Annual Report **2020**

ENERGY

ENERGY+

One design – two products

nilar

CONTENTS

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

NILAR IN BRIEF

Nilar is an innovative supplier of electrical energy storage solutions for stationary applications

Over the years we have established a large patent portfolio that contains **over 80 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 220 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.

ENERGY STORAGE FOR STATIONARY APPLICATIONS

Battery pack

Home Box

Rack

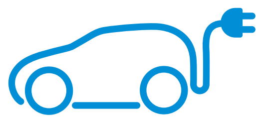
Cabinet

APPLICATIONS

Time shifting

Storing excess energy production for later use is called 'Time Shifting'. This is common when using your Nilar energy storage in conjunction with solar panels to store solar energy during the day and use it during the evening. Time Shifting allows for more renewable energy to be installed and used efficiently.

Peak shaving



Having a Nilar energy storage that performs Peak Shaving is useful in areas where peak power expenses are high. Slowly charging it with low power and discharging it with high power for short periods reduces peaks in power consumption and can save money by reducing demand expenses.

DISTINCT PRODUCT BENEFITS

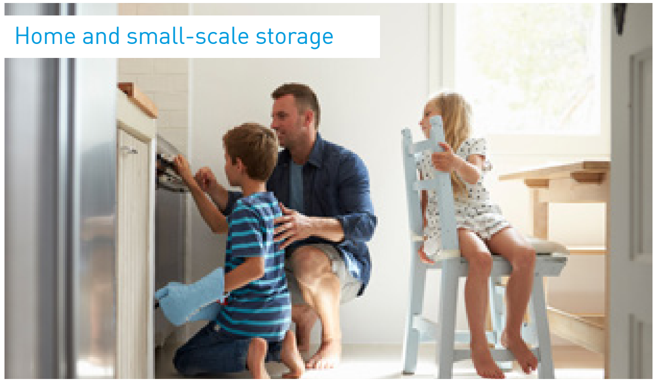
Safe
The water-based electrolyte is nonflammable. Uniform current flow paths lead to no concentrated hot spots and more efficient heat dissipation. The structural components within the battery paired with the nonflammable electrolyte means there is no spontaneous ignition and no uncontrolled heat propagation.

Environmentally friendly
The Nilar R&D process focuses on the Circular Economy philosophy, with every innovation striving towards component renewal and waste reduction. All Nilar products are produced at our factory in Sweden with 100% renewable energy and are able to be recycled at end of life.

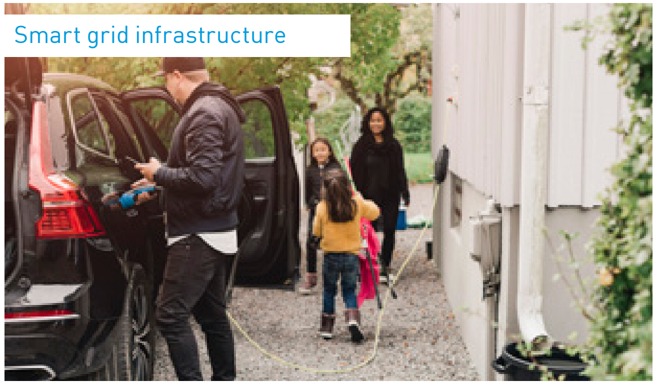
Cost-efficient
The unique combination of Nilar Hydride® technology and our patented bi-polar construction provides a reliable source of power designed to last for more than 20 years.

TARGET SEGMENTS

Home and small-scale storage



Smart grid infrastructure



Commercial and industrial support

25.2
MSEK revenue 2020

166
full-time workers 2020

80
patents in 16 patent families

9000
kWh installed 2017-2020

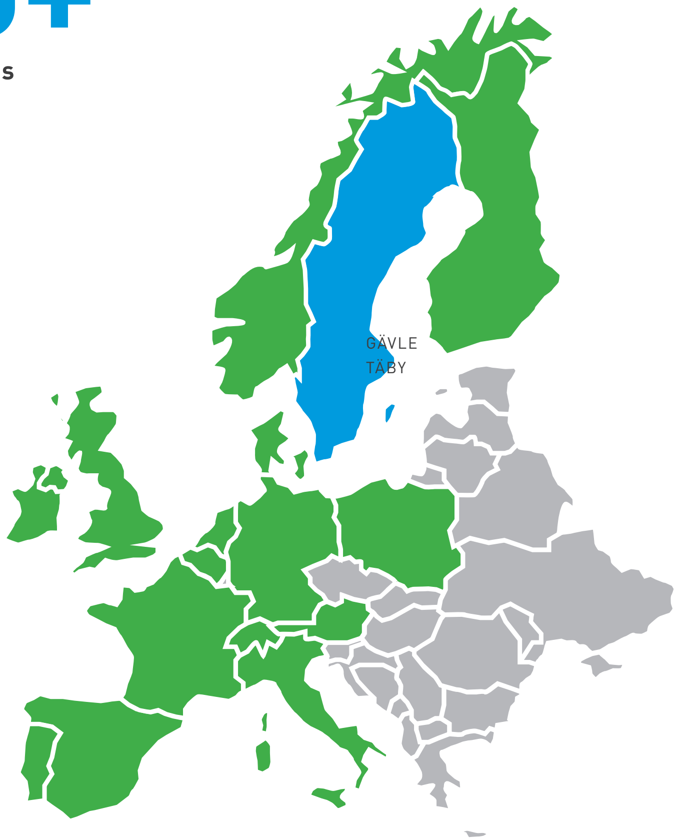
700+
delivered systems 2017-2020

Production:
Gävle

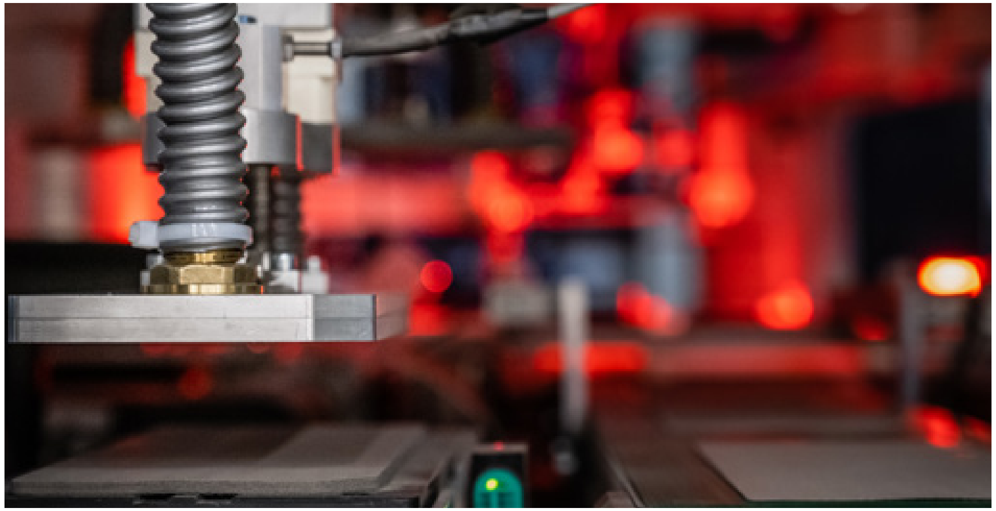
Sales and R&D:
Täby, Gävle, Denver

Focus markets in the short term:

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



THE YEAR IN BRIEF



FINANCIAL SUMMARY, MSEK	2020	2019	2018	2017	2016
Revenue	25,2	10,4	3,4	1,1	0,3
Gross profit	-199,2	-151,1	-35,7	-24,0	-19,2
EBITDA *	-223,4	-183,0	-77,8	-53,1	-38,2
Operating profit (EBIT)	-284,0	-221,7	-89,9	-58,5	-43,7
Profit/loss after tax	-342,9	-238,5	-91,1	-59,2	-44,0
Cash flow from investing activities	-111,5	-135,2	-45,6	-24,9	-21,5
Cash flow from financing activities	233,6	420,0	76,9	135,0	55,7
Equity/asset ratio, % *	18%	49%	70%	96%	90%
Debt ratio, times *	4,6	1,0	0,4	0,0	0,1
Full-time equivalent employees, number	127	90	48	44	38

MSEK	2020	Q4	Q3	Q2	Q1
Revenue	25,2	5,7	7,5	7,5	4,6
Operating profit (EBIT)	-284,0	-101,8	-58,3	-63,1	-60,9
Delivered systems, number	442	94	159	136	53
Delivered kWh, number	5 390	1 503	1 502	1 584	800

*) Alternative performance measure. See page 100 for further explanations.

Q1

- Continued tuning and expansion of production capacity at the production facility in Gävle. With the help of a leading global management consulting company, a total screening was done to optimize production volumes, production flows, yield, workforce and shifts.
- A site manager for the Gävle site took up her position.
- Covid-19 had a negligible impact on first quarter sales and earnings.
- 53 (16) energy storages, average size 15 (25) kWh, were delivered to customers.

Q2

- Moved all forming operations into the refrigerated forming house where the production process is fully automated. Two new electrode lines that have the ability to support production for four production lines were installed.
- Beginning of March, all trade fairs and customer activities are canceled for the time being. All customer and marketing communication now take place inter-actively on-line.
- Layoffs were introduced towards the end of the quarter in production and sales and the market to actively counteract any negative impact for Nilar of covid-19.
- To bridge the need for financing up to a market listing, the company started raising capital during the second quarter.
- 136 (25) energy storages, average size 12 (22) kWh, were delivered to customers.

Q3

- Commissioned the third production line.
- The 40% layoff in production and sales and marketing, which was introduced towards the end of the second quarter, ended on 1 September.
- A new share issue of SEK 125.5 million before transaction costs was carried out.
- 159 (33) energy storages, average size 9 (12) kWh, were delivered to the customers.

Q4

- Started the installation of the fourth production line.
- Introduced a third shift in production.
- A software error in some delivered systems was identified. The fault has in some cases led to overheating which in one case resulted in a fire. Measures were taken to correct the error and supplement current systems with mechanical overheating protection.
- A small powder explosion occurred in the production facility in Gävle. After an inspection, it was found that the exhaust air ventilation to the electrode housing needs to be rebuilt. Abnormally long delivery times for certain components due to the corona pandemic meant that the reconstruction of the exhaust air system was not completed until week 11 2021. During the rebuilding period, Nilar's production capacity was significantly limited.
- The EIB granted the company a loan facility of 47 MEUR.
- Completed the new share issue initiated in Q3 with an additional 52.5 MSEK before transaction costs.
- 94 (128) energy storages, average size 16 (8) kWh, were delivered to customers.

CHAIRMAN'S STATEMENT

2020: A key year for the world - and for Nilar

In 2020, world leadership changed significantly. Leading leaders now have a more realistic view of climate change and seem ready to take on the challenges. Interest in technologies and activities that support the fight against climate change has increased significantly.

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Ursula von der Leyen, President of the European Commission, has put the fight against climate change at the top of the EU agenda: the EU must be carbon neutral by 2050. President Xi Jinping has set a goal for China to be carbon neutral by 2060. President Joe Biden has committed to turn US climate policy 180 degrees by rejoining the United States to the Treaty of Paris. Many other countries have quickly followed suit.

These political initiatives have unleashed great state support funding flows around the world to support the development and production of new technologies that are crucial to steer the world away from its dependence on fossil fuels and to vigorously pursue electrification in transport, heating and cooling, and industry. The insufficient capacity of our electricity networks has also come into focus - measures are required for them to be able to interact with a large future element of intermittent power sources and to be able to handle demand-driven power peaks. For Nilar, EU initiatives such as the European Battery Alliance and the European Investment Bank's major new strategic lending programs are very positive.

The world's institutional investors and financial and stock markets have begun to react emphatically. ESG (environmental responsibility, social responsibility and corporate governance) has come to the fore. The industrial pillar of the oil age has begun its transformation. Shell has announced that the company will be a supplier of "energy", not only of oil and gas products, and has, for example, recently acquired an important battery builder and several networks for charging electric vehicles. Total has also acquired a battery company at the same time as they are investing massively in wind power. And BP is investing heavily in renewable energy.

The stock markets have reacted: Indices for companies in renewable energy technology more than doubled in 2020. And energy innovators' share prices have risen to "all time high" while CO2-heavy industries are being punished by institutional investors.

The year 2020 was also a key year for Nilar. To utilize the market forces that Nilar rides on, the company has invested in ambitious growth. Sales, production capacity and R&D are expanding sharply and new and better performing products are being launched.

2020 has been a challenging but also very successful year in Nilar's development towards consolidating the company's unique competitive position in the rapidly growing BESS (electrical energy storage) segment. Despite fears of a corona-related slowdown, demand for Nilar's battery system has continued to increase in all current core markets, i.e. DACH (the German-speaking markets), the Benelux and the Nordic countries.

Together with its system integration partners, Nilar has won a strong position in Sweden for home storage systems of electricity, now often connected to solar cells. Market positions in other geographic target markets are strong.

Despite a rapid increase in capacity, production is a bottleneck and all systems are delivered as soon as they are produced. With sharply rising demand, this bottleneck will persist for the next few years.

The basis for Nilar's continued competitiveness is

- unmatched service life thanks to patented technology for electrolyte filling
- safety due to the non-flammability of electrochemistry
- environmental sustainability thanks to the fact that the batteries can be recycled in their entirety.

With quadrupled production capacity compared to 2019 and a growth plan that includes the establishment of Nilar's next factory in Estonia in 2021, Nilar feels well prepared for a market listing in the first half of 2021 as part of further strengthening its leading position in the market.

Michael Obermayer
Chairman of the Board

CEO REVIEW

Three events mark Nilar's development in 2020:

1. Very satisfactory market and demand growth of Nilar products despite Covid-19 barriers. 2. Further rapid expansion of Nilar's production capacity despite some challenges that needed to be mastered. 3. Successful financing for further growth.

1. GOOD MARKET AND DEMAND GROWTH DESPITE CORONA

The energy storage market and demand in Covid-19 times
In the spring of 2020, covid-19 struck. Soon after, a hint was seen in the market where decisions, especially about major investments, were delayed and orders were postponed. This trend continued during the summer.

For precautionary reasons, the company chose towards the end of the second quarter to apply for state aid, whereby a 40% layoff in production and the sales and marketing organization was introduced. Personnel in R&D, engineering and product management were, however, retained 100% so as not to lose momentum in projects important to the company.

During the autumn, the feeling of increased optimism arose since updates on vaccines against covid-19, and a number of orders for major projects were received by Nilar. The number of solar cell installations continues to increase globally - despite the covid-19 challenges. After three months, the redundancies could be lifted completely.

As national borders are opened, larger investments, which have previously been postponed to the future, will be able to resume. The global energy storage market continues to grow rapidly, as confirmed by reports such as the 'Energy Storage Grand Challenge: Energy Storage Market Report'. More and more favorable policies and subsidies create good conditions for a growing market.

During the full year, we delivered 442 storage systems to customers for use in PV plants (solar cells), for energy storage in homes and for industrial applications; a sharp increase compared to the 202 systems delivered in 2019. Despite the fact that we quickly expanded our production capacity, we were still severely limited in production.

Focus markets
Nilar maintained its focus on the Nordic countries, the Benelux, DACH (the German-speaking markets) and the United Kingdom. Expansion to Italy and Spain slowed down during the year due to pandemic, but we continued to develop our cooperation agreements with distributors in these countries. In a way, we are happy with this slowdown, as demand in our current focus markets still far exceeds our current delivery capacity. In the longer term, we see opportunities for expansion in Australia, the USA and India.

Among Nilar's key markets, Germany continues to have the strongest sales potential. During the autumn, most inquiries were received from the Benelux region for major projects, which indicates that the Benelux market is gradually recovering. Thanks to the end of the net debit system at the turn of the year 2020/2021, the Belgian market is expected to open more opportunities. Nilar is regularly involved in bidding processes for projects at the MWh level in the Benelux region.

We see the British market as one of the next most important geographical markets for Nilar, where demand grew from 800 MWh in 2016 to 12.6 GWh in 2020. We now see great opportunities in establishing ourselves in the segment for industrial and public facilities.

In Sweden, at the end of 2020, the positive news came that the deadline for utilizing the state subsidy for battery storage is further extended, with a new end date for installation on 30 June 2021. It was also announced that a new tax deduction for green technology, to facilitate climate change, will to be introduced from January 1, 2021. This means a tax reduction of 50 percent up to SEK 50,000 for labor and material costs for the installation of green technology, which includes storage of self-produced electricity. This creates continued conditions for further growth of energy inventories in private households, a segment for which Nilar during the year launched an optimal solution, Nilar Home Box. The lack of power in Sweden's electricity grid is a growing problem, where energy storage plays an important role in the future to increase flexibility in the electricity grid. This means that even larger energy storage projects are likely to be realized.

Focus segment
We continued the implementation of the marketing strategy we received in 2019 validated by a leading global management consulting company. The target segments are energy storage for homes and residences, for industrial and public facilities and for electric car charging.

As a result of the pandemic, all upcoming trade fairs and customer activities from March suspended for the time being. All customer and marketing communication now take place interactively on-line, which works reasonably well.

New market opportunities
The European Union has set itself the goal of regaining a leading position in batteries and is investing heavily in this strategically important industry. A long service life is above all important for the users of stationary energy storage in private households, commercial properties and industries. Nilar is developing a new technology that provides a revolutionary opportunity for longevity by refilling an existing battery ('ReO2'). The new technology provides cost advantages and creates opportunities for Nilar to create additional competitive advantages. The ReO2 project is progressing rapidly and this revolutionary technology will be launched in 2021.

2. EXPANSION IN PRODUCTION

The expansion and tuning of the production capacity in the production facility in Gävle continued
With the help of a leading global management consulting company, a total screening was carried out at the beginning of the year to optimize production volumes, production flows, exchange, workforce and shifting, so-called 'agile' production. To become an even more sustainable company, in 2020 we started using only renewable electricity energy.

We improved a lot
During the year, all propagation activities were moved into the refrigerated automated propagation house. Two new electrode cables that can support the production of four 'assembly robot' cables were installed. Our third production line was commissioned, and the fourth production line was installed for commissioning in 2021. We are thus progressing with our business plan to be fully developed in the Gävle production facility by the end of 2021 and have during the year continued the process of planning for our next production facility, which will probably be in Estonia. During the fourth quarter, a third shift was introduced in production, using 108 of the week's 168 hours. In 2021, we plan to expand the shift to four shifts, corresponding to 144 of the week's 168 hours.

Everything did not go as we hoped
During the fourth quarter, a software error was identified in some delivered systems. The software error has in some cases led to overheating which in one case resulted in a fire of surrounding material, even if the battery itself does not burn. During the quarter, measures were taken to rectify the software error, as well as supplement current systems with a mechanical overheating protection. Replacement or updating of delivered affected systems will take place during the first half of 2021.

At the beginning of the fourth quarter, an incident also occurred at the production facility in Gävle. In the exhaust air ventilation to the electrode housing, a delimited part of the factory, a small powder explosion occurred. No one was injured and initially other injuries were judged to be fully repaired within a couple of weeks. After an inspection carried out by an independent party, it was established in November that the exhaust air ventilation to the electrode housing needed to be rebuilt. As a result of abnormally long delivery times due to the pandemic for a critical component from a German subcontractor, the rebuilding of the exhaust air system was not completed until week 11 2021. During the rebuilding period, Nilar's production capacity was significantly reduced in relation to our expansion plan.

3. SUCCESSFUL FINANCING

The impact of the pandemic on the financial markets meant that in the spring we were forced to suspend preparations for the market listing that was planned to take place in June 2020.

However, in October, the European Investment Bank granted the company a loan facility of 47 MEUR for the further expansion of the Gävle production facility and to part-finance the next plant in Estonia. To meet the need for co-investment capital for partial disbursement of the loan, Nilar completed a capital raising of 178 MSEK before fees during the fourth quarter. Nilar's shareholders have thus shown their continued support.

