand from e.g. increasing Electric Vehicle (EV) charging.

Declining battery costs

- Downward trend of utility scale Lithium ion battery costs expected to continue
- Price per kWh is however expected to only decrease by 8% per year 2020-2025, supporting the overall growth of the energy storage market³⁾

1) Bloomberg New Energy Finance 2019. Please note that the estimates were made prior to the Covid-19 outbreak.
 2) Total buffering refers to the assumption on redundancy and augmentation of energy storage systems.
 3) McKinsey, The New Rules of Competition in Energy Storage, 2018.

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Nilar Launches Energy Storage Solution For Residential Market

21 January 2020 09:30

Sweden's **Nilar** has announced the launch of an energy storage battery solution that is designed to meet the growing demands from the residential market. The new cabinet, which is designed for homeowners looking for a safe, economic and compact solution, is powered by 6 kWh of Nilar Hydride batteries.



The modern household is becoming sustainable and self-sufficient, with increased use of solar power and the addition of electric cars. The new Nilar Home Box enables storage of excess solar energy to be utilized or whenever it's needed. This allows homeowners to become increasing self-consumption, reducing peaks in power consumption fees. The Nilar EC Home Box is a fully recyclable battery that is Swedish produced with 100 % renewable energy and is more than 20 years.

The cabinet brings all the advantages of Nilar Hydride batteries: elegant design. With water based and non-flammable electrolyte

SVERIGES LEDANDE ELTEKNIKTIDNING Om tidningen

ELINSTALLATÖREN

START INNEHÅLL PRODUKTER FILM



Anders Montån på Enequi. Foto Lars-Göran Hedén

Säkrar elförsörjningen när belastningen på elnätet ökar

24 MAJ 2019 | ELTEKNIK OCH INSTALLATION
Text: Charlotta von Schultz

Enequi visade upp ett nytt svensktillverkat batterilager som balanserar effektbehovet. Det ska säkra elförsörjningen när belastningen på våra elnät ökar, kanske när villaägaren skaffar elbil och installerar laddare.

– Det är inte säkert att du får säkra upp från 16 till 20 A, men det problemet löser vi, säger Anders Montån på Enequi.

VA FÖRES VA FINANS VA BYGGA EVENT VA SUPERCARBIÖR MEN

Ger batterier nytt liv – "Jag ser ingen begränsning"

Nilar fyller på batterier med syrgas så att de får nytt liv gång på gång. Lansering sker i höst.



"DET HÄFTIGASTE MED batterier och det som gör oss unika i världen är att vi nu kan fylla på vårt batteri med nytt liv. När det är slut fyller vi på med syrgas så att det blir lika bra som från start till väldigt låg kostnad - det behövs bara en kille som fyller på", säger vd Marcus Wilgren.

Det blir inte bara mycket billigare än att köpa ett nytt, man slipper dessutom att återvinna och de utsläpp som är relaterade till det, installation och miljöpåverkan av nyproduktion.

"Jag ser ingen begränsning för hur många gånger man kan fylla på. Men det är fler än 5-6 gånger med några års mellanrum, vilket ger en livslängd på 20-30 år", säger han. Gävlebolaget startade som ett forskningsprojekt och har utvecklat hydridbatterier för energilagring och bättre effekttäthet sedan början av 2000-talet. I dag har man femtio installationer i sex länder.

Batterierna väger dock en del och är lite större, vilket inte gör dem lämpliga till mobiler, laptop eller elbilar. Användningsområdena finns i stället i hemmalagring av energi från solpaneler samt i kommersiella och industriella fastigheter.

"De är miljövänliga, fullständigt återvinningsbara, absolut säkrast på marknaden. De funkar bra till laddning av elbilen i garage eller laddningsstationer, men är svåra att ta med."

MEST LÄST PÅ VA.SE

- berättas egenhet | i veckan
- 1 Anställs lärar om dåliga villkor på Zandens Stockholmsläger - linjar arbetsmarknad förslags
 - 2 Svenska sneakerbolaget gör inslag i Asien
 - 3 Stoppa ungdomsnyroten
 - 4 H&M:s samarbete blir allt fler - imorgon släpps det 15:e år
 - 5 Här är Sveriges största företag 2018

pv magazine

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JA SOLAR Premium Cells, Premium Modules

Storage Highlights 2020 – Megawatt Winner: Nilar

With the new decade, **pv magazine** brings forth yet another energy storage highlights. Approximately two weeks of work went into sifting through this year's 22 highlights submissions, conducting research, and preparing lines for the jury. Once again, this year's work was crowned by the moderation of the jury meeting, in which six leading industry experts discussed the technologies and solutions. Differing from previous years, the jurors have selected the top five "Gigawatt" winners, followed by five "Megawatt" winners, and a series of "Finalists" which we are publishing here, leading up to Energy Storage Europe.

FEBRUARY 24, 2020 **ERICA JOHNSON**
Introducing Megawatt Winner...

Nilar Increasing sustainability of battery storage



In recent years, lithium-ion batteries have far overtaken nickel metal hydride (NiMH) batteries. Particular for stationary storage, lithium-ion dominates the market. Nilar, however, has come up with a NiMH solution it believes will provide significant advantages for the residential and C&I markets.

One of these advantages is increased sustainability. With a battery's limited lifespan and the necessity for replacement, there are both waste and cost concerns. Nilar has developed a methodology which it says will allow its battery's lifetime to be multiplied.

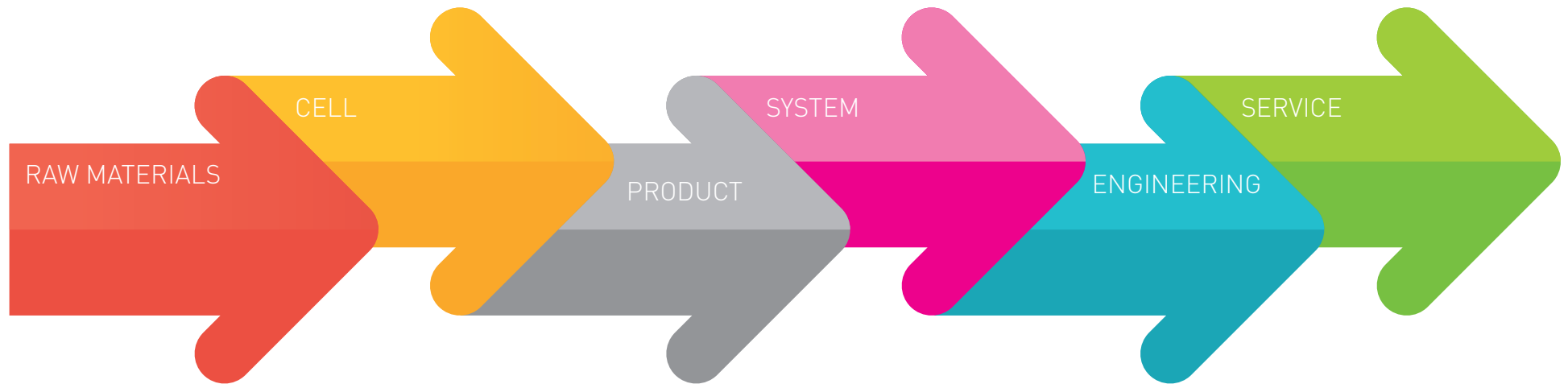
Nilar's NiMH utilize a water-based electrolyte that can be regenerated. By filling the battery with oxygen, the same battery's energy can be restored once it starts to wear out. Nilar expects an initial residential battery application to last for approximately 10 years. After application of the service, the battery could be used for another decade.

How will NiMH technology with the refilling option compare to standard lithium ion technology? "Lithium-ion batteries are common in the energy storage market because the demand for EVs has driven their development," says Nilar. "We believe that NiMH batteries are more suitable for the energy storage market, since energy density and weight are of less concern." While the up-front costs for their batteries are higher, their calculations result in a lower total cost of ownership after life extension.

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

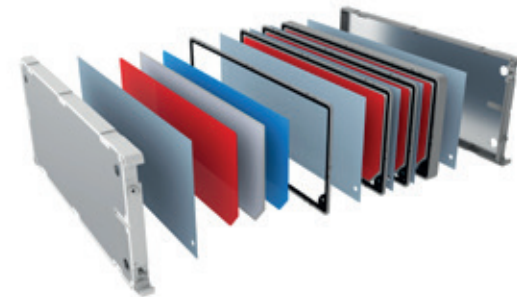
- Since customers want finished and intelligent systems, not closed cells, we deliver turnkey systems that we through our unique pack and system electronics can communicate with and diagnose online – the battery can stand anywhere in the world – for optimal performance.
- To have a strong competence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

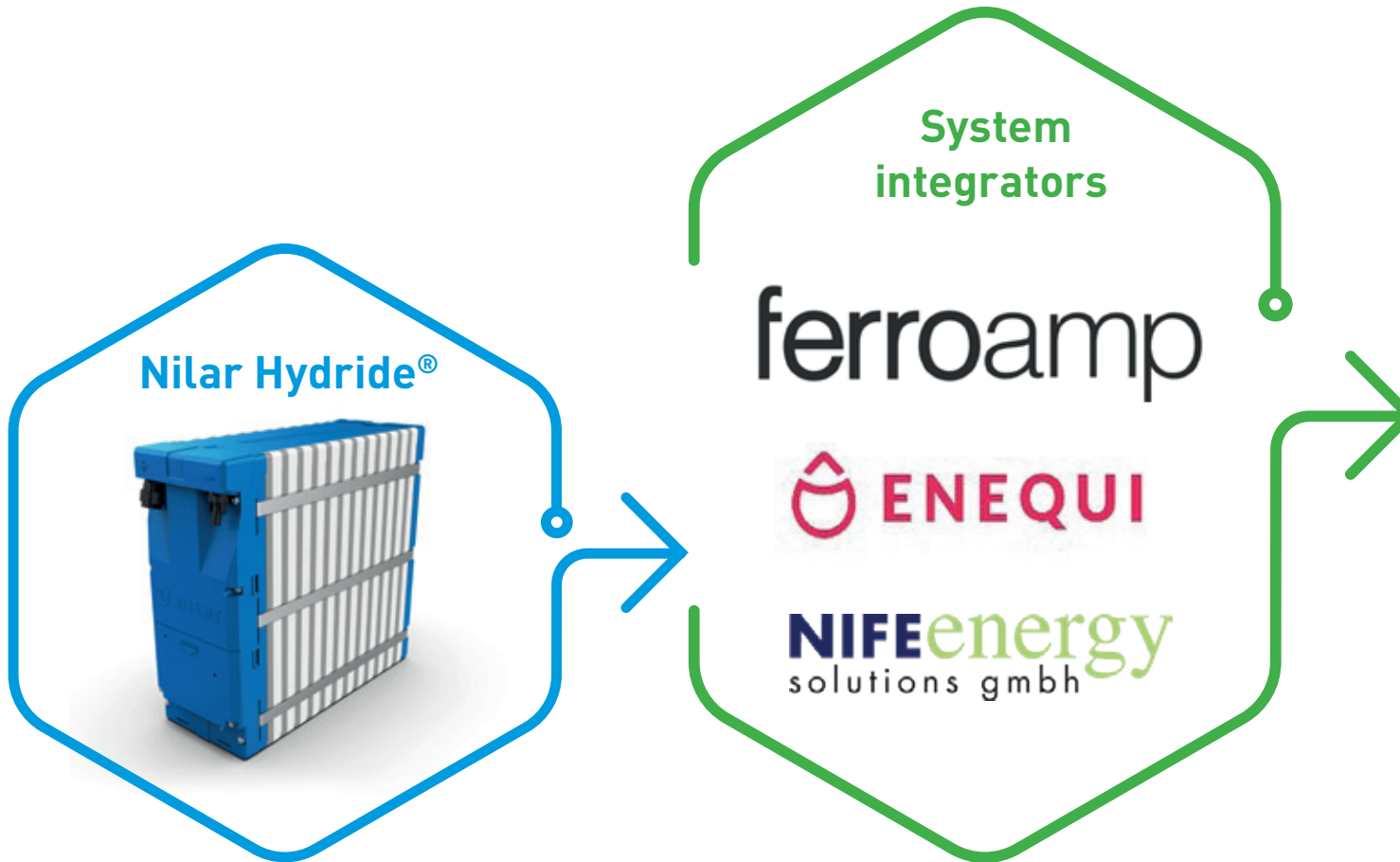
SERVICE

- 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.



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.



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.



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.



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.

USER BENEFITS

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

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

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

NILAR'S SUSTAINABILITY REPORT

Nilar's goal is to support society's electrification with sustainable solutions. Through efficient energy storage, renewable energy can be used when it is needed and not just when it is produced. Sustainability lies in Nilar's dna.

Decarbonization is an important part of the UN 2030 Agenda, the 17 global targets adopted by world leaders in 2015. The targets will contribute to socially, economically and environmentally sustainable development and be achieved in all countries of the world by 2030. Three of the 17 cases are addressed in a direct way by Nilar's solutions.

About society's energy dependence

The dependence of our time on fossil energy is unsustainable. At the same time, a challenge for society is to create a secure and stable electricity network with as few interruptions as possible.

Technological development in renewable energy is rapid. Both solar and wind power are becoming more efficient and increasing in share in the energy market. Between 2011-2019, global wind power capacity increased by almost 300% to over 650 GW, while the cost of photovoltaic has fallen by over 75% (source: World Wind Energy Association, WWEA, 2016).

One challenge is that renewable energy sources are intermittent, production varies over the day and is weather dependent. Consumers, producers and network owners need to be able to act more flexibly. Energy storage is a future opportunity to achieve flexibility and support the electricity grid at power peaks.

Nilar creates flexibility with sustainable energy storage

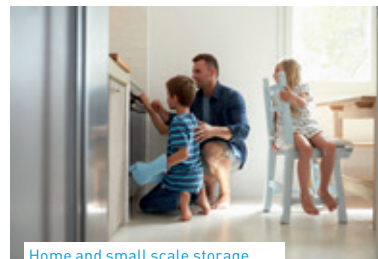
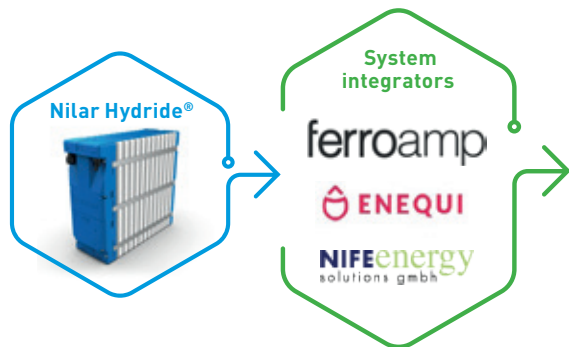
Nilar creates value for its stakeholders through the development and manufacture of energy storage in batteries that both in their design and in their choice of materials are safe, flexible, recyclable, provide a long-life span and thus low life cycle cost.

Nilar niches itself against stationary electrical energy storages (batteries) that are modularly built with a base of Nickel metal hydride (NiMH). Nilar's batteries can be used in applications for energy storage in homes, for supporting electricity grids (e.g. electric car charging) and for industrial and public installations.

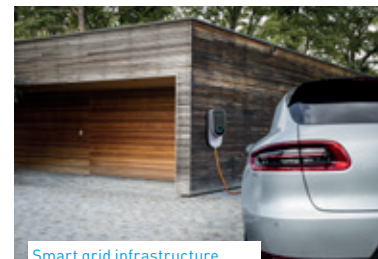
Great emphasis is placed on using renewable raw materials, designing a product that is sustainable in its construction and ensuring sustainable production. Achieving a circular energy supply has been a central part of the development process from the outset.

To reach end customers with ready-made systems, Nilar collaborates with system integrators who build tailor-made solutions for energy storages for homes, office complexes and more.

Nilar identifies opportunities to drive positive change and minimize risks of negative impact both within and outside the company's own business area.



Home and small scale storage



Smart grid infrastructure



Commercial and industrial support

Prioritizing important sustainability issues

Nilar's management has identified the company's most important sustainability issues based on an analysis of what the company feels is most important to stakeholders. The most important sustainability issues can be grouped in focus areas: **Sustainable products and production** and **Attractive employer**.

STAKEHOLDERS	KEY ISSUES	FOCUS AREA	UN GLOBAL GOALS
Society	<ul style="list-style-type: none"> Transition to a fossil-free society Jobs Sustainable production 		Goal 11: <ul style="list-style-type: none"> Sustainable cities and communities 
Customers/ Integrators	<ul style="list-style-type: none"> Products that enable smart energy storage solutions 	<ul style="list-style-type: none"> Sustainable products and production 	Goal 7: <ul style="list-style-type: none"> Affordable and clean energy 
Suppliers	<ul style="list-style-type: none"> Stable deliveries Good working conditions 		Goal 12: <ul style="list-style-type: none"> Responsible consumption and production 
Employees	<ul style="list-style-type: none"> Attractive workplace Good employee policies 	<ul style="list-style-type: none"> Attractive employer 	Goal 3 and 5: <ul style="list-style-type: none"> Good health and well-being Gender equality  

Control and tools

The focus on Nilar's sustainability work is determined by the Board of Directors and carried out by the management as part of the ongoing operational work.

Tools used for this are policies and objectives, as well as various regulations and standards such as REACH (see information box) for legislation on chemicals. In order to identify the impact of Nilar's products throughout the life

cycle, a life cycle assessment (LCA) has been carried out in collaboration with IVL Svenska Miljöinstitutet.

Risks

Nilar conducts regular risk analyses, which are presented on page 30 of the Annual Report. The most important sustainability risks are environmental impact, social responsibility, organization and competence provision.

POLICY DOCUMENT

- Code of Conduct
- HR policy
- Finance policy
- Risk management policy
- IT policy
- Outsourcing policy

PRODUCT SAFETY STANDARDS

• Reach

The REACH Regulation deals with the registration, evaluation, authorization and restriction of chemical substances. REACH also includes requirements for users of chemicals.

• RoHS

The RoHS Directive aims to reduce risks to human health and the environment by replacing and limiting hazardous chemical substances in electrical and electronic equipment.

Sustainable products and production

Nilar's energy storage creates major environmental benefits for customers, is adaptable and recyclable. In addition, the production process has been designed to be as sustainable as possible. Nilar invests heavily in research and development of its products and production.

All products that leave the factory must meet our high standards. The most important aspects for the customer are safe and efficient energy storage with a long service life at low cost. The products are also expected to be durable and adapted to their application.

Life span and lifecycle cost

The manufacture and recycling of batteries is resource intensive. The limited lifetime of batteries is also a problem for users. That's why Nilar's latest technological breakthrough in extending the life of its batteries has received a lot of attention.

Nilar has patented a method to use oxygen to restore fluid in the battery cell, reducing internal resistance, reproducing capacity and cycling ability, and increasing service life. This results in significantly more charging cycles than for many other battery types. This entails a higher energy turnover and lower life cycle cost per kWh. Also important for life span is Nilar's Battery Management System (BMS), software and sensors that ensure that the battery is used as efficiently and safely as possible.

Material selection and design for performance and safety

The central component nickel is a raw material that is accessible, fireproof and recyclable. Nickel-based chemicals work well within a large temperature range. This is an advantage over lithium chemicals, for example, which are flammable and emit toxic gases, such as

hydrogen fluoride, in case of fire. Thanks to unique solutions, Nilar's products have high safety performance.

Nilar controls performance and cost all the way in production. The flat battery modules are stacked serially with few intermediate connectors. The electrical resistance decreases, and performance is optimized.

Tailor-made solutions with system integrators

Nilar collaborates with strong system integrators who build governing systems and through these collaborations reach the market where the energy storage modules can be used for many applications. Customers and partners are given great opportunities to adapt Nilar's standard systems to their needs. As Nilar's batteries are built modularly, tailor-made products are created that are properly sized for their task. Several major system integrators use Nilar in their solutions and in 2019 both the number of integrators and system installations increased. In 2019, more than 200 systems were installed, compared to 38 in 2018.

Recyclable product

Nilar's energy storage modules are developed for recycling both in design and in the selection of raw materials.

The batteries are built to make it easier to recycle. Flat battery cells are placed as sheets of paper on top of each other in a module. The modules are built together into

battery packs that can be varied in different sizes. Since the battery cells are not rolled up as in cylindrical battery structures, they are easy to separate when recycled. The bipolar and modular design of the batteries has few parts and couplings – all to get a cost-effective battery with as low electrical resistance as possible.