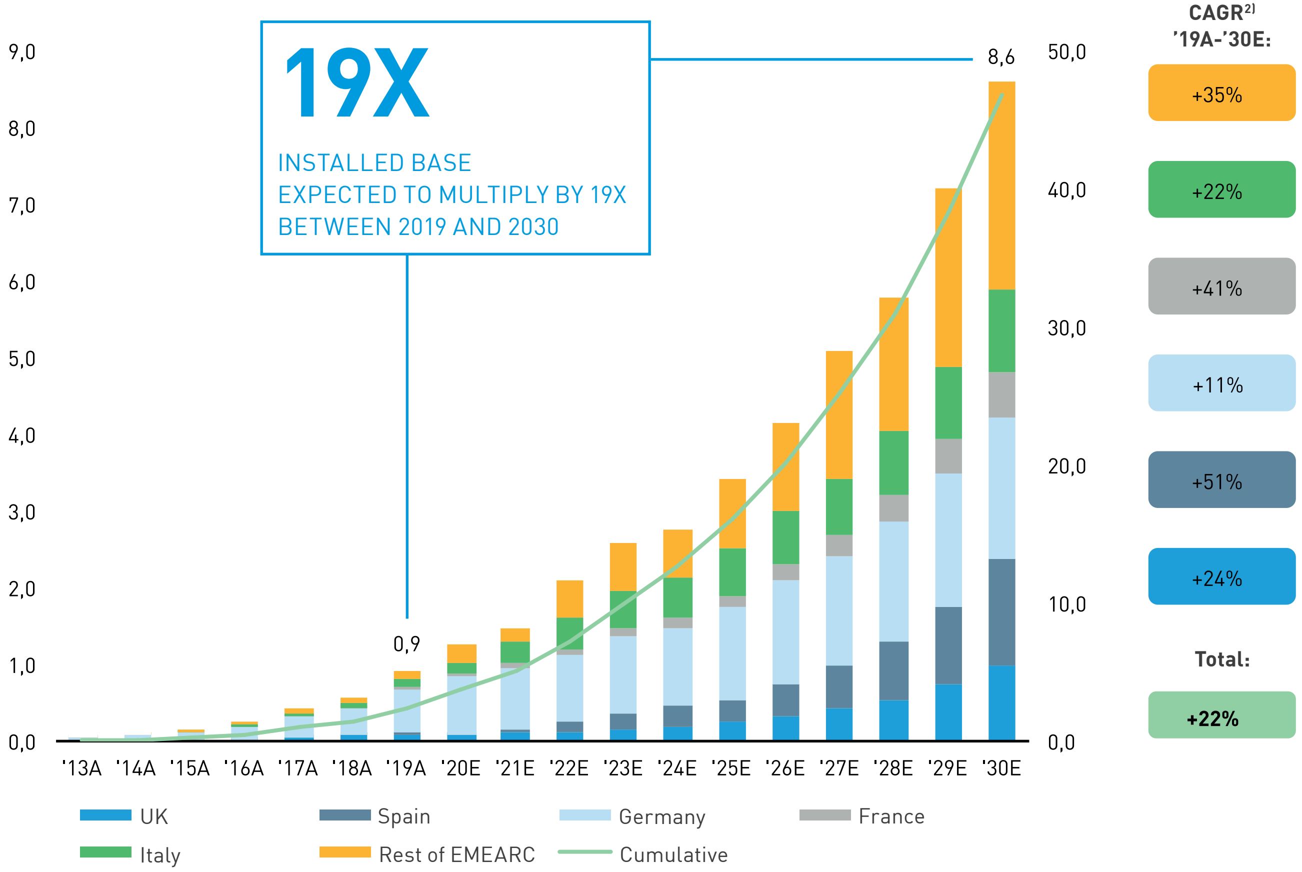
During the fourth quarter, we resumed our preparations for a market listing of the company's shares, which is planned for the first half of 2021.

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.

STATIONARY ENERGY STORAGE DEPLOYMENTS EXPECTED TO MULTIPLY GOING FORWARD

EMEARC annual and cumulative stationary energy storage deployments (GWh)[1]

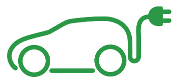


KEY MARKET DRIVERS

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 market [2].

Notes: 1) Wood Mackenzie, Global energy storage outlook H2 2020 update. Includes residential and non-residential deployments in EMEARC (Europe, Middle East, Africa, Russia and Caspian). 2) CAGR of annual deployments. 3) BloombergNEF, Dec 2020.

The shift to **renewable energy sources** comes with more intermittent power generation[1]...

+

...and **electrification of society** is changing energy consumption patterns...

=

...which together increase the stress on already **strained power grids**

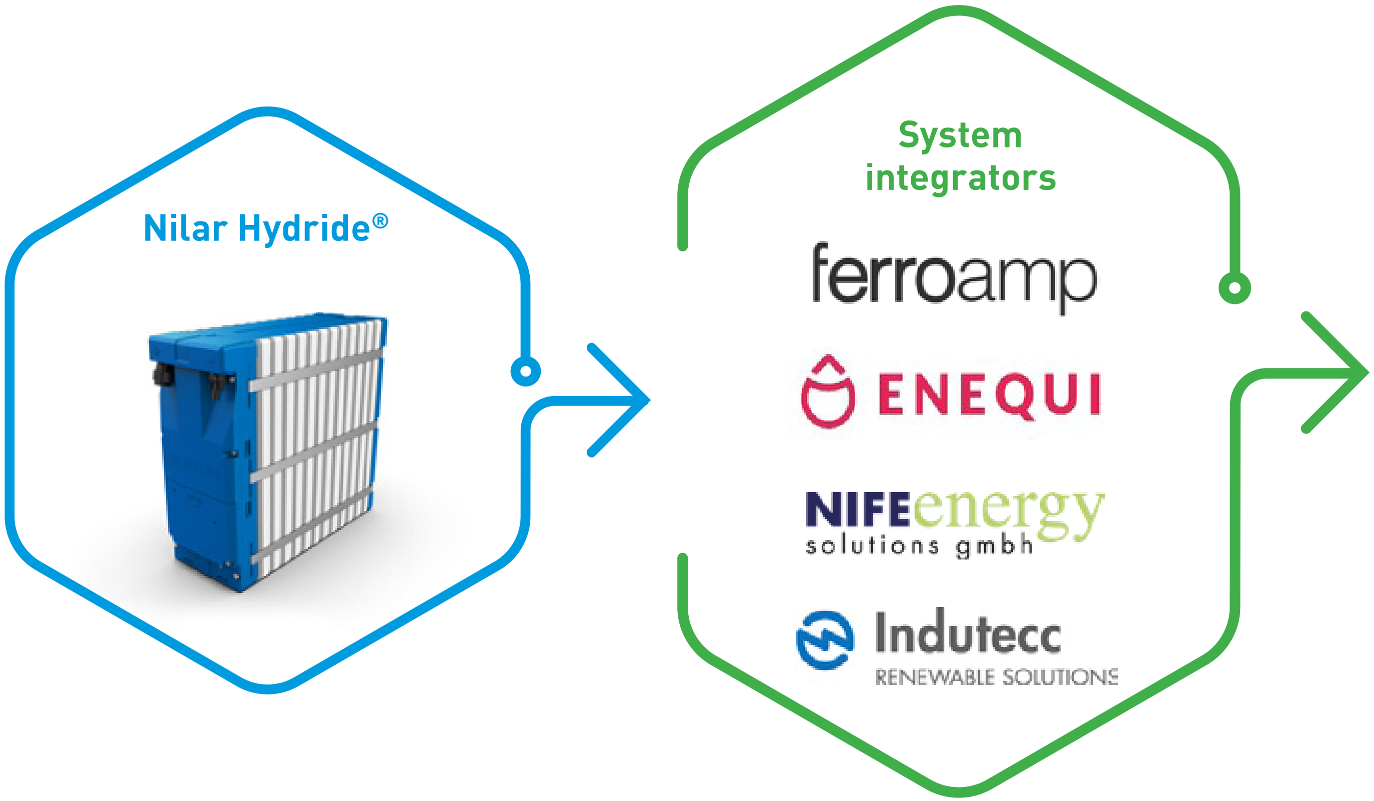
Solution?

Energy storage systems allows energy to be used when it is needed and not when it is produced

Nilar is a provider of cost efficient, safe and environmentally friendly electrical energy storage solutions in the rapidly growing energy storage market which is expected to multiply 19x by 2030[2]

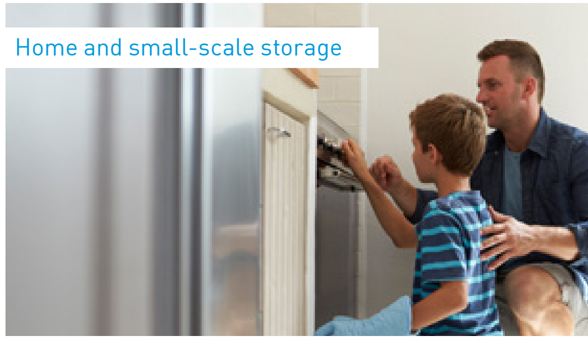
STRATEGY

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.


Home and small-scale storage


Smart grid infrastructure


Commercial and industrial support

USER BENEFITS

The ideal home energy storage solution

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

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

Safe, environmentally conscious energy storage solutions

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

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

Industrial and commercial energy storage solutions

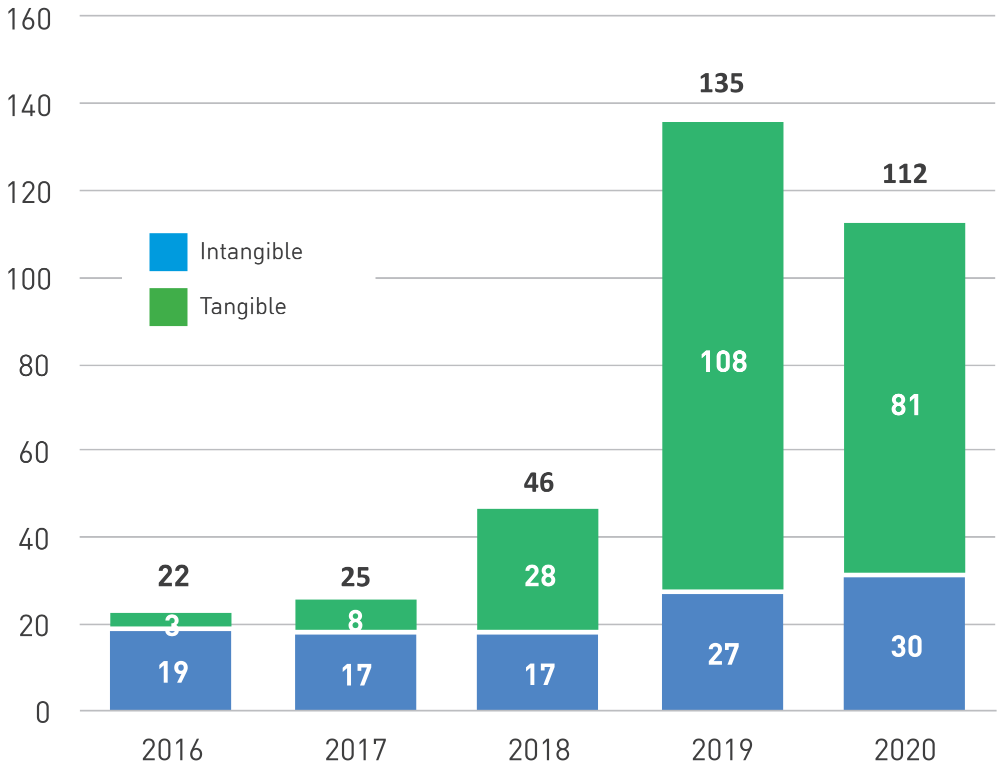
More and more businesses are investing in energy storage. It can be used to support renewables and to reduce peaks in power consumption, thus contributing to financial savings and making enterprises more sustainable. The modular Nilar Hydride® batteries support a range of scalable energy storage solutions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

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

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



Production

During 2020, the tuning and expansion of production capacity at the production facility in Gävle continued.

We are progressing with our business plan to be fully developed in the Gävle factory by the end of 2021 and have during the year continued the process of planning for our next production facility.

Product development

Nilar is developing a new technology that provides a revolutionary opportunity for long life by replenishing an existing battery ('ReO2©'). The new technology provides cost advantages and creates opportunities for Nilar to create additional competitive advantages. The ReO2© project is progressing rapidly and this revolutionary technology will be launched in 2021.

In early 2021, Nilar launched its new energy-optimized cell Energy+. The product will be produced in parallel with Nilar's current product, which means that Nilar will for the first time offer the market two products.

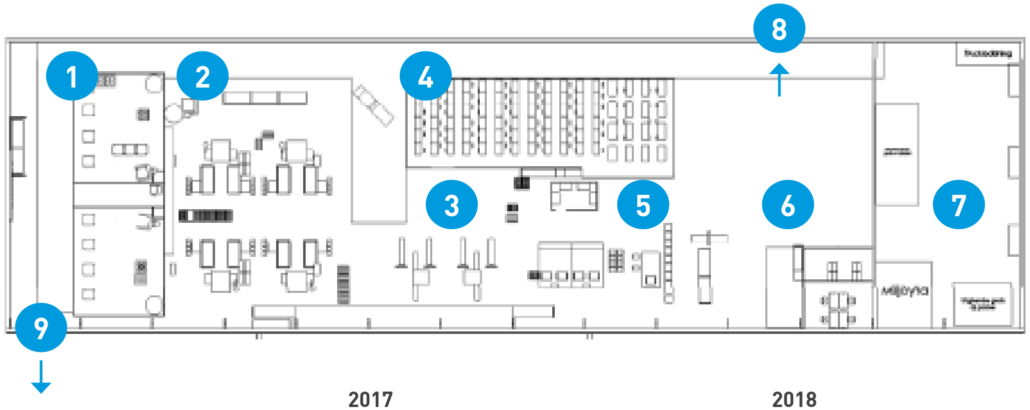
INVESTMENTS LAST FOUR YEARS

Until 2018, production was conducted in our prototype line in the current R&D building in the production facility in Gävle.

In 2018, investments began in the large production hall and in 2019, the first production line was installed. By the end of 2021, the production facility in Gävle is planned to be fully built-out with eight production lines and peripheral equipment.

OVERVIEW OF THE PRODUCTION FACILITY IN GÄVLE

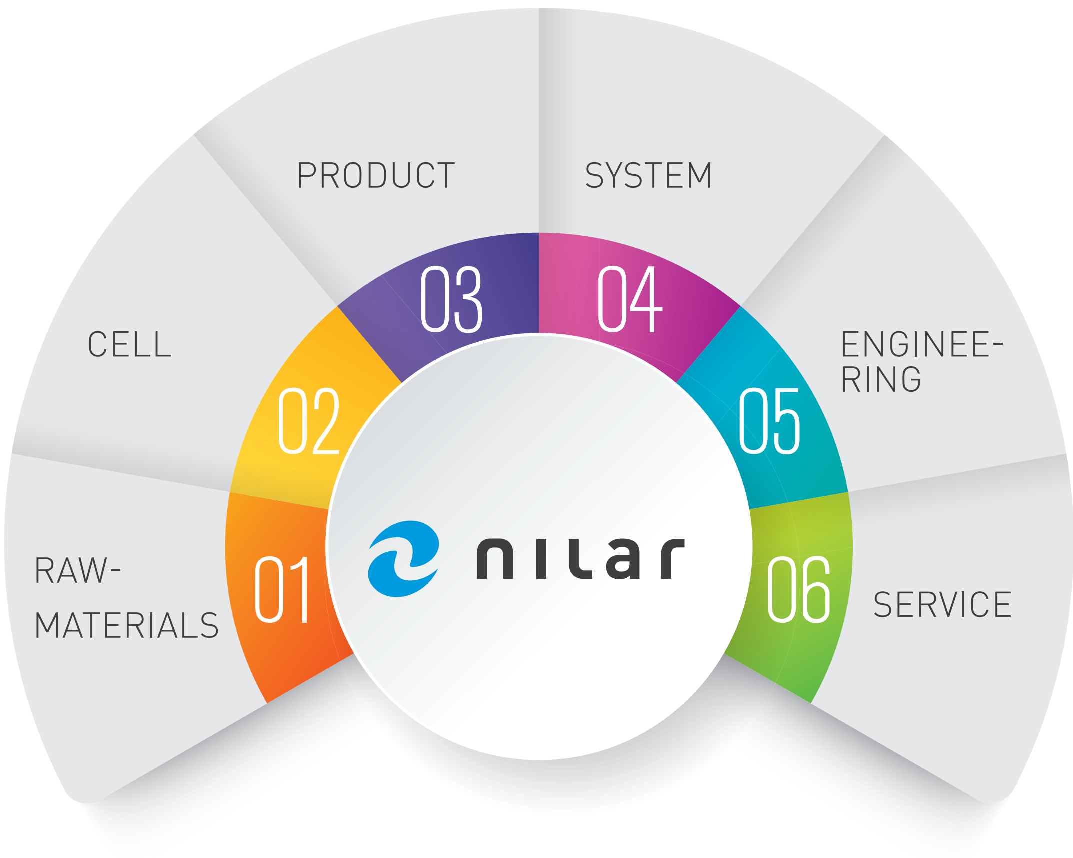
1. Electrode manufacturing
2. Automated module assembly
3. Battery module electrolyte filling
4. The formation house where activation, formation and module quality control take place
5. Battery pack assembly
6. System assembly and quality assurance
7. Preparation for delivery to customers
8. Warehouse (800 sqm)
9. R&D facility (900 sqm)



	2017	2018	2019	2020
Total investments by year	**24.9 MSEK**	**45.6 MSEK**	**135.2 MSEK**	**111.5 MSEK**
INTANGIBLE • Patents • Products • Production processes • BMS (Battery Management System)	**17.2 MSEK** investments in the continued and final development of the new product generation V2 and related production processes. We also continued the development of our BMS.	**17.4 MSEK** investments in our second-generation product V2/Nilar EC Hydride® launched in 2018, BMS and in our third-generation product ReO2.	**26.8 MSEK** investments in V2/Nilar EC Hydride®, BMS and in our third-generation product O2 gas refill to reactivate the electrolyte.	**30.4 MSEK** investments in Nilar EC Hydride®, BMS and in our third-generation product ReO2© which is expected to be launched in 2021.
TANGIBLE • Machinery and equipment • Extensions in rented premises	**7.7 MSEK** investments in the first new production line (production line 1) for V2.	**28.2 MSEK** investments in new production line and peripheral equipment for our second-generation product V2/Nilar EC Hydride®. Production line 1 was commissioned. Investments for production line 2 were initiated together with an electrode room to provide electrodes to a in the future fully developed Gävle factory.	**108.3 MSEK** investments in new production lines and peripheral equipment. Commissioned the newly constructed electrode room, installed and commissioned production line 2, and started the construction of a formation house. Furthermore, orders were placed on production lines 3 and 4 for gradual commissioning in 2020 and 2021.	**81.1 MSEK** investments in new production lines and peripheral equipment. Commissioned the formation house, installed and commissioned production line 3, and initiated the installation of production line 4. Furthermore, orders were placed on production lines 5-8 for gradual installation and commissioning in 2021.

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 80 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.

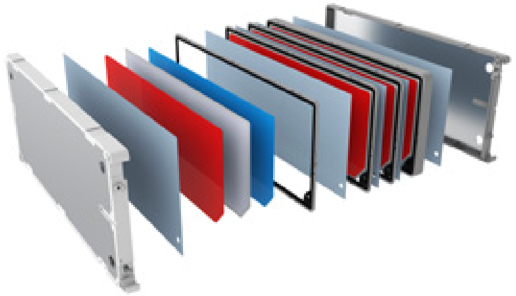
ENGINEERING

• 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.



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.

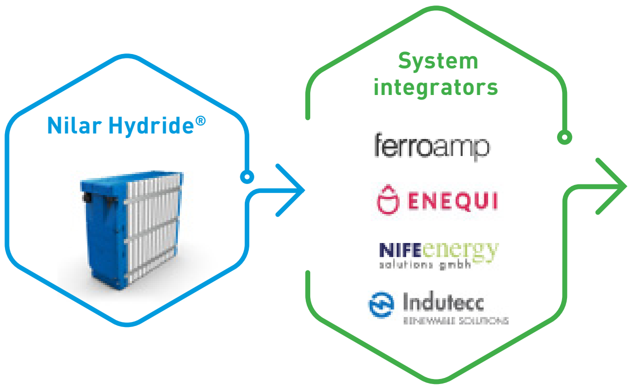
Nilar creates flexibility with sustainable energy storage
Nilar creates value for its stakeholders through the development and manufacture of energy storage in batteries that both in their design and in their choice of materials are safe, flexible, recyclable, provide a long-life span and thus low life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

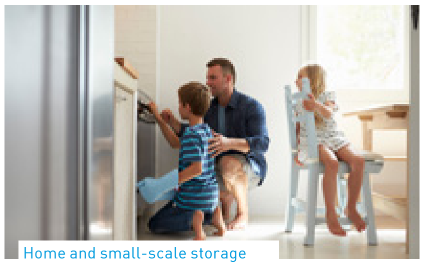
Nilar niches itself against stationary electrical energy storages (batteries) that are modularly built with a base of Nickel metal hydride (NiMH). Nilar's batteries can be used in applications for energy storage in homes, for supporting electricity grids (e.g. electric car charging) and for industrial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

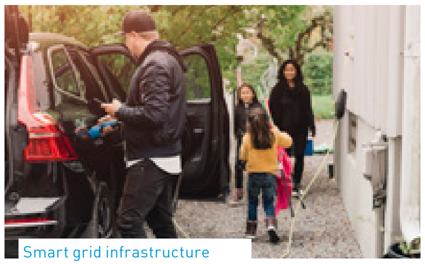
Great emphasis is placed on using renewable raw materials, designing a product that is sustainable in its construction and ensuring sustainable production. Achieving a circular energy supply has been a central part of the development process from the outset.

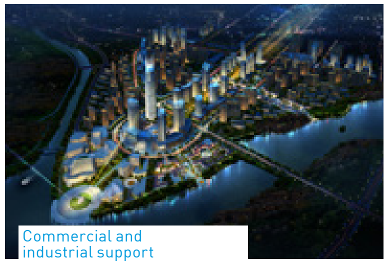
To reach end customers with ready-made systems, Nilar collaborates with system integrators who build tailormade solutions for energy storages for homes, office complexes and more.

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	• Transition to a fossil free society • Jobs • Sustainable production		**Goal 11:** • Sustainable cities and communities
Customers/ integrators	• Products that enable smart energy storage solutions	• Sustainable products and production	**Goal 7:** • Sustainable energy for all
Suppliers	• Stable deliveries • Good working conditions		**Goal 12:** • Sustainable consumption and production
Employees	• Attractive workplace • Good employee policies	• Attractive employer	**Goal 3 and 5:** • 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 2020 both the number of integrators and system installations increased. In 2020, 442 systems were installed, compared to 202 in 2019.

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.

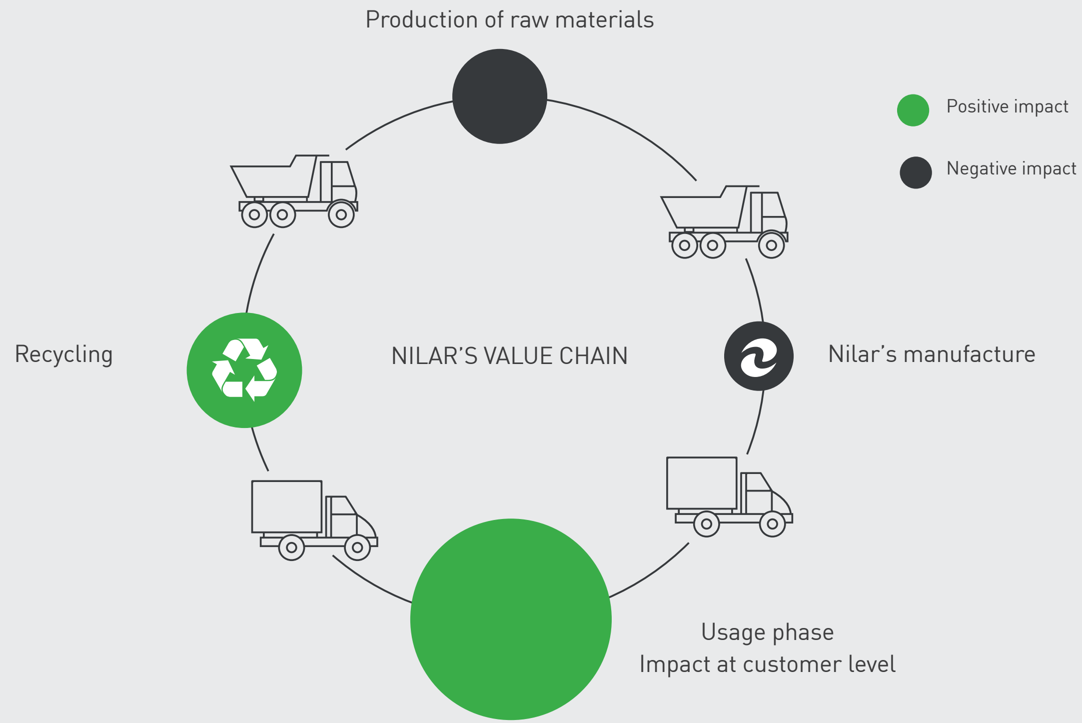
The raw material nickel is easy to recycle, and any residues are sent to the metal industry where many processes can reuse the residues. Everything can be recycled or reused, and no landfill is needed.

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.



CARBON FOOTPRINT

Raw material production

The products have their greatest negative climate impact at the raw material level and mainly in the production of materials included in the electrodes.

Transport of components and raw materials to Nilar's factory and delivery of finished energy stocks to customers is of minor importance.

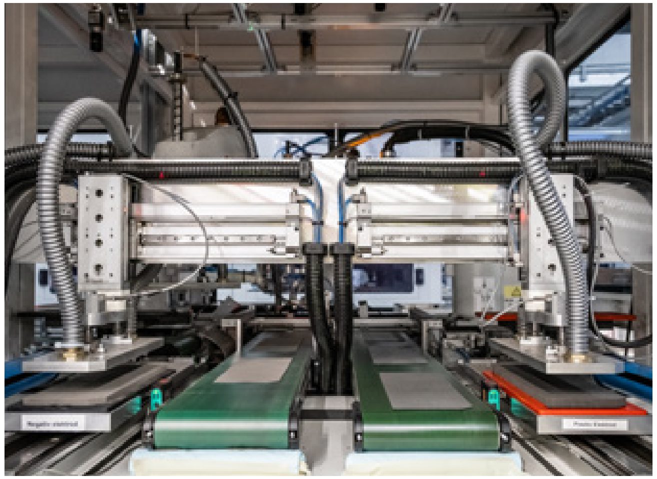
Manufacturing and integration

The assembly of components and modules takes place in Nilar's factory using automated manufacturing lines. In the current production process, they are powered by electricity from solar, wind and water. This process is also likely to have a limited impact. Integration of modules into final solutions consists mainly of one-off adaptation work, which is not as energy intensive.

Use phase and recycling

Nilar's batteries have a positive impact on the climate by allowing renewable electricity to be stored and used at power peaks and replacing dependence on fossil fuels. The average carbon dioxide emissions measured in CO_2 equivalent scans in the EU are currently around 290 grams of CO_2 eq. per kWh. This average has been used to quantify the emissions that would have occurred when using energy sources other than Nilar batteries during battery life.

As a result of the recycling, material flows are closed together in new production processes and thus the circle is closed.



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

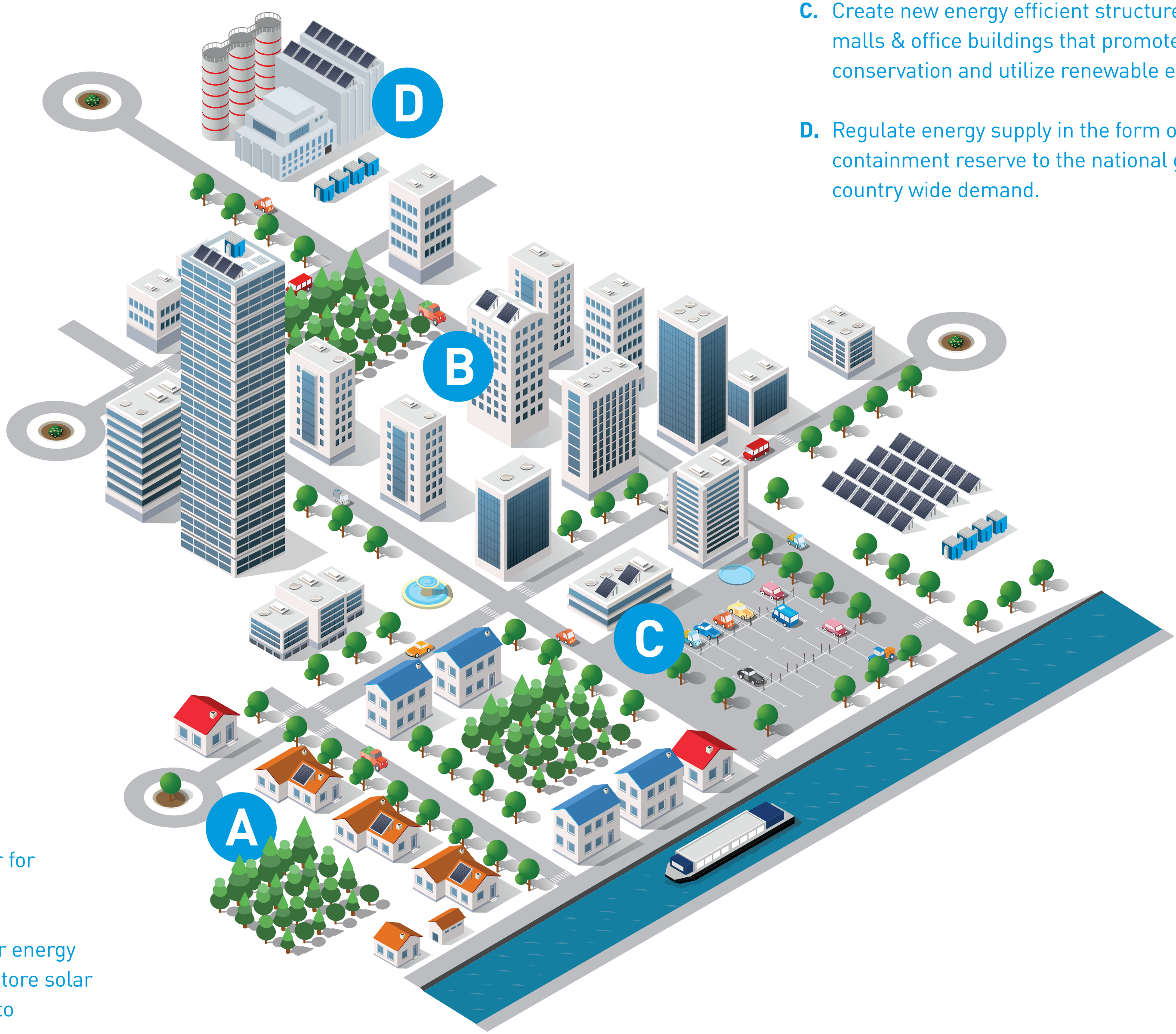
Nilar's operations are subject to permit and registration. Nilar is licensed under the Environmental Code to manufacture batteries in the Gävle factory that do not contain cadmium, lead or mercury. The company is authorized to produce a maximum of two million batteries per year.

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

Goal 7: Sustainable energy for all.

Goal 11: Sustainable cities and communities.

Goal 12: Sustainable production and consumption.



A. Safe and affordable energy storage systems that reduce peaks in power for private households.

B. Optimize the use of an existing solar energy solution in an apartment building. Store solar energy during the day and transfer to apartments in the evening.

C. Create new energy efficient structures in shopping malls & office buildings that promote energy conservation and utilize renewable energy resources.

D. Regulate energy supply in the form of a frequent containment reserve to the national grid to meet country wide demand.

Attractive employer

During the last three 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.

More employees and increased demands on structure

In 2020, Nilar strengthened the organization to increase production. The number of employees increased sharply during the year, from 178 to 223 (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 2020 and additional shifts have been implemented. In research and development (R&D), an increased number of hires have also been made. The average age is low, in 2020 it was 37 years.

In 2020, the work which was started in 2019 with the reporting of the number of incidents and accidents in order to identify causes and to be able to work proactively continued.

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 quality organization was strengthened in 2020.

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.

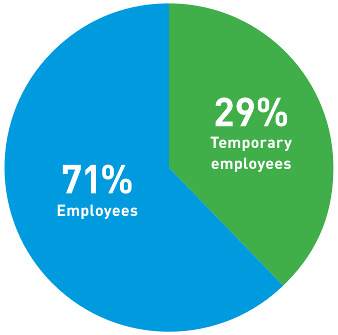
Nilar has a global supply chain where there are risks of negative impact on human rights. Great demands are placed on quality assurance and follow-up in the purchasing process. Among other things, suppliers are required to work according to ISO 45001 (ISO standard for work environment and safety).

Employees divided into age categories	%
< 30	31%
30-50	53%
> 50	16%

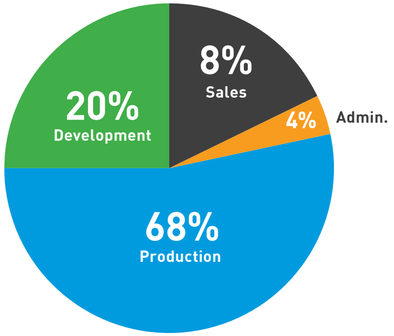
Goal 3: Good health and well-being

Goal 5: Gender equality

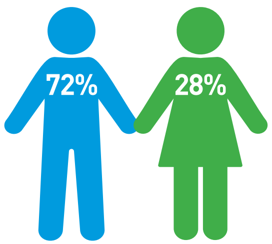
Form of employment



Coworkers by function



Calculated on the number of full-year workers



Your latest job?
Atlas Copco, Strategic Category Lead Buyer.

What do you work with at Nilar?
Sourcing and Logistics Manager, support my staff, am involved in developing the strategy for developing the supplier base. Negotiate and sign agreements. Plan and develop the warehouse and material handling process for the future.

How do you see your role influencing the way forward for Nilar in this expansion phase?
When we multiply production volumes, it is critical that the material supply develops at the same rate. If we are to do it profitably, we must have the right agreements with the right suppliers.

Your latest job?
Sandvik Hyperion som Process IT Manager.

What do you work with at Nilar?
The focus is on having progress in the projects by having a clear way of working with functioning processes and routines, communication with stakeholders in the organization and with external stakeholders. This is a central and very important part of my work.

How do you see your role influencing the way forward for Nilar in this expansion phase?
I contribute with ensuring that our important product development projects such as the new energy cell, the new BMS platform and our refill product are established in the market.

Your latest job?
Global EHS-specialist at Sandvik (Sandvik Mining and Rock Technology AB).

What do you work with at Nilar?
EHS (Environment, Health and Safety) and quality manager.

How do you see your role influencing the way forward for Nilar in this expansion phase?
I want to contribute to a sustainable workplace with standardization, clear routines and areas of responsibility.

HISTORY

The world needs safer, cheaper and environmentally sound Energy Storage Systems. Nilar Hydride® is one of the world's most cost-efficient battery systems.

2000
Nilar project started by Lars Fredriksson and Neil Puester.

2005
Prototype manufacturing.

2012
R&D production line in Gävle.

2013
Development of modules and modular systems.

2014
Pilot production and development of BMS (battery management system) for low and high voltage systems.

2017
Development of turnkey solutions for smart grid applications.

2018
Volume shipments of Nilar's complete bi-polar energy storage systems.

2019
Development of a revolutionary method for the manifold of battery life for Nilar Hydride® batteries and announcement of IPO plans. Production line 2 installed.

2020
Production lines 3 and 4 installed in Gävle.

2021
The Gävle factory is expanded to 8 production lines and completed.

Work on the next production facility continues.

START-UP PHASE

DEVELOPMENT PHASE

COMMERCIALIZATION PHASE


nilar
Lina 2
Lina 1

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 4 'Risks and risk management', page 49.

FINANCIAL RISKS

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

BUSINESS CYCLE AND EXTERNAL RISKS

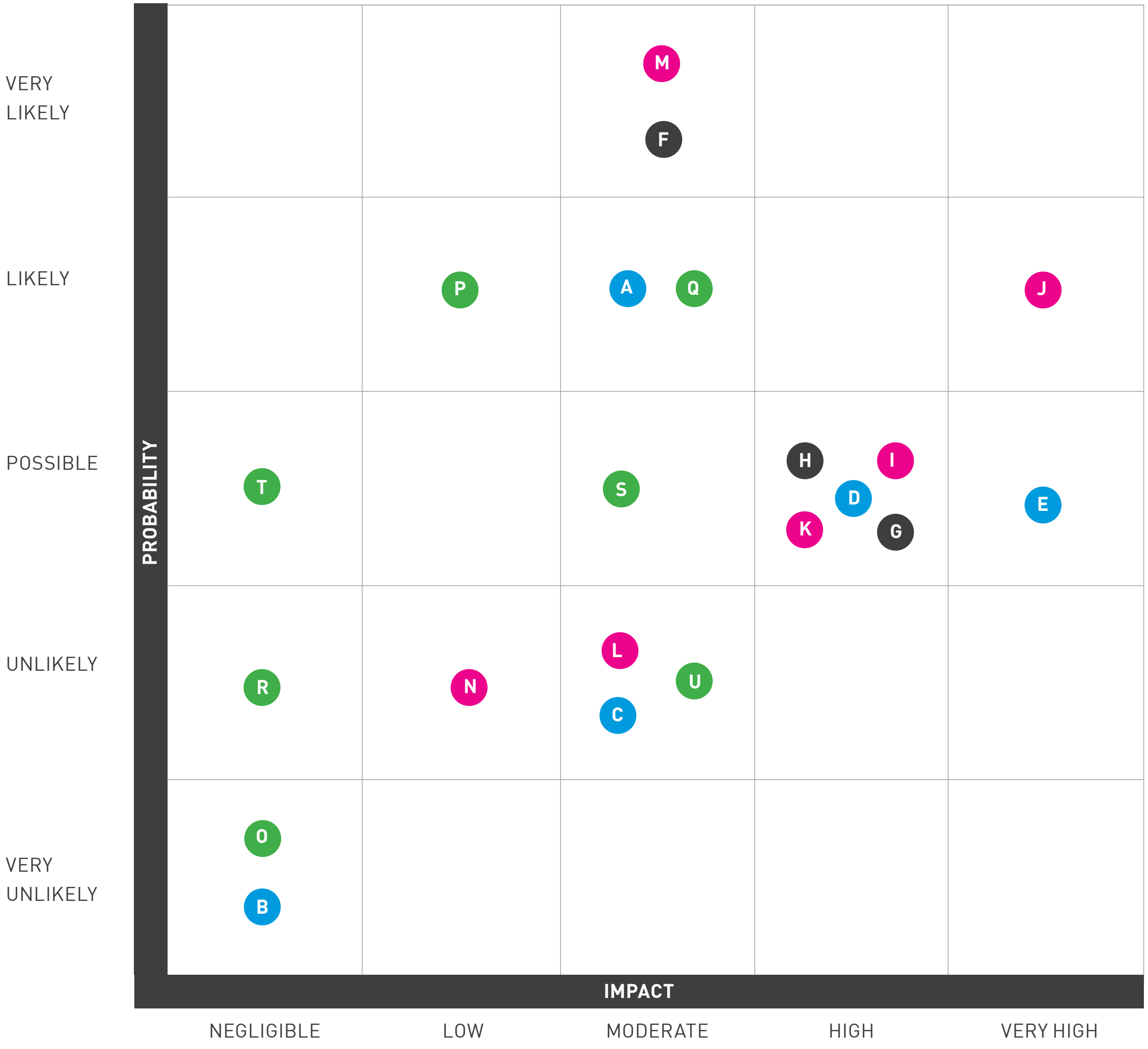
F. Global market and macroeconomic risks
G. Legal and political risks
H. Energy storage industry trends and driving forces