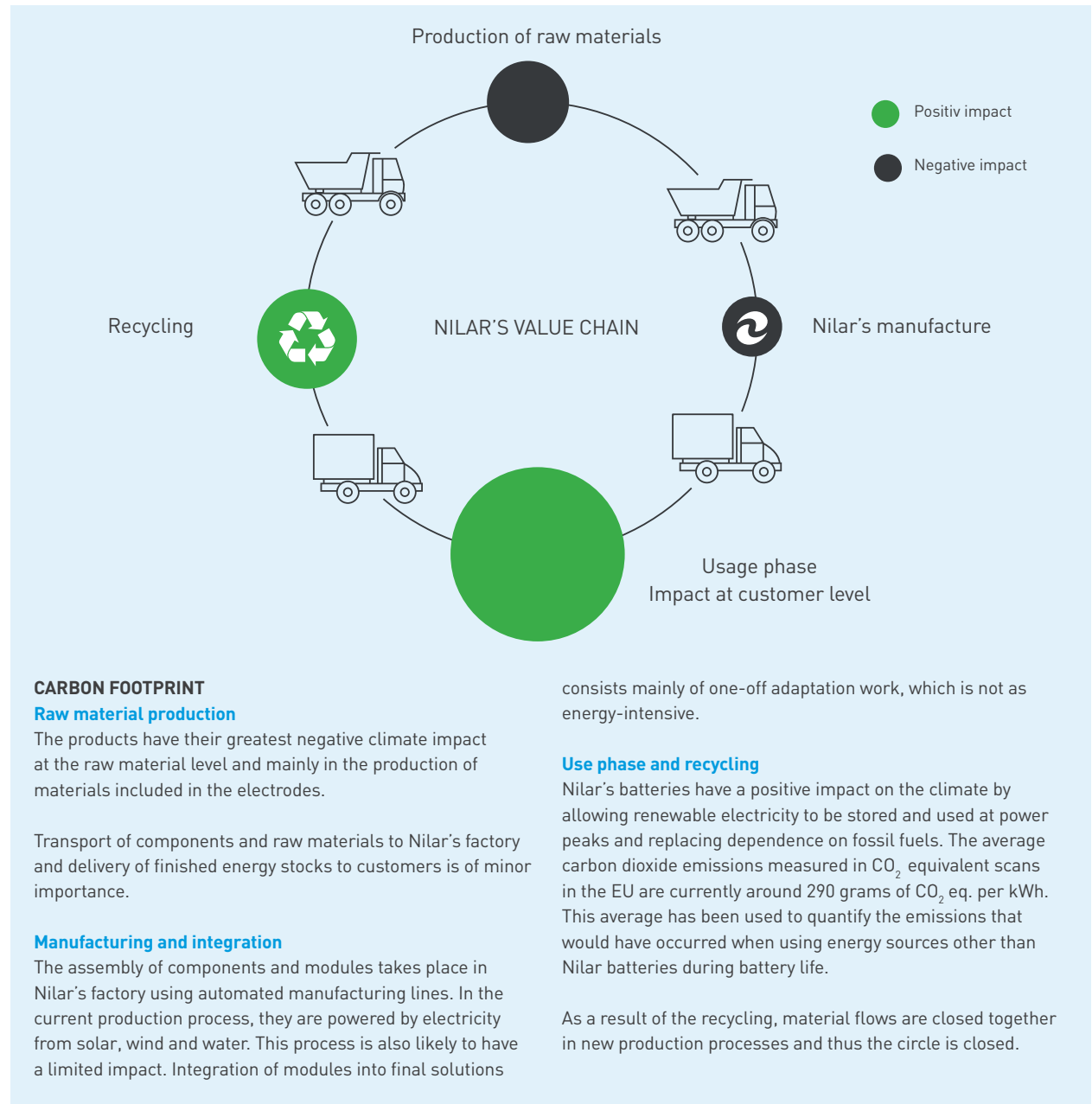
The raw material nickel is easy to recycle, and any residues are sent to the metal industry where many processes can reuse the residues. Everything can be recycled or reused, and no landfill is needed.

The amount of cobalt is very small in Nilar's batteries. The ambition is to remove cobalt completely. A research project is underway with the hope of being able to realize cobalt-free batteries within a few years.

Nilar’s energy storage from a life cycle perspective

In 2019, Nilar, together with IVL, conducted a life cycle assessment (LCA) – from cradle to gate – and made its own estimates for the use phase to better understand and illustrate where during the product’s life cycle the impact on the environment takes place. The LCA made compared to the above estimates shows that the benefit of Nilar’s products is greater than its impact.

To analyze Nilar’s products’ climate impact, all impacts have been converted into CO₂ equivalents (CO₂ eq.) per kilowatt-hour (kWh). A comparison has been made between the negative impact of the products in the production phase to its positive impact during the use phase.





Efficient and environmentally friendly production

Nilar makes major investments in sustainable production facilities. All stages of the production process are carried out in the modern factory in Gävle.

Production shall be as resource efficient and environmentally friendly as possible. Efficiency in manufacturing is essential to achieve this. The entire production chain from raw materials to the deployment of finished systems at the customer is controlled by Nilar. The latest production lines in the factory use fast automated steps and the company has clear established quality routines to control production. In order to develop the optimal production process, Nilar has invested in the recognition of high competence in mechanics and electronics.

The standardized production process will in future be easy to establish in locations close to customers and system integrators.

To reduce the environmental impact of production, 100% renewable energy is used throughout the production plant.



International supply chain

Nilar buys raw materials from all over the world. Most come from large suppliers in Europe and a small number come from suppliers in Asia. With a dispersed supply of raw materials, there are risks of a lack of sustainability in the environment or social issues in the supply chain.

Nilar requires suppliers to comply with ISO 9001, ISO 14001 and ISO 45001/OHSAS 18001.

Nilar has an active purchasing, quality and logistics work where the purchasing strategy is under continuous review and updating. With this, Nilar optimizes all purchases in terms of volume, price and quality. At the same time, sustainability risks are counteracted.

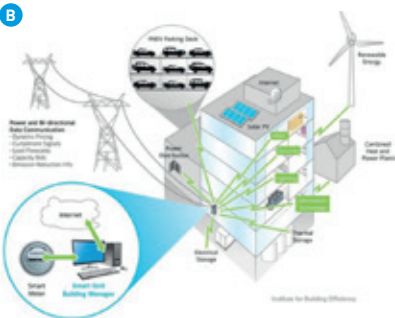
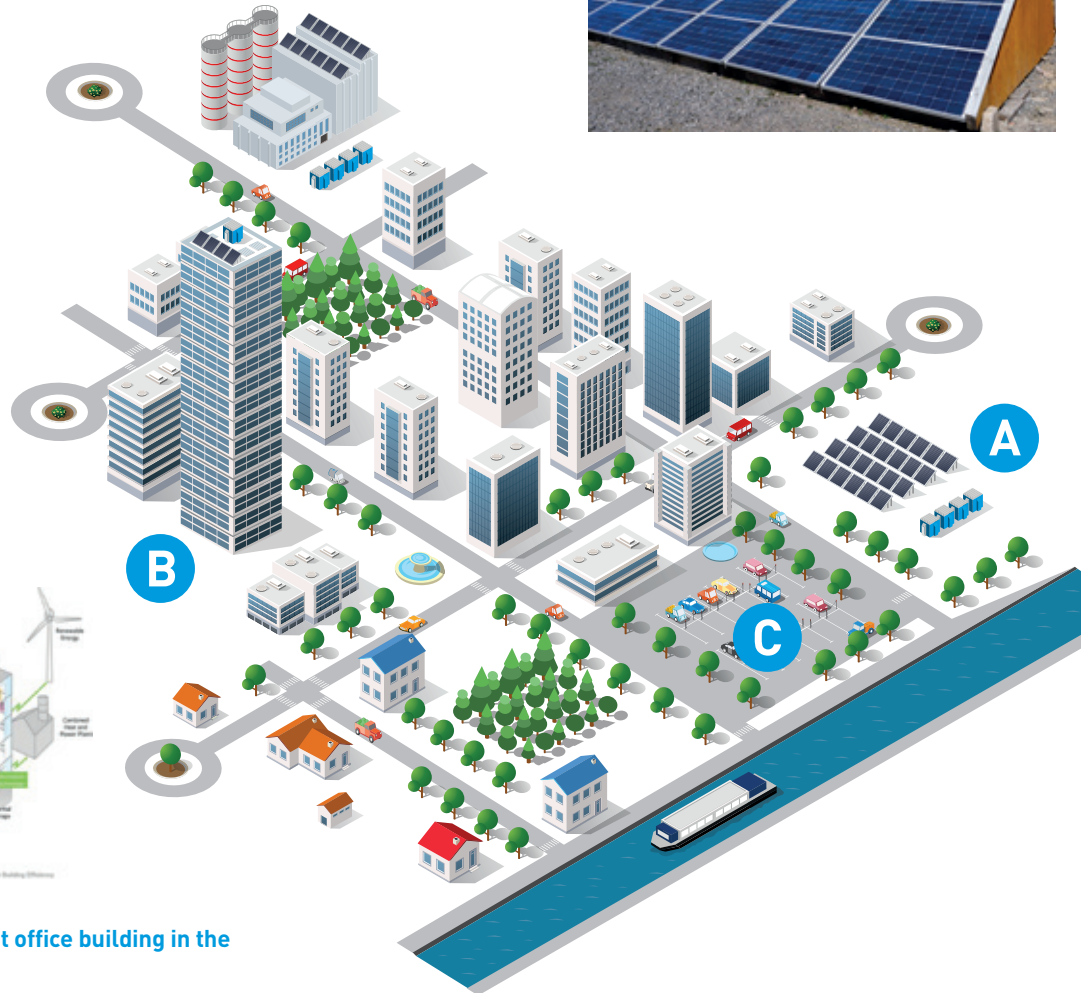
Environmental permit

Nilar's operations are subject to permit and registration. Nilar is licensed under the Environmental Code to manufacture batteries in the Gävle factory that do not contain cadmium, lead or mercury. The company is authorized to produce a maximum of two million batteries per year.



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 mediumsized 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.

Attractive employer

During the year, Nilar more than doubled the number of employees in order to meet demand and increase production. The provision of skills remains a high priority and at the same time the structure for solid HR work should be set.

More employees and increased demands on structure

In 2019, Nilar strengthened the organization to increase production. The number of employees increased sharply during the year, from 97 to 176 (including employees and hired staff). It is mainly in production that most employment has taken place. A new production line has been added, which was commissioned in 2019 and shift work has been implemented seven days a week. In research and development (R&D), an increased number of hires have also been made. The average age is low, in 2019 it was 38 years.

Safety is an important issue in the production environment. In 2019, reports have begun to be reported on the number of incidents and accidents in order to identify causes and to be able to work proactively.

An agreement was signed with a provider of occupational health care during the year. Among other things, an education has been developed, targeting what is important to keep in mind when working in shifts. There, employees learn about the importance of exercise, adequate sleep and balance in diet and alcohol consumption in connection with shift work.

To support Nilar's growth by ensuring an attractive workplace, the HR organization was strengthened in 2019.

The right skills a success factor

It is a key issue for Nilar to attract and retain the right skills. Nilar is a knowledge-based company and is

therefore dependent on excellence in a number of areas. The employees have unique expertise in chemistry, mechanics, electronics, production technology and programming. Nilar also works closely with, among others, Stockholm University and Uppsala University / Ångström Laboratory.

In some areas, it is difficult to recruit the skills needed. In general, engineers are in short supply and since Nilar has a unique product, there are not many chemists specializing in Nilar's technology. This means that a relatively long introduction is required for new employees.

Respect for human health, well-being and rights are fundamental values for Nilar. The company's ambition is to treat all interest groups with respect and good ethics.

Development and commitment in the workplace

Nilar has specialists at several levels of the company. An open working climate provides opportunities to make new proposals, which also creates career opportunities. Technical competence is important, but also the ability to collaborate and lift each other's ideas.

Human rights

Nilar respects and advocates human rights. All employees within Nilar are covered by collective agreements within the Technology Agreement. A new routine for dealing with abusive discrimination and bullying within Nilar is under development.

Nilar has a global supply chain where there are risks of negative impact on human rights. Great demands are placed on quality assurance and follow-up in the purchasing process. Among other things, suppliers are required to work according to ISO 45001 (ISO standard for work environment and safety).

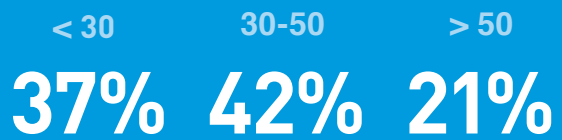


CASE:

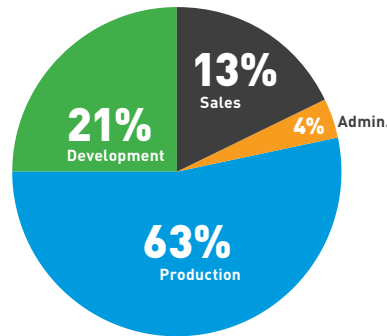
In early 2020, Nilar, in collaboration with Academic Work, prepared an extended introductory program for new employees directly from the university. During the spring of 2020, Academic Work met potential candidates at various recruitment events, at fairs and at colleges and universities.



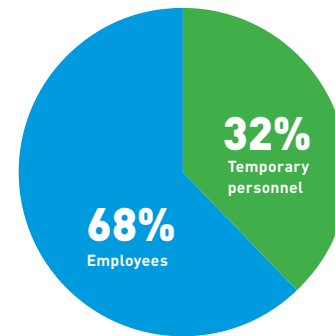
Employees divided into age categories



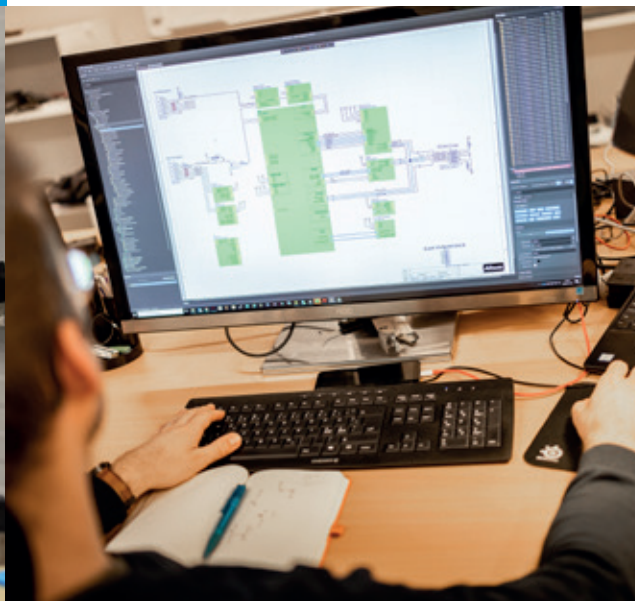
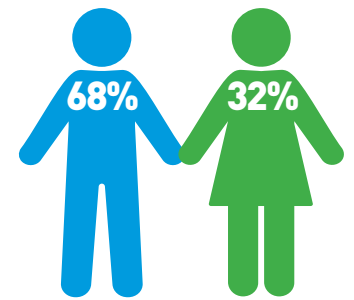
Coworkers by function



Form of employment

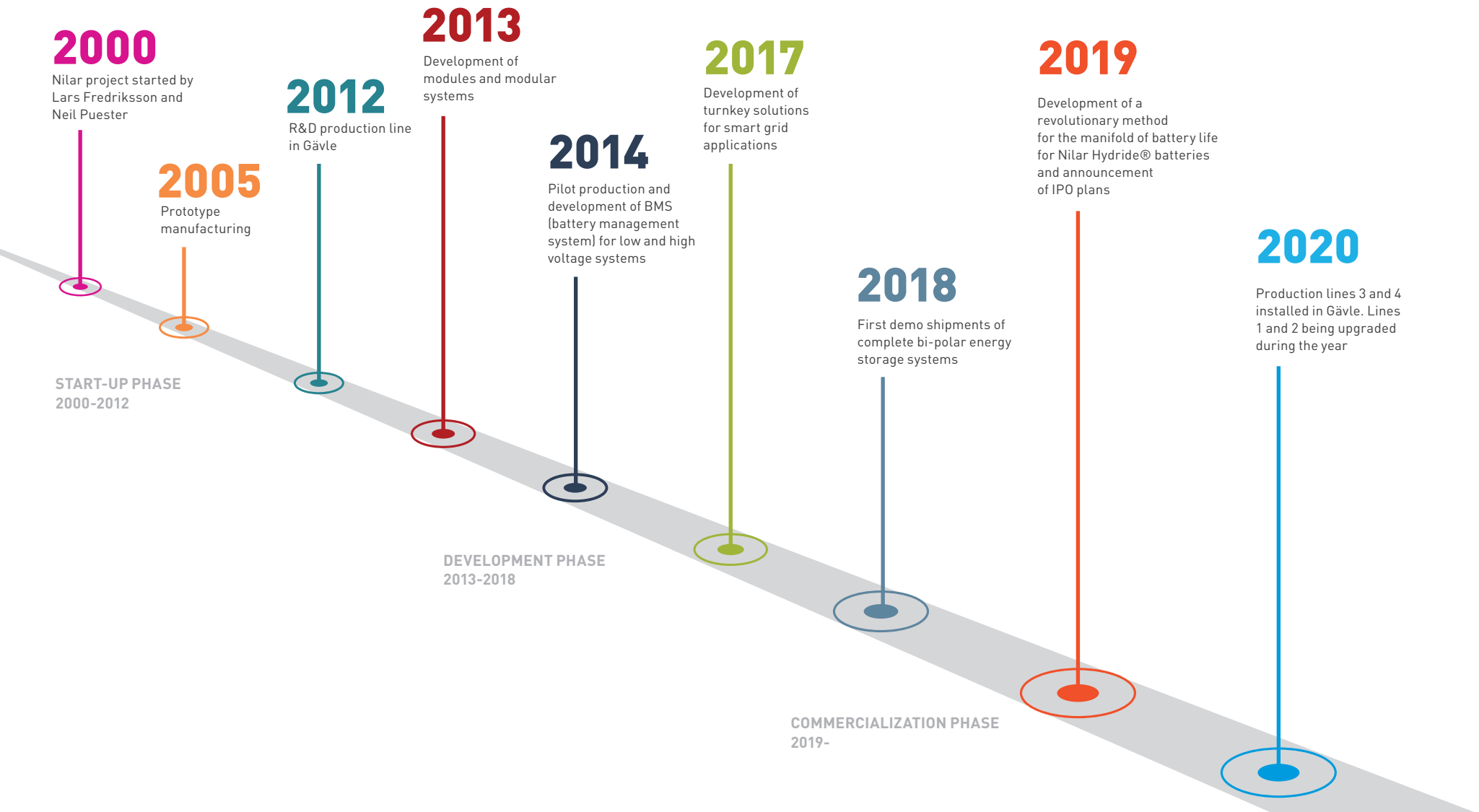


Calculated on the number of full-year workers



HISTORY

The world needs safer, cheaper and environmentally sound Energy Storage Systems (EES). Nilar Hydride® EES is one of the world's most cost efficient battery systems. It has a very long service life, has high fire resistance and is fully recyclable.



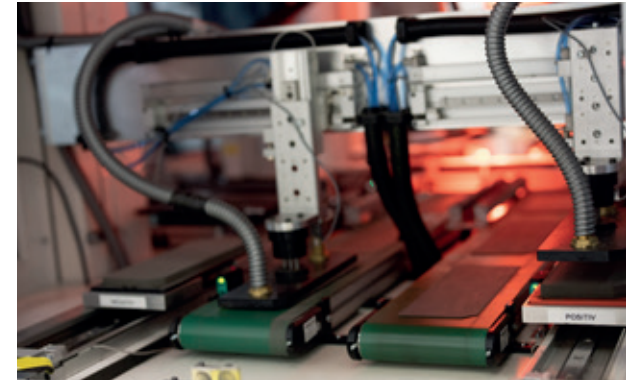
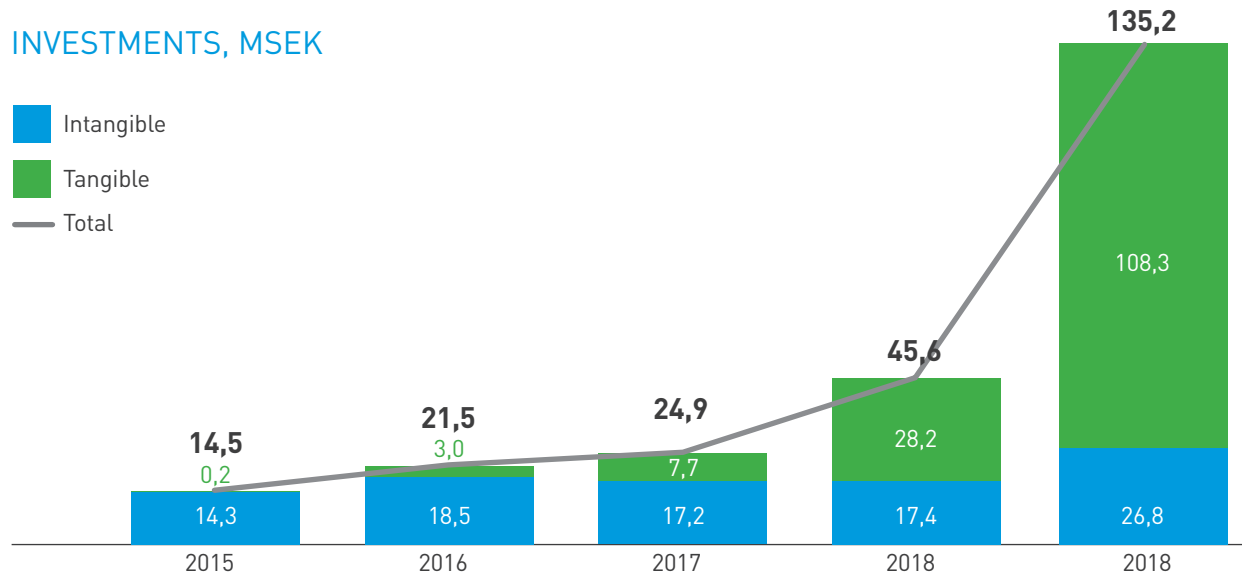


On 20 March 1800, Alessandro Volta wrote to the London Royal Society to describe his technique for producing electric current using the first ever battery – a stack of flat zinc and copper plates. Since then, batteries have been at the heart of our electrical system through many cycles of innovation.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

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).

INVESTMENTS, MSEK



INTANGIBLE

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

TANGIBLE

- Machinery and equipment
- Extensions in rented premises



INVESTMENTS LAST THREE YEARS

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.

2017

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 2020.

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 the year 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.

2018

2019

135.2 MSEK total investments.

26.8 MSEK investments (intangible) in our second-generation product V2/Nilar EC Hydride®, BMS and in our third-generation product V3/gas refill which is expected to be launched during 2020.

108.3 MSEK investments (tangible) in new production lines and peripheral equipment. During Q2, the newly constructed electrode room was commissioned, a second production line was installed and commissioned, and the construction of a formation house was started. Furthermore, during Q2 orders were placed on two more production lines for gradual commissioning in 2020.

RISK FACTORS

Exposure to risks is a natural part of a business operation and this is reflected in Nilar’s approach to risk management. Risk management aims to identify risks and prevent risks from occurring, and to limit any damage from these risks.

Risks can be categorized as financial risks, business cycles, market and external risks, operational risks and sustainability risks. Below and to the right is a description of how the Group management assesses and manages the main risks in the business in a time perspective of 1-3 years. A more detailed description can be found in Note 5 ‘Risks and risk management’, page 47.