OPERATIONAL RISKS

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

SUSTAINABILITY RISKS

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



RISK AREA	DESCRIPTION	COUNTERACTING FACTORS	PROBABILITY	IMPACT
FINANCIAL RISKS				
A Currency risk	• Nilar operates internationally and is exposed to currency risks arising from various currency exposures, particularly in relation to EUR and USD.	• 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	• 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.	• Nilar's interest rate risk is assessed as low due to the low sum of loans with variable interest rates. EIB has a fixed interest rate over a five-year loan period.	Very unlikely	Negligible
C Credit risk	• Credit risk arises through cash and balances with banks and financial institutions, as well as credit exposures including outstanding receivables and contractual transactions.	• Cash and cash equivalents are placed solely with credit institutions with a high credit rating. • Nilar will occasionally have high liquidity due to uneven loan payments from the EIB.	Unlikely	Moderate
D Liquidity risk	• The risk that the Group will not meet its payments due to insufficient liquidity or difficulty in obtaining credit from external creditors.	• The EIB loan of 47 MEUR secures credit over the next five years, provided that Nilar follows its business plan. However, the EIB loan is conditional on a further injection of equity.	Possible	High
E Capital risk	• The risk that the Group does not have the correct capital structure to keep capital costs down.	• Nilar conducts ongoing new issues to finance its operations.	Possible	Very high
BUSINESS CYCLE AND EXTERNAL RISKS				
F Global market and macroeconomic risks	• 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.	• 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	• 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 are to some extent dependent on grants/government incentives. These are 'political' and can change quickly.	• 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	• 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.	• 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

RISK AREA	DESCRIPTION	COUNTERACTING FACTORS	PROBABILITY	IMPACT
OPERATIONAL RISKS				
I Customer dependency	• Nilar's turnover depends on the success of its customers in its range of models in the market. • Nilar has few customers.	• 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
J Production	• 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. • Nilar's business plan includes new product versions and new products.	• 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. • New products and product versions are tested and quality-checked, as well as resulting changes in production.	Likely	Very high
K Global supply chain	• 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.	• 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. • New products and product versions are tested and quality-checked, as well as resulting changes in production.	Possible	High
L IT-related risks	• 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.	• Nilar has ensured an IT environment that can be quickly replicated in the event of an outage.	Unlikely	Moderate
M Product liability, warranty and recall	• 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.	• 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.	Very likely	Moderate
N Environmental risks in Gävle	• Nilar produces all batteries in its factory in Gävle.	• 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				
O Energy use	• Increased production and additional processes will lead to increased use of energy. The risk is that Nilar will not be able to buy enough energy from renewable sources and thus adversely affect the environment.	• 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.	Very unlikely	Negligible
P Environmental impact	• Nilar uses direct and indirect transport services, which means the use of fossil fuels. • Nilar buys raw materials (nickel, etc.) from mainly foreign suppliers, which makes it difficult to ensure that applicable environmental standards are complied with in production.	• Nilar works to optimize logistics flows and works with transport companies that are environmentally conscious. • Through contract clauses, inspections and investigations, Nilar seeks to ensure that suppliers comply with applicable regulations.	Likely	Low
Q Organization and competence supply	• 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.	• Nilar has core values as a basis for leadership. High employee motivation is a priority. • Employee surveys are conducted and internal development and career opportunities are actively discussed. • There is clear vertical and horizontal communication regarding objectives and strategy.	Likely	Moderate
R Shortcomings in equality and diversity, and discrimination	• 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.	• 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.	Unlikely	Negligible
S Shortcomings in health and safety	• Work environment, health and safety are strategically important for Nilar. Shortcomings in work regarding health and safety at work increase the risk of illness.	• Nilar works systematically to ensure and improve the working environment. • Incidents are followed up systematically, documented and measures discussed.	Possible	Moderate
T Violation of human rights	• 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.	• Supplier strategy and policy include qualification process to keep sustainability aspects as far as possible.	Possible	Negligible
U Corruption	• 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.	• Nilar's application of global and local certification manuals.	Unlikely	Moderate

SHAREHOLDER INFORMATION

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 5,025,191 divided into 5,025,191 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 2020, the company had a total of 147 (126) shareholders.

The five largest shareholders controlled at year-end 45.8 (47.7) percent of the capital and votes.

SHARE REGISTER

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

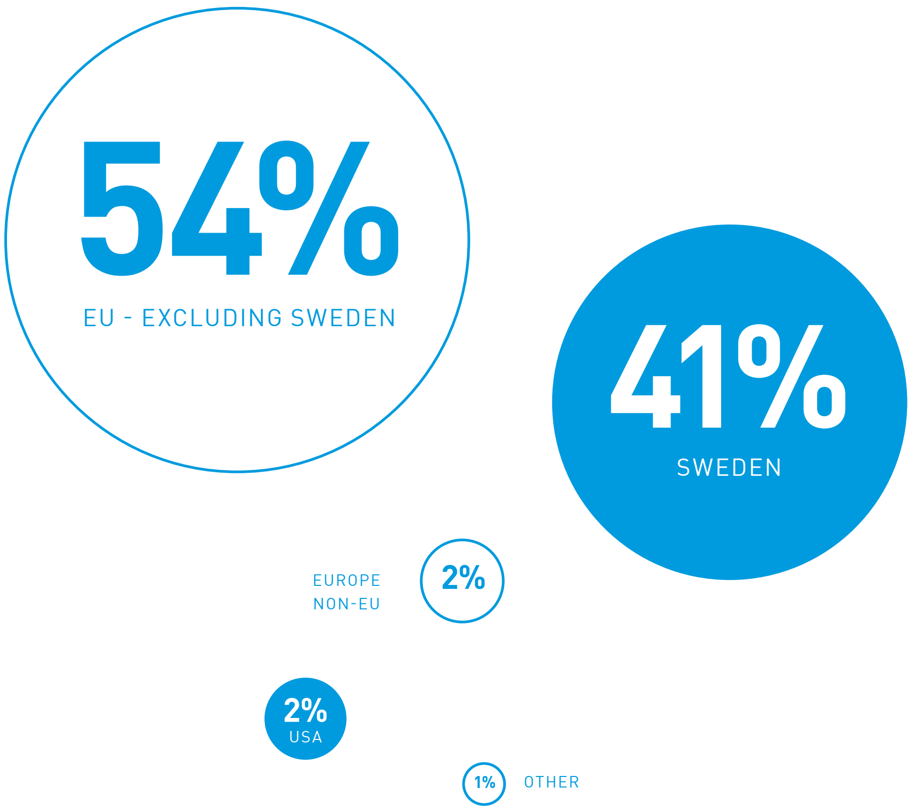
FINANCIAL INFORMATION

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 Wednesday 30 June at 13.00 at the company's lawyers Baker & McKenzie with address Vasagatan 7, 101 23 Stockholm.

SWEDISH AND FOREIGN OWNERSHIP



NILAR'S 15 LARGEST SHAREHOLDERS PER 31 DECEMBER 2020

NAME	NUMBER OF SHARES	SHARES % CAPITAL/VOTES
Christopher Braden	620 975	12,4%
AkademikerPension	473 820	9,4%
Första AP-Fonden	470 586	9,4%
R&H Trust Co	465 936	9,3%
Fredriksson & Forssell AB	268 591	5,3%
Sagax Limited	192 036	3,8%
Brohuvudet AB	182 578	3,6%
Fjärde AP-Fonden	175 028	3,5%
AFA Försäkring	150 150	3,0%
Venture Holding SARL SPF	144 020	2,9%
Fjord Advisors AB	142 590	2,8%
Other	1 738 881	34,6%
Total	**5 025 191**	**100%**

DEVELOPMENT OF SHARE CAPITAL

EVENT	REGISTRATION DATE	MONTH	CHANGE IN NO. OF SHARES	NO. OF SHARES AFTER ISSUE
Founding	2000		100 000	100 000
New share issue [1]	2004		106 130	206 130
New share issue [1]	2005		20 918	227 048
New share issue	2005		41 500	268 548
New share issue	2006		14 600	283 148
New share issue	2007		81 193	364 341
New share issue	2009		155 773	520 114
New share issue	2011		175 407	695 521
New share issue [1]	2012		280 485	976 006
New share issue [2]	2013		68 660	1 044 666
New share issue [1]	2013		64 489	1 109 155
New share issue	2013		164 963	1 274 118
New share issue [1]	2014		80 684	1 354 802
New share issue	2014		3 324	1 358 126
New share issue	2015		6 960	1 365 086
New share issue	2015		989 052	2 354 138
New share issue	2016		238 600	2 592 738
New share issue	2016		22 803	2 615 541
New share issue	2017		129 285	2 744 826
New share issue	2017		525 753	3 270 579
New share issue [1]	2018		180 403	3 450 982
New share issue	2019		980 875	4 431 857
New share issue [2]	2020	August	275 669	4 707 526
New share issue	2020	September	6 967	4 714 493
New share issue	2020	October	310 698	5 025 191

1) Set-off.
2) Cash, set-off.

FINANCIAL INFORMATION

BOARD OF DIRECTORS' REPORT

The Board and the CEO of Nilar International AB (publ), corporate registration number 556600-2977, hereby present the accounts for the financial year 2020.

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.

2020 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 2021

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

During the year, production line 2 was commissioned, installation of production line 3 was started, and orders were placed for production lines 5-8 for commissioning in 2021.

During the year, the shift has been gradually expanded. During Q4, the shift for production lines 1-3 was expanded. The production organization was further staffed for expanded production in 2021.

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 166 (132). The personnel increase has mainly taken place in production, R&D and sales. Layoffs were introduced towards the end of the second quarter in production and sales and marketing to actively counteract a possible negative impact for Nilar of covid-19. The redundancies ended during the third quarter.

Since the beginning of March, all trade fairs and customer activities have been canceled for the time being. All customer and marketing communication now take place interactively on-line.

During the year, a pre-IPO financing totaling 178 MSEK before expenses was carried out. During the year, the EIB granted the company a five-year loan facility of 47 MEUR, of which 35 MEUR for the further expansion of the Gävle plant, and 12 MEUR for part-financing the next plant, in Estonia. During the year, the company received a payment of 8.75 MEUR within the framework of the first tranche of 17.5 MEUR.

FINANCIAL SUMMARY, MSEK	2020	2019	2018	2017	2016
Revenue	25,2	10,4	3,4	1,1	0,3
Gross profit	-199,2	-151,1	-35,7	-24,0	-19,2
EBITDA *	-223,4	-183,0	-77,8	-53,1	-38,2
Operating profit (EBIT)	-284,0	-221,7	-89,9	-58,5	-43,7
Profit/loss after tax	-342,9	-238,5	-91,1	-59,2	-44,0
Cash flow from investing activities	-111,5	-135,2	-45,6	-24,9	-21,5
Cash flow from financing activities	233,6	420,0	76,9	135,0	55,7
Equity/asset ratio, % *	18%	49%	70%	96%	90%
Debt ratio, times *	4,6	1,0	0,4	0,0	0,1
Full-time equivalent employees, number	127	90	48	44	38

*) Alternative performance measure. See page 100 for further explanations.

Revenue and results

Net sales for the full year increased by 242% to 25.2 (10.4) MSEK. The number of energy storages delivered increased by 219% to 442 (202). The average size of delivered energy storage was 12 (12) kWh.

Gross profit decreased to -199.2 (-151.1) MSEK. The deterioration in earnings is mainly driven by increased material and warranty costs related to increased sales volume and increased personnel costs for the expanded production organization which will only benefit the company later. 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 and components through volume purchases, and continued product development where inter alia cheaper input electronic components are under development. During the period, 6.6 MSEK of the warranty provision of 15.4 MSEK that was made at the end of 2019 was dissolved as replacement packs were delivered customers. During the fourth quarter, and taking into account new warranty commitments, the need for a warranty provision was reassessed and the remaining reserve made for the full year 2019 was dissolved, and a new provision was made of 14.3 MSEK. These commitments will be implemented in 2021. During the period, warranty costs of 1.3 MSEK were also reserved for newly sold battery packs during the period: the replacement packs are expected to be produced and delivered to customers during the five-year warranty period. During the period, the production organization amounted to 103 full-time employees. The third production line was commissioned during the third quarter. During the fourth quarter, the installation of the fourth production line began at the same time as orders were placed on production lines 5-8. 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 -332.8 (-259.2) MSEK. Costs for employees and temporary agency workers increased to -127.2 (-97.7) MSEK – the increase has mainly occurred in Production and R&D. The company does not conduct any research. Development expenses are capitalized when they meet the criteria in accordance with IAS 38 and are estimated to amount to significant amounts for the development investment as a whole; otherwise, development expenses are expensed as normal operating expenses.

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 (Battery Management System) and development of production processes, amounted to 30.4 (26.8) MSEK for the full year.

Depreciation of tangible and intangible fixed assets amounted to -60.7 (-38.8) MSEK. Depreciation for machinery increased to -24.9 (-6.9) MSEK as a result of the expansion of the production facility. Depreciation for capitalized development expenses and patents amounted to -30.9 (-28.2) MSEK, and depreciation costs for right of use assets, mainly related to the production facility in Gävle, amounted to -4.8 (-3.6) MSEK.

Operating profit for the full year decreased to -284.0 (-221.7) MSEK.

Financial items amounted to -58.9 (-16.8) MSEK, of which -27.5 MSEK mainly consists of interest for convertible loans, -0.7 MSEK of interest for loans from the EIB, -30.7 MSEK for changes in the value of the derivative component attributable to the convertible loan (see Note 14) and -1.5 MSEK regarding the interest component of the leasing liabilities related to the company's premises costs.

Profit before and after tax decreased to -342.9 (-238.5) MSEK.

Cash flow, working capital, investments and financial position

Cash flow from operating activities for the full year amounted to -211.6 (-153.9) MSEK. Changes in working capital amounted to 8.0 (15.3) MSEK, of which 57.3 MSEK consisted of increased operating liabilities, -24.4 MSEK of increased inventories and -24.9 MSEK of increased operating receivables.

Investments for the full year amounted to -111.5 (-135.2) MSEK. Of which -81.1 (-108.3) MSEK consisted of investments in machinery and equipment for the factory in Gävle. -30.4 (-26.8) MSEK consisted of capitalized development expenses.

Cash flow from financing activities during the full year amounted to 233.6 (420.0) MSEK. Of which 170.0 MSEK refers to capital raise after transaction costs of 8.0. During the first quarter, the remaining 10 MSEK of the convertible loan of 175 MSEK was received, of which 8.7 MSEK in fees. The bridge loan of 20 MSEK was repaid in full. During the fourth quarter, the first disbursement of 8.7 MEUR of the loan was received from the EIB. The amortization component for the leasing liabilities related to the company's premises costs amounted to -4.3 (-4.0) MSEK.

The full-year cash flow was -89.4 (130.9) MSEK. Cash and cash equivalents at the end of the full year amounted to 73.9 (163.4) MSEK.

The balance sheet total is 576.4 (565.9) MSEK.

The Group's intangible assets at the end of the period amounted to 184.8 (191.9) MSEK. The assets consist of retained expenditure on development work for 184.3 (190.8) MSEK and patents 0.5 (1.2) MSEK. During the period, 30.4 MSEK of development expenses were capitalized for: development of a new product with oxygen replenishment, development of BMS (Battery Management System) and production process development. Property, plant and equipment amounted to 197.0 (140.9) MSEK, of which 50.6 (80.4) MSEK consisted of fixed assets under construction for the ongoing expansion of the Gävle factory, such as new forming and electrode manufacturing equipment regarding production lines 5-8. At the end of the period, current assets amounted to 155.3 (195.5) MSEK. Inventories amounted to 42.0 (17.6) MSEK.

Shareholders' equity in the Group at the end of the period was 103.1 (275.8) MSEK. The equity/asset ratio was 18% (49%).

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 4 Risks and risk management, page 49.

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 350 MSEK in new capital in May 2021 to finance the company through Q1 2022. 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 in 2021, 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

New share issue 18.6 MSEK (paid in and registered).

After the balance sheet date, the company received a second and final payment of 8.75 MEUR under the first tranche of 17.5 MEUR of the EIB loan facility totaling 47 MEUR.

An Extraordinary General Meeting was held on 12 March, 2021. Notice of the meeting was given in accordance with the Articles of Association. All resolutions proposed to the AGM were adopted. Notable decisions were: election of Ulrika Molander as a new board member, decision on guidelines for remuneration to senior executives, decision regarding incentive program 2021/2024 to senior executives, employees and other key personnel within the Company and the Group (LTIP 2021) and decision regarding incentive program 2021/2024 to board members within the Company.

PARENT COMPANY

Revenue for the Parent Company for the full year was 0 (0) MSEK. Intercompany purchases amounted to 97.5 (0) MSEK and consisted of the acquisition of an intangible asset from the subsidiary Nilar AB. Research and development costs amounted to -23.2 (-20.2) MSEK and consisted mainly of depreciation for capitalized development expenses. Net financial items amounted to -256.6 (-199.3) MSEK, which is explained by -59.7 (-15.2) MSEK, of which -27.3 MSEK consists of interest on convertible loans, -0.7 MSEK of interest on loans to the EIB, -30.7 MSEK for revaluation of convertible loan and by the Parent Company provided shareholder contributions that were subsequently written down -208.1 (-191.9) MSEK. Profit after tax amounted to -297.9 (-241.9) MSEK.

The cash flow for the full year was -81.7 (130.0) MSEK. Cash and cash equivalents at the end of the full year amounted to 67.6 (149.3) MSEK.

The equity/asset ratio was 16 (48) percent. Shareholders' equity amounted to SEK 65.1 (193.0) MSEK.

Total number of shares

The total number of outstanding shares as of 31 December, 2020 was 5,025,191. At the balance sheet date, there were 170,633 warrants outstanding, of which 10,000 to Board members and 160,633 to the EIB.

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. The remuneration committee has met three times.

Corporate governance report

Nilar submits a separate corporate governance report, which is included in this annual report on pages 85-90.

Sustainability report

The company submits a separate sustainability report, which is included in this annual report on pages 20-27.

Proposed treatment of loss

PARENT COMPANY	2020
The following profits are at the disposal of the annual general meeting:	
Share premium reserve	1 032 650 389
Profit/loss brought forward	-725 230 101
Net loss for the year	-297 858 871
Total	**9 561 417**

Dividend

The Board of Directors proposes that no dividend be paid for the financial year 2020.

Regarding the parent company's and the group's earnings and position in general, reference is made to the following income statements and balance sheets, report on changes in equity, cash flow analyzes and additional information. All amounts are expressed in thousands of Swedish kronor unless otherwise stated.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

TSEK	NOTE	2020	2019
Revenue	5	25 238	10 375
Cost of sales		-224 476	-161 443
Gross profit		**-199 238**	**-151 068**
Research & development expenses		-25 023	-19 677
Distribution and selling costs		-30 161	-18 636
Administrative expenses		-30 518	-32 601
Other operating income	9	931	252
Operating income	6,7,8	**-284 008**	**-221 730**
Financial income	10	2 624	-
Financial expenses	10	-61 518	-16 788
Finance costs - net		**-58 894**	**-16 788**
Profit/loss before tax		**-342 903**	**-238 519**
Income tax	11	-	-
Net profit/loss after tax		**-342 903**	**-238 519**
Attributable to:			
Parent Company shareholders		-342 903	-238 519
Non-controlling interests		-	-

Earnings per share		
Profit after tax	-342 903	-238 519
Number of shares at end of period	5 025 191	4 431 857
Number of share options at end of period	170 633	149 500
Weighted number of ordinary shares before/after dilution [1]	4 601 521	4 047 681
Earnings per share before/after dilution (SEK) [1]	-74,52	-58,93

Other comprehensive income		
Items that may later be reversed in the income statement:		
Currency translation differences	282	95
Other comprehensive income for the year, net after tax	**282**	**95**
Total comprehensive income for the year	**-342 621**	**-238 424**

1) Regarding the average number of shares and Earnings per share after dilution, option rights in the convertible loan and the EIB loan have not been taken into account as this would have meant a less negative earnings per share.

Comments on the consolidated income statement

Net sales for the full year totaled 25.2 (10.4) MSEK. The Group's gross profit amounted to -199.2 (-151.1) 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 -216.7 (-183.0) MSEK. Included in the results are capitalized expenditure for development of 30.9 (26.8) MSEK. Operating income (EBIT) were -284.0 (-221.7) MSEK.

The Group's net financial items were -58.9 (-16.8) MSEK. Financial expenses were -61.5 (-16.8) MSEK mainly comprised of interest expense.

The Group's profit before and after tax amounted to -342.9 (-238.5) MSEK.

CONSOLIDATED BALANCE SHEET

TSEK	NOTE	2020-12-31	2019-12-31
ASSETS			
FIXED ASSETS			
Intangible assets	12		
Patents		484	1 189
Capitalized expenses for development work		184 272	190 760
Total intangible fixed assets		**184 756**	**191 949**
Tangible fixed assets	13		
Property, plant and equipment		146 446	60 492
Fixed assets under construction		50 563	80 418
Total tangible fixed assets		**197 009**	**140 910**
Other fixed assets			
Right-of-use assets		39 267	37 502
Total other fixed assets		**39 267**	**37 502**
Total fixed assets		**421 031**	**370 361**
CURRENT ASSETS			
Inventories	15	42 013	17 614
Accounts receivable - trade	16	15 030	3 540
Tax assets		1 433	301
Other receivables	17	22 344	8 869
Prepaid expenses and accrued income	18	579	1 827
Cash and cash equivalents	14, 24	73 940	163 395
Total current assets		**155 339**	**195 546**
Total assets		**576 370**	**565 907**

TSEK	NOTE	2020-12-31	2019-12-31
EQUITY AND LIABILITIES			
EQUITY			
Share capital	21	5 025	4 432
Other contributed capital	21	1 065 282	895 901
Statutory reserves		139	-143
Retained earnings		-967 329	-624 426
Total equity		**103 118**	**275 764**
LIABILITIES			
Non-current liabilities			
Borrowings		34 555	33 036
Deferred tax liabilities		84 570	-
Total non-current liabilities		**119 125**	**33 036**
Current liabilities			
Borrowings	14	204 372	185 075
Current lease liabilities, interest bearing		4 787	4 100
Provisions of warranty	28	15 585	15 416
Accounts payable - trade	14	76 912	26 665
Other liabilities	19	12 233	2 745
Accrued expenses and deferred income	20	40 238	23 106
Total current liabilities		**354 127**	**257 107**
Total equity and liabilities		**576 370**	**565 907**

Comments to the balance sheet

Consolidated total assets at year-end were 576.4 (565.9) MSEK.

Intangible assets were 184.8 (191.9) MSEK, out of which 184.3 (190.8) MSEK was comprised of capitalized expenditures for development work and 0.5 (1.2) MSEK of capitalized expenditures related to patents.

Equity in the Group at the end of the year amounted to 103.1 (275.5) MSEK. The equity/asset ratio was 18 (49) %.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

TSEK	NOTE	SHARE CAPITAL	NON-REGISTERED SHARE CAPITAL	OTHER CONTRIBUTED CAPITAL	RESERVES	RETAINED EARNING	TOTAL EQUITY
Opening balance per 1 January 2019	21	**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**
Opening balance per 1 January 2020	21	**4 432**	**-**	**895 901**	**-143**	**-624 426**	**275 764**
Comprehensive income							
Net profit/loss for the year		-	-	-	-	-342 903	-342 903
Other comprehensive income		-	-	-	282	-	282
Total comprehensive income		**-**	**-**	**-**	**282**	**-342 903**	**-342 621**
Transactions with shareholders							
New share issue		593	-	169 381	-	-	169 975
Total transactions with shareholders		**593**	**-**	**169 381**	**-**	**-**	**169 975**
Closing balance per 31 December 2020	21	**5 025**	**-**	**1 065 282**	**139**	**-967 329**	**103 118**

Comments on changes in equity

In addition to the net profit and translation differences for the year of -342.9 (-238.3) MSEK transactions with shareholders of 170.0 (312.8) MSEK had an impact on equity.

CONSOLIDATED CASH FLOW STATEMENT

TSEK	NOTE	2020	2019
Cash flows from operating activities			
Profit/loss before tax		-342 903	-238 519
Interest paid and received		-2 397	-263
Adjustment for other non-cash items			
Depreciation on tangible and intangible fixed assets		60 652	38 756
Write-down of intangible fixed assets		6 694	-
Provisions for warranty		169	15 416
Accrued interest		27 660	15 124
Changes in value of derivatives		30 669	-
Translation differences		-2 977	-
Other adjustments		315	59
Cash flow from operating activities before changes in working capital		**-219 560**	**-169 165**
Cash flow from changes in working capital			
Increase (-) /decrease (+) in inventories		-24 400	-9 604
Increase (-) /decrease (+) in operating receivables		-24 856	760
Increase (+) /decrease (-) in operating liabilities		57 262	24 096
Total changes in working capital		**8 007**	**15 252**
Cash flow from operating activities		**-211 553**	**-153 912**
Investing activities			
Investments in Intangible assets	12	-30 439	-26 843
Investments in tangible fixed assets	13	-81 063	-108 333
Cash flow from investing activities		**-111 502**	**-135 175**
Financing activities			
New share issue	21	169 975	238 913
Repayment of debt	14	-24 341	-4 001
Loans raised	14	87 989	185 075
Cash flow from financing activities		**233 622**	**419 987**
Cash flow for the year		**-89 433**	**130 899**
Reconciliation of cash and cash equivalents			
Cash equivalents as of beginning of the financial year	14	163 395	32 480
Cash flow for the year		-89 433	130 899
Exchange rate difference in cash and cash equivalents		-23	16
Cash and cash equivalents at the end of the year	14	**73 940**	**163 395**

Comments on the cash flow statement

Cash flow from operating activities before changes in working capital totaled -219.6 (-169.2) MSEK. The effect on cash flow of the change in working capital amounted to 8.0 (15.3) MSEK. Inventories changed during the year by -24.4 (-9.6) MSEK while current receivables changed by -24.9 (0.8) MSEK. Current liabilities increased by 57.3 (24.0) MSEK.

Investments in intangible and tangible fixed assets amounted to 111.5 (135.2) MSEK. Investments of 30.4 (26.8) MSEK relate to intangible fixed assets. The corresponding amount for tangible assets was SEK 81.1 (108.3) million. Depreciation amounts to 60.7 (38.3) MSEK.

Cash flow from financing activities totaled 233.6 (420.0) MSEK. Cash flow from new share issue amounted to 170.0 (238.9) MSEK. Loans taken totaled 88.0 (185.1) MSEK.

Cash and cash equivalents at the end of the year amounted to 73.9 (163.4) 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

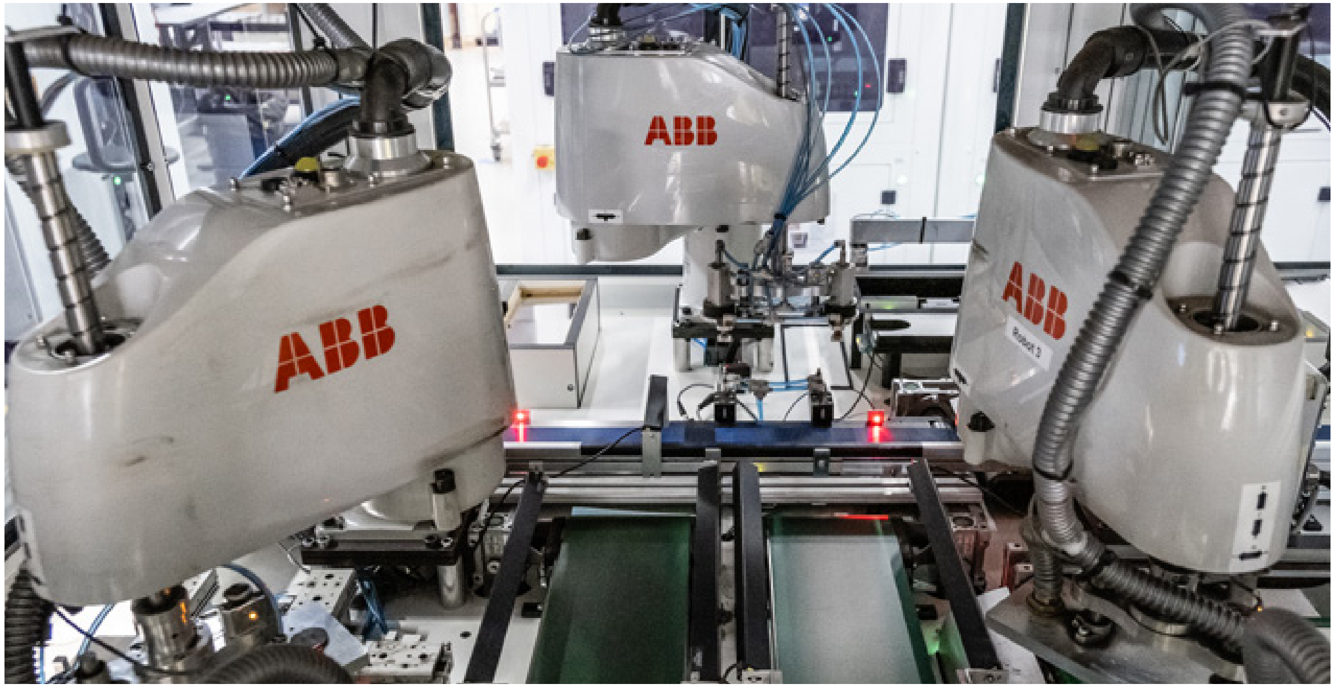
The consolidated financial statements include the Swedish Parent Company, Nilar International AB (publ), 556600-2977 and its subsidiaries. The Group's business consists of development, production, marketing and sales of batteries and associated products. The development, manufacturing and production 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. SPECIFICATION OF THE GROUP'S HOLDINGS OF PARTICIPATIONS IN GROUP COMPANIES

PARTICIPATIONS IN SUBSIDIARIES	2020-12-31	2019-12-31
Opening acquisition cost	101	101
Shareholder contributions	208 124	191 914
Impairment of shareholder contributions	-208 124	-191 914
Closing reported value	101	101

SUBSIDIARY/CORPORATE IDENTITY NUMBER/REGISTERED OFFICE	COUNTRY
Nilar AB, 556790-0815, Gävle	Sweden
Nilar Inc., 1415595, Delaware	USA



NOTE 3. SUMMARY OF IMPORTANT ACCOUNTING POLICIES AND DISCLOSURES

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

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

The accounting policies applied in the preparation of the consolidated financial statements are disclosed in the respective notes in order to provide a better understanding of the respective accounting field. See the table below for reference to the note in which each significant accounting policy is used and the applicable IFRS standard that is deemed to have significant influence.

IMPORTANT ESTIMATES AND ASSESSMENTS FOR ACCOUNTING PURPOSES

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

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

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

NEW AMENDMENTS TO STANDARDS AND INTERPRETATIONS THAT HAVE ENTERED INTO FORCE FOR 2020

New amended standards that have entered into force and apply for the financial year 2020 have not had a material impact on the Group's financial statements.

ACCOUNTING POLICY	NOTE		IFRS-STANDARD
Consolidated financial statements	3	Consolidated financial statements	IFRS 10
Income	5	Income	IFRS 15
Operating expenses	6	Operating expenses	IAS 1
Share-based remuneration	8	Employees, employee benefit expenses and remuneration to the Board	IFRS 2
Government grants	8, 9	Employees, employee benefit expenses and remuneration to the Board	IAS 20
Financial income and expenses	10	Financial income and expenses	IFRS 9
Income tax	11	Tax	IAS 12
Intangible fixed assets	12	Intangible fixed assets	IAS 38
Tangible fixed assets	13	Tangible fixed assets	IAS 16
Accounts payable	14	Financial instruments by category	IAS 32, IAS 37, IFRS 7, IFRS 9
Inventories	15	Inventories	IAS 2
Accounts receivable	16	Financial instruments by category	IAS 18, IAS 32, IFRS 7, IFRS 9
Share-based instruments	22	Share-based instruments	IFRS 2
Cash flow statement	24	Cash flow	IAS 7
Operational leasing	25	Leasing	IFRS 16
Transactions with related parties	26	Transactions with related parties	IAS 24
Provisions	28	Other provisions	IAS 28, IAS 37, IFRS 11

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

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 2021 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	
	2020	2019	2020	2019
USD	8,19	9,46	9,20	9,32

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 4. 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 most 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 and borrowings.

As per 31 December 2020, Nilar's financial liabilities were subject to the following translation exposure:

	2020-12-31	2019-12-31
EUR	88 918	960
USD	3 613	2 960
Other currencies	-	92
Total	**92 530**	**4 012**

As per 31 December 2020, Nilar's financial assets were subject to the following translation exposure:

	2020-12-31	2019-12-31
EUR	3 841	618
USD	4 123	851
Other currencies	-	-
Total	**7 964**	**1 469**

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 4,228 (140) 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 359 (516 TUSD). 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 147 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 2020 and 2019, the Group's borrowing consisted for the most part of variable interest rates of SEK, however, the Group's loans to the EIB consisted of fixed interest rates in EUR.

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 of 288,942 TSEK would give a maximum change of 2,889 (1,851) 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 wellknown 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 350 MSEK of new capital in during May 2021 to fund the company through Q1 2022. 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 during 2021, 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 2020 (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	204 372	204 372	-	-	-	-
EIB	84 570	5 068	6 587	26 348	110 918	-
Accounts payable and other liabilities	76 912	76 912	-	-	-	-
Liabilities related to financial leasing	49 228	2 470	2 406	4 786	12 985	26 582
Total	**415 082**	**288 822**	**8 993**	**31 134**	**123 903**	**26 582**

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	-	-	-	-
EIB	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**

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 2020 amounts to 18 (49) percent. The parent company's equity/asset ratio was 13 (45) 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. There are no deferred tax assets net as capitalized loss carryforwards are only capitalized to the extent that there are sufficient deductible temporary differences.

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 5. INCOME

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

	2020	2019
Sweden	13 326	6 412
EU	8 108	3 963
Outside EU	3 804	-
Total income	**25 238**	**10 375**

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. All 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 or contractual liabilities. Information is not provided on the total amount or remaining performance commitments which are unfulfilled, or partially unfulfilled, at the end of the reporting period when the customer agreement has an original term of less than 12 months. Provision for guarantee costs for remaining performance commitments in the form of replacement batteries, has been reserved per December 31, 2019 and 2020 (see Note 28).

NOTE 6. OPERATING EXPENSES

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

	2020	2019
Changes in inventories, cost of goods sold	-86 428	-50 849
Costs for remuneration to employees and directors (note 8)	-81 574	-44 806
Costs for temporary labour	-34 842	-35 672
Depreciation	-67 346	-38 756
Other costs	-39 988	-62 274
Total costs for goods sold, development, sales and administration	**-310 178**	**-232 357**

Depreciation of intangible assets 30,937 (28,198) TSEK has been recognized under Cost of goods sold in the income statement. Depreciation of tangible assets 24,934 (6,922) TSEK has been recognized under Cost of goods sold 24,850 (6,835) TSEK, Administration expenses 0 (0) TSEK, and Selling expenses 83 (87) TSEK. Depreciation of rights of use assets 4,781 (3,635) has been recognized under Cost of goods sold 2,979 (1,893) TSEK, Development costs 0 (59) TSEK, Selling expenses 505 (402) TSEK, and Administration expenses 1,296 (1,282) TSEK. Impairment of intangible fixed assets 6,694 TSEK has taken place within Cost of goods sold.

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 7. AUDIT FEES

	2020	2019
Deloitte AB		
Audit engagement	-872	-580
Other audit activities	-1 351	-671
Other services	-	-
Total Deloitte	**-2 223**	**-1 251**
Deloitte AB		
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 2019, BDO conducted on behalf of the company an audit of the internal control over the financial reporting.

NOTE 8. EMPLOYEES, EMPLOYEE BENEFIT EXPENSES AND REMUNERATION TO THE BOARD

AVERAGE NUMBER OF EMPLOYEES	Number of people 2020	Number of people 2019	Of whom men % 2020	Of whom men % 2019
Parent Company	2	1	100	100
Subsidiaries				
Sweden	123	86	67	65
USA	2	3	50	67
Total subsidiaries	125	89	67	65
Total average number of employees	**127**	**90**	**59**	**65**

GENDER DISTRIBUTION ON THE BOARD AND IN EXECUTIVE MANAGEMENT	Number of people 2020	Number of people 2019	Of whom women % 2020	Of whom women % 2019
Board	6	7	33	14
Executive management	5	6	20	-

SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY EXPENSES	Salaries and remuneration 2020	Salaries and remuneration 2019	Social security expenses 2020	Social security expenses 2019
Parent Company	-5 230	-3 255	- 2 415	-1 828
(of which pension costs)	-	-	- 760	- 633
Subsidiaries	-64 551	-42 615	-24 405	-15 227
(of which pension costs)			-4 512	-2 392
Total salaries, other remuneration and social security expenses	**-69 781**	**-45 870**	**-26 820**	**-17 055**
(of which pension costs)			-5 273	-3 026

SALARIES AND OTHER REMUNERATION ACCORDING TO COUNTRY, MANAGEMENT STAFF AND OTHER EMPLOYEES	Management staff 2020	Management staff 2019	Other employees 2020	Other employees 2019
Parent Company and subsidiaries in Sweden	-10 779	-8 927	-80 192	-50 596
(of which pension costs)	-2 415	-1 981	-24 009	-14 822
Subsidiaries overseas	-	-	-5 630	-3 402
(of which pension costs)	-	-	-397	-252
Total	**-10 779**	**-8 927**	**-85 822**	**-53 998**

REMUNERATION TO THE BOARD OF DIRECTORS AND SENIOR EXECUTIVES	2020 FEE/ BASIC SALARY	2020 OTHER BENEFITS	2020 PENSIONS	2019 FEE/ BASIC SALARY	2019 OTHER BENEFITS	2019 PENSIONS
Board of directors						
Michael Obermayer	189	-	-	186	-	-
Anders Barsk	-	-	-	47	-	-
Stefan De Geer	47	-	-	47	-	-
Gunilla Fransson	47	-	-	47	-	-
Lars Fredriksson	-	-	-	47	-	-
Anders Gudmarsson	47	-	-	47	-	-
Alexander Izosimov	47	-	-	47	-	-
Helena Nathhorst	47	-	-	-	-	-
Senior executives						
Marcus Wigren, CEO	1 644	98	325	1 127	88	398
Other senior executives (4)	5 000	268	1 029	4 268	284	780

The amounts for benefits include support received in the amount of 4,328 TSEK. During the year, the company received a salary subsidy of 372 (372) TSEK for doctoral students at KTH and support for start-up jobs of 24 (47) TSEK. These wage contributions are reported from 2019 as a reduction in wage costs and not under other operating income. Compensation for laid-off staff was received during the year in the amount of 3,209 TSEK. In addition, the company received a reduced employer's contribution during the period April-June. State compensation for sick pay has been received during the period April-July and partial compensation for the period August-December. The compensation amounted to 723 TSEK.

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 473 (468) 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 22. Share-based payments. For information regarding option programs for employees, senior executives and board members, see Note 22.

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.

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. State support in the form of compensation for laid-off staff, reduced employer contributions and compensation for sick pay is reported as a reduction in staff costs.

Pensions

Nilar's long-term employee benefit plan only includes 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

NOTE 8. CONT. EMPLOYEES, EMPLOYEE BENEFIT EXPENSES AND REMUNERATION TO THE BOARD

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 9. OTHER OPERATING INCOME

	2020	2019
Profit sale of fixed asset	7	11
Sales of packaging	419	-
Freight	383	-
Foreign exchange gains	-	241
Other	122	-
Total other operating income	**931**	**252**

Wage subsidies and government subsidies attributable to remuneration for personnel are reported as a reduction in wage costs and not under other operating income, see Note 8.

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. State support in the form of compensation for laid-off staff, reduced employer contributions and compensation for sick pay is reported as a reduction in staff costs.