FINANCIAL RISKS

- A. Currency risk
- B. Interest rate risk
- C. Credit risk
- D. Liquidity risk
- E. Capital risk

BUSINESS CYCLE AND EXTERNAL RISKS

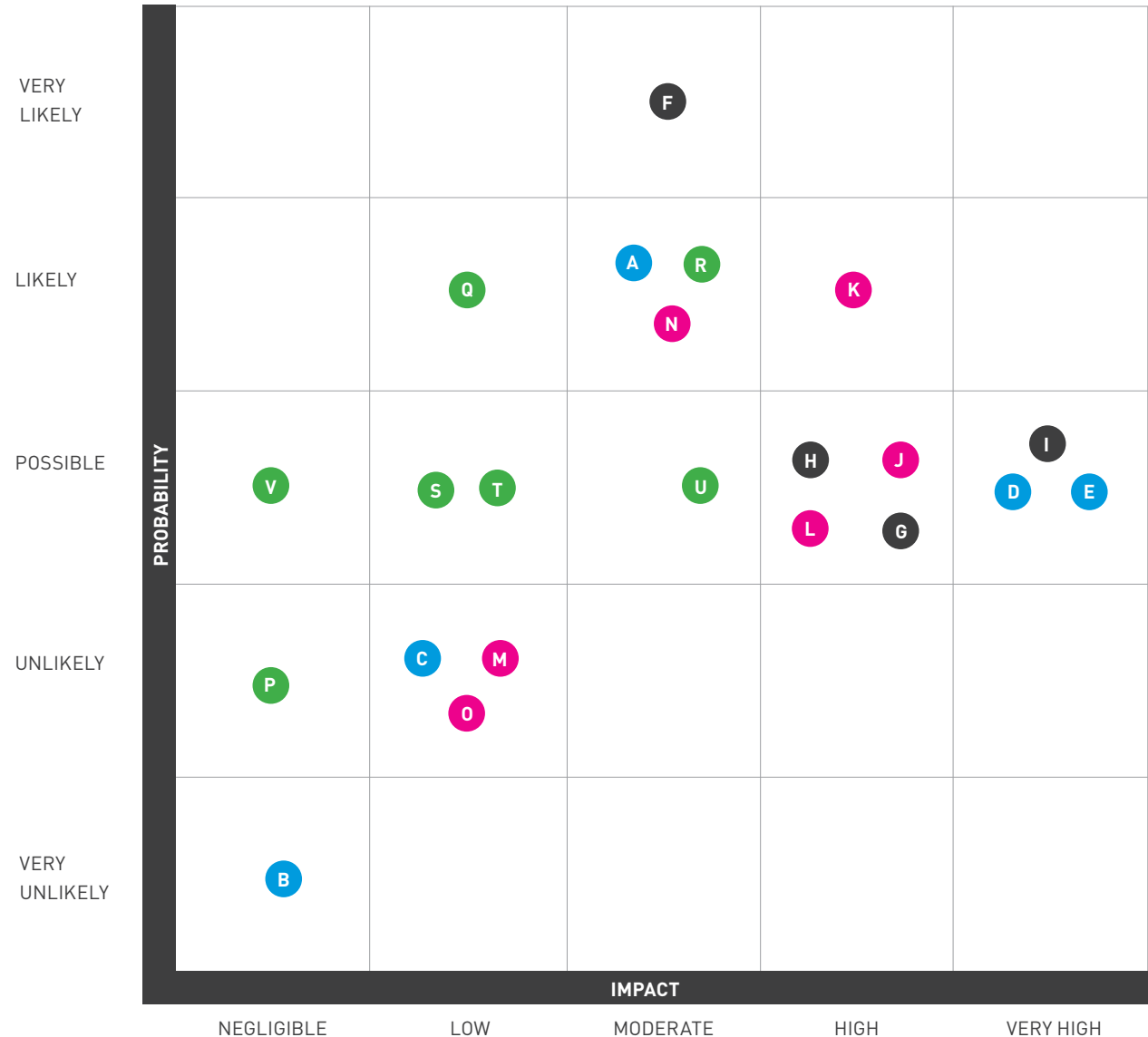
- F. Global market and macroeconomic risks
- G. Legal and political risks
- H. Energy storage industry trends and driving forces
- I. Force majeure

OPERATIONAL RISKS

- J. Customer dependency
- K. Production
- L. Global supply chain
- M. IT-related risks
- N. Product liability, warranty and recall
- O. Environmental risks

SUSTAINABILITY RISKS

- P. Energy use
- Q. Environmental impact
- R. Organization and competence supply
- S. Shortcomings in equality and diversity, and discrimination
- T. Shortcomings in health and safety
- U. Violation of human rights
- V. Corruption



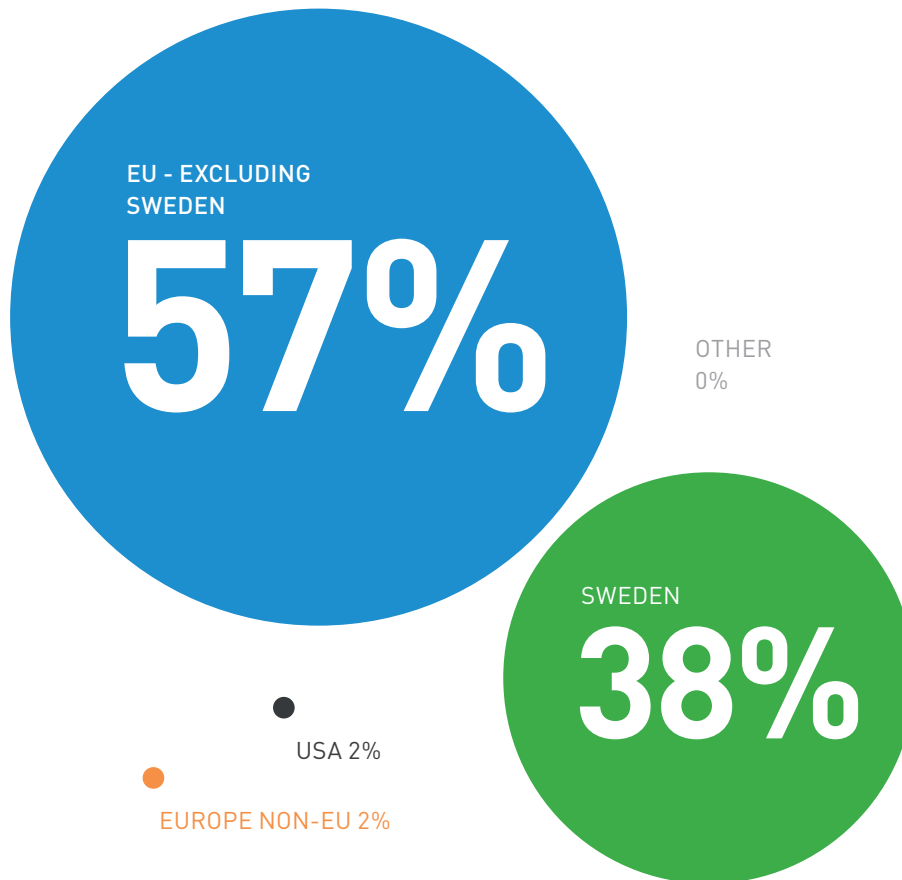
RISK AREA	DESCRIPTION	COUNTERACTING FACTORS	PROBABILITY	IMPACT
FINANCIAL RISKS				
A Currency risk	<ul style="list-style-type: none"> Nilar operates internationally and is exposed to currency risks arising from various currency exposures, particularly in relation to EUR and USD. 	<ul style="list-style-type: none"> Nilar handles currency risks primarily by trying to change the operating conditions of the business by getting income and expenses in currencies other than SEK to match each other. 	Likely	Moderate
B Interest rate risk	<ul style="list-style-type: none"> The Group's interest rate risk arises from short- and long-term borrowings where a sharp increase in interest rates can affect the company's position and earnings. 	<ul style="list-style-type: none"> Nilar's interest rate risk is assessed as low due to the low loan-to-value ratio. 	Very unlikely	Negligible
C Credit risk	<ul style="list-style-type: none"> Credit risk arises through cash and balances with banks and financial institutions, as well as credit exposures including outstanding receivables and contractual transactions. 	<ul style="list-style-type: none"> Cash and cash equivalents are placed solely with credit institutions with a high credit rating. Nilar has so far not had significant sales or trade receivables. 	Unlikely	Low
D Liquidity risk	<ul style="list-style-type: none"> The risk that the Group will not meet its payments due to insufficient liquidity or difficulty in obtaining credit from external creditors. 	<ul style="list-style-type: none"> Nilar's management continuously monitors the Group's liquidity. 	Possible	Very high
E Capital risk	<ul style="list-style-type: none"> The risk that the Group will not meet its payments due to insufficient liquidity or difficulty in obtaining credit from external creditors. 	<ul style="list-style-type: none"> Nilar conducts ongoing new issues to finance its operations. 	Possible	Very high
BUSINESS CYCLE AND EXTERNAL RISKS				
F Global market and macroeconomic risks	<ul style="list-style-type: none"> Nilar operates in a cyclical global market, driven by macroeconomic factors. Entering new markets may be associated with risks such as cultural, political and other difficult to assess risks. 	<ul style="list-style-type: none"> Nilar faces these risks by operating in different markets as well as in different segments, such as energy storage in homes, energy storage for electric car charging and energy storage for industrial and public installations. Nilar counteracts these risks by carefully evaluating and planning establishments, preferably through partners with a high knowledge of the local market. Nilar operates primarily on the European market. 	Very likely	Moderate
G Legal and political risks	<ul style="list-style-type: none"> Nilar operates in different jurisdictions and is subject to local rules and laws within their respective jurisdictions as well as overall international rules. Changes in local and international rules and laws may affect the Group's operations. Nilar's operations depend on grants/government incentives. These can change. 	<ul style="list-style-type: none"> Nilar meets these risks through continuous work with risk assessments and, if necessary, acquire external expertise in the respective identified risk area. Nilar works actively to secure its intellectual property rights. 	Possible	High
H Energy storage industry trends and driving forces	<ul style="list-style-type: none"> Nilar operates in a competitive and cost-conscious market where there are high demands on the environment, quality, delivery precision, technological development and customer service. Price pressure is a natural part of the industry in which Nilar operates. The development of products and materials can change Nilar's competitiveness. 	<ul style="list-style-type: none"> Nilar always focuses on high competence in the areas of production, quality, logistics, technology and service. The Group monitors research and development in order to maintain high technical performance. Nilar is continuously working to create added value for the customer and space to meet the industry's need for cost reductions. By developing their own development towards, for example, new materials and uses, the risk of loss of competitiveness is reduced. 	Possible	High
I Force majeure	<ul style="list-style-type: none"> Global just-in-time logistics have made global trade more sensitive to disruptions such as natural disasters and strikes. 	<ul style="list-style-type: none"> Capacity planning and good customer and supplier relations reduce risk related to global production and logistics disruptions. 	Possible	High

RISK AREA	DESCRIPTION	COUNTERACTING FACTORS	PROBABILITY	IMPACT
OPERATIONAL RISKS				
J Customer dependency	<ul style="list-style-type: none"> Nilar's turnover depends on the success of its customers in its range of models in the market. Nilar has few customers. 	<ul style="list-style-type: none"> Nilar balances these risks by operating in different markets as well as in different segments, such as energy storage in homes and homes, energy storage for electric car charging and energy storage for industrial and public installations. Nilar continuously broadens its customer base in applications but also geographically. 	Possible	High
K Production	<ul style="list-style-type: none"> Nilar's business plan depends on a strong capacity build-up in a short time. A strong and fast capacity build-up requires timely identification and management of production bottlenecks, in terms of material supply as well as machine availability, machine capacity and production quality. 	<ul style="list-style-type: none"> The production method is simple compared to what you see in more traditional battery companies. The company continuously brings internal and external competence in production technology. The production concept is based on duplication of already generated production technology and processes. The company works systematically to secure alternative suppliers to limit the risks. 	Likely	High
L Global supply chain	<ul style="list-style-type: none"> There are various risks related to global product flows e.g. dependence on specific suppliers, inputs, logistics and quality risks. There are various risks related to global product flows e.g. dependence on specific suppliers, inputs, logistics and quality risks. Nilar is dependent on raw materials and inputs for delivery to the customer. Volatility in the price of raw materials and inputs may affect the Group's earnings. Nilar relies on machine suppliers to expand production capacity. The supply of metal powders, primarily from China, constitutes a certain risk element. 	<ul style="list-style-type: none"> Nilar balances these risks through active and professional purchasing, quality and logistics work. The global purchasing strategy is under continuous review and update with the aim of optimizing the purchase of materials and inputs in a sustainable and cost-effective direction. The company works systematically to secure alternative suppliers to limit the risks. 	Possible	High
M IT-related risks	<ul style="list-style-type: none"> Nilar is dependent on IT systems and hardware to run its operations. Failure in some of these systems or hardware poses a risk of disruptions in production and the ability to complete deliveries to customers on time. Risk of unauthorized intrusion into systems. 	<ul style="list-style-type: none"> Nilar has ensured an IT environment that can be quickly replicated in the event of an outage. 	Unlikely	Low
N Product liability, warranty and recall	<ul style="list-style-type: none"> Nilar has a product responsibility and may be subject to warranty claims in cases where products supplied by the Group are not operational. Nilar has a responsibility to third parties if Nilar causes damage to person or property. 	<ul style="list-style-type: none"> Nilar meets this risk through extensive testing in the design and development phase of the products and by continuously implementing quality and control measures in production. Nilar batteries are safe and do not burn. Nilar has taken out insurance covering a certain amount against damages for damage to person or property. 	Likely	Moderate
O Environmental risks	<ul style="list-style-type: none"> Nilar produces all batteries in its factory in Gävle. 	<ul style="list-style-type: none"> Nilar meets risks by ensuring that the company has all the necessary permits and agreements and meets the given safety, reporting and control needs. The battery is environmentally friendly, and the production has the necessary permits. 	Unlikely	Low

RISK AREA	DESCRIPTION	COUNTERACTING FACTORS	PROBABILITY	IMPACT
SUSTAINABILITY RISKS				
P Energy use	<ul style="list-style-type: none"> Increased production and additional processes will lead to increased use of energy. The risk is that Nilar will not use energy from renewable sources where possible and thus adversely affect the environment. 	<ul style="list-style-type: none"> Nilar continuously measures its energy consumption. The starting point for energy procurement is that it should come from renewable sources. In investments, energy efficiency is a decision-making parameter. 	Unlikely	Negligible
Q Environmental impact	<ul style="list-style-type: none"> Nilar uses direct and indirect transport services, which means the use of fossil fuels. 	<ul style="list-style-type: none"> Nilar works to optimize logistics flows. 	Likely	Low
R Organization and competence supply	<ul style="list-style-type: none"> Nilar is dependent on being able to attract/recruit and retain the right employees in order to maintain Nilar's core values. The risk of not being perceived as an attractive employer may lead to difficulties in recruiting new and/or retaining existing staff. A lack of employee involvement can have a negative impact on the company's brand, position and results. 	<ul style="list-style-type: none"> Nilar's core values and leadership foundation. Employee surveys and internal development and career opportunities. Clear vertical and horizontal communication regarding objectives and strategy. 	Likely	Moderate
S Shortcomings in equality and diversity, and discrimination	<ul style="list-style-type: none"> Lack of focus and commitment to implementation and compliance with Nilar's values and HR policy can lead to gender inequality and diversity. Lack of equality and diversity in the parent company's board of directors and group management. 	<ul style="list-style-type: none"> In order to have a more equal company, Nilar implements, for example, efforts to achieve equal HR processes, working conditions, recruitment, equal treatment and diversity, and works to combat discrimination and harassment. Non-discriminatory nomination and recruitment processes. 	Possible	Low
T Shortcomings in health and safety	<ul style="list-style-type: none"> Work environment, health and safety are strategically important for Nilar. Shortcomings in work regarding health and safety at work increase the risk of illness. 	<ul style="list-style-type: none"> Nilar works systematically to ensure and improve the working environment. 	Possible	Low
U Violation of human rights	<ul style="list-style-type: none"> Nilar operates in a global market where human rights transparency may be limited. This carries the risk that Nilar may contribute to human rights violations. 	<ul style="list-style-type: none"> Supplier strategy including qualification process which includes sustainability aspects. 	Possible	Moderate
V Corruption	<ul style="list-style-type: none"> Corruption occurs in all countries and sectors, although to varying degrees. Nilar is at risk of becoming involved in non-ethical business. Areas deemed to be of particular risk include the sales and purchasing process and the exercise of public authority. 	<ul style="list-style-type: none"> Nilar's application of global and local certification manuals. 	Possible	Negligible

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 4,431,857 divided into 4,431,857 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 2019, the company had a total of 126 (118) shareholders.

The five largest shareholders controlled at year-end 47.7 (49.9) per cent of the capital and votes.

SHARE REGISTER

In 2019, Nilar registered its shares with Euroclear. ISIN code SE0009888407.

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 2020

The annual general meeting of Nilar International AB (publ) will be held on Tuesday 30 June at 16.00 at the company's lawyers Baker & McKenzie with address Vasagatan 7, 101 23 Stockholm.

NILAR'S 15 LARGEST SHAREHOLDERS PER 31 DECEMBER 2019

NAME	NUMBER OF SHARES	SHARE% CAPITAL/VOTES
Christopher Braden	553 335	12,5%
Första AP-Fonden	443 186	10,0%
R&H Trust Co	430 334	9,7%
Climate Delta K/S	420 000	9,5%
Fredriksson & Forsell AB	267 924	6,0%
Saga Limited	192 036	4,3%
Ivory Investments Sarl	190 584	4,3%
Brohuvudet AB	168 627	3,8%
AFA Försäkring	150 150	3,4%
Fjord Advisors AB	142 590	3,2%
Other	1 473 091	33,2%
Sum	4 431 857	100%

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
New share issue ¹⁾	2019	May	980 875	4 431 857

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.



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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 2019.

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

THE YEAR IN BRIEF

Nilar has during 2019 actively participated in international trade fairs for battery storage. During the first half of the year, the company had its marketing strategy validated by a leading global management consulting company. The target segments of energy stocks for homes and homes, for industrial and public installations and for electric car charging were confirmed.

During the year, production line 2 was installed at the same time as the construction and commissioning of a new electrode room was completed. Production lines 3 and 4 were ordered during the second quarter for commissioning in 2020.

During the year, the shift has been gradually expanded. During Q3, the 2-shift for production lines 1 and 2, Monday-Friday, was extended, and during Q4 the shift was extended to include weekend (continuous 2-shift). The production organization was further staffed for expanded production in 2020.

During the year, the number of employees in the Group increased to meet the company's expansion plans. The

average number of employees and contracted personnel increased to 132 (62). The personnel increase has mainly taken place in production, R&D and sales.

During the year, a pre-IPO financing totaling 502 MSEK was carried out with the aim of financing the company until a market listing.

FINANCIAL SUMMARY, MSEK	2019	2018	2017	2016	2015
Revenue	10,4	3,4	1,1	0,3	0,4
Gross profit	-151,1	-35,7	-24,0	-19,2	-20,2
EBITDA *	-183,0	-77,8	-53,1	-38,2	-33,2
Operating profit (EBIT)	-221,7	-89,9	-58,5	-43,7	-39,2
Profit/loss after tax	-238,5	-91,1	-59,2	-44,0	-43,9
Cash flow from investing activities	-135,2	-45,6	-24,9	-21,5	-14,5
Cash flow from financing activities	420,0	76,9	135,0	55,7	66,7
Equity/asset ratio, % *	49%	70%	96%	90%	94%
Debt ratio, times *	1,0	0,4	0,0	0,1	0,1
Full-time equivalent employees, number	90	48	44	38	41

*) Alternative performance measure. See page 92 for further explanations.

Revenue and results

As previously communicated, the Company applies IFRS 16 Leasing from 1 January 2019. As a result, the balance sheet total has increased by 37.5 MSEK at the balance sheet date. The income statement was affected during the full year by a decrease in cost of goods sold 578.6 TSEK, research and development costs 0.2 TSEK, selling expenses 11.4 TSEK and administrative expenses 264.4 TSEK. Financial expenses increased by 1,526.0 TSEK. The effect on profit for the period is -669.2 TSEK. No net effect on the company's cash flow.

Net sales for the full year increased by 205% to 10.4 (3.4) MSEK. The number of energy storages delivered increased by 432% to 202 (38).

Gross profit decreased to -151.1 (-35.7) MSEK. The deterioration in earnings is mainly driven by increased material and warranty costs related to increased sales volume, increased personnel costs for the expanded production organization and increased depreciation costs, mainly for capitalized development expenses. The company commercialized its sales in 2019 but today sells its products at a negative margin when scale effects first occur at larger volumes. Measures to achieve profitability are: lower purchasing costs of raw materials through volume purchases, purchases of components from low-cost countries, and continued product development where inter alia cheaper input electronic components are under development. As more energy storages have been in operation at the customer, the company has seen a need for some improvements in material selection in the product. During the full year, warranty costs for replacement of delivered battery packs of 15 MSEK have been reserved: the packs will be produced and delivered to the customer in 2020. During Q2-Q4, staff have been recruited and trained to be able to staff the expanding production facility in Gävle in 2020. The number of employees temporarily exceeds the need to man two production lines on a normal basis and associated production processes with continuous 2-shift. In 2020, two more production lines will be deployed. The relative wage cost as a proportion of cost of goods will thus decrease with further trimming of production processes and increasing sales volumes.

Operating expenses for the full year increased to -259.2 (-111.7) MSEK. Costs for employees and temporary agency workers increased to -97.7 (-53.1) MSEK. The increase has mainly occurred in Production and R&D. The total cost of R&D during the year amounted to 19.7 MSEK.

Capitalization of development expenses consisting of personnel and consultancy costs for work with the development of a new product with oxygen filling, development of BMS and Nilar's factory model for the full year amounted to 26.8 (17.4) MSEK.

IFRS 16 has during the period reduced cost of goods sold by 0.6 MSEK, research and development costs by 0.0 MSEK, selling expenses by 0.0 MSEK and administrative expenses by 0.3 MSEK. The effects on the income statement are based on the condition that leasing fees are accounted for in accordance with previous rules.

Amortization of tangible and intangible fixed assets increased to -38.8 (-12.0) MSEK. Depreciation for machinery increased to -6.9 (-4.7) MSEK as a result of the expansion of the production facility. Depreciation for capitalized development expenses and patents amounts to -28.2 (-7.3) MSEK. Depreciation of capitalized development expenses began in Q4 2018 as a result of the product being considered as launched. Depreciation costs have been added as a result of IFRS 16 and the recognition of right of use assets of -3.6 MSEK, divided between: cost of goods sold -1.9 MSEK, R&D expenses -0.1 MSEK, selling expenses -0.4 MSEK and administrative expenses -1.3 MSEK.

Operating profit decreased to -221.7 (-89.9) MSEK.

Financial items amounted to -16.8 (-1.1) MSEK, mainly explained by interest expenses related to the capital raising completed in Q2 totalling 327 MSEK. IFRS 16 has increased interest expenses by -1.5 MSEK, which mainly consists of the interest component of the leasing liabilities related to the company's premises costs.

Profit before and after tax amounted to -238.5 (-91.1) MSEK.

Cash flow, working capital, investments and financial position

Cash flow from operating activities for the full year amounted to -153.9 (-73.6) MSEK. 15.3 (7.3) MSEK consisted of changes in working capital, of which -9.6 MSEK consisted of an increase in inventories to meet an increase in order intake and production volume, and of which 24.1 MSEK consisted of increased operating liabilities. -169.2 (-80.9) MSEK comes from cash flow before changes in working capital.

Investments for the full year amounted to -135.2 (-45.6) MSEK. Of which -108.3 (-28.2) MSEK consisted of investments in machinery and equipment for the factory in Gävle, mainly related to expansion of formation capacity, electrode manufacturing and module lines 3-4 with planned start of operation in the second half of 2020. -26.8 (-17.4) MSEK consisted of capitalized development expenses as work with the development of a new product with oxygen filling, development of BMS and Nilar's factory model.

Cash flow from financing activities during the full year amounted to 420.0 (76.9) MSEK. The total pre-IPO capital raising that lasted Q4 2018-Q4 2019 amounted to 502 MSEK before fees. This amount includes raising capital in 2019 to 449 MSEK.

IFRS 16 has increased amortization costs by -4.0 MSEK and consists mainly of the amortization component of the leasing liabilities related to the company's premises costs.

The full-year cash flow was 130.9 (-42.3) MSEK. Cash and cash equivalents at the end of the full year amounted to 163.4 (32.5) MSEK.

The balance sheet total is 565.9 (288.6) MSEK. IFRS 16 has increased the balance sheet total by 37.5 MSEK.

The Group's intangible assets at the end of the period amounted to 191.9 (193.3) MSEK. The assets consist of retained expenditure on development work for 190.8 (191.8) MSEK and patents 1.2 (1.5) MSEK. Property, plant and equipment amounted to 140.9 (39.5) MSEK. At the end of the period, current assets amounted to 195.5 (55.8) MSEK. Inventories amounted to 17.6 (8.0) MSEK.

Shareholders' equity in the Group at the end of the period amounted to 275.8 (201.3) MSEK. The equity/asset ratio considering the effects of IFRS 16 was 49%. The equity ratio excluding IFRS 16 (alternatively performance measures, see page 92 for further explanations) was 52 (70) %.

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 strongly and the financing of the investments and working capital required in the future has been forecast based on historical key figures and other known factors. The company's current growth plan requires Nilar to raise approximately 160 MSEK in new capital to finance the company around mid-2020 until the end of April 2021. At the time of the annual report signing, there is no funding secured for the next 12 months, however, Nilar has engaged financial advisors to raise this capital. Nilar's sources of capital to secure going concern are loans and issues. The company plans for an IPO and if such takes place, the company intends to carry out a capital raising to ensure long-term operations. Given these sources of capital, the Board of Directors considers that the required capital will exist.

Permits and 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

At the balance sheet date, 165 MSEK of the 175 MSEK convertible loan had been paid to the company. After the balance sheet date, the remaining 10 MSEK has been paid to the company. The bridge loan amounting to 20 MSEK has been amortised in its entirety after the balance sheet date.

PARENT COMPANY

Revenue for the Parent Company for the full year was 0 (0) MSEK. Intercompany purchases amounted to 0 (0) MSEK. Research and development costs amounted to -16.0 (-5.1) MSEK and consisted mainly of depreciation for capitalized development expenses. Depreciation of capitalized development expenses began in Q4 2018 as a result of the product being considered to be launched. Net financial items amounted to -199.3 (-80.4) MSEK, which is explained by -15.1 MSEK in interest expenses for loans in connection with the closed pre-IPO capital raising and by the Parent Company provided shareholder contributions that were subsequently written down -191.9 (-81.4) MSEK. Profit after tax amounted to -237.6 (-91.5) MSEK. The cash flow for the full year was 130.0 (-52.8) MSEK. Cash and cash equivalents at the end of the full year amounted to 149.3 (19.4) MSEK.

The equity/asset ratio was 45 percent (59). Shareholders' equity amounted to SEK 168.7 (93.4) MSEK.

Total number of shares

The total number of outstanding shares as of December 31, 2019 was 4,431,857. At the balance sheet date, there were 149,500 warrants outstanding.

Board activities

The Board of Directors has adopted rules of procedure, instructions and a number of policies that regulate responsibility between the Board of Directors on the one hand and the CEO, the committees set up by the Board of Directors

and group management. The Board of Directors has ultimate responsibility for the Group's operations and organization and ensures that the CEO's work and financial work are carried out according to established principles. The Board of Directors held 11 minutes of meetings.

The Board of Directors has appointed an audit committee within itself, which during the year held eight meetings.

Corporate governance report

Nilar submits a separate corporate governance report, which is included in this annual report on pages 79-83.

Sustainability report

The company submits a separate sustainability report, which is included in this annual report on pages 18-25.

Proposed treatment of loss

PARENT COMPANY	2019
The following profits are at the disposal of the annual general meeting:	
Share premium reserve	863 268 943
Profit/loss brought forward	-495 814 970
Net loss for the year	-237 629 399
Total	129 824 575

Dividend

The Board of Directors proposes that no dividend be paid for the financial year 2019.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

TSEK	NOTE	2019	2018
Revenue	6	10 375	3 396
Cost of sales		-161 443	-39 051
Gross profit		-151 068	-35 655
Research & development expenses		-19 677	-24 379
Distribution and selling costs		-18 636	-15 907
Administrative expenses		-32 601	-14 924
Other operating income	10	252	930
Operating income	7, 8, 9	-221 730	-89 935
Financial income	11	-	2
Financial expenses	11	-16 788	-1 125
Finance costs - net		-16 788	-1 123
Profit/loss before tax		-238 519	-91 058
Income tax	12	-	-
Net profit/loss after tax		-238 519	-91 058
Attributable to:			
Parent Company shareholders		-238 519	-91 058
Non-controlling interests		-	-
Earnings per share			
Profit after tax		-238 519	-91 058
Number of shares at end of period		4 431 857	3 450 982
Number of share options at end of period		149 500	149 500
Weighted number of ordinary shares before dilution		4 047 681	3 281 201
Weighted number of ordinary shares post dilution		4 197 181	3 556 526
Earnings per share before dilution, SEK		-58,93	-27,75
Earnings per share after dilution, SEK		-58,93	-27,75
Other comprehensive income			
Items that may later be reversed in the income statement			
Currency translation differences		95	-52
Other comprehensive income for the year, net after tax		95	-52
Total comprehensive income for the year		-238 424	-91 110

Comments on the consolidated income statement

Net sales for the full year totaled 10.4 (3.4) MSEK. The Group's gross profit amounted to -151.1 (-24.3) MSEK. The company commercialized its sales in 2019 but today sells its products at a negative margin when scale effects first occur at larger volumes. Measures to achieve profitability are: lower purchasing costs of raw materials through volume purchases, purchases of components from low-cost countries, and continued product development where inter alia cheaper input electronic components are under development.

Profit before depreciation (EBITDA) amounted to -183.0 (-77.8) MSEK. Included in the results are capitalized expenditure for development of 26.8 (17.4) MSEK. Operating income (EBIT) were -221.7 (-89.9) MSEK.

The Group's net financial items were -16.8 (-1.1) MSEK. Financial expenses were -16.8 (-1.1) MSEK mainly comprised of interest expense.

The Group's profit before and after tax amounted to -238.5 (-91.1) MSEK.

CONSOLIDATED BALANCE SHEET

TSEK	NOTE	2019-12-31	2018-12-31
ASSETS			
FIXED ASSETS			
Intangible assets 13			
Patents		1 189	1 519
Capitalized expenditure for development work		190 760	191 785
Total intangible assets		191 949	193 304
Tangible fixed assets 14			
Property, plant and equipment		60 492	16 230
Fixed assets under construction		80 418	23 235
Total tangible assets		140 910	39 465
Other fixed assets			
Right-of-use assets		37 502	-
Total other fixed assets		37 502	-
Total fixed assets		370 361	232 769
CURRENT ASSETS			
Inventories	16	17 614	8 010
Accounts receivable - trade	17	3 540	2 604
Tax assets		301	301
Other receivables	18	8 869	10 182
Prepaid expenses and accrued income	19	1 827	2 204
Cash and cash equivalents	15, 25	163 395	32 480
Total current assets		195 546	55 782
Total assets		565 907	288 551

TSEK	NOTE	2019-12-31	2018-12-31
EQUITY AND LIABILITIES			
EQUITY			
Share capital	22	4 432	3 451
Other contributed capital	22	895 901	584 044
Statutory reserves		-143	-238
Retained earnings		-624 426	-385 907
Total equity		275 764	201 350
LIABILITIES			
Non-current liabilities			
Long-term interest-bearing lease liabilities		33 036	-
Total non-current liabilities		33 036	-
Current liabilities			
Borrowings	15	185 075	58 802
Current lease liabilities, interest-bearing		4 100	-
Provisions of warranty	29	15 416	-
Accounts payable - trade	15	26 665	19 937
Other liabilities	20	2 745	1 392
Accrued expenses and deferred income	21	23 106	7 070
Total current liabilities		257 107	87 201
Total equity and liabilities		565 907	288 551

Comments to the balance sheet

Consolidated total assets at year-end were 565.9 (288.6) MSEK. IFRS 16 has increased the balance sheet total by 37.5 MSEK.

Intangible assets were 191.9 (193.3) MSEK, out of which 190.8 (191.8) MSEK was comprised of capitalized expenditures for development work and 1.2 (1.5) MSEK of capitalized expenditures related to patents.

Equity in the Group at the end of the year amounted to 275.5 (201.3) MSEK. The equity/asset ratio was 49 (70) %.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

TSEK	NOTE	ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY					TOTAL EQUITY
		SHARE CAPITAL	NON-REGISTERED SHARE CAPITAL	OTHER CONTRIBUTED CAPITAL	RESERVES	RETAINED EARNING	
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
Opening balance per 1 January 2019	22	3 451	-	584 044	-238	-385 907	201 350
Comprehensive income							
Net profit/loss for the year		-	-	-	-	-238 519	-238 519
Other comprehensive income		-	-	-	95	-	95
Total comprehensive income		-	-	-	95	-238 519	-238 614
Transactions with shareholders							
New share issue		981	-	311 857	-	-	312 838
Total transactions with shareholders		981	-	311 857	-	-	312 838
Closing balance per 31 December 2019	22	4 432	-	895 901	-143	-624 426	275 764

Comments on changes in equity

In addition to the net profit and translation differences for the year of -238.3 (-91.1) MSEK transactions with shareholders of 312.8 (18.1) MSEK had an impact on equity.

CONSOLIDATED CASH FLOW STATEMENT

TSEK	NOTE	2019	2018
Cash flows from operating activities			
Earnings after financial items		-238 519	-91 058
Interest paid and received		-263	-1 125
Adjustment for other non-cash items			
Depreciation on tangible and intangible fixed assets		38 756	11 307
Provisions for warranty		15 416	-
Accrued interest		15 124	-
Translation differences		59	-52
Cash flow from operating activities before changes in working capital		-169 165	-80 929
Cash flow from changes in working capital			
Increase (-) /decrease (+) in inventories		-9 604	-3 332
Increase (-) /decrease (+) in operating receivables		760	-8 512
Increase (+) /decrease (-) in operating liabilities		24 096	19 170
Total changes in working capital		15 252	7 326
Cash flow from operating activities		-153 912	-73 602
Investing activities			
Investments in intangible assets	13	-26 843	-17 392
Investments in tangible fixed assets	14	-108 333	-28 220
Cash flow from investing activities		-135 175	-45 612
Financing activities			
New share issue	22	238 913	18 042
Option programme	22	-	100
Repayment of debt	15	-4 001	-
Loans raised	15	185 075	58 802
Cash flow from financing activities		419 987	76 943
Cash flow for the period		130 899	-42 271
Reconciliation of cash and cash equivalents			
Cash equivalents as of beginning of the period	15	32 480	74 752
Cash flow for the period		130 899	-42 271
Exchange rate difference in cash and cash equivalents		16	-
Cash and cash equivalents at the end of the year	15	163 395	32 480

Comments on the cash flow statement

Cash flow from operating activities before changes in working capital totaled -169.2 (-80.9) MSEK. The effect on cash flow of the change in working capital amounted to 15.3 (7.3) MSEK. Inventories changed during the year by -9.6 (-3.3) MSEK while current receivables changed by 0.8 (-8.5) MSEK. Current liabilities increased by 24.0 (19.2) MSEK.

Investments in intangible and tangible fixed assets amounted to 135.2 (45.6) MSEK. Investments of 26.8 (17.4) MSEK relate to intangible fixed assets. The corresponding amount for tangible assets was SEK 108.3 (28.2) million. Depreciation amounts to 38.3 (11.3) MSEK.

Cash flow from financing activities totaled 420.0 (76.9) MSEK. Cash flow from new share issue amounted to 238.9 (18.0) MSEK. Loans taken as part of pre-IPO capital raising totaled 185.1 (58.8) MSEK.

Cash and cash equivalents at the end of the year amounted to 163.4 (32.5) 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.

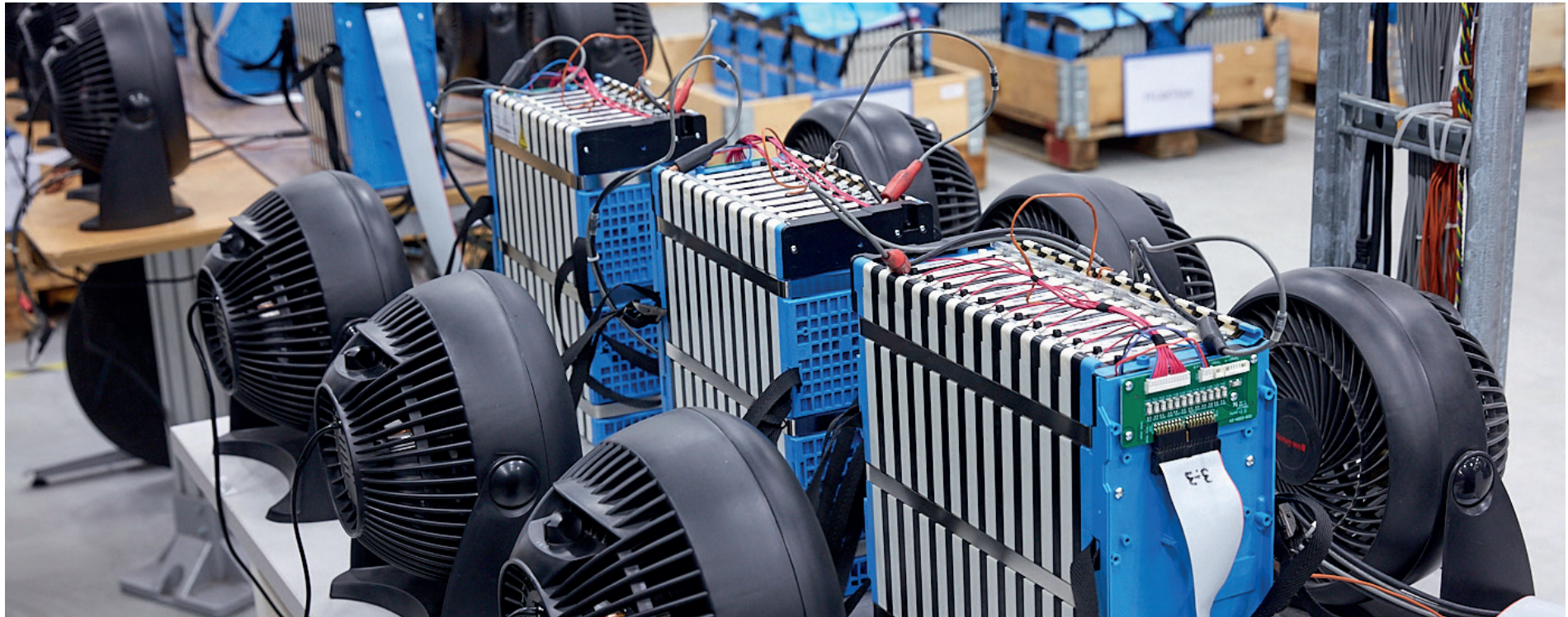
Financial position and profit during the reporting period

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	2019-12-31	2018-12-31
Opening acquisition cost	101	101
Shareholder contributions	191 914	81 400
Impairment of shareholder contributions	-191 914	-81 400
Closing reported value	101	101

SUBSIDIARY/CORPORATE IDENTITY NUMBER/REGISTERED OFFICE	COUNTRY	PARTICIPATION, % 2019-12-31
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 Company has adjusted previous period figures regarding 'Capitalization of development expenses', by reporting these under each function as before instead of presenting these on its own line, see Note 30.

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.

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 payable	15	Financial instruments by category IAS 32, IAS 37, IFRS 7, IFRS 9
Inventories	16	Inventories IAS 2
Accounts receivable	17	Financial instruments by category IAS 18, IAS 32, IFRS 7, IFRS 9
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 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.

The estimates for accounting purposes that result from these assumptions, by definition, seldom equal the related actual results.

IMPORTANT ESTIMATES AND ASSESSMENTS	NOTE
Valuation tax loss carryforwards	12
Impairment of intangible assets	13

Deferred tax
Capitalized expenditure for research and development

NEW AMENDMENTS TO STANDARDS AND INTERPRETATIONS THAT HAVE ENTERED INTO FORCE FOR 2019

The Group applies IFRS 16 Leases as of January 1, 2019. The standard has a leasing model for lessee, which means that virtually all leases should be reported in the statement of financial position. The right of use (leasing asset) and liability are valued at the present value of future leasing payments. The right of use also includes direct costs attributable to the subscription of the lease. In the income statement, amortization of the right of use and interest expenses are recognised. See note 28 for the description of new principles applied to leases and their impact on the Group's financial statements.

Other new amended standards that have entered into force and apply for the financial year 2019 have not had a material impact on the Group's financial statements.

NEW AMENDMENTS TO STANDARDS AND INTERPRETATIONS NOT IN FORCE

The new and amended standards and interpretations issued by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRIC) but which enter into force for financial years beginning after or after 1 January 2020 have not yet been applied by the Group. The new and amended standards and interpretations are not expected to have a material effect on the Group's financial statements.

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	
	2019	2018	2019	2018
USD	9,46	8,69	9,32	8,97

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 attributable to the acquired company's share-related allocations or to the exchange of the acquired company's share-related allocations against the acquirer's share-related allocations are valued at the time of acquisition in accordance with IFRS 2 Share-related payments.
- 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.

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. Work has begun to address and report these types of risks. 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. The balance exposure consists of accounts receivable and accounts payable.

As per 31 December 2019, Nilar's financial liabilities were subject to the following translation exposure:

	2019-12-31	2018-12-31
EUR	960	279
USD	2 960	3 682
Other currencies	92	-
Total	4 012	3 961

As per 31 December 2019, Nilar's financial assets were subject to the following translation exposure:

	2019-12-31	2018-12-31
EUR	618	715
USD	851	184
Other currencies	-	-
Total	1 469	899

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 140 (153) 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.

If the Swedish krona had weakened/strengthened by 5% against the USD, the impact on other comprehensive income is estimated to be 244 TSEK.

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 2019 and 2018, 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 1,851 (588) TSEK.

Credit risk

Credit risk or counterparty risk is the risk that the counterparty in a financial transaction does not fulfil its obligations on the due date. Nilar's credit risk includes bank balances and trade receivables. For cash and cash equivalents, the credit risk is considered low as 100% of Nilar's total cash and cash equivalents are held by counterparties that are large well-known banks in Sweden with a high rating (such as Swedbank). For accounts receivable, the credit risk in Nilar is considered to be low since the proportion of trade receivables shown in the balance sheet is of non-material 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. The reserve for trade receivables 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 contractual assets is always valued at an amount corresponding to the maturity

of expected loan losses which, at the closing date, gives a completely insignificant reserve. Review to assess commercial risks in these relationships takes place on an ongoing basis and impairment of receivables occurs when there is a failure in the form of 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 Nilar to raise approximately SEK 160 million of new capital in mid-2020 to fund the company through end of April 2021. At the time of signing the interim report, no financing has been secured for the next 12 months, however, Nilar has engaged financial advisors to raise this capital. Nilar's sources of capital to secure going concern are loans and issues. The company plans for an IPO and, if this happens, the company intends to raise capital to secure its long-term operations. 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 2019 (INCLUDING INTEREST PAYMENTS)	NOMINAL AMOUNT	LESS THAN 6 MTH	BETWEEN 6-12 MTH	BETWEEN 1-2 YR	BETWEEN 2-5 YR	MORE THAN 5 YR
Convertible loan	165 534	165 534	-	-	-	-
Bridge loan	20 400	20 400	-	-	-	-
Accounts payable and other liabilities	26 665	26 665	-	-	-	-
Liabilities related to financial leasing	48 011	2 192	2 006	3 572	10 367	29 874
Total	259 750	213 932	2 006	3 572	10 367	29 874

PER 31 DECEMBER 2018 (INCLUDING INTEREST PAYMENTS)	NOMINAL AMOUNT	LESS THAN 6 MTH	BETWEEN 6-12 MTH	BETWEEN 1-2 YR	BETWEEN 2-5 YR	MORE THAN 5 YR
Loan with conversion right pre-IPO	53 899	53 899	-	-	-	-
Bridge loan	6 019	6 019	-	-	-	-
Accounts payable and other liabilities	19 937	19 937	-	-	-	-
Total	78 739	78 739	-	-	-	-

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. The Group defines capital as equity.