NOTE 10. FINANCIAL INCOME AND EXPENSES

FINANCIAL INCOME	2020	2019
Foreign exchange gains	2 624	-
Total financial income	**2 624**	**-**

FINANCIAL EXPENSES	2020	2019
Interest expenses to shareholders	-27 546	-14 635
Interest expenses EIB	-732	-
Interest expenses leasing	-1 626	-1 526
Other interest expenses	-153	-499
Changes in value of derivatives	-30 669	-
Other financial expenses	-793	-
Foreign exchange losses	-	-128
Total financial expenses	**-61 518**	**-16 788**

ACCOUNTING POLICIES

Financial income and expenses consist of interest income from bank funds and receivables, interest expenses on loans, dividend income, change in value of derivatives 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 11. TAX

REPORTED TAX	2020	2019
Deferred tax	-	-
Deferred tax regarding previous years	-	-
Total reported tax	**-**	**-**

RECONCILIATION OF EFFECTIVE TAX	2020	2019
Profit before tax	-342 903	-238 519
Income tax calculated according to national tax rates prevailing on profit in each country. 21.4% in Sweden.	73 381	51 043
Tax effects of:		
- Non-taxable income	2 478	1 663
- Taxable losses for which no deferred tax assets have been reported	-14 529	-1 846
- Deferred tax capitalized intangible assets	-61 330	-50 860
- Deferred tax employee share options	-	-
Amounts relating to previous years	-	-
Total reported tax	-	-
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 12. INTANGIBLE ASSETS

	2020-12-31			2019-12-31		
	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	225 497	232 363	6 867	198 654	205 521
Acquisitions for the year	224	30 880	31 104	-	-	-
Divestments and disposals	-665	-	-665	-	26 843	26 843
At year-end	**6 426**	**256 377**	**262 803**	**6 867**	**225 497**	**232 363**
Accumulated depreciation						
At the start of the year	-5 678	-34 737	-40 415	-5 347	-6 869	-12 216
Depreciation for the year	-263	-30 674	-30 937	-331	-27 867	-28 198
At year-end	**-5 941**	**-65 411**	**-71 352**	**-5 678**	**-34 737**	**-40 415**
Accumulated write-downs						
At the start of the year	-	-	-	-	-	-
Write-downs for the year	-	-6 694	-6 694	-	-	-
At year-end	**-**	**-6 694**	**-6 694**	**-**	**-**	**-**
Recognized value						
At the start of the year	1 189	190 760	191 949	1 519	191 785	193 304
At year-end	**484**	**184 272**	**184 756**	**1 189**	**190 760**	**191 949**

Patents

Nilar had as of 31 December 2020, 80 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:

	2020-12-31	2019-12-31
Product development	136 957	161 315
Production process development	20 458	10 909
Development of ERP system	745	1 015
Development of BMS	26 112	17 521
Total captialized expenditure for development work	**184 272**	**190 760**

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. Depreciation has also been initiated for completed projects regarding test methods as well as the changes to the product that have been developed and launched. Impairment has been made of projects that were previously activated but are no longer active.

ACCOUNTING POLICIES

Intangible assets

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

Development expenditures activities are recognized as an intangible asset when they qualify for recognition according to IAS 38 and are estimated to amount a significant proportion of the product's development as a whole. Other development expenditures are recognized as an expense. The most important criteria for capitalization of development expenditures are that the asset will generate probable future economic benefits or cost savings, and there are technical and commercial conditions to complete the development.

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

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

The following depreciation periods are applied:

- Patents 5 years
- Capitalized development expenditures 7 years

Impairment of intangible assets

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

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

NOTE 12. CONT. INTANGIBLE ASSETS

IMPORTANT ESTIMATES AND ASSESSMENTS

Capitalized expenditure for research and development

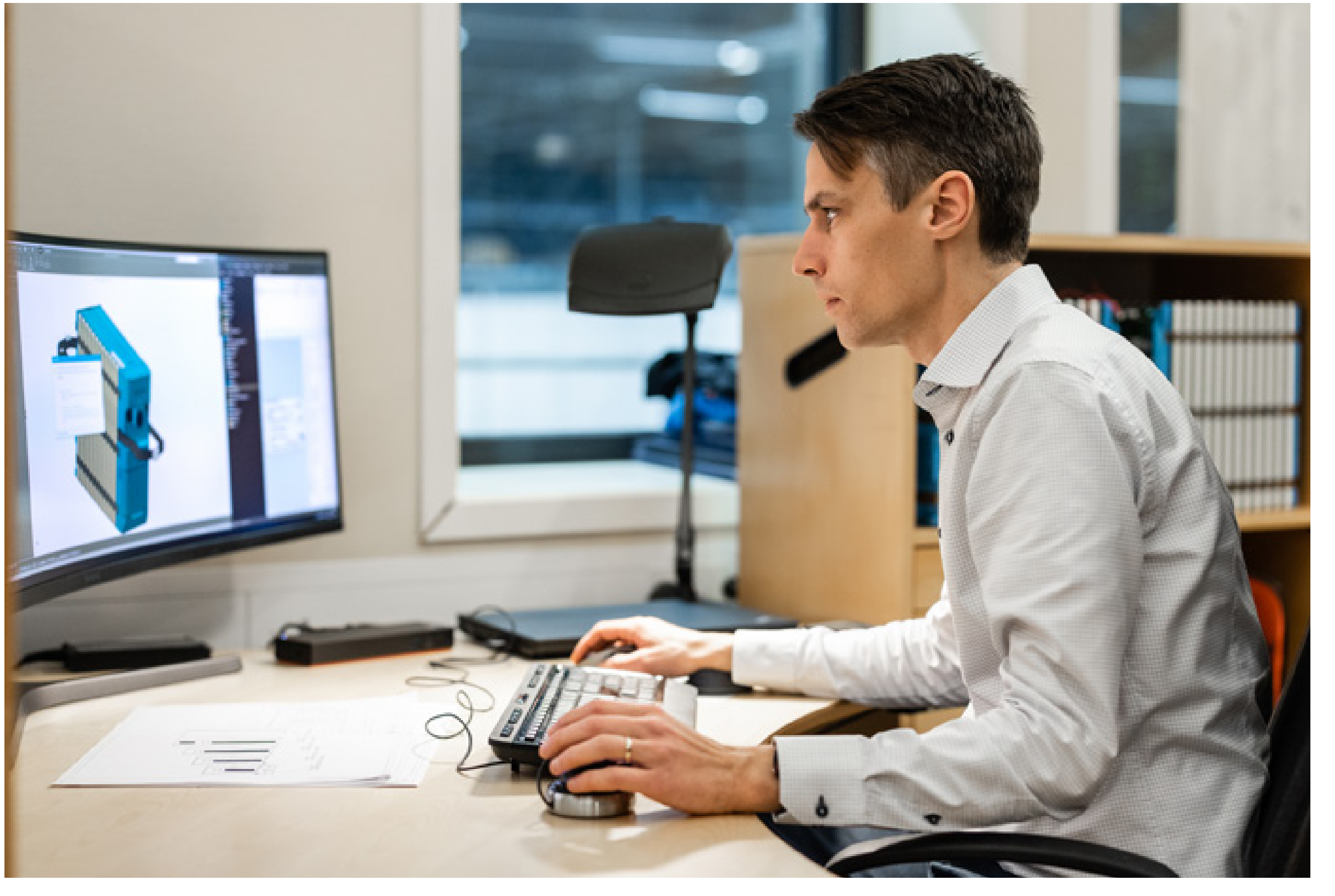
Nilar capitalizes expenses attributable to: product development, production process development, BMS (Battery Management System) development and implementation of ERP systems to the extent they are deemed to meet the criteria according to IAS 38 paragraph 57 as referred to on page 45 in the Annual Report.
The Company continuously evaluates whether there is reason to write down the value of the assets. Financial forecasts are prepared continuously. A ten-year forecasting horizon is used as the market for electrical energy storages is deemed to be at an early stage of its life cycle, and where the Company's products – based on information obtained at various trade fairs, from market reports from several different sources, customers and partners – are deemed to be well positioned to meet market demand for energy storages.

In the assessment of future cash flows, assumptions are made primarily for sales growth, operating margin and discount rate. The estimated growth rate is based on industry forecasts. The forecasted operating margin has been based on management's expectations of the market. The discount rate of 20% (17%) before tax reflects specific risks linked to the asset. 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. An increase in the discount rate by 10% would not lead to any need for impairment.

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 184.8 (190.8) 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. Depreciation has also been initiated for completed projects regarding test methods as well as the changes to the product that have been developed and launched. Impairment has been made of projects that were previously activated but are no longer active.



NOTE 13. TANGIBLE ASSETS

	2020-12-31			2019-12-31		
	PROPERTY, PLANT AND EQUIPMENT	FIXED ASSETS UNDER CONSTRUTION	TOTAL	PROPERTY, PLANT AND EQUIPMENT	FIXED ASSETS UNDER CONSTRUTION	TOTAL
Accumulated cost of acquisition						
At the start of the year	95 694	80 418	176 112	44 509	23 235	67 743
Acquisitions for the year	110 918	80 793	51 155	51 155	108 196	159 352
Reclassification to acquisitions of property, plant and equipment	-	-110 648	-	-	-51 013	-51 013
Divestments and disposals	-36	-	-	-	-	-
Translation difference	-96	-	-	29	-	29
At year-end	**206 480**	**50 563**	**257 043**	**95 694**	**80 418**	**176 112**
Accumulated depreciation						
At the start of the year	-35 201	-	-35 201	-28 279	-	-28 279
Divestments and disposals	46	-	46	-	-	-
Depreciation for the year	-24 934	-	-24 934	-6 911	-	-6 911
Translation difference	54	-	54	-11	-	-11
At year-end	**-60 035**	**-**	**-60 035**	**-35 201**	**-**	**-35 201**
Recognized value						
At the start of the year	60 492	80 418	39 465	16 230	23 235	39 465
At year-end	**146 446**	**50 563**	**197 009**	**60 492**	**80 418**	**140 910**

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:

- Tangible assets 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 14. 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 are made up of the items, accounts receivable, other long-term receivables and cash equivalents. Cash and cash equivalents consist only of bank funds.

FINANCIAL ASSETS	ACCRUED COST OF ACQUISITION 2020-12-31	ACCRUED COST OF ACQUISITION 2019-12-31
Accounts receivable (note 17)	15 030	3 540
Cash and cash equivalents	73 940	163 395
Total financial assets	**88 970**	**166 935**

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. Accounting takes place when the company becomes a party to an agreement.

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 16. 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. Credit reserves are not reported as they are considered insignificant.

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 224,800 TSEK and the option agreement to the EIB with 48,029 TSEK.

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

FINANCIAL LIABILITIES	ACCRUED COST OF ACQUISITION 2020-12-31	ACCRUED COST OF ACQUISITION 2019-12-31
Borrowing		
Bridge loan	-	20 000
EIB	84 570	-
Total borrowing	84 570	20 000
Accounts payable	76 911	26 665
Accrued interest expenses	20 498	864
Total financial liabilities	**181 979**	**47 529**

BORROWING	AMOUNT PER 2020-12-31	MATURITY DATE	INTEREST RATE
Convertible loan	204 372	2021-12-31	12,5%
EIB	84 570	2025-12-31	7,5%
Total borrowing	**288 942**		

Bridge loan

The bridge loan which was raised in 2019 has been fully repaid.

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.

EIB

In October 2020, the EIB (European Investment Bank) granted the company a 5-year loan facility of 47 MEUR, of which 35 MEUR with planned disbursement in 2020-2021 for further expansion of the Gävle factory, and 12 MEUR with planned disbursement in 2023 to partially finance the next plant. Payment of 8.75 MEUR (91.0 MSEK) of the first tranche of 17.5 MEUR (tranche 1) was received on 24 November. Payment of installments under the facility presupposes i.a. that additional equity is acquired as well as that sales and / or profitability targets are achieved. For disbursement of initial 17.5 MEUR (tranche 1), such targets have been achieved with the capital raising carried out during H2 2020 of 178 MSEK before fees; for payment of additional installments, it remains to fulfill the agreed conditions, or alternatively to seek to renegotiate these.
Tranche 1 runs from 24 November 2020 to December 31, 2025 with an annual interest rate of 7.5%. Furthermore, the EIB has received 160,633 warrants from Nilar International AB, which gives the lender the right to purchase shares at a fixed price during the term of the option.

The liability is reported at accrued acquisition value while the options are reported at fair value.

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 market value of the convertible is valued at 224,800 (165,075) TSEK as of 31 December, 2020. For the option part of the convertible and in the option agreement with the EIB, important parameters for valuation are the redemption date, redemption price and probability that it occurs before the agreement expires. The valuation is at level 3.

The options are reported at fair value via the income statement. The option is valued with Black-scholes with assumptions about volatility

NOTE 14. CONT. FINANCIAL INSTRUMENTS BY CATEGORY

RECONCILIATION OF LIABILITIES FROM FINANCING ACTIVITIES

	19-12-31	CASH FLOW	ACQUISITION/ DIVESTMENTS	RECLASSIFI- CATIONS	TRANSLATION DIFFERENCES	VALUATION TO REAL VALUE	20-12-31
Convertible loan	165 075	1 300	-	-	-	37 997	204 372
Bridge loan	20 000	-20 000	-	-	-	-	-
EIB	-	86 689	-	-	-2 979	-860	84 570
Liabilities related to financial leasing	37 136	-4 341	6 547	-	-	-	39 342
Total	**222 211**	**63 648**	**6 547**	-	**-2 979**	**37 137**	**328 284**

	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	-	-	-52 802	-	-	-
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**

and the option's market value is 48,029 TSEK. A significant impact on the valuation is given by the share price. A 10 percent increase in the share price gives a 10 percent increase in market value.

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.

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.

Stand-alone derivatives – Fair value

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 15. INVENTORIES

INVENTORIES	2020-12-31	2019-12-31
Raw materials	36 922	19 582
Stock of semi-finished products	535	5 863
Finished products	200	-
Advance suppliers	10 819	2 411
IMPAIRMENT TO NET SALES VALUE		
Raw materials	-6 223	-7 142
Stock of semi-finished products	-167	-3 100
Finished products	-73	-
Total inventories	**42 013**	**17 614**

The expenditure for inventories as expensed is included in the item Goods for resale, Note 6 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 16. ACCOUNTS RECEIVABLE

ACCOUNTS RECEIVABLE	2020-12-31	2019-12-31
Accounts receivable	15 378	3 811
Less reservation	-349	-271
Total accounts receivable	**15 030**	**3 540**

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 PER CURRENCY	2020-12-31	2019-12-31
SEK	7 415	2 341
EUR	3 492	851
USD	4 123	347
Total accounts receivable per currency	**15 030**	**3 540**

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 SG&A. 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.

AGE ANALYSIS, ACCOUNTS RECEIVABLE	2020-12-31	2019-12-31
Receivables not yet matured	6 244	-
Less than 3 months	6 464	2 416
3 to 6 months	2 168	777
More than 6 months	153	347
Total accounts receivable due	8 786	3 540
Total accounts receivable	**15 030**	**3 540**

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 2020 when it is assessed as a risk that the customer claim will not be paid.

NOTE 17. OTHER RECEIVABLES

	2020-12-31	2019-12-31
VAT	20 679	6 514
Receivables suppliers	-	-
Other receivables	1 666	2 354
Total other receivables	**22 344**	**8 869**

NOTE 18. PREPAID EXPENSES AND ACCRUED INCOME

	2020-12-31	2019-12-31
Prepaid lease fees	65	1 304
Prepaid insurance	276	207
Other items	238	317
Total prepaid expenses and accrued income	**579**	**1 827**

NOTE 19. OTHER LIABILITIES

	2020-12-31	2019-12-31
Accrued payroll taxes	1 800	1 318
Social security expenses	1 920	1 419
Deferment The Swedish Tax Agency	8 509	-
Other current liabilities	4	8
Total other liabilities	**13 233**	**2 745**

NOT 20. ACCRUED EXPENSES AND PREPAID INCOME

	2020-12-31	2019-12-31
Accrued empoyee-related items	12 137	5 767
Accrued interest for convertible loan	20 498	864
Accrued audit expenses	447	620
Accrued consulting fees	4 060	15 637
Accrued marketing expenses	778	212
Other items	2 317	6
Total accrued expenses and prepaid income	**40 238**	**23 106**

NOTE 21. SHARE CAPITAL AND OTHER CONTRIBUTED CAPITAL

	NUMBER OF SHARES	SHARE CAPITAL	OTHER CONTRIBUTED CAPITAL	TOTAL
As per 1 January 2019	**3 450 982**	**3 451**	**584 044**	**587 494**
New share issue	980 875	981	311 857	312 838
As per 1 January 2020	**4 431 857**	**4 432**	**895 901**	**900 334**
New share issue	593 334	593	169 381	169 975
As per 31 December 2020	**5 025 191**	**5 025**	**1 065 282**	**1 070 307**

The total number of ordinary shares as at 31 December 2020 amounts to 5,025,191. 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 22. 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 2020	-	139 500
Granted 2018	10 000	-
Lapsed prior years	-112 071	-
Lapsed 2020	-	-
Exercised 2020	-	-
Matured 2020	-	-139 500
Outstanding per 31 December 2020	**10 000**	**-**

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 5 December, 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 have been awarded in addition to the 139,500. The warrants were earned over three years and matured on 29 April 2020 without having been exercised.

The average weighted strike price for 2017:1 (strike price SEK 418 per share) is SEK 418 per share.

Possible dilution effect with full exercise of outstanding share options is 0.2%.

	NUMBER PER 2020-12-31	DILUTION-EFFECT
Issued shares	**5 025 191**	
Granted options		
Option program 2017:1	10 000	0,2%
Number of shares after dilution - outstandning share options	**5 035 191**	**0,2%**

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 23. DEFERRED TAX

	2020-12-31	2019-12-31
Deferred tax income regarding losses carried forward	0	-23 900
Deferred tax related to accumulated loss carryforwards	192 956	142 133
Not reported revaluation of deferred tax assets	-192 956	-118 233
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.

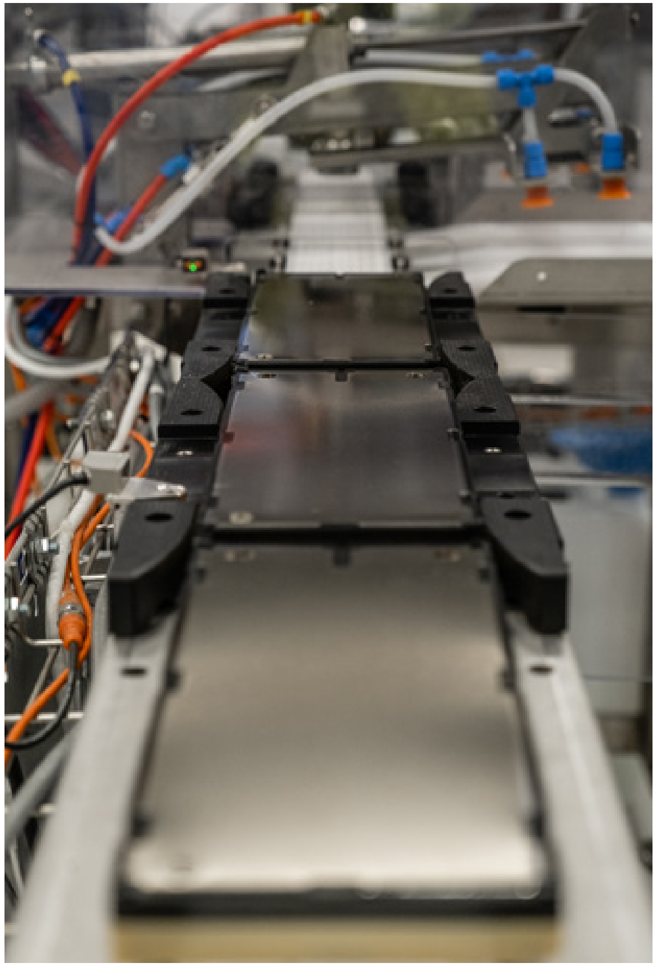
IMPORTANT ESTIMATES AND ASSESSMENTS

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 880.4 (689.5) MSEK, of which 880.4 (573.5) 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% (20.6). 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 24. NET CASH/NET DEBT

	2020-12-31	2019-12-31
Cash and bank accounts	73 940	163 395
Total cash and bank accounts	**73 940**	**163 395**

	2020-12-31	2019-12-31
Current interest-bearing liabilities	-204 372	-185 075
Cash and cash equivalents	73 940	163 395
Net cash (+) / net debt (-)	**-130 433**	**-21 680**



NOTE 25. TRANSACTIONS WITH RELATED PARTIES

Related parties who are considered to have significant influence over Nilar International AB 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 8, Employees, personnel costs and fees to the Board of Directors.