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 2019 amounts to 49 (70) percent. The parent company's equity/asset ratio was 45 (60) 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.

	2019	2018
Sweden	6 412	1 766
EU	3 963	1 200
Outside EU	-	430
Total income	10 375	3 396

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**IFRS 15 Revenue from contracts with customers**

Analyses are performed on an ongoing basis of the Group's various types of agreements with customers to determine if 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. Standard payment terms are 30 days net.

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. Provision for guarantee costs for remaining performance commitments in the form of replacement batteries, has been reserved for December 31, 2019 (see Note 29).

NOTE 7. OPERATING EXPENSES

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

	2019	2018
Changes in inventories, cost of goods sold	-50 856	-17 829
Costs for remuneration to employees and directors (note 9)	-62 041	-38 105
Costs for temporary labour	-35 672	-14 994
Depreciation	-38 756	-12 006
Other costs	-71 875	-28 719
Total costs for goods sold, development, sales and administration	-259 200	-111 653

Depreciation of intangible assets 28 198 (7 303) TSEK has been recognized under Cost of goods sold in the income statement. Depreciation of tangible assets 6 922 (4 703) TSEK has been recognized under Cost of goods sold 6 835 (4 644) TSEK, Administration expenses 0 (59) TSEK, and Selling expenses 87 (-) TSEK. Depreciation of rights of use assets 3 635 (-) has been recognized under Cost of goods sold 1 893 (-) TSEK, Development costs 59 (-) TSEK, Selling expenses 402 (-) TSEK, and Administration expenses 1 282 (-) 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

	2019	2018
Deloitte AB		
Audit engagement	-580	-395
Other audit activities	-671	-150
Other services	-	-
Total Deloitte	-1 251	-545
BDO		
Other services	-559	-
Total BDO	-559	-

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, BDO conducted on behalf of the company an audit of the internal control over the financial reporting.

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

AVERAGE NUMBER OF EMPLOYEES	Number of people		Of whom men %	
	2019	2018	2019	2018
Parent Company	1	1	100	100
Subsidiaries				
Sweden	86	44	65	64
USA	3	3	67	67
Total subsidiaries	89	47	65	64
Total average number of employees	90	48	65	65

GENDER DISTRIBUTION ON THE BOARD AND IN EXECUTIVE MANAGEMENT	Number of people		Of whom women %	
	2019	2018	2019	2018
Board	7	8	14	13
Executive management	6	5	-	-

SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY EXPENSES	Salaries and remuneration		Social security expenses	
	2019	2018	2019	2018
Parent Company	-3 889	-2 884	-1 194	-855
(of which pension costs)	-633	-636		
Subsidiaries	-45 007	-26 976	-12 835	-7 390
(of which pension costs)	-2 392	-1 863		
Total salaries, other remuneration and social security expenses	-48 896	-29 860	-14 029	-8 245
(of which pension costs)	-3 026	-2 499		

SALARIES AND OTHER REMUNERATION ACCORDING TO COUNTRY, MANAGEMENT STAFF AND OTHER EMPLOYEES	Management staff		Other employees	
	2019	2018	2019	2018
Parent Company and subsidiaries in Sweden	-8 927	-7 492	-50 151	-28 435
Subsidiaries overseas	-	-	-3 402	-2 177
Total	-8 927	-7 492	-53 553	-30 613

REMUNERATION TO THE BOARD OF DIRECTORS AND SENIOR EXECUTIVES	2019			2018		
	FEE/ BASIC SALARY	OTHER BENEFITS	PENSIONS	FEE/ BASIC SALARY	OTHER BENEFITS	PENSIONS
Board of directors						
Michael Obermayer	186	-	-	-	-	-
Anders Barsk	47	-	-	-	-	-
Stefan De Geer	47	-	-	-	-	-
Gunilla Fransson	47	-	-	-	-	-
Lars Fredriksson	47	-	-	-	-	-
Anders Gudmarsson	47	-	-	-	-	-
Alexander Izosimov	47	-	-	-	-	-
Senior executives						
Marcus Wigren, CEO	1 127	88	398	984	81	397
Other senior executives (5)	4 268	284	780	3 487	246	640

Fees are paid to the chairman and members of the Board according to the AGM's decision. At the Annual General Meeting, it was decided that fees to the Board of Directors would amount to 468 (0) TSEK.

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 consist of warrants acquired at market value, see Note 23. Share-based instruments. For information regarding option programs for employees, senior executives and board members, see Note 23.

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. Participants in the program have paid fair value, which is why the Group does not report any costs for the program.

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

	2019	2018
Energimyndigheten	-	-
Salary contributions	-	372
EU funding	-	-
Profit sale of fixed asset	11	195
Sales of scrap	-	116
Insurance compensation	-	-
Foreign exchange gains	241	247
Total other operating income	252	930

During the year, the company received salary subsidies of 372 (372) TSEK for doctoral students at KTH and support for new start-up jobs with 47 (0) TSEK. These salary contributions are reported from 2019 as a reduction in wage costs and not under other operating income.

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

	2019	2018
FINANCIAL INCOME		
Exchange rate differences	-	2
Total financial income	-	2

	2019	2018
FINANCIAL EXPENSES		
Interest expenses to shareholders	-14 635	-1 116
Interest expenses leasing	-1 526	-
Other interest expenses	-499	-10
Exchange losses	-128	-
Total financial expenses	-16 788	-1 125

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	2019	2018
Deferred tax	-	-
Deferred tax regarding previous years	-	-
Total reported tax	-	-

RECONCILIATION OF EFFECTIVE TAX	2019	2018
Profit before tax	-238 519	-91 058
Income tax calculated according to national tax rates prevailing on profit in each country. 21.4% in Sweden.	51 043	20 033
Tax effects of:		
- Non-taxable income	-85	-67
- Taxable losses for which no deferred tax assets have been reported	-50 958	-19 966
- 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

	2019-12-31			2018-12-31		
	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	198 654	205 521	6 867	181 263	188 129
Acquisitions for the year	-	26 843	26 843	-	17 392	17 392
At year-end	6 867	225 497	232 363	6 867	198 654	181 263
Accumulated depreciation						
At the start of the year	-5 347	-6 869	-12 216	-4 914	-	-4 407
Depreciation for the year	-331	-27 867	-28 198	-434	-6 869	-7 376
At year-end	-5 678	-34 737	-40 415	-5 347	-6 869	-11 783
Recognized value						
At the start of the year	1 519	191 785	193 304	1 953	181 263	183 723
At year-end	1 189	190 760	191 949	1 519	191 785	193 738

Patents

Nilar had as of 31 December 2019, approximately 114 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:

	2019-12-31	2018-12-31
Product development	161 315	173 059
Production process development	10 909	7 799
Development of ERP system	1 015	1 286
Development of BMS	17 521	9 641
Total capitalized expenditure for development work	190 760	191 785

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**

Immateriella tillgångar med begränsad livslängd redovisas till 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.

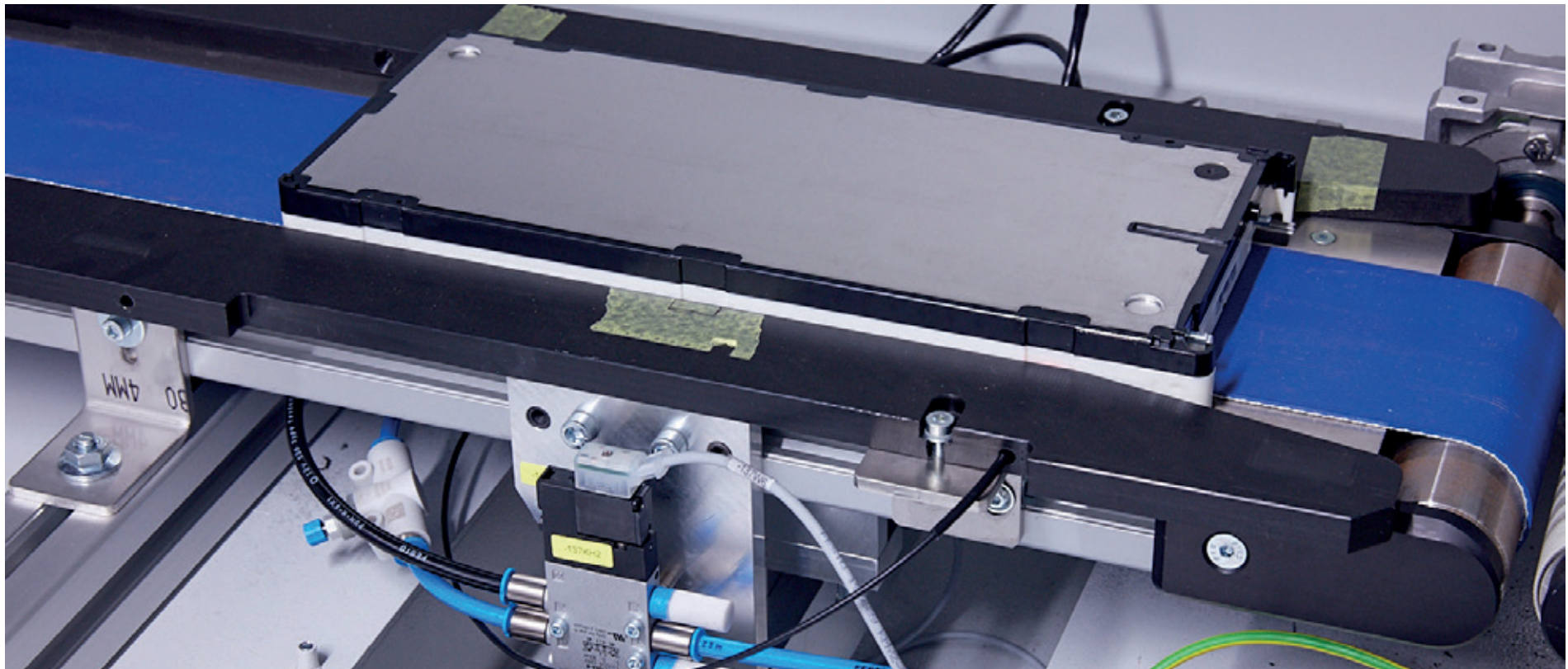
In the assessment of future cash flows, assumptions are made primarily for sales growth, operating margin and discount rate. The estimated growth rate is based on industry forecasts. The forecasted operating margin has been based on management's expectations of the market. The discount rate of 17% (20%) 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 190.8 (191.8) MSEK. This value also fits well with the

valuation of the Company assessed by two independent investment banks in connection with the concluded 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

	2019-12-31			2018-12-31		
	PROPERTY, PLANT AND EQUIPMENT	FIXED ASSETS UNDER CONSTRUCTION	TOTAL	PROPERTY, PLANT AND EQUIPMENT	FIXED ASSETS UNDER CONSTRUCTION	TOTAL
Accumulated cost of acquisition						
At the start of the year	44 509	23 235	67 743	31 306	8 217	39 523
Acquisitions for the year	51 155	108 196	159 352	14 118	28 243	42 361
Reclassification to acquisitions of property, plant and equipment	-	-51 013	-51 013	-	-13 226	-13 226
Divestments and disposals	-	-	-	-1 007	-	-1 007
Translation difference	29	-	29	93	-	93
At year-end	95 694	80 418	176 112	44 509	23 235	67 744
Accumulated depreciation						
At the start of the year	-28 279	-	-28 279	-24 274	-	-24 274
Divestments and disposals	-	-	-	723	-	723
Depreciation for the year	-6 911	-	-6 911	-4 703	-	-4 703
Translation difference	-11	-	-11	-24	-	-24
At year-end	-35 201	-	-35 201	-28 279	-	-28 279
Recognized value						
At the start of the year	16 230	23 235	39 465	7 031	8 217	15 249
At year-end	60 492	80 418	140 910	16 230	23 235	39 465

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

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 ACQUISITION 2019-12-31	ACCRUED COST OF ACQUISITION 2018-12-31
Accounts receivable (note 17)	3 540	2 604
Cash and cash equivalents	163 395	32 480
Total financial assets	166 935	35 085

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. The credit reserve for liquid funds is calculated using the general model based on a probability of default based on the counterparty's rating and the amount on the balance sheet date.

Financial liabilities

The Group classifies its financial liabilities in the category: liabilities valued at amortized cost with the exception of the convertible loan, which is reported at fair value with SEK 165,075 TSEK.

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

FINANCIAL LIABILITIES	ACCRUED COST OF ACQUISITION 2019-12-31	ACCRUED COST OF ACQUISITION 2018-12-31
Borrowing		
Bridge loan	20 000	6 000
Loan with conversion right pre-IPO	-	52 802
Total borrowing	20 000	58 802
Accounts payable	26 665	19 937
Accrued interest expenses	864	1 117
Total financial liabilities	47 529	79 855

BORROWING	AMOUNT PER 2019-12-31	MATURITY DATE	INTEREST RATE
Convertible	165 075	2020-03-31	10%
Bridge loan	20 000	2020-03-31	15%
Total borrowing	185 075		

Convertible Debt / Convertible

The company has issued a convertible debt of a nominal amount of 175 MSEK. The loan runs from 20 December 2019 through 30 June 2020 at an annual interest rate of 10% and from 1 July 2020 through 31 December 2020 at an annual interest rate of 12.5% and from 1 January 2021 through 31 December 2021 (the final due date) with an annual interest rate of 15%. Repayment of the loan, including accrued interest, will be repaid by 31 December 2021 unless conversion occurs prior to that.

The convertible can be converted into shares at a floating price during the term and if not converted it can be repaid to 130% of the debt on the due date. The liability is recognized in its entirety at fair value through the income statement.

Real value

The company's convertible debt is valued at a discount on future cash flows. The discount rate reflects credit risk and maturity. The valuation is at level 3. The market value on the balance sheet date is essentially the same as on the transaction date due to the short time elapsed between them.

Bridge loan

To bridge the liquidity until the closing of the convertible loan, a simple loan instrument with a 15% annual interest rate has been prepared. There is no clause on conversion to shares in the loan agreement, but the loan amount together with accrued interest shall be repaid to the lender at the end of the capital raising round. The lender is R&H Trust Co. The bridge loan has been fully repaid after the balance sheet date.

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.

Composite instruments and embedded derivatives

A composite instrument is a financial instrument consisting of two or more components in the form of a non-derivative instrument (host contract) and one or more embedded derivatives whereby some of the cash flows of the composite instrument vary in the same way as a stand-alone derivative.

Change in liabilities in financing operations

	18-12-31	CASH FLOW	ACQUISITION/ DIVESTMENTS	RECLASSIFI- CATIONS	TRANSLATION DIFFERENCES	VALUATION TO REAL VALUE	19-12-31
Loan with conversion right pre-IPO	52 802	-	-	-58 802	-	-	-
Convertible loan	-	165 075	-	-	-	-	165 075
Bridge loan	6 000	20 000	-	-6 000	-	-	20 000
Liabilities related to financial leasing	-	-4 001	41 137	-	-	-	37 136
Total	58 802	181 074	41 137	-58 802	-	-	222 211

	17-12-31	CASH FLOW	ACQUISITION/ DIVESTMENTS	RECLASSIFI- CATIONS	TRANSLATION DIFFERENCES	VALUATION TO REAL VALUE	18-12-31
Loan with conversion right pre-IPO	-	52 802	-	-	-	-	52 802
Bridge loan	-	6 000	-	-	-	-	6 000
Total	-	58 802	-	-	-	-	58 802

Derivatives embedded in host contracts that are debt contracts shall be analyzed and, if they are not closely related to the host contract, they shall be accounted for separately from this. Separated embedded derivatives are classified and recognized at fair value through the income statement. Alternatively, when the derivatives are not closely related, the Company may choose to identify the entire instrument as recognized at fair value through the income statement and recognize the effect of its own credit risk in other comprehensive income.

The Group has a convertible loan that contains embedded derivatives in the form of an opportunity for conversion into shares in the parent company and is thus a composite instrument. The company has chosen to identify the entire instrument at fair value through the income statement.

The embedded right of conversion means that the liability can be converted into shares at a price that depends on a future market price and thus defaults on the criteria for equity instruments.

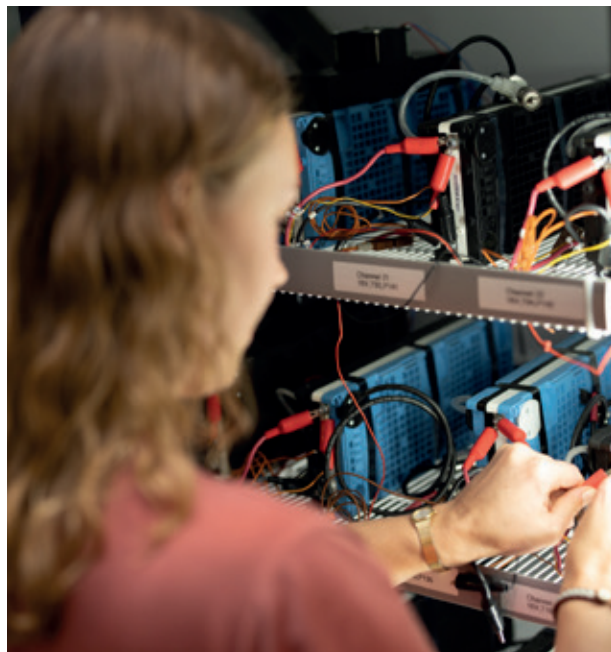
Fair value is the price that would be obtained at the time of valuation on the sale of an asset or payable on the transfer of a liability through an orderly transaction between market participants. Fair value is calculated by different methods and is entered in three different levels depending on the input in the model.

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

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.





NOTE 16. INVENTORIES

INVENTORIES	2019-12-31	2018-12-31
Raw materials	19 582	6 904
Stock of semi-finished products	5 863	1 106
Finished goods	-	-
Advances to suppliers	2 411	-
IMPAIRMENT TO NET SALES VALUE		
Raw material warehouse	-7 142	-
Stock of semi-finished products	-3 100	-
Total inventories	17 614	8 010

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

Inventories have been written down to a value corresponding to the net realizable value as this is considered to be less than the acquisition value.

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	2019-12-31	2018-12-31
Accounts receivable	3 811	2 604
Less reservation for doubtful accounts receivable	-271	-
Total accounts receivable	3 540	2 604

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	2019-12-31	2018-12-31
SEK	2 341	1 705
EUR	851	715
USD	347	184
Total accounts receivable	3 540	2 604

Impairment assessment of accounts receivable

For accounts receivable, the Group applies the simplified approach to credit provisioning, that is, the reserve will correspond to the expected loss over the entire life of the customer claim. Expected loan losses are reported in the Group's statement of comprehensive income in the item Administrative expenses. Accounts receivables and short-term receivables are written off when there is no reasonable expectation of repayment. Customers normally pay in connection with the agreed due date and the Group has historically had very low loan losses.

The age analysis of accounts receivables is shown below.

AGE ANALYSIS, ACCOUNTS RECEIVABLE	2019-12-31	2018-12-31
Receivables not yet matured	-	1 267
Less than 3 months	2 416	632
3 to 6 months	777	162
More than 6 months	347	543
Total accounts receivable due	3 540	1 337
Total accounts receivable	3 540	2 604

Management estimates that a maturity analysis of future payments does not differ materially from the above age analysis. The Group defines failure as receivables that are due by more than 90 days and in those cases an individual assessment and provision is made. The company has chosen to make a provision for bad debts at year-end 2019 when it is assessed as a risk that the customer claim will not be paid.

NOTE 18. OTHER RECEIVABLES

	2019-12-31	2018-12-31
VAT	6 514	5 321
Receivables suppliers	-	-
Other receivables	2 354	4 862
Total other receivables	8 869	10 182

NOTE 19. PREPAID EXPENSES AND ACCRUED INCOME

	2019-12-31	2018-12-31
Prepaid lease fees	1 304	1 551
Prepaid insurance	207	112
Other items	317	541
Total prepaid expenses and accrued income	1 827	2 204

NOTE 20. OTHER LIABILITIES

	2019-12-31	2018-12-31
Accrued payroll taxes	1 318	689
Social security expenses	1 419	699
Other current liabilities	8	4
Total other liabilities	2 745	1 392

NOTE 21. ACCRUED EXPENSES AND PREPAID INCOME

	2019-12-31	2018-12-31
Accrued employee-related items	5 767	2 331
Accrued interest for loans with conversion rights pre-IPO	-	1 117
Accrued interest for convertible loan	864	-
Accrued audit expenses	620	435
Accrued consulting fees	15 637	2 251
Accrued marketing expenses	212	936
Other items	6	-
Total accrued expenses and prepaid income	23 106	7 070

NOTE 22. SHARE CAPITAL AND OTHER CONTRIBUTED CAPITAL

	NUMBER OF SHARES	SHARE CAPITAL	OTHER CONTRIBUTED CAPITAL	TOTAL
Per 1 January 2018	3 271	3 271	566 082	569 353
New share issue	180	180	17 862	18 042
Option program	-	-	100	100
Per 1 January 2019	3 451	3 451	584 044	587 494
New share issue	981	981	311 857	312 838
Per 31 December 2019	4 432	4 432	895 901	900 333

The total number of ordinary shares as at 31 December 2019 amounts to 4,431,857. The quotient value per share is SEK 1.00. All issued shares are fully paid.

ACCOUNTING POLICIES

Equity is allocated to capital attributable to the parent company's shareholders and non-controlling interests. Value transfers in the form of, among other things, dividends from the parent company and the Group shall be based on an opinion drawn up by the Board of Directors on the dividend proposal. This opinion has to take into account the precautionary rule contained in the Swedish Companies Act in order to avoid larger dividends than is covered.

Share capital

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

event of extinguishment of financial liabilities by repaying all or part of the loan through issued shares, the shares are measured at fair value and the difference between that value and the book value of the loan is recognized in the profit and loss account. In the event that the lender is also, directly or indirectly, a shareholder acting as a shareholder, the amount issued corresponds to the book value of the financial liability thus extinguished (so-called set-off issue). As a result, there is no gain or loss to be recognized in the income statement.

Other contributed capital

Refers to equity contributed by the owners.

NOTE 23. SHARE-BASED INSTRUMENTS

	2017:1	2016:1
Start date	2017-12-05	2016-04-29
End date	2021-12-05	2020-04-29
Share price (SEK)	230	100
Exercise price per share (SEK)	418	276
Volatility	0,3	0,3
Expected life (years)	4,0	4,0
Risk free rate	-0,2%	-0,2%
Yield	-	-
Market value per option according to Black-Scholes (SEK)	9,97	1,43
Number initially granted	122 071	139 500
Outstanding 1 January 2019	-	139 500
Granted 2018	10 000	-
Lapsed prior years	-112 071	-
Lapsed 2019	-	-
Exercised 2019	-	-
Matured 2019	-	-
Outstanding per 31 December 2019	10 000	139 500

At the beginning of the year, the company had two options programs.

The warrants are issued by the parent company Nilar International AB. The warrants can be exercised by the holder at any time after the vesting date until the end date. Each warrant in turn entitles the holder to subscribe for one ordinary share in Nilar International AB. In cases where warrants are granted to employees, unvested employee stock options are forfeited at the end of the employment. The options are subject to pre-emption.

The fair value of the issued warrants has been determined using the Black-Scholes valuation model. Important inputs are shown in the table above.

At the Extraordinary General Meeting in December 2017, an option program (2017:1) was resolved to senior executives and board members comprising 122,071 warrants. 10,000 were allocated in the fourth quarter of 2018. No additional warrants within the 2017:1 option program will be awarded in addition to the 10,000. The warrants were transferred at market price. The warrants are vested over three years and are due on December 5, 2021.

At the Extraordinary General Meeting in April 2016, an option program (2016:1) was resolved to senior executives and advisors covering 261,571 warrants. 139,500 warrants were issued in August 2016. No additional warrants within the 2016:1 option program will be awarded in addition to the 139,500. The warrants were transferred at market price. The warrants are vested over three years and are due on 29 April 2020.

The average weighted strike price for the 2016:1 option program (strike price SEK 276 per share) and 2017:1 (strike price SEK 418 per share) is SEK 285 per share.

Possible dilution effect with full exercise of outstanding share options is 3.4%.

	NUMBER- PER 2019-12-31	DILUTION EFFECT
Issued shares	4 431 857	
Granted options		
Option program 2016:1	139 500	3,1%
Option program 2017:1	10 000	0,2%
Number of shares after dilution - outstanding share options	4 581 357	3,4%

ACCOUNTING POLICIES

Share-based incentive programs in the company refer to employee stock option programs that are regulated with equity instruments in accordance with IFRS 2. According to IFRS 2, the cost of share-based employee benefits, senior executives and the Board of Directors is recognized at fair value as per the allotment date. The fair value of the stock options is determined at the time of allotment using the Black-Scholes option pricing model. The cost is recognized, together with a corresponding increase in equity, during the period of compliance with the performance and vesting conditions, until the date on which the employees concerned are fully entitled to the remuneration.

NOTE 24. DEFERRED TAX

	2019-12-31	2018-12-31
Deferred tax income regarding losses carried forward	-23 900	-20 764
Deferred tax related to accumulated loss carryforwards	142 133	91 087
Revaluation of deferred tax assets	-118 233	-70 323
Total deferred tax liabilities	-	-

ACCOUNTING POLICIES

Deferred tax is recognized at the balance sheet date in accordance with the balance sheet method for temporary differences between the tax and accounting values of assets and liabilities. Deferred tax assets are recognized for all deductible temporary differences, including loss carry-forwards, to the extent that it is probable that a taxable profit will be available against which the deductible temporary differences can be used. The valuation of deferred tax assets shall be assessed on each balance sheet date and adjusted to the extent that sufficient profits are no longer likely to be generated so that all or part of the deferred tax asset can be exercised. Deferred tax assets and liabilities are set at the rates applicable to the period in which the asset is realized or the liability is paid, on the basis of tax rates (and legislation) adopted or announced at the balance sheet date.

Deferred tax assets and liabilities are offset if there is a legal right to offset short-term tax assets against short-term tax liabilities and the deferred tax is attributable to the same entity in the Group and the same tax authority.

IMPORTANT ESTIMATES AND ASSESSMENTS

Deferred tax assets are valued at a maximum of the amount likely to be recovered based on current and future taxable income. The Group has unutilized loss carry-forwards amounting to 690.0 (442) MSEK, of which 573.9 (341.2) refers to unrecognized loss carry-forwards. These relate to unused loss carry-forwards for the parent company and the Swedish subsidiary and Nilar considers it uncertain whether these loss carry-forwards will be able to be used due to the fact that these losses will be used. uncertainty as to when in the future sufficient taxable surpluses will be generated. The tax rate for calculating deferred tax is 20.6% (22.0). When Nilar makes the assessment that the deficit deductions are not expected to be used until 2023 at the earliest, whereby the deficits and deferred tax are valued according to the

tax rate decided by the Riksdag of 20.6%. When the temporary difference will result in the current tax, the corresponding loss carry-forward will be used, so that there will be no current tax payment. Therefore, deferred tax assets and deferred tax liabilities are reported net, with 0.

NOTE 25. NET CASH/NET DEBT

	2019-12-31	2018-12-31
Cash and bank accounts	163 395	32 480
Total cash and bank accounts	163 395	32 480
	2019-12-31	2018-12-31
Current interest-bearing liabilities	-185 075	-58 802
Cash and cash equivalents	163 395	32 480
Net cash (+) / net debt (-)	-21 680	-26 322

'Cash and cash equivalents' in the balance sheet and cash flow statement refers solely to cash and bank accounts. Outstanding bank funds of 163.4 (32.5) 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. TRANSACTIONS WITH RELATED PARTIES

R&H Trust/Michael Obemayer, Fjord Capital Partners, Fredriksson & Forssell AB, and Sagax Limited/Anders Barsk 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 147,042 (45,549) TSEK. Interest income from Group companies amount to 7,842 (2,110) TSEK. Interest expenses to Group companies amounts to 0 (0) TSEK.

In 2019, the Parent Company has issued shareholder contributions amounting to 191.9 (81.3) MSEK – out of which 187.0 (78.0) MSEK to Nilar AB and 4.9 (5.4) MSEK till Nilar Inc.. Write-down of shareholder contributions has also been made in the Parent Company.

Share issue

During 2019, the Company undertook a new share issue which provided the Company 312.8 (18.0) 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 27. PLEDGED ASSETS AND CONTINGENT LIABILITIES

PLEDGED ASSETS	2019-12-31	2018-12-31
Mortgage letters	30 000	30 000
Total pledged assets	30 000	30 000
CONTINGENT LIABILITIES	2019-12-31	2018-12-31
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 28. LEASING

With the transition to IFRS 16, the Group's assets and liabilities increased by 41.1 MSEK by estimating the present value of future leasing fees. No impact on equity as of 1 January 2019.

The Group's right of use assets as of 31 December 2019 are allocated as follows:

	2019-12-31			TOTAL
	PREMISES	CARS	MACHINERY	
Acquisition costs				
As of 1 January 2019	40 198	687	-	40 886
Adjustments to additional rights of use	-	-	252	252
At the end of the year	40 198	687	252	41 137
Accumulated depreciation				
As of 1 January 2019	-	-	-	-
This year's depreciations	-3 341	-289	-5	-3 635
At the end of the year	-3 341	-289	-5	-3 635
Reported value				
At the end of the year	36 857	399	246	37 502

The Group leases assets mainly related to premises, cars and machinery. The average leasing period is 4 years. The weighted average marginal borrowing rate used in determining the lease liability is 4%.

Amounts recognized in profit or loss	2019-12-31
Depreciation on rights of use	-3 635
Interest expenses for the lease debt	-1 526
Costs attributable to short-term leasing agreements	-583
Costs attributable to low value leasing contracts	-179

The total cash outflow for leases amounted to 5.1 MSEK during the year.

A maturity analysis of the Group's leasing liabilities is presented in Note 5.

Operational leasing

The Group's and parent company's operating leases mainly relate to the rental of office and factory premises, machinery, and cars in Täby, Gävle and Denver, USA. There is no re-rental.

Future minimum lease payments under non-cancellable operating leases applicable at the end of the reporting period are due for payment as follows:

	2018-12-31
Within a year	-4 332
Later than one but within five years	-14 147
Later than five years	-16 936
Total lease agreement	-35 416

Operating leases in the Group amounted to 8,339 (5,863) TSEK during the financial year. The Group's longest operating lease extends to 2028.

ACCOUNTING POLICIES

Previous accounting principles under IAS 17

Financial leases, in which the Group substantially assumes all risks and benefits related to the ownership of the leased item are reported in the Statement of Financial Position to the fair value of the leased property or, if the value is lower, to the present value of future minimum lease payments. Leasing payments are reported as financing costs and amortization of the debt. Financially leased assets are amortized over the expected useful life.

Leases where the lessor essentially retains all risks and benefits of ownership are classified as operational. Leasing charges are expensed on a straight-line basis in the Statement of Comprehensive Income during the lease period. Consideration is initially taken to any incentives that have been received when signing the lease.

Nilar has only leases classified as operational.

Changes in accounting principles

IFRS 16 Leasing Agreement was adopted in 2017 with effect from 1 January 2019. The new standard includes rules for both lessors and lessees. Nilar is the lessee primarily with regard to premises, cars and machinery, which means that the accounting changes from 2019. The change did not have a significant impact on the result, but on the other hand, the transfer was made in the income statement as the former operating leasing costs that are reported distributed among the various functions are now allocated to depreciation of the right of use in the various functions and that an interest component is reported in financial items. Furthermore, the balance sheet has been affected by the present value of future leasing fees being reported as an asset and liability, respectively. As of 1 January 2019, the debt was assessed, and the asset amounted to approximately 41.1 MSEK.

Nilar has chosen to report the transition to the new standard using the simplified method. The relief rule not to establish a comparative year has been applied. Leases of 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 lease liability. Contracts with a new acquisition value of less than USD

5,000 have been classified as low-value contracts and are not included in the reported liability.

The difference between the commitments reported in the previous year's annual report compared to the reported liability in accordance with IFRS 16 of 41.1 MSEK is presented below.

The reported liability of 41.1 MSEK is higher than the 11.3 MSEK reported in the Annual Report 2018 as a result of the inclusion of extension options regarding local rents and a more accurate calculation

Bridge between IAS 17 and IFRS 16

Commitments for operating leases as of 31 December 2018	35 416
Added extension option	17 525
Discount with marginal loan interest rate	-11 397
Deducted short-term leasing agreements	-184
Deducted lease agreements for which the underlying asset is of low value	-222
Additional leasing liability as a result of IFRS 16	41 137
Leasing debt reported as of 1 January 2019	41 137

Current accounting policies

Nilar assesses whether the contract is, or contains, a lease when the contract is concluded. Nilar recognizes a usufruct right and associated leasing liability for all leases in which Nilar is a leaseholder, except for short-term leases (contracts classified as leases with a lease term of 12 months) and low value leases (such as computers and office equipment with a new acquisition value below USD 5,000). For these leases, Nilar recognizes the lease payments as a cost linear over the lease unless another systematic approach is more representative of when the economic benefits of the leased assets are consumed by Nilar.

The lease debt is initially valued at the present value of the lease payments not paid at the start date, discounted using the implicit interest rate of the lease, if this interest rate can be easily determined otherwise the marginal borrowing rate will be used.

Nilar has included options to extend leases to the extent that it is reasonably certain that Nilar will exercise these options. Options to extend contracts are available for some leases. The options that are included in the calculation refer to local rents where for the applicable lease periods in addition to the minimum period have been included.

Leasing fees included in the valuation of the lease liability include:

- fixed fees (including fixed contributions to their net asset, less any benefits associated with subscription of leases;
- variable leasing charges due to an index or price;
- amounts expected to be paid by the lessee under residual guarantees;
- the exercise price of options to purchase if the lessee is reasonably confident in exercising the options;
- penalties payable in the event of termination of the lease, if the lease term reflects that the lessee will use the option to terminate the lease.

The leasing liability is reported as a separate item in Nilar's statement of financial position.

After the start date, the lease liability is measured by increasing the carrying amount to reflect the interest on the lease liability (using the effective interest method), and by reducing the carrying amount to reflect the lease payments paid.

Nilar reassesses the lease liability (and make a corresponding adjustment to the right of use) if either:

- the lease term changes or if the assessment of an option to purchase the underlying asset changes (revaluation is made at a changed discount rate);
- lease payments change as a result of changes in an index or price or if there is a change in the amounts expected to be paid under a residual value guarantee (revaluation is carried out using the initial discount rate unless the leasing payments change due to a change in the variable interest rate, in which case a change in discount rate shall be used);
- a change in the lease that is not recognized as a separate lease (revaluation is carried out at an amended discount rate).

Nilar has not made any such adjustments during the periods presented.

Rights of use include the sum of the initial valuation of the corresponding leasing liability, leasing fees paid at or before the start date and any initial direct expenditure. They are then valued at cost less accumulated depreciation and write-downs.

Usage rights are amortized during the shorter lease period and the useful life of the underlying asset. Depreciation starts at the start date of the lease.

The rights of use are reported as a separate item in Nilar's report on financial position.

Nilar applies IAS 36 to determine whether there is an impairment requirement for the right of use and recognizes any identified impairment loss as described in the "Property, Plant and Equipment" principle.

Variable leasing fees that do not depend on an index or price shall not be included in the valuation of the lease liability or the right of use. These related payments are recognized as an expense in the period in which the event or relationship that gives rise to these payments arises and is included as an operating expense in each function of the profit or loss.

As a practical solution, IFRS 16 allows not to separate non-leasing components from leasing components, and instead to recognize each leasing component and all associated non-leasing components as a single leasing component. Nilar has chosen to use this practical solution.

NOTE 29. OTHER PROVISIONS

Warranty provisions have been made with 15,416 TSEK as of 31 December 2019. This provision relates to the manufacturing cost of replacing existing batteries with the customer. Outflow for the regulation of guarantee commitments is expected to occur in 2020.

ACCOUNTING POLICIES

Provisions

Provisions are recognized when the Group has a liability, legal or informal, as a result of past events and when it is probable that a payment will be required to fulfill the obligation and that its value can be measured reliably. In cases where the company expects a provision made to be reimbursed by third parties, for example within the framework of an insurance contract, this expected remuneration is reported as a separate asset, but only when it is almost certain that the compensation will be received.

NOTE 30. DISCLOSURE OF ACCOUNTING FOR CAPITALIZATION OF DEVELOPMENT EXPENSES

In previous financial statements, the Company has grossly reported the capitalization of development expenses under the line 'Capitalization of development costs'. As of this financial statement, the capitalization of development expenses under the functions is reported net: cost of sales, research & development expenses, distribution and selling cost and administrative expenses. The company has adjusted previous period figures for each function to reflect the adjustment. The adjustment has no net effect on the result for either current or prior periods.

	2018			
	BEFORE ADJUSTMENT	ADJUSTMENT CAPITALIZATION	ADJUSTMENT DEPRECIATION	AFTER ADJUSTMENT
Revenue	3 396	-	-	3 396
Capitalization of development costs	17 392	-17 392	-	-
Cost of sales	-38 015	5 833	-6 869	-39 051
Gross profit	-17 227	-11 559	-6 869	-35 655
Research & development expenses	-40 712	9 532	6 802	-24 379
Distribution and selling costs	-17 934	2 027	-	-15 907
Administrative expenses	-14 992	-	68	-14 924
Other operating income	930	-	-	930
Operating income	-89 935	-	-	-89 935

NOTE 31. DISCLOSURE OF ACCOUNTING FOR DEPRECIATION OF CAPITALIZED DEVELOPMENT EXPENSES

In previous financial statements, the Company has reported depreciation for capitalized development expenses under the functions 'Research & development expenses' and 'Administrative expenses'. As of this financial report, depreciation is reported under the function 'Cost of sales'. The company has adjusted previous period figures for each function to reflect the adjustment. The adjustment has no net effect on the result for either current or prior periods.

	2018			
	BEFORE ADJUSTMENT	ADJUSTMENT CAPITALIZATION	ADJUSTMENT DEPRECIATION	AFTER ADJUSTMENT
Revenue	3 396	-	-	3 396
Capitalization of development costs	17 392	-17 392	-	-
Cost of sales	-38 015	5 833	-6 869	-39 051
Gross profit	-17 227	-11 559	-6 869	-35 655
Research & development expenses	-40 712	9 532	6 802	-24 379
Distribution and selling costs	-17 934	2 027	-	-15 907
Administrative expenses	-14 992	-	68	-14 924
Other operating income	930	-	-	930
Operating income	-89 935	-	-	-89 935



PARENT COMPANY'S INCOME STATEMENT OF COMPREHENSIVE INCOME

TSEK	NOTE	2019	2018
Revenue		-	-
Cost of sales		-	0
Gross profit		-	0
Research and development expenses		-15 981	-5 104
Distribution and selling costs		-1 244	-0
Administrative expenses		-21 108	-6 139
Other operating income		0	171
Operating loss	2, 3, 4	-38 332	-11 071
Finance income	5	7 842	2 114
Finance costs	5	-15 225	-1 118
Write-down of shares in subsidiaries		-191 914	-81 400
Finance costs - net		-199 297	-80 403
Loss after net financial items		-237 629	-91 475
Group contributions issued			
Profit before income tax		-237 629	-91 475
Deferred tax	6	-	-
Profit for the year		-237 629	-91 475
Parent company statement of other comprehensive income			
Other comprehensive income for the year, net after tax		-	-
Total comprehensive income		-237 629	-91 475

PARENT COMPANY'S CASH FLOW STATEMENT

TSEK	NOTE	2019	2018
Cash flow from operating activities			
Profit before income tax		-237 629	-88 225
Interest paid and received		-7 508	-1 118
Adjustment for other non-cash items			
Depreciation on tangible and intangible fixed assets		13 329	434
Write-down of shares in subsidiaries		191 914	81 400
Accrued interest		15 124	-
Cash flow from operating activities before changes in working capital		-17 262	-7 510
Cash flow from changes in working capital			
Increase (-) / decrease (+) in operating receivables		1 975	-2 232
Increase (+) / decrease (-) in accounts payable - trade		-	1 208
Increase (+) / decrease (-) in operating liabilities		14 666	3 495
Total changes in working capital		16 641	2 471
Cash flow from operating activities		-621	-5 039
Investing activities			
Loans granted to subsidiaries		-293 407	-124 737
Cash flow from operating activities		-293 407	-124 737
Financing activities			
New share issue		238 913	18 042
Option programme		-	100
Loans raised	10	185 075	58 802
Cash flow from financing activities		423 988	76 943
Cash flow for the year		129 960	-52 833
Reconciliation of cash and cash equivalents			
Cash equivalents as of beginning of the financial year		19 363	72 196
Cash flow for the year		129 960	-52 833
Cash and cash equivalents at year-end		149 322	19 363

PARENT COMPANY'S BALANCE SHEET

TSEK	NOTE	2019-12-31	2018-12-31
ASSETS			
FIXED ASSETS			
Intangible assets			
	15		
Patents		1 189	1 519
Capitalized expenses for development work		74 741	87 739
Total intangible fixed assets		75 929	89 258
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		147 042	45 549
Total financial non-current assets		147 143	45 650
Total fixed assets		223 072	134 908
CURRENT ASSETS			
Accounts receivable - trade		-	2 889
Tax assets		301	301
Other receivables		1 156	170
Prepaid expenses and accrued income	8	157	230
Cash and cash equivalents		149 322	19 363
Total current assets		150 936	22 952
Total assets		374 008	157 860

TSEK	NOTE	2019-12-31	2018-12-31
EQUITY AND LIABILITIES			
EQUITY			
Restricted equity			
Share capital	9	4 432	3 451
Statutory reserve		34 401	34 401
Total restricted equity		38 833	37 852
Non-restricted equity			
Share premium reserve		863 269	551 412
Profit/loss brought forward		-495 815	-404 340
Profit/loss for the year		-237 629	-91 475
Total non-restricted equity		129 825	55 598
Total equity		168 658	93 450
LIABILITIES			
Current liabilities			
Borrowings	10	185 075	58 802
Accounts payable - trade	10	5 215	2 872
Other liabilities	11	79	79
Accrued expenses and deferred income	10	14 981	2 657
Total current liabilities		205 350	64 410
Total equity and liabilities		374 008	157 860

PARENT COMPANY'S STATEMENT OF CHANGES IN EQUITY

TSEK	NOTE	RESTRICTED EQUITY		NON-RESTRICTED EQUITY			TOTAL EQUITY
		SHARE CAPITAL	STATUTORY RESERVE	SHARE PREMIUM RESERVE	PROFIT/LOSS BROUGHT FORWARD	PROFIT/LOSS FOR THE YEAR	
Opening balance per 1 January 2018	9	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		-	-	-	-	-91 475	-91 475
Total comprehensive income		-	-	-	-93 095	1 620	-91 475
Transactions with shareholders							
Share issue		180	-	17 862	-	-	18 042
Total transactions with shareholders	9	180	-	17 961	-	-	18 142
Closing balance per 31 December 2018		3 451	34 401	551 412	-404 340	-91 475	93 449
Comprehensive income							
Other comprehensive income		-	-	-	-91 475	91 475	-
Net profit/loss for the year		-	-	-	-	-237 629	-237 629
Total comprehensive income		-	-	-	-91 475	-146 155	-237 629
Transactions with shareholders							
Share issue		981	-	311 857	-	-	312 838
Total transactions with shareholders	9	981	-	311 857	-	-	312 838
Closing balance per 31 December 2019	9	4 432	34 401	863 269	-495 815	-237 629	168 658

NOTES FOR THE PARENT COMPANY

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.

IFRS 9 Financial Instruments

The parent company does not apply IFRS 9. Instead, a method based on cost is applied in accordance with the Annual Accounts Act. This means that financial fixed assets are valued at cost less any impairment loss and financial current assets according to the principle of the lowest value. When calculating the net realizable value of receivables recognized as current assets, the principles of impairment testing and loss risk provisioning in accordance with IFRS 9 are applied, see principles for the Group. When assessing and calculating impairment requirements for financial assets recognized as fixed assets, the principles of impairment testing and loss risk provisioning are applied in IFRS 9 whenever possible. Financial liabilities are valued at amortized cost using the effective interest method. Principles for the booking and cancellation of financial instruments correspond to those applied to the Group and described above.