Transactions between group companies

The Parent Company has made intra-group purchases amounting to 97.5 (0) MSEK and consisted of the acquisition of an intangible asset from the subsidiary Nilar AB. Receivables between the Parent Company and the Group companies amount to 152.6 (147.0) MSEK. Interest income from Group companies amount to 8,643 (7,842) TSEK. Interest expenses to Group companies amounts to 0 (0) TSEK.

In 2020, the Parent Company has issued shareholder contributions amounting to 208.1 (191.9) MSEK – out of which 205.5 (187.0) MSEK to Nilar AB and 2.6 (4.9) MSEK till Nilar Inc.. Write-down of shareholder contributions has also been made in the Parent Company.

Share issue

During 2020, the Company undertook a new share issue which provided the Company 170.0 (312.8) MSEK of working capital after transaction costs.

ACCOUNTING POLICIES

Transactions with related parties

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

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

NOTE 26. PLEDGED ASSETS AND CONTINGENT LIABILITIES

PLEDGED ASSETS	2020-12-31	2019-12-31
Mortgage letters	30 000	30 000
Total pledged assets	**30 000**	**30 000**

CONTINGENT LIABILITIES	2020-12-31	2019-12-31
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 27. LEASING

The Group's and the parent company's leasing mainly relates to the rental of office and factory premises, machinery and cars in Täby, Gävle and Denver, USA. Subletting does not occur.

The Group's right of use assets as of 31 December 2020 are allocated as follows:

	2020-12-31				2019-12-31			
	BUILDINGS	CARS	PROPERTY, PLANT AND EQUIPMENT	TOTAL	BUILDINGS	CARS	PROPERTY, PLANT AND EQUIPMENT	TOTAL
Cost of acquisition								
At the start of the year	40 198	687	252	41 137	40 198	687	–	40 886
Adjustments of additional usage rights	4 677	544	1 326	6 546	–	–	252	252
At year-end	**44 875**	**1 231**	**1 577**	**47 683**	**40 198**	**687**	**252**	**41 137**
Accumulated depreciation								
At the start of the year	-3 341	-289	-5	-3 695	–	–	–	–
Depreciation for the year	-4 145	-423	-213	-4 781	-3 341	-289	-5	-3 695
At year-end	**-7 486**	**-712**	**-219**	**-8 416**	**-3 341**	**-289**	**-5**	**-3 695**
Recognized value								
At year-end	**37 389**	**519**	**1 359**	**39 267**	**36 857**	**399**	**246**	**37 502**

The Group leases assets mainly related to premises, cars and machinery.

Belopp redovisade i resultatet	2020-12-31	2019-12-31
Depreciation of rights of use	-4 781	-3 635
Interest expenses on the lease liability	-1 626	-1 526
Costs attributable to short-term leasing agreements	-1 523	-583
Costs attributable to leasing agreements of low value	-148	-179

The total cash outflow for leases amounted to 5.7 (5.1) MSEK during the year.

A maturity analysis of the Group's leasing liabilities is presented in Note 4.

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; and
- 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.

NOTE 27. CONT. LEASING

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 28. PROVISIONS OF WARRANTY

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 has been made on an ongoing basis during the year.

During 2020, 6.6 MSEK of the guarantee provision of 15.4 MSEK made for the full year 2019 was dissolved when replacement packs were delivered to customers. During the fourth quarter, taking into account new guarantee commitments, the need for guarantee provisions was reassessed and the remaining reserve made for the full year 2019 was dissolved and a new provision of 14.3 MSEK was made. These commitments will be fulfilled during 2021. During the period, warranty costs of 1.3 MSEK for battery packs sold during the period were also reserved: the replacement packs are expected to be produced and delivered to the customers during the five-year warranty period.

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.

	2020-12-31	2019-12-31
Accumulated acquisition values		
At the start of the year	15 416	-
Provision for the year	15 585	15 416
At year-end	**31 001**	**15 416**
Accumulated reversals		
At the start of the year	-	-
This year's reversals	-15 416	-
At year-end	**-15 416**	**-**
Recognized value		
At the start of the year	15 416	-
At year-end	**15 585**	**15 416**

PARENT COMPANY'S INCOME STATEMENT OF COMPREHENSIVE INCOME

TSEK	NOTE	2020	2019
Revenue		-	-
Cost of sales		-174	-
Gross profit		**-174**	**-**
Research and development expenses		-23 179	-20 209
Distribution and selling costs		-631	-1 244
Administrative expenses		-17 268	-21 108
Other operating income		0	0
Operating loss	2, 3, 4	**-41 253**	**-42 560**
Finance income	5	11 266	7 842
Finance costs	5	-59 748	-15 225
Write-down of shares in subsidiaries		-208 124	-191 914
Finance costs - net		**-256 606**	**-199 297**
Loss after net financial items		**-297 859**	**-241 857**
Group contributions issued			
Profit before income tax		**-297 859**	**-241 857**
Deferred tax	6	-	-
Profit for the year		**-297 859**	**-241 857**
Parent company statement of other comprehensive income			
Other comprehensive income for the year, net after tax		-	-
Total comprehensive income		**-297 859**	**-241 857**

PARENT COMPANY'S CASH FLOW STATEMENT

TSEK	NOTE	2020	2019
Cash flow from operating activities			
Profit before income tax		-297 859	-241 857
Interest paid and received		7 945	-7 508
Adjustment for other non-cash items			
Depreciation on tangible and intangible fixed assets		20 828	17 556
Write-down of shares in subsidiaries		208 124	191 914
Fund for development expenditure		29 592	-
Translation differences		-2 977	-
Changes in value of derivatives		30 829	-
Accrued interest		27 590	15 124
Cash flow from operating activities before changes in working capital		**16 128**	**-17 262**
Cash flow from changes in working capital			
Increase (-) / decrease (+) in operating receivables		-2 793	1 975
Increase (+) / decrease (-) in operating liabilities		17 195	14 666
Total changes in working capital		**14 402**	**16 641**
Cash flow from operating activities		**30 529**	**-621**
Investing activities			
Investments in Intangible assets		-134 939	-
Loans granted to subsidiaries		-215 302	-293 407
Cash flow from investing activities		**-350 241**	**-293 407**
Financing activities			
New share issue		169 975	238 913
Repayment of debt		-20 000	-
Loans raised	10	87 989	185 075
Cash flow from financing activities		**237 963**	**423 988**
Cash flow for the year			
Reconciliation of cash and cash equivalents			
Cash equivalents as of beginning of the financial year		149 322	19 363
Cash flow for the year		-81 749	129 960
Cash and cash equivalents at year-end		**67 574**	**149 322**

PARENT COMPANY'S BALANCE SHEET

TSEK	NOTE	2020-12-31	2019-12-31	2019-01-01
ASSETS				
FIXED ASSETS				
Intangible assets	15			
Patents		484	1 189	1 519
Capitalized expenses for development work		184 272	99 048	116 274
Total intangible fixed assets		**184 756**	**100 237**	**117 793**
Tangible fixed assets				
Property, plant and equipment		-	-	-
Total tangible fixed assets		**-**	**-**	**-**
Financial non-current assets				
Participations in Group companies	7	101	101	101
Receivables from Group companies		152 642	147 042	45 549
Total financial non-current assets		**152 743**	**147 143**	**45 650**
Total fixed assets		**337 499**	**247 379**	**163 443**
CURRENT ASSETS				
Accounts receivable - trade		-	-	-
Tax assets		359	301	301
Other receivables		3 889	1 156	170
Prepaid expenses and accrued income	8	159	157	230
Cash and cash equivalents		67 574	149 322	19 363
Total current assets		**71 981**	**150 936**	**22 952**
Total assets		**409 480**	**398 315**	**186 395**

TSEK	NOTE	2020-12-31	2019-12-31	2019-01-01
EQUITY AND LIABILITIES				
EQUITY				
Restricted equity				
Share capital	9	5 025	4 432	3 451
Statutory reserve		34 401	34 401	34 401
Fund for development expenditure		16 093	9 229	10 834
Total restricted equity		**55 520**	**48 062**	**48 686**
Non-restricted equity				
Share premium reserve		1 032 650	863 269	551 412
Profit/loss brought forward		-725 230	-476 509	-385 583
Profit/loss for the year		-297 859	-241 857	-92 532
Total non-restricted equity		**9 561**	**144 904**	**73 297**
Total equity		**65 081**	**192 966**	**121 984**
LIABILITIES				
Non-current liabilities				
Borrowings		84 570	-	-
Total non-current liabilities		**84 570**	**-**	**-**
Current liabilities				
Borrowings	10	204 372	185 075	58 802
Accounts payable - trade	10	28 752	5 215	2 872
Other liabilities	11	692	79	79
Accrued expenses and deferred income	12	26 012	14 981	2 658
Total current liabilities		**259 828**	**205 350**	**64 411**
Total equity and liabilities		**409 480**	**398 315**	**186 395**

PARENT COMPANY'S STATEMENT OF CHANGES IN EQUITY

TSEK	NOTE	RESTRICTED EQUITY SHARE CAPITAL	STATUTORY RESERVE	FUND FOR DEVELOPMENT EXPENDITURE	NON-RESTRICTED EQUITY SHARE PREMIUM RESERVE	PROFIT/LOSS BROUGHT FORWARD	PROFIT/ LOSS FOR THE YEAR	TOTAL EQUITY
Opening balance per 1 January 2019		3 451	34 401	-	551 412	-404 340	-91 475	93 449
Effects of change of principle		-	-	10 834	-	18 757	-1 057	28 534
Adjusted opening balance per 1 January 2019	9	**3 451**	**34 401**	**10 834**	**551 412**	**-385 583**	**-92 532**	**121 984**
Comprehensive income								
Disposition of previous year's results		-	-	-	-	-92 532	92 532	-
Net profit/loss for the year		-	-	-	-	-	-237 629	-237 629
Self-generated development expenses		-	-	-1 605	-	1 605	-	0
Total comprehensive income		**-**	**-**	**-1 605**	**-**	**-90 927**	**-149 325**	**-241 857**
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		**4 432**	**34 401**	**9 229**	**863 269**	**-476 509**	**-241 857**	**192 966**
Comprehensive income								
Disposition of previous year's results		-	-	-	-	-241 857	241 857	-
Net profit/loss for the year		-	-	-	-	-	-297 859	-297 859
Self-generated development expenses		-	-	6 864	-	-6 864	-	0
Total comprehensive income		**-**	**-**	**6 864**	**-**	**-248 721**	**-56 002**	**-297 859**
Transactions with shareholders								
Share issue		593	-	-	169 381	-	-	169 975
Total transactions with shareholders	9	**593**	**-**	**-**	**169 381**	**-**	**-**	**169 975**
Closing balance per 31 December 2020	9	**5 025**	**34 401**	**16 093**	**1 032 650**	**-725 230**	**-297 859**	**65 081**

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.

Changes in RFR 2 which have not yet come into force 2020

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 2021 or later. The changes are not expected to have any significant effect.

NOTE 2. OPERATING EXPENSES

	2020	2019
Cost of goods sold	-	-
Costs for remuneration to employees and directors	-7 172	-4 618
Costs for hired staff	-561	-216
Depreciation	-20 828	-17 556
Other costs	-12 691	-20 170
Total costs for goods sold, development, sales and administration	**-41 253**	**-42 560**

NOTE 3. REMUNERATION TO AND REIMBURSEMENT OF AUDITORS

	2020	2019
Deloitte AB		
Audit engagement	-797	-505
Other audit activities	-1 351	-671
Other services	-	-
Total Deloitte	**-2 148**	**-1 176**
Deloitte AB		
Other services	-	-559
Total BDO	**-**	**-559**

During 2019, 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 2 (1) employee (CFO and CEO). Note 8 for the Group describes total remuneration for the Board of Directors and senior executives.

AVERAGE NUMBER OF EMPLOYEES	2020	2019
Women	-	-
Men	2	1
Total	**2**	**1**

SALARIES, REMUNERATION, SOCIAL SECURITY COSTS AND PENSION EXPENSES	2020	2019
Salaries and remuneration to Board members, the CEO and the CEO	-5 230	-3 255
Salaries and remuneration to other employees	-	-
Total salaries and remuneration	**-5 230**	**-3 255**
Statutory social security costs	-1 654	-1 194
Pension expenses for Board members, the CEO and the CFO	-760	-633
Pension expenses for other employees	-	-
Total social security costs and pension expenses	**-2 415**	**-1 828**
Total	**-7 645**	**-5 083**

NUMBER OF BOARD MEMBERS ON THE BALANCE SHEET DATE	2020	2019
Women	2	1
Men	4	6
Total	**6**	**7**

NUMBER OF CEOS AND OTHER SENIOR EXECUTIVES	2020	2019
Women	-	-
Men	2	1
Total	**2**	**1**

NOTE 5. FINANCIAL INCOME AND EXPENSES

FINANCIAL INCOME	2020	2019
Interest income group companies	8 642	7 842
Exchange gains	2 624	-
Total financial income	**11 266**	**7 842**

FINANCIAL EXPENSES	2020	2019
Interest expenses to shareholders	-27 546	-15 094
Other interest expenses	-8	-4
Interest expenses EIB	-732	-
Changes in value of derivatives	-30 669	-
Exchange losses	-	-128
Other financial expenses	-793	-
Total financial expenses	**-59 748**	**-15 225**

No part of interest expenses to shareholders is paid.

NOTE 6. TAX

REPORTED TAX	2020	2019
Deferred tax	-	-
Deferred tax regarding previous years	-	-
Total reported tax	**-**	**-**

RECONCILIATION OF EFFECTIVE TAX	2020	2019
Profit before tax	-297 859	-237 629
Income tax calculated according to national tax rates prevailing on profit in each country. 21.4% in Sweden.	63 742	50 853
Tax effects of:		
- Non-taxable income	2 478	1 663
- Non-deductible costs	-57 124	-41 169
- Taxable losses for which no deferred tax assets have been reported	-9 096	-11 347
- 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	2020-12-31	2019-12-31
Opening acquisition cost	101	101
Shareholder contributions	208 124	191 914
Impairment of shareholder contributions	-208 124	-191 914
Closing reported value	**101**	**101**

SUBSIDIARY/CORPORATE IDENTITY NUMBER/REGISTERED OFFICE	COUNTRY	PARTICIPATION, % 2020-12-31
Nilar AB, 556790-0815, Gävle	Sweden	100%
Nilar Inc., 1415595, Delaware	USA	100%

NOTE 8. PREPAID EXPENSES AND ACCRUED INCOME

	2020-12-31	2019-12-31
Prepaid lease fees	114	111
Prepaid insurance	6	6
Other items	39	39
Total prepaid expenses and accrued income	**159**	**157**

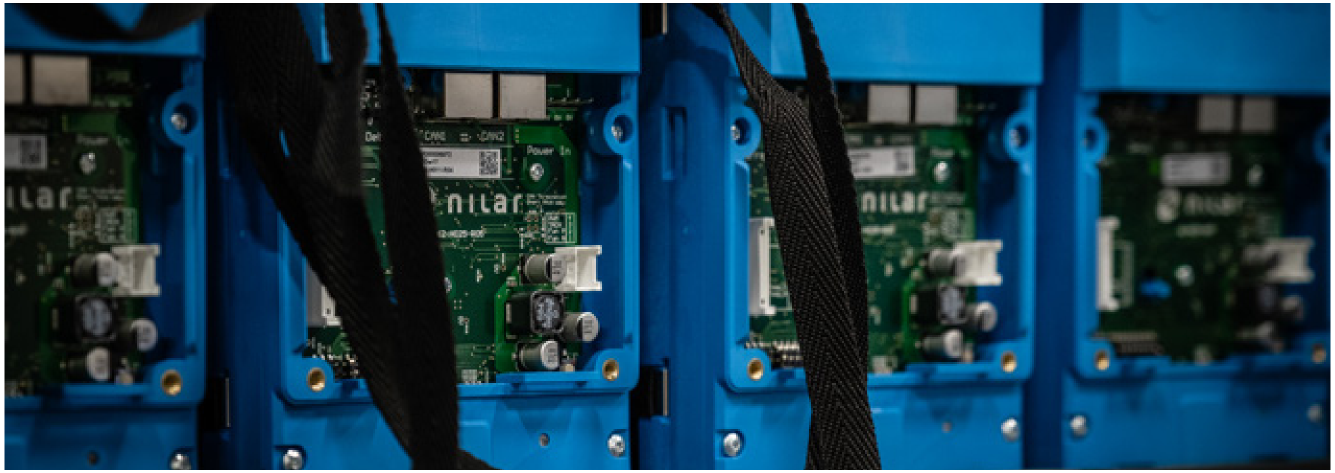
NOTE 9. SHARE CAPITAL

SHARE CAPITAL	TOTAL NUMBER OF SHARES
Number of shares outstanding as at 31 December 2018	**3 450 982**
Share issue	980 875
Number of shares outstanding as at 31 December 2019	**4 431 857**
Share issue	593 334
Number of shares outstanding as at 31 December 2020	**5 025 191**

The total number of ordinary shares as of 31 December 2020 amounts to 5,025,191. 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	2020-12-31	2019-12-31
Borrowing	288 942	185 075
Accounts payable	28 752	5 215
Accrued interest expenses	20 428	864
Total other financial liabilities	**338 122**	**191 154**



	19-12-31	CASH FLOW	ACQUISITION/ DIVESTMENT	RECLASSIFICA-TIONS	TRANSLATION DIFFERENCES	VALUATION TO REAL VALUE	20-12-31
EIB	-	86 689	-	-	-2 979	-860	84 570
Convertible loan	165 075	1 300	-	-	-	37 997	204 372
Bridge loan	20 000	-20 000	-	-	-	-	-
Total	**185 075**	**67 989**	-	**-**	-2 979	37 137	**288 942**

	18-12-31	CASH FLOW	ACQUISITION/ DIVESTMENT	RECLASSIFICA-TIONS	TRANSLATION DIFFERENCES	VALUATION TO REAL VALUE	19-12-31
EIB	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**

NOTE 11. OTHER LIABILITIES

OTHER LIABILITIES	2020-12-31	2019-12-31
Accrued payroll taxes	107	46
Social security expenses	88	33
Deferment The Swedish Tax Agency	496	-
Other current liabilities	1	-
Total other liabilities	**692**	**79**

NOTE 12. ACCRUED EXPENSES AND DEFERRED INCOME

	2020-12-31	2019-12-31
Accrued empoyee-related items	-3 409	-991
Accrued interest for convertible and share-holder loans	-20 428	-864
Accrued expenses for share-based payments	-	-
Accrued audit expenses	-297	-320
Accrued consulting fees	-123	-12 806
Accrued marketing expenses	-	-
Other items	-1 755	-
Total accrued expenses and deferred income	**-26 012**	**-14 981**

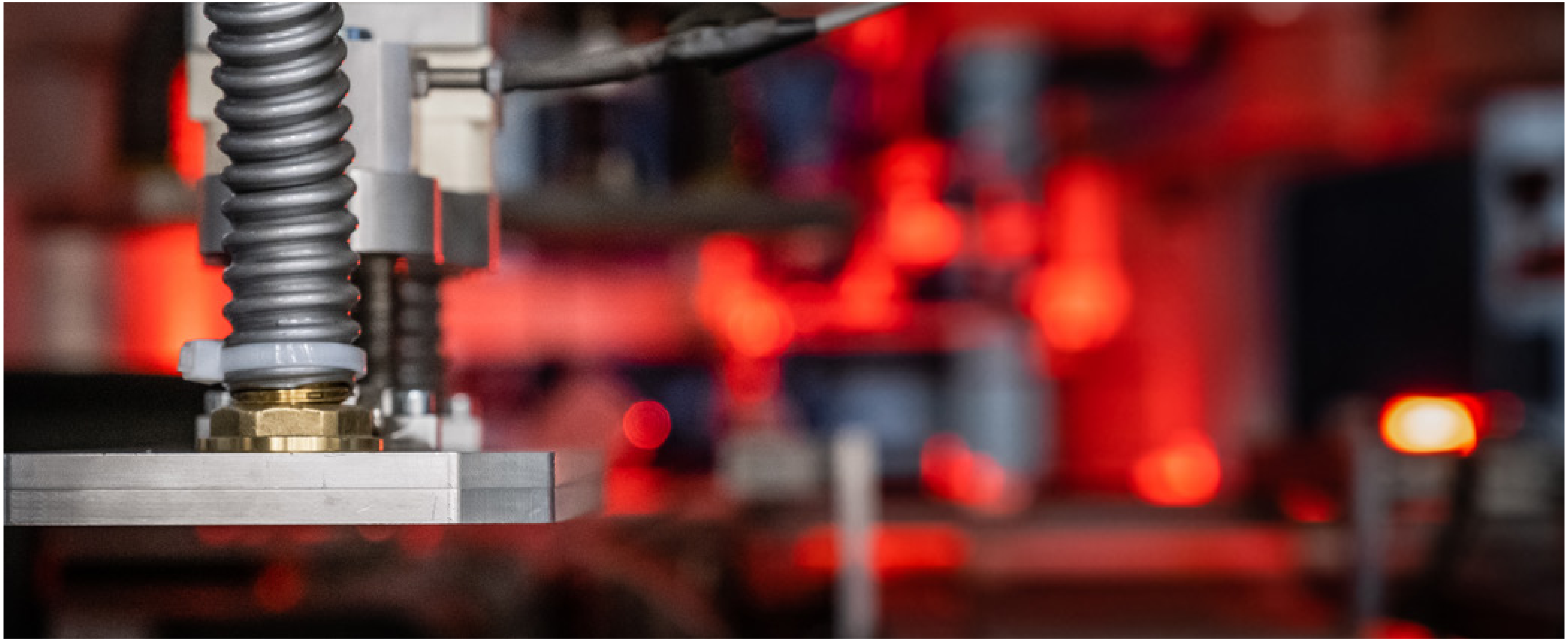
NOTE 13. PLEDGED ASSETS AND CONTINGENT LIABILITIES