Leases

Nilar, who are lessees, must report leasing fees as a cost on a straight-line basis over the lease period, unless another systematic way better reflects the user's financial benefit over time.

Changed accounting policies

Changes in RFR 2 that have come into force

IFRS 16 Leases

Due to the relationship between accounting and taxation, the rules in IFRS 16 do not need to be applied in legal entities. Leasing agreements are reported instead in accordance with the rules in RFR 2. The changes in RFR 2 regarding IFRS 16 shall begin to apply for fiscal years beginning 1 January 2019 or later. The Parent Company applies the exemption from the application of IFRS 16, which means that the Parent Company's

leasing agreements are reported on a straight-line basis over the contract period, which essentially does not mean any change compared to previous principles.

The other changes in RFR 2 Accounting for legal entities that have come into force and apply for the financial year 2019 have not had a material impact on the parent company's financial reports.

Changes in RFR 2 which have not yet come into force

The Parent Company has not yet begun to apply the changes in RFR 2 Accounting for legal entities that enter into force on 1 January 2020 or later. The changes are not expected to have any significant effect.

NOTE 2. OPERATING EXPENSES

	2019	2018
Cost of goods sold	-	-
Costs for remuneration to employees and directors	-4 618	-3 739
Cost of hired staff	-216	-
Depreciation	-13 329	-3684
Other costs	-20 170	-3 820
Total costs for goods sold, development, sales and administration	-38 333	-11 243

NOTE 3. REMUNERATION TO AND REIMBURSEMENT OF AUDITORS

	2019	2018
Deloitte AB		
Audit engagement	-505	-320
Other audit activities	-671	-150
Other services	-	-
Total Deloitte	-1 176	-470
BDO		
Other services	-559	-
Total BDO	-559	-

During the year, BDO conducted on behalf of the company an audit of the internal control over the financial reporting.

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

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

AVERAGE NUMBER OF EMPLOYEES	2019	2018
Women	-	-
Men	1	1
Total	1	1

SALARIES, REMUNERATION, SOCIAL SECURITY COSTS AND PENSION EXPENSES	2019	2018
Salaries and remuneration to Board members, the CEO and the CFO	-3 255	-2 247
Salaries and remuneration to other employees	-	-
Total salaries and remuneration	-3 255	-2 247
Statutory social security costs	-1 194	-855
Pension expenses for Board members, the CEO and the CFO	-633	-636
Pension expenses for other employees	-	-
Total social security costs and pension expenses	-1 828	-1 491
Total	-5 083	-3 739

NUMBER OF BOARD MEMBERS ON THE BALANCE SHEET DATE	2019	2018
Women	1	1
Men	6	7
Total	7	8

NUMBER OF CEOs AND OTHER SENIOR EXECUTIVES	2019	2018
Women	-	-
Men	1	1
Total	1	1

NOTE 5. FINANCIAL INCOME AND EXPENSES

FINANCIAL INCOME	2019	2018
Interest income group companies	7 842	2 113
Exchange gains	-	2
Total financial income	7 842	2 114

FINANCIAL EXPENSES	2019	2018
Interest expenses to shareholders	-15 094	-1 116
Other interest expenses	-4	-3
Exchange losses	-128	-
Total financial expenses	-15 225	-1 118

No part of interest expenses to shareholders is paid.

NOTE 6. TAX

REPORTED TAX	2019	2018
Deferred tax	-	-
Deferred tax regarding previous years	-	-
Total reported tax	-	-

RECONCILIATION OF EFFECTIVE TAX	2019	2018
Profit before tax	-237 629	-86 357
Income tax calculated according to national tax rates prevailing on profit in each country. 21.4% in Sweden.	50 853	18 999

Tax effects of:	2019	2018
- Non-taxable income	-	-
- Non-deductible costs	-41 071	-17 911
- Taxable losses for which no deferred tax assets have been reported	-9 782	-1 088
- 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	2019-12-31	2018-12-31
Opening acquisition cost	101	101
Shareholder contributions	191 914	81 400
Impairment of shareholder contributions	-191 914	-81 400
Closing reported value	101	101

SUBSIDIARY/CORPORATE IDENTITY NUMBER/REGISTERED OFFICE	COUNTRY	PARTICIPATION, % 2019-12-31
Nilar AB, 556790-0815, Gävle	Sweden	100%
Nilar Inc., 1415595, Delaware	USA	100%

NOTE 8. PREPAID EXPENSES AND ACCRUED INCOME

	2019-12-31	2018-12-31
Prepaid lease fees	111	107
Prepaid insurance	6	6
Other items	39	116
Total prepaid expenses and accrued income	157	230

NOTE 9. SHARE CAPITAL

SHARE CAPITAL	TOTAL NUMBER OF SHARES
Number of shares outstanding as at 31 December 2017	3 270 579
Subscription for new shares by use of warrants	180 403
Number of shares outstanding as at 31 December 2018	3 450 982
Share issue by set-off	980 875
Number of shares outstanding as at 31 December 2019	4 431 857

The total number of ordinary shares as of 31 December 2019 amounts to 4,431,857. 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	2019-12-31	2018-12-31
Borrowing	185 075	58 802
Accounts payable	5 215	2 872
Accrued interest expenses	864	1 117
Total other financial liabilities	191 154	62 791

Change in liabilities in financing operations

	18-12-31	CASH FLOW	ACQUISITION/ DIVESTMENT	RECLASSIFICA- TIONS	TRANSLATION DIFFERENCES	VALUATION TO REAL VALUE	19-12-31
Loan with conversion right pre-IPO	52 802	-	-	-58 802	-	-	-
Convertible loan	-	165 075	-	-	-	-	165 075
Bridge loan	6 000	20 000	-	-6 000	-	-	20 000
Total	58 802	185 075	-	-58 802	-	-	185 075

	17-12-31	CASH FLOW	ACQUISITION/ DIVESTMENT	RECLASSIFICA- TIONS	TRANSLATION DIFFERENCES	VALUATION TO REAL VALUE	18-12-31
Loan with conversion right pre-IPO	-	52 802	-	-	-	-	52 802
Bridge loan	-	6 000	-	-	-	-	6 000
Total	-	58 802	-	-	-	-	58 802

NOTE 11. OTHER LIABILITIES

OTHER LIABILITIES	2019-12-31	2018-12-31
Accrued payroll taxes	46	46
Social security expenses	33	32
Other current liabilities	-	-
Total other liabilities	79	79

NOTE 12. ACCRUED EXPENSES AND DEFERRED INCOME

	2019-12-31	2018-12-31
Accrued employee-related items	-991	-245
Accrued interest for convertible and shareholder loans	-864	-1 117
Accrued expenses for share-based payments	-	-
Accrued audit expenses	-320	-360
Accrued consulting fees	-12 806	-
Accrued marketing expenses	-	-937
Other items	-	-
Total accrued expenses and deferred income	-14 981	-2 657

NOTE 13. PLEDGED ASSETS AND CONTINGENT LIABILITIES

PLEDGED ASSETS	2019-12-31	2018-12-31
Mortgage letters	20 000	20 000
Total pledged assets	20 000	20 000
CONTINGENT LIABILITIES	2019-12-31	2018-12-31
Other contingent liabilities	-	-
Total contingent liabilities	-	-

NOTE 14. LEASES

	2019-12-31	2018-12-31
Within one year	-114	-129
Between one and five years	-	-
After more than five years	-	-
Total leasing agreements	-114	-129

**NOTE 15. INTANGIBLE ASSETS**

	2019-12-31			2018-12-31		
	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	-5 347	-3 250	-8 597	-4 914	-	-4 914
Adjustment	-	-	-	-	-3 250	-3 250
Depreciation for the year	-331	-12 998	-13 329	-434	-	-434
At year-end	-5 578	-16 248	-21 926	-5 347	-3 250	-8 597
Recognized value						
At the start of the year	1 519	87 739	89 258	1 953	90 989	92 942
At year-end	1 189	74 741	75 929	1 519	87 739	89 258

Depreciation of capitalized development expenditures as of 31 December 2018 has been adjusted by 3,250 TSEK (see Note 16).

NOTE 16. INFORMATION ON ERROR IN EARLY PERIODS

Depreciation of capitalized development expenses in the Group began in Q4 2018 as a result of the product being considered to be launched at that time. Depreciation of capitalized development expenses in the Parent Company prior to the Company's first consolidated financial statements as of 31 December 2013 in accordance with IFRS would have commenced at the same time.

	2018		
	BEFORE ADJUSTMENT	ADJUSTMENT	AFTER ADJUSTMENT
Revenue	-	-	-
Cost of sales	-	-	-
Gross profit	-	-	-
Research and development expenses	-1 854	-3 250	-5 104
Distribution and selling costs	-	-	-
Administrative expenses	-6 139	-	-6 139
Other operating income	171	-	171
Operating loss	-7 822	-3 250	-11 071
Finance income	2 114	-	2 114
Finance costs	-1 118	-	-1 118
Write-down of shares in subsidiaries	-81 400	-	-81 400
Finance costs - net	-80 403	-	-80 403
Loss after net financial items	-88 225	-3 250	-91 475
Group contributions issued	-	-	-
Profit before income tax	-88 225	-3 250	-91 475
Deferred tax	-	-	-
Profit for the year	-88 225	-3 250	-91 475

	2018		
	BEFORE ADJUSTMENT	ADJUSTMENT	AFTER ADJUSTMENT
ASSETS			
Fixed assets	138 158	-3 250	134 908
Current assets	22 952	-	22 952
Total assets	161 109	-3 250	157 860
EQUITY AND LIABILITIES			
Equity	96 699	-3 250	93 449
Non-current liabilities	-	-	-
Current liabilities	64 410	-	64 410
Total equity and liabilities	161 109	-3 250	157 860

NOTE 17. POST BALANCE SHEET EVENTS**Convertible**

As of the balance sheet date, 165 MSEK of the convertible loan of 175 MSEK had been paid into the Company. After the balance sheet date, the remaining 10 MSEK was paid to the Company.

Bridge loan

The bridge loan amounting to 20 MSEK has been repaid in full after the balance sheet date.

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 20 May 2020. The consolidated income statement and balance sheet are subject to approval at the Annual General Meeting on 30 June 2020.

Täby, 20 May 2020

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

Marcus Wigren
CEO

Our auditors' report was submitted on 20 May 2020
Deloitte AB

Therese Kjellberg
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 report and consolidated financial statements of Nilar International AB (publ) for the financial year 2019-01-01 - 2019-12-31. The Company's annual report and consolidated financial statements are included on pages 37-74 of this document.

In our opinion, the annual accounts and consolidated financial statements have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the financial position of the Parent Company and the Group as of 31 December 2019 and of their financial results and cash flows for the year in accordance with the Annual Accounts Act. The annual report is consistent with the other parts of the annual report and consolidated financial statements.

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 have carried out the audit in accordance with International Standards on Auditing (ISA) and good auditing practice in Sweden. Our responsibilities according to these standards are described in more detail in the Auditor's responsibility section. We are independent in relation to the parent company and the Group in accordance with good accounting practice in Sweden and have otherwise fulfilled our professional ethical responsibilities in accordance with these requirements.

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

Significant uncertainty factor regarding the assumption of continued operation

We would like to draw attention to the description in the annual report under section 'Continuous funding', which shows the Board's views and measures to secure funding for further development. As stated in the Annual Report, these events and

circumstances indicate that there is a material uncertainty factor that could lead to significant doubts about the company's ability to continue operating. We have not modified our statement because of this.

Information other than the annual report and the financial statements

The other information is the responsibility of the Board of Directors and the CEO. The second information consists of pages 1-36 and 78 - 94 but does not include the annual report, the consolidated financial statements and our auditor's report regarding these.

Our statement regarding the annual accounts and consolidated financial statements does not include this information and we make no statement at testing for this other information.

In connection with our audit of the annual accounts and consolidated financial statements, it is our responsibility to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated financial statements. In this review, we also take into account the knowledge we have otherwise acquired during the audit and assess whether the information otherwise appears to contain material misstatement.

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

Responsibilities of the Board of Directors and the CEO

The Board of Directors and the CEO are responsible for ensuring that the annual accounts and consolidated accounts are prepared and that they give a true and fair view in accordance with the Annual Accounts Act. The Board of Directors and the CEO are also responsible for the internal control that they deem necessary for the preparation of an annual report and consolidated financial statements that do not contain any material misstatement, whether due to irregularities or mistakes.

In preparing the annual report and consolidated financial

statements, the Board of Directors and the CEO are responsible for assessing the company's and the Group's ability to continue operations. They disclose, where applicable, conditions that may affect the ability to continue operations and to use the assumption of continued operation. However, the assumption of continued operation does not apply 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 responsibilities

Our objective is to obtain a reasonable degree of assurance as to whether the annual accounts and consolidated financial statements as a whole contain no material misstatement, whether due to irregularities or mistakes, and to provide an audit report containing our statements. Reasonable assurance is a high degree of certainty, but is no guarantee that an audit carried out under ISA and good auditing practice in Sweden will always detect a material error if one exists. Errors may arise as a result of irregularities or errors and are considered material if they can reasonably be expected to influence the financial decisions taken by users on the basis of the annual accounts and consolidated accounts individually or collectively.

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

- we identify and assess the risks of material misstatement in the annual accounts and consolidated financial statements, whether due to irregularities or errors, design and perform audit measures, including on the basis of these risks, and obtain audit evidence that is sufficient and appropriate to form the basis for our statements. The risk of not detecting material irregularity as a result of irregularities is higher than for a material error due to errors, as irregularities may include collusion, falsification, intentional omissions, misinformation or breach of internal control.

- we gain an understanding of the part of the company's internal control that is relevant to our audit in order to design audit measures that are appropriate to the circumstances, but not to comment on the effectiveness of internal control.

we evaluate the appropriateness of the accounting policies used and the reasonableness of the Board's and the CEO's estimates in the financial statements and related disclosures.

- we draw a conclusion on the appropriateness of the Board of Directors and the CEO using the assumption of continued operation in the preparation of the annual accounts and consolidated financial statements. We also draw a conclusion, based on the audit evidence gathered, as to whether there is any material uncertainty related to such events or circumstances that could lead to significant doubts about the company's and the Group's ability to continue operations. If we conclude that there is a material uncertainty factor, we must draw attention in the auditor's report to the information contained in the annual accounts and consolidated financial statements about the material uncertainty factor or, if such disclosures are insufficient, to modify the statement on the annual accounts and consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of the audit report. However, future events or circumstances may mean that a company and group can no longer continue operations.

- we evaluate the overall presentation, structure and content of the annual accounts and consolidated financial statements, including the disclosures, and whether the annual accounts and consolidated financial statements reflect the underlying transactions and events in a manner that gives a true and fair view.

- we obtain sufficient and appropriate audit evidence regarding the financial information for the entities or business activities within the Group to make a statement regarding the consolidated financial statements. We are responsible for the control, monitoring and execution of the group audit. We are solely responsible for our statements.

We must inform the Board of Directors of, 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 deficiencies in internal control that we have identified.

Report on other legislative and regulatory requirements Statements

In addition to our audit of the annual report and consolidated financial statements, we have also carried out an audit of the board's and the CEO's management of Nilar International AB (publ) for the financial year 2019-01-01 - 2019-12-31 and of the proposed dispositions regarding the company's profit or loss.

We recommend that the Annual General Meeting dispose of the profits as proposed in the Annual Report and discharge the Members of the Board of Directors and the CEO from liability for the financial year.

Basis for statements

We have carried out the audit in accordance with good auditing practice in Sweden. Our responsibilities according to this are described in more detail in the auditor's responsibility section. We are independent in relation to the parent company and the Group in accordance with good accounting practice in Sweden and have otherwise fulfilled our professional ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the CEO

The Board of Directors is responsible for the proposed dispositions regarding the company's profit or loss. In the case of a dividend proposal, this includes, among other things, an assessment of whether the dividend is justifiable in view of the requirements that the company's and the Group's operating activities, scope and risks impose on the size of the parent company's and the Group's equity, consolidation needs, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the management of the company's affairs. This includes, among other things, continuously assessing 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 funds and the company's financial affairs are otherwise controlled in a satisfactory manner. The CEO shall manage day-to-day management in accordance with the guidelines and instructions of the Board of Directors and, inter alia, take the necessary measures to ensure that the company's accounts are carried out in accordance with the law and that the management of funds is carried out in a satisfactory manner.

Auditor's responsibilities

Our objective regarding the audit of the administration, and thus our discharge statement, is to obtain audit evidence in order to be able to assess with a reasonable degree of certainty whether any board member or the CEO in any material respect:

- any action or omissions which may give rise to liability to the company;
- otherwise acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our goal regarding the audit of the proposal for dispositions of the company's profit or loss, and thus our statement on this, is to assess with reasonable degree of certainty whether the proposal is compatible with the Companies Act.

Reasonable assurance is a high degree of certainty, but no guarantee that an audit carried out in accordance with good auditing practice in Sweden will always detect any measures or omissions that may give rise to liability to the company, or that a proposal for dispositions of the company's profits or losses is not compatible with the Swedish Companies Act.

As part of an audit according to good auditing practice in Sweden, we use professional judgment and have a professionally skeptical attitude throughout the audit. The audit of the management and the proposed dispositions of the company's profits or losses are mainly based on the audit of the accounts. The additional audit measures are based on our professional assessment based on risk and materiality. This means that we focus the review on such measures, areas and circumstances that are essential to the business and where deviations and violations would have a particular bearing on the company's situation. We review and examine decisions, decision-making, measures taken and other circumstances relevant to our discharge statement. As a basis for our statement on the Board's proposal for dispositions regarding the company's profit or loss, we have examined whether the proposal is compatible with the Swedish Companies Act.

Stockholm, 20 May 2020
Deloitte AB

Therese Kjellberg
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 marginal (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 ratio

Interest-bearing net liabilities divided by equity.

Equity/asset ratio

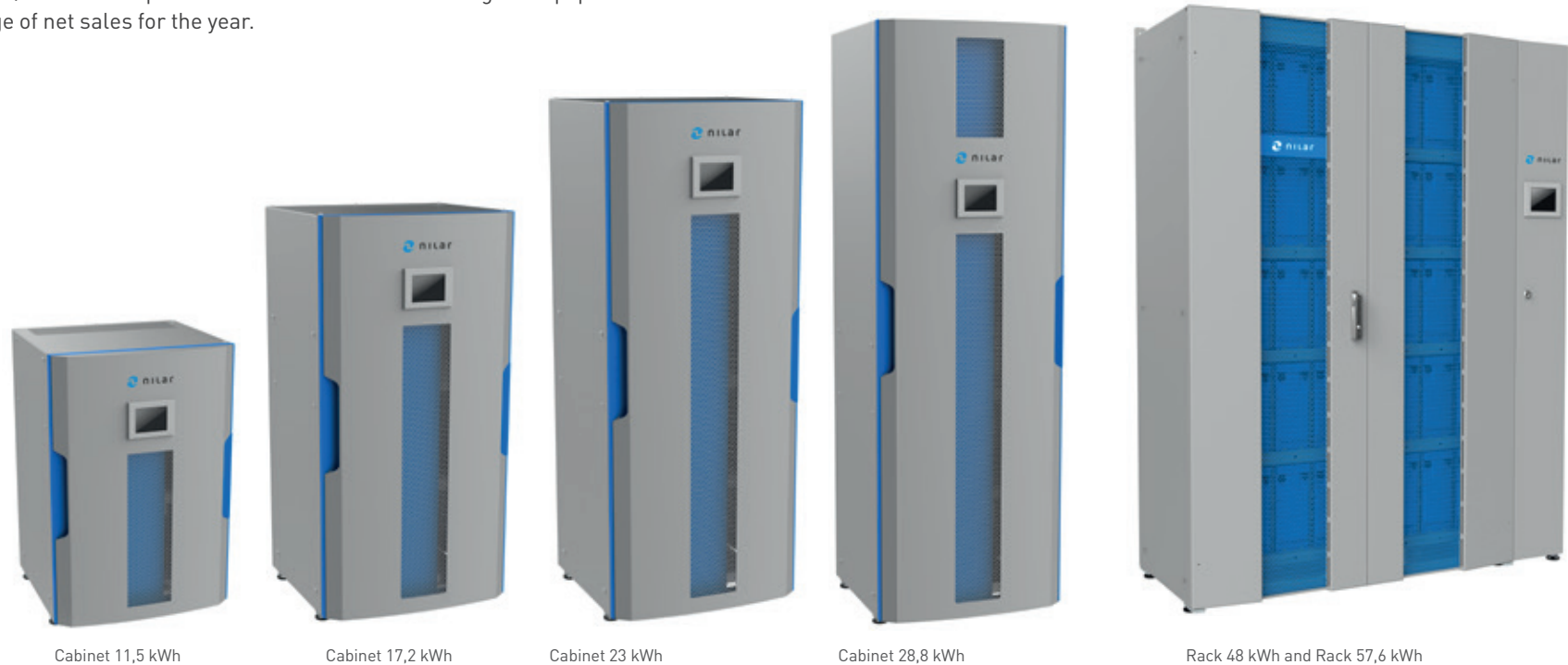
Equity in relation to total assets.

IPO

Initial public offering. Stock market listing.

CAGR

Compound annual growth rate.



CORPORATE GOVERNANCE REPORT

Nilar International AB (publ) is a Swedish public limited company with its registered office in Täby, Sweden. The company applies the Swedish Code of Corporate Governance (the 'Code').

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 actively worked to adapt to 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 2019 Annual General Meeting

The table below provides an overview of the composition of the Board in 2019. Additional information about Board members can be found on pages 84-85.

NAME	BOARD ROLE	ELECTED/ APPOINTED	AUDIT COMMITTEE	NOMINATION 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	2018	-	-	Yes	Yes
Lars Fredriksson	Member	2000	-	-	Yes	Yes
Anders Gudmarsson	Member	2016	Member	Member	Yes	Yes
Alexander Izosimov	Member	2016	-	-	Yes	Yes
Peter Tell	Member ²⁾	2010	-	-	Yes	Yes

1) CEO until 1 April 2018, chairman from 1 April 2018. 2) Resigned 19 June 2019.

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 2019 the Company had a total of 126 (118) shareholders.

The five largest shareholders controlled 47.7% (49.9) of capital and votes at the end of the year.

Annual General Meeting 2019

The Annual General Meeting for the financial year 2018 took place on June 19, 2019. The date of the Annual General Meeting was published in the same way as in previous years. Registered shareholders were present at the Annual General Meeting. In addition to the Annual General Meeting's decision to adopt the income statement and balance sheet for the company and the Group and that no dividend was paid for 2018, it was also resolved to discharge the Board of Directors and the CEO, the election of board members, the re-election of Deloitte AB as auditor, board and auditor fees, and to authorize the Board of Directors to resolve on the issue of a maximum of 1,500,000 shares until the next Annual General Meeting on one or more occasions, with or without preferential rights for shareholders and within the limits permitted by the Articles of Association, to be paid in cash or by set-off. Peter Tell declined re-election.

Extra general meeting

During the year, an extraordinary general meeting was held on 5 March 2019. Notice of the Meeting was given in accordance with the Articles of Association.

Annual General Meeting 2020

The 2020 Annual General Meeting will be held on Tuesday 30 June at 16.00 at the company's lawyers Baker & McKenzie with address Vasagatan 7 in Stockholm. More information is available at www.nilar.com.

NOMINATION COMMITTEE

The nomination 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 nomination committee were adopted at the AGM held on 19 June 2019. 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.

During the year, the nomination committee worked actively to rejuvenate the Board, broaden diversity and to increase the Board's expertise in various areas. The Nomination Committee met three times during the year. After the balance sheet date, Ossian Ek Dahl as representative of Första AP-fonden has joined the nomination committee.

NOMINATION 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 seven ordinary elected members. Board members are presented in more detail in the section 'Board of Directors, senior executives and auditors'.

Board meetings in 2019

Attendance of Board members at Board meetings in 2019.

NAMES OF THE BOARD MEMBERS	ATTENDANCE/ TOTAL NUMBER OF MEETINGS
Michael Obermayer	13/13
Anders Barsk	13/13
Stefan De Geer	13/13
Gunilla Fransson	13/13
Lars Fredriksson	13/13
Anders Gudmarsson	13/13
Alexander Izosimov	11/13
Peter Tell	7/7

As a result of the company's situation and size, the Board of Directors has during the year been very active in matters related to strategy, financing, expansion of production capacity and competence supply.

Evaluation of Board activities in 2019

The Board continuously evaluates its work through discussions within itself and with the nomination committee. The aim is to develop the Board's overall competence and its working methods and efficiency.

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	8/8
Anders Gudmarsson	8/8
Michael Obermayer	8/8

During the year, the audit committee has worked actively with financing, internal control and governance issues. In addition, meetings were held with the auditor to review the 2018 audit, the results of the review of the Q3 interim report and the 2019 audit plan.

REMUNERATION COMMITTEE

Given the size of the company, Nilar has chosen not to set up a separate remuneration committee. The Board of Directors fulfils the tasks in its entirety. A remuneration committee is planned to be put in place in 2020.

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 board members elected by

the AGM are determined by the Annual General Meeting. The Annual General Meeting on 19 June, 2019 resolved that a fixed fee shall be paid to the Board of Directors of a price base amount to each board member and four price base amounts to the Chairman of the Board, the Chairman of the Board's remuneration shall be valid until the previous listing of the company's shares or the next Annual General Meeting.

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 2019, the executive management consisted of six members: the CEO, CFO, Head of Sales & Marketing, Head of Product Development, 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 86-87.

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 of financial reporting

Financial statements are prepared monthly, quarterly and yearly in the Group and subsidiaries. In connection with the reporting, comprehensive analyses are made with comments as well as updated forecasts aimed, among other things, at ensuring that financial reporting is correct. Financial functions and controllers with functional responsibility for accounting, reporting and analysis of financial development are available at group and unit level.

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 deliberately 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.

During the year, a project was carried out together with the accounting firm BDO to map Nilar's processes for internal governance and control, regarding the requirements of a listed company on Nasdaq First North Premier. The gaps were identified, and measures were taken by the company in early 2020 to begin closing them. In 2020, the company will introduce processes to test and report back key controls.

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 Therese Kjellberg being the authorized 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.

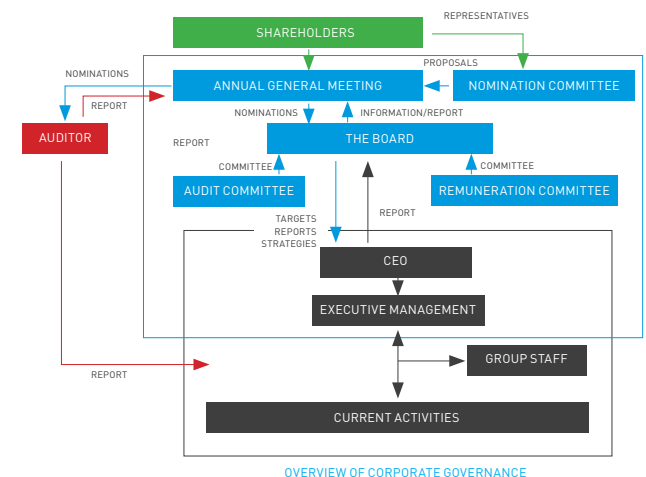
During the third quarter, management meets to establish the audit plan and analysis of the organization, operations, business processes and balance sheet items in order to identify areas that pose an increased risk of errors in financial reporting.

In addition, a meeting is held with the Audit Committee for reconciliation of the audit planning. The auditor also attends at least one board meeting per year in accordance with rules of procedure at 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.



SIGNATURES

Täby, 20 May 2020

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

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 2019 presented on pages 79-82 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, 20 May 2020
Deloitte AB

Therese Kjellberg
Authorized Public Accountant

THE BOARD OF DIRECTORS



MICHAEL OBERMAYER

GUNILLA FRANSSON

ANDERS GUDMARSSON

LARS FREDRIKSSON

STEFAN DE GEER

Not in the picture: Anders Barsk and Alexander Izosimov.

	MICHAEL OBERMAYER	ANDERS BARK	STEFAN DE GEER	GUNILLA FRANSSON	LARS FREDRIKSSON	ANDERS GUDMARSSON	ALEXANDER IZOSIMOV
	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
Year elected	2012	2004	2017	2018	2000	2016	2016
Current employment	Managing Partner Fjord Capital Partners.	Investor.	Advisor.	-	-	-	-
Born	1948	1950	1956	1960	1949	1948	1964
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
Other duties	Chairman Samplix ApS.	-	Chairman Halmslätten Fastighets AB (publ) and PCTC Invest AB; Board member Origa Care AB (publ).	Board member in Trelleborg AB, Norderman AB, Eitel AB, Enea AB and some unlisted companies, including chairman of Novare Peritos AB and Net Insight AB.	-	-	-
Independent of the company and corporate management	No	Yes	Yes	Yes	Yes	Yes	Yes
Independent of the company's major shareholders	No	Yes	Yes	Yes	No	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 Germandt & 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.
Shareholding as at 31 December 2019	11 854	192 036	2 000	2 000	267 924	6 773	12 800
Share options as at 31 December 2019	24 000	-	5 000	5 000	-	-	-
Number of Board meetings Attendance/total number of meetings	13/13	13/13	13/13	13/13	13/13	13/13	11/13
Audit committee Attendance/total number of meetings	Yes 8/8	No -	Yes 8/8	No -	No -	Yes 8/8	No -
Remuneration 2019	186	47	47	47	47	47	47

EXECUTIVE MANAGEMENT AND AUDITOR



ANETTE ANDERUNG

ERIK TOLAGEN

MARCUS WIGREN

MAGNUS NORDGREN

JAN LUNDQUIST

	MARCUS WIGREN	MAGNUS NORDGREN	ANETTE ANDERUNG	JAN LUNDQUIST	ERIK TOLAGEN	THERESE KJELLBERG
Current position	CEO	CFO	Production/Site Operations Manager Gävle	Head of Sales & Marketing	Head of Product Management	Deloitte AB Chief auditor
In current position/ Employed in the company	2018/2007	2013	2020	2019/2012	2019/2012	Auditor of the company since 2019
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.	BSc Data and Automation, University of Gävle BSc Teacher within Automation Dalarna University	Stockholm School of Economics Executive Education, IHM Business School.	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 Vaccon 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.	Global Quality and Efficiency manager Sandvik Rock Tools, Production Manager Rotary Bits Sandvik Rock Tools, Production Manager Top Hammer Bits Sandvik Mining & Rock Technology, Manager Production Engineering Sandvik Mining & Construction.	Managing director Gycom Svenska AB, Country manager, Gycom Norge AS Business unit manager Gycom Danmark A/S Regional manager Gylling Component AB.	Engineer Svensk Konstruktionsstjänst, Technical sales Promoco Scandinavia AB, Product manager Gycom Nordic AB.	
Born	1975	1970	1963	1964	1973	1971
Nationality	Swedish	Swedish	Swedish	Swedish	Swedish	Swedish
Other duties	Board member Power Circle.	-	-	-	-	
Shareholding as at 31 December 2019	-	-	-	299	-	
Share options as at 31 December 2019	30 000	21 000	-	-	15 000	

KEY FIGURES FOR THE GROUP

MSEK	2019	2018	2017	2016	2015
Income statement					
Revenue	10,4	3,4	1,1	0,3	0,4
Gross profit	-151,1	-35,7	-24,0	-19,2	-20,2
EBITDA	-183,0	-77,8	-53,1	-38,2	-33,2
Operating profit / EBIT	-221,7	-89,9	-58,5	-43,7	-39,2
Profit/loss before tax	-238,5	-91,1	-59,2	-44,0	-43,9
Profit/loss after tax	-238,5	-91,1	-59,2	-44,0	-43,9
Other					
Depreciation	-38,8	-12,1	-5,4	-5,5	-6,0
intangible fixed assets	-28,2	-7,3	-0,5	-0,5	-0,7
tangible fixed assets	-6,9	-4,7	-4,9	-5,0	-5,3
Capitalised expenses for development work	26,8	17,4	17,2	18,5	14,3
Full-time equivalent employees, number	90	48	44	38	41
Cash flow from					
operating activities	-135,2	-73,6	-52,9	-37,1	-40,2
investing activities	-135,2	-45,6	-24,9	-21,5	-14,5
financing activities	420,0	76,9	135,0	55,7	66,7
Cash flow for the period	130,9	-42,3	57,1	-2,8	12,0
Ordinary shares and share options in issue, thousand					
Weighted average number of ordinary shares in issue	4 047,7	3 281,2	2 912,5	2 471,5	1 439,8
Weighted average number of share options in issue	149,5	275,3	320,6	228,3	181,1
Weighted average number of shares after dilution	4 197,2	3 556,5	3 233,1	2 699,8	1 620,9

MSEK	2019	2018	2017	2016	2015
Balance sheet					
Non-current assets	370,4	232,8	198,5	178,9	163,0
Current assets	195,5	56,1	86,2	27,9	30,5
Total assets	565,9	288,9	284,7	206,8	193,5
Equity	275,8	201,3	274,3	186,0	181,4
Non-current liabilities	33,0	-	-	-	1,9
Current liabilities	257,1	87,5	10,4	20,7	10,1
Total equity and liabilities	565,9	288,9	284,7	206,8	193,5
Other					
Patents	1,2	1,5	2,0	2,5	3,0
Capitalised expenditure for development work	190,8	191,8	181,3	164,1	145,6
Property, plant and equipment	60,5	16,2	7,0	10,2	14,4
Fixed assets under construction	80,4	23,2	8,2	2,2	-
Inventory	17,6	8,0	4,7	5,7	6,5
Cash and cash equivalents	163,4	32,5	74,8	17,6	20,5
Equity/asset ratio, %	49%	70%	96%	90%	94%
Debt ratio, times	1,0	0,4	0,0	0,1	0,1

Ordinary shares and share options in issue at end of period, thousand

Shares in issue at end of period	4 431,9	3 451,0	3 270,6	2 615,5	2 261,4
Share options in issue at end of period	149,5	149,5	319,9	320,6	181,1

QUARTERLY DATA FOR THE GROUP

MSEK	2019				2018				2017			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Income statement												
Revenue	4,6	1,8	2,5	1,5	1,4	0,2	0,9	0,8	0,6	0,0	0,4	0,1
Gross profit	-61,7	-35,9	-30,3	-23,1	-13,2	-11,3	-4,7	-6,5	-8,4	-7,0	-5,5	-3,0
EBITDA	-70,8	-47,6	-39,4	-27,9	-25,3	-21,9	-15,7	-14,9	-16,2	-13,9	-13,4	-9,8
Operating profit / EBIT	-81,4	-56,3	-47,8	-26,2	-33,7	-23,2	-17,0	-16,0	-17,4	-15,2	-14,8	-11,1
Profit/loss before tax	-83,0	-56,6	-58,1	-40,9	-34,8	-23,2	-17,0	-16,0	-17,4	-15,2	-15,1	-11,5
Profit/loss after tax	-83,0	-56,6	-58,1	-40,9	-34,8	-23,2	-17,0	-16,0	-17,4	-15,2	-15,1	-11,5
Other												
Depreciation	-10,6	-9,6	-9,3	-9,2	-8,4	-1,4	-1,3	-1,1	-1,3	-1,4	-1,4	-1,4
intangible fixed assets	-7,0	-7,1	-7,0	-7,0	-7,0	-0,1	-0,1	-0,1	-0,1	-0,1	-0,1	-0,1
tangible fixed assets	-2,6	-1,6	-1,4	-1,3	-1,3	-1,2	-1,2	-1,0	-1,2	-1,2	-1,3	-1,3
Capitalised expenses for development work	11,0	5,8	5,4	4,7	4,7	3,8	4,1	4,7	5,7	3,8	3,9	3,9
Full-time equivalent employees, number	114	100	77	69	55	50	44	44	44	45	44	43
Cash flow from												
operating activities	-36,5	-55,3	-29,5	-32,6	-22,6	-19,5	-15,4	-16,1	-12,5	-13,0	-11,6	-15,8
investing activities	-28,2	-48,3	-38,9	-19,8	-20,5	-9,3	-8,6	-7,2	-9,6	-3,7	-7,3	-4,3
financing activities	183,2	-0,7	208,8	28,6	60,8	16,2	0,0	-	11,0	2,7	111,0	10,3
Cash flow for the period	118,5	-104,3	140,5	-23,8	17,6	-12,7	-24,0	-23,2	-11,0	-14,1	92,1	-9,9
Ordinary shares and share options in issue, thousand												
Weighted average number of ordinary shares in issue	4 431,9	4 431,9	3 876,0	3 451,0	3 312,8	3 270,8	3 270,6	3 270,6	3 226,1	3 188,2	2 620,2	2 615,5
Weighted average number of share options in issue	149,5	149,5	149,5	149,5	141,8	319,7	319,9	319,9	320,5	320,6	320,6	320,6
Weighted average number of shares after dilution	4 581,4	4 581,4	4 025,5	3 600,5	3 454,7	3 590,5	3 590,5	3 590,5	3 546,6	3 508,8	2 940,8	2 936,1

MSEK	19-12-31	19-09-30	19-06-30	19-03-31	18-12-31	18-09-30	18-06-30	18-03-31	17-12-31	17-09-30	17-06-30	17-03-31
Balance sheet												
Non-current assets	370,4	352,0	287,3	258,3	232,8	219,8	211,8	204,5	198,5	190,1	187,7	181,9
Current assets	195,5	85,5	182,2	46,6	56,1	28,8	40,9	63,7	86,2	98,1	113,1	20,1
Total assets	565,9	437,4	495,5	330,3	288,9	248,5	252,7	268,3	284,7	288,3	300,9	202,0
Equity	275,8	358,5	415,3	160,5	201,3	234,2	241,3	258,3	274,3	280,7	266,2	174,5
Non-current liabilities	33,0	33,8	34,5	35,2	-	-	-	-	-	-	-	-
Current liabilities	257,1	45,1	50,2	139,0	87,5	14,3	11,4	9,9	10,4	7,5	34,6	27,5
Total equity and liabilities	565,9	437,4	495,5	330,3	288,9	248,5	252,7	268,3	284,7	288,3	300,9	202,0
Other												
Patents	1,2	1,3	1,3	1,4	1,5	1,6	1,7	1,8	2,0	2,1	2,2	2,3
Capitalised expenditure for development work	190,8	186,7	188,0	189,6	191,8	194,0	190,1	186,0	181,3	175,6	171,8	167,9
Property, plant and equipment	60,5	34,1	18,4	15,3	16,2	17,3	14,8	6,2	7,0	7,2	8,5	9,1
Fixed assets under construction	80,4	92,3	67,1	38,0	23,2	6,8	5,1	10,5	8,2	5,3	5,3	2,5
Inventory	17,6	17,7	10,7	9,2	8,0	6,9	7,5	5,2	4,7	7,2	8,7	7,9
Cash and cash equivalents	163,4	44,8	149,1	8,6	32,5	14,9	27,5	51,5	74,8	85,8	99,8	7,7
Equity/asset ratio, %	49%	82%	84%	49%	70%	94%	95%	96%	96%	97%	88%	86%
Debt ratio, times	1,1	0,2	0,2	1,0	0,4	0,1	0,0	0,0	0,0	0,0	0,1	0,2
Ordinary shares and share options in issue at end of period, thousand												
Shares in issue at end of period	4 431,9	4 431,9	4 431,9	3 451,0	3 451,0	3 270,8	3 270,8	3 270,6	3 270,6	3 208,3	3 035,5	2 615,5
Share options in issue at end of period	149,5	149,5	149,5	149,5	149,5	319,7	319,7	319,9	319,9	320,6	320,6	320,6

ALTERNATIVE PERFORMANCE MEASURES

The interim report refers to a number of non-IFRS performance metrics that are used to help both investors and management to analyze the company's operations. The metrics presented in this report may differ from measurements of similar names in other companies.

DESCRIPTION OF PERFORMANCE MEASURES NOT INCLUDED IN THE IFRS FRAMEWORK

Performance measures	Different types of performance measures and margin measures expressed as a percentage of turnover.	
Non-IFRS performance measures	Description	Reason for use of the measure
Net sales compared to the corresponding period previous year	The relation between net sales for the period and the corresponding sales for the comparative period in previous year.	Sales growth is a key measure together with operating margin and capital employed for monitoring value creation.
Cost of sales	Costs for: materials, production personnel, production plant, guarantees and depreciation of tangible and intangible fixed assets;	
Gross margin	Gross profit as a percentage of net sales.	The measures are important to show the margin to cover the company's operating expenses, complete with the margin to cover operating expenses and the costs of depreciation on capitalized development expenses.
Operating expenses	Cost of goods sold, sales and marketing costs, administration costs, and development costs, before capitalization of development costs.	
Capitalization of development expenses	Costs for product development, production technology development and establishment costs for an expanded production facility.	The measure shows how much of the company's operating expenses are invested in activities that are expected to generate increased revenue or reduced costs in the future.
EBITDA	Calculated as operating profit before depreciation and amortization of tangible and intangible assets.	The measurements are a good complement to the operating results as it shows, simplified, the cash-based performance from the business.
EBITDA margin	EBITDA as a percentage of net sales.	
Operating profit/EBIT	Calculated as operating profit before financial items and tax.	Operating profit gives an overall picture of the total earnings generation in operating activities.
Operating margin	Operating profit as a percentage of net sales for the period.	Operating margin is a key component along with sales growth and capital employed to follow value creation.
Net margin	Profit for the period as a percentage of net sales.	The net margin shows how much of net net sales remain after all the company's costs have been deducted.
Energy storage system	Ready-made systems of varying sizes consisting of Nilar batteries, BMS, inverter and cabinets.	The measure shows how the number of energy storage systems delivered has changed between periods.

Capital and return measures		
The capital measures show how capital is used and the financial strength of the company. Yield is an economic concept that describes how much an asset changes in value from an earlier point in time.		
Non-IFRS performance measures	Description	Reason for use of the measure
Capitalized expenditure for development	Development expenses are capitalized when they meet the criteria set out in IAS 38 and are estimated to amount to significant amounts for the development effort as a whole. In other respects, development expenses are expensed as normal operating expenses. The most important criteria for capitalization are that the development work's end-product has a devisable future earnings or cost savings and cash flow and that there are technical and financial prerequisites to complete the development work when it is started. The capitalized costs are generated both externally and internally and include direct costs for completed work. Direct attributable expenses that are capitalized as part of product development, production processes and implementation of business systems include expenses for third parties and employees.	The measure shows how much of the company's investments in new products and production methods (intangible fixed assets) remain on the balance sheet after depreciation and amortization.
Debt ratio	Liabilities divided by equity.	The debt/equity ratio shows the proportion of the company's debt in relation to equity.
Equity/asset ratio	Equity divided by the balance sheet total.	A traditional measure of showing financial risk, expressed as the proportion of the restricted capital financed by the owners.
Working capital	Average current assets less cash and cash equivalents, trade payables and other interest-free short-term liabilities. The company has no interest-bearing liabilities, except leasing liabilities. Changes in working capital in the cash flow statement also include adjustments for non-liquidity-impacted items and changes in long-term operating receivables and liabilities.	The measure shows how much working capital is tied up in the business and can be compared to net sales to understand how effectively the fixed working capital has been used.
Investment	Investments in intangible and tangible assets.	The measure shows how much of the company's funds have been invested in new products and production methods (intangible fixed assets) and in new production equipment (property, plant and equipment).
Investeringar	Investments in intangible and tangible assets.	The measure shows how much of the company's funds have been invested in new products and production methods (intangible fixed assets) and in new production equipment (property, plant and equipment).
Shareholders' information		
Measures related to the share		
Non-IFRS performance measures	Description	Reason for use of the measure
Basic and diluted earnings per share	Profit for the period divided by the average number of outstanding shares for the period.	The measures show how much per share shareholders receive from the Group's total operations.
Average number of basic and diluted shares outstanding	The total number of shares in the parent company plus the number of outstanding warrants in the parent company.	
Employees		
Measures related to employees		
Non-IFRS performance measures	Description	Reason for use of the measure
Average number of employees and temporary agency workers	The average number of employees and consultants for positions that are not temporary and do not replace absent employees. Refers to FTE (full employment).	Supplementing the number of employees with consultants gives a better picture of the cost base.

Nilar International AB (publ)

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