PLEDGED ASSETS	2020-12-31	2019-12-31
Mortgage letters	20 000	20 000
Total pledged assets	**20 000**	**20 000**

CONTINGENT LIABILITIES	2020-12-31	2019-12-31
Other contingent liabilities	-	-
Total contingent liabilities	-	-

NOTE 14. LEASES

	2020-12-31	2019-12-31
Within one year	-114	-114
Between one and five years	-	-
After more than five years	-	-
Total leasing agreements	**-114**	**-114**



NOTE 15. INTANGIBLE ASSETS

	2020-12-31			2019-12-31		
	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
This year's acquisitions	224	135 381	135 605	-	-	-
Divestments and scraps	-665	-	-665	-	-	-
At year-end	**6 425**	**227 491**	**232 795**	**6 867**	**90 989**	**97 855**
Accumulated depreciation						
At the start of the year	-5 678	-16 248	-21 926	-5 347	-3 250	-8 597
Adjustment	-	-	-	-	-	-
Depreciation for the year	-263	-25 849	-26 113	-331	-12 998	-13 329
At year-end	**-5 941**	**-42 097**	**-48 039**	**-5 578**	**-16 248**	**-21 926**
Recognized value						
At the start of the year	1 189	74 741	75 929	1 519	87 739	89 258
At year-end	**484**	**184 272**	**184 756**	**1 189**	**74 741**	**75 929**

NOTE 16. CHANGE OF ACCOUNTING PRINCIPLE

The Parent Company has previously applied the cost recognition model for proprietary intangible assets. As of the financial year 2020, the parent company has changed principle and instead applies the capitalization model, which means that expenses for the development of self-generated intangible assets follow the Group's accounting principles.

In previous years, 29.6 MSEK relating to expenses for development work has been expensed in the Parent Company. Below are the effects on the income statement and balance sheet that the change of principle has had as a result of these expenses being adjusted retroactively and capitalized as an intangible asset. The effect as of 1 January, 2019 on equity amounted to 28.5 MSEK. The income statement for 2019 has been affected by a total of -4.2 MSEK (profit for the year) as a result of a retroactive change of principle. For detailed effects, see tables below.

TSEK Income statement 2019	Previous principle	Adjustment	New principle
Research and development costs	-15 981	-4 227	-20 209
Income cat	-	-	-
Results for the year	-237 629	-4 227	-241 857
Balance sheet 2019-01-01			
Balanced expenses for development work	87 739	28 535	116 274
Equity - fund for development expenses	-	10 834	-385 583
Equity - balanced result	-404 340	18 757	-385 583
Equity - profit for the year	-91 475	-1 057	-92 532
Balance sheet 2019-12-31			
Balanced expenses for development work	74 741	24 307	99 048
Equity - fund for development expenses	-	9 229	9 229
Equity - balanced result	-495 815	19 306	-476 509
Equity - profit for the year	-237 629	-4 227	-241 857
Cash flow analysis 2019			
Operating profit before tax	-237 629	-4 227	-241 857
Depreciation of tangible and intangible fixed assets	13 329	4 227	17 556

NOTE 17. POST BALANCE SHEET EVENTS

New share issue 18.6 MSEK (paid in and registered).

After the balance sheet date, the company received a second and final payment of 8.75 MEUR under the first tranche of 17.5 MEUR of the EIB loan facility totaling 47 MEUR.

An Extraordinary General Meeting was held on 12 March, 2021. Notice of the meeting was given in accordance with the Articles of Association. All resolutions proposed to the AGM were adopted. Notable decisions were: election of Ulrika Molander as a new board member, decision on guidelines for remuneration to senior executives, decision regarding incentive program 2021/2024 to senior executives, employees and other key personnel within the Company and the Group (LTIP 2021) and decision regarding incentive program 2021/2024 to board members within the Company.

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 19 July, 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 26 March 2021.

The consolidated income statement and balance sheet are subject to approval at the Annual General Meeting on 30 June 2021.

Täby, 26 March 2021

Michael Obermayer
Chairman of the Board

Stefan De Geer
Board member

Gunilla Fransson
Board member

Anders Gudmarsson
Board member

Alexander Izosimov
Board member

Ulrika Molander
Board member

Helena Nathhorst
Board member

Marcus Wigren
CEO

Our auditors' report was submitted on 26 March 2021
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 2020-01-01 - 2020-12-31. The Company's annual report and consolidated financial statements are included on pages 37-81 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 December 31, 2020 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 annual report under section 'Continued financing', which shows that the company's current growth plan requires Nilar to raise approximately 350 MSEK in new capital in May 2021 to finance the company through the first quarter of 2022. At the time of signing the annual report, no financing is secured for the next 12 months, however, Nilar has engaged financial advisors to raise this capital. 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 statements 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 Managing Director. The second information consists of pages 1-36 and 84-101 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 Managing Director 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 President 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 Managing Director'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 President's management of Nilar International AB (publ) for the financial year 2020-01-01 - 2020-12-31 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 President 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, 26 March 2021
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 margin (operating margin)
Operating profit/loss after depreciation and amortization as a percentage of net sales for the year.

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

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

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

OEM
Original Equipment Manufacturer.

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

Shareholder equity ratio
Equity in relation to total assets.

IPO
Initial public offering. Stock market listing.

CAGR (Compound annual growth rate)
Compound annual growth rate.

Capital
Equity.

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

Board members elected at the 2020 Annual General Meeting

The table below provides an overview of the composition of the Board in 2020. Additional information about Board members can be found on pages 92-93.

NAME	BOARD ROLE	ELECTED/ APPOINTED	RESIG-NED	AUDIT COMMITTEE	REMUNERATION COMMITTEE	INDEPENDENCE OF THE COMPANY AND CORPORATE MANAGE-MENT	INDEPENDENCE OF THE COMPANY'S MAJOR SHARE-HOLDERS
Michael Obermayer	Chairman[1]	2012		Member	Member	No[1]	No
Anders Barsk	Member	2004	30 June	-	-	Yes	Yes
Stefan De Geer	Member	2017		Chair. until 6 October	-	Yes	Yes
Gunilla Fransson	Member	2018		-	Chairman	Yes	Yes
Lars Fredriksson	Member	2000	30 June	-	-	Yes	Yes
Anders Gudmarsson	Member	2016		Member	Member	Yes	Yes
Alexander Izosimov	Member	2016		-	Member	Yes	Yes
Ulrika Molander	Member	2021, 12 March		-	-	Yes	Yes
Helena Nathhorst	Member	2020, 10 June		Chair. from 6 October	-	Yes	Yes

1) CEO until 1 April 2018, chairman from 1 April 2018.

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 noncompliance 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.

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 2020 the Company had a total of 147 (126) shareholders.

The five largest shareholders controlled 45.8% (47.7%) of capital and votes at the end of the year.

Annual General Meeting 2020

The Annual General Meeting for the financial year 2019 took place on 30 June, 2020. 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 2019, 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 3,000,000 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. Anders Barsk and Lars Fredriksson declined re-election.

Extra general meeting

During the year, an extraordinary general meeting was held on 10 June. Notice of the meeting was given in accordance with the Articles of Association. The EGM resolved to authorize the Board of Directors to decide on the issue of a maximum of 2,000,000 shares on one or more occasions until the next Annual General Meeting, with or without preferential rights for the shareholders and within the limits permitted by the Articles of Association. Furthermore, the AGM decided to elect Helena Nathhorst as a new member.

Annual General Meeting 2021

The 2021 Annual General Meeting will be held on Wednesday 30 June at 13.00 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 30 June 2020. 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. Henrik Perlmutter 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.

NOMINATION COMMITTEE	COMPANY
Henrik Perlmutter, chairman	Fjord Advisors AB
Anders Gudmarsson	Christopher Braden
Ossian Ekdahl	Första AP-fonden
Michael Obermayer, chairman of the board	Nilar International 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 and interim reports 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 2020

Attendance of Board members at Board meetings in 2020.

NAMES OF BOARD MEMBERS	ATTENDANCE/ TOTAL NUMBER OF MEEETINGS
Michael Obermayer, chairman of the board	29/29
Anders Barsk	10/10
Stefan De Geer	29/29
Gunilla Fransson	27/29
Lars Fredriksson	8/10
Anders Gudmarsson	29/29
Alexander Izosimov	22/29
Helena Nathhorst	17/19

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 2020

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: Helena Nathhorst (chairman), Stefan De Geer, 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.

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 2019 audit, the results of the review of the Q1 and Q3 interim reports and the 2020 audit plan.

NAMES OF THE BOARD MEMBERS	ATTENDANCE/ TOTAL NUMBER OF MEETINGS
Stefan De Geer	8/8
Anders Gudmarsson	6/6
Helena Nathhorst, chairman	3/3
Michael Obermayer, chairman of the board	8/8

REMUNERATION COMMITTEE

In 2020, Nilar appointed a remuneration committee consisting of four members: Gunilla Fransson (chairman), Anders Gudmarsson, Alexander Izosimov and Michael Obermayer.

The Remuneration Committee shall prepare questions on remuneration principles, remuneration and other terms of employment for the CEO and all members of the company's management. In addition, the Remuneration Committee shall monitor and evaluate ongoing and completed programs for variable remuneration for company management during the year and follow and evaluate the application of the guidelines for remuneration to senior executives decided on by the Annual General Meeting and current remuneration structures and remuneration levels in the company. The chairman of the Board may be the chairman of the committee. Other members of the remuneration committee shall be independent in relation to the Company and the company management. The committee members must have the required knowledge and experience.

During the year, the remuneration committee worked with issues concerning succession planning and recruitment at management level, the development of a new incentive program and principles for remuneration to senior executives.

NAMES OF THE BOARD MEMBERS	ATTENDANCE/ TOTAL NUMBER OF MEETINGS
Gunilla Fransson, chairman	3/3
Anders Gudmarsson	3/3
Alexander Izosimov	-/3
Michael Obermayer, chairman of the board	3/3

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 30 June, 2020 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, where 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 longterm incentive programmes such as share and share pricerelated 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 8 to this annual report.

EXECUTIVE MANAGEMENT

In 2020, the executive management consisted of six members: the CEO, CFO, Head of Sales & Marketing, Head of Product Development, 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 94-95

INTERNAL AUDIT

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 2020 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 2019, 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 introduced 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.

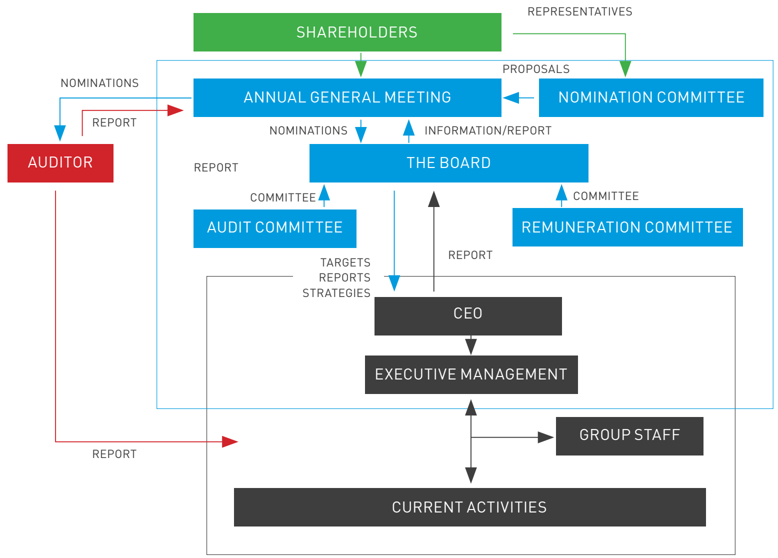
All of the Group's companies report financial information in accordance with an established format and established accounting policies. In connection with this reporting, an analysis and risk assessment of the financial situation are carried out.

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.



OVERVIEW OF CORPORATE GOVERNANCE

SIGNATURES

Täby, 26 March 2021

Michael Obermayer
Chairmand of the Board

Stefan De Geer
Board member

Gunilla Fransson
Board member

Anders Gudmarsson
Board member

Alexander Izosimov
Board member

Ulrika Molander
Board member

Helena Nathhorst
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 2020 presented on pages 85-90 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.

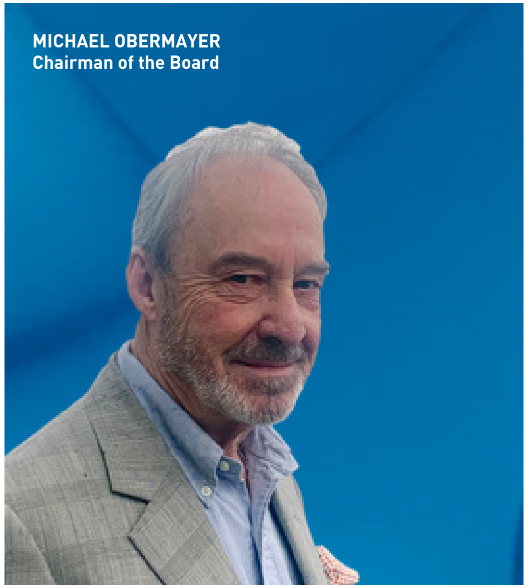
Stockholm, 26 March 2021
Deloitte AB

Therese Kjellberg
Authorized Public Accountant


Moduler
System (kWh)
QA Packtest
Total Yield
24h Fram

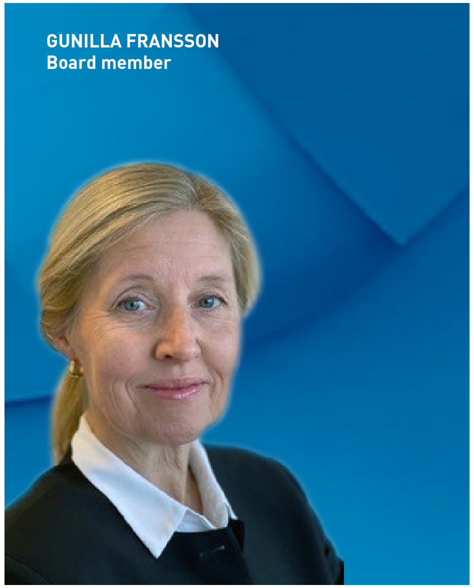
THE BOARD OF DIRECTORS

	MICHAEL OBERMAYER	STEFAN DE GEER	GUNILLA FRANSSON	ANDERS GUDMARSSON	ALEXANDER IZOSIMOV	ULRIKA MOLANDER	HELENA NATHHORST
	Chairman of the Board	Board member, chairman of the audit committee to 6 October	Board member, chairman of the remuneration committee	Board member	Board member	Board member	Board member, chairman of the audit committee from 6 October
Year elected	2012	2017	2018	2016	2016	2021 (12 March)	2020 (10 June)
Current employment	Managing Partner Fjord Capital Partners	-	-	-	CEO MVideo Group	VP Manufacturing Systemair AB	CFO Byggmax Group AB
Born	1948	1956	1960	1948	1964	1966	1967
Education	MSc chemistry, KTH, PhD chemistry, Max Plank Ins, MBA INSEAD.	JD, Stockholm university.	MSc chemical engineering, Lic of technology, KTH.	JD, Uppsala university.	MSc, Moscow, MBA INSEAD.	University Engineer, University of Borås, AMP INSEAD.	MSc in Business and Economics from Uppsala University.
Nationality	German/Swedish	Swedish	Swedish	Swedish	Swedish	Swedish	Swedish
Other duties	Partner, Fjord Advisors Ltd.	Chairman Halmslätten Fastighets AB (pub) and PCTC Invest AB; board member Origa Care AB (publ).	Board member in Trelleborg AB, Nederman AB, Eltel AB, Dunker foundations and a few non-listed companies and chairman of 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	Yes	Yes	Yes
Previous experience	Senior Partner McKinsey Company, CEO World Economic Forum. Board member of Pöyry Plc, Fluitec BV, Tesla Inc. (observer), IBO, RSP Systems ApS.	Head of corporate finance at Pareto Securities Stockholm, general counsel E. Öhman J:or AB, partner of Gernandt & Danielsson Advokatbyrå.	Member of SAAB AB's group management, several senior positions in the Ericsson group.	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.	CEO BDX Företagen AB, Operations Director Sapa Profiler AB.	CFO of Addnode Group and Teracom Boxer Group, M&A consultant at KPMG Advisory.
Shareholding as at 31 December 2020	24 883	2 165	2 165	4 665	13 859	-	-
Share options as at 31 December 2020	-	5 000	5 000	-	-	-	-
Number of Board meetings Attendance/total number of meetings	29/29	29/29	27/29	29/29	22/29	-	17/19
Audit comm. Attendance/total number of meetings	Yes 8/8	Yes 8/8	No -	Yes (to 19 August) 6/6	No -	-	Yes (from 19 August) 3/3
Remuneration comm. Attendance/total number of meetings	Yes 3/3	No	Yes 3/3	Yes 3/3	Yes -/3	-	No
Remuneration 2020	189	47	47	47	47	-	47

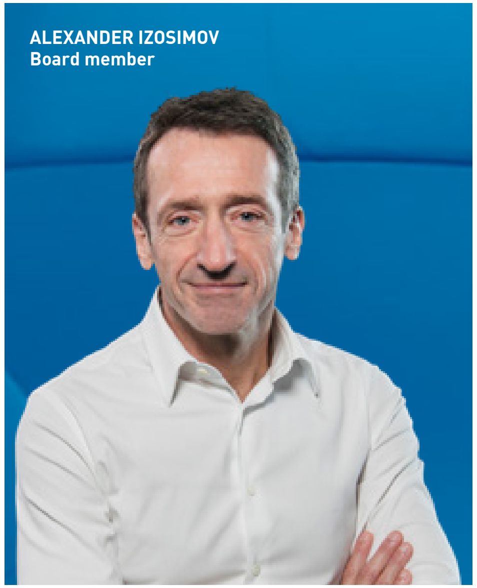

MICHAEL OBERMAYER
Chairman of the Board


ULRIKA MOLANDER
Board member


STEFAN DE GEER
Board member


GUNILLA FRANSSON
Board member


ANDERS GUDMARSSON
Board member


ALEXANDER IZOSIMOV
Board member


HELENA NATHHORST
Board member

EXECUTIVE MANAGEMENT AND AUDITOR

	MARCUS WIGREN	**MAGNUS NORDGREN**	**ANETTE ANDERUNG**	**JAN LUNDQUIST**	**ERIK TOLAGEN**	**JOACIM WENNA**	**THERESE KJELLBERG**
Current position	CEO	CFO	Head of Production	Head of Sales & Marketing	Head of Product Management	Head of R&D	Deloitte AB Chief auditor
In current position/ Employed in the company	2018/2007	2013	2020	2012	2016/2012	2021, January	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.	MSc Mechanics with Mechatronics as field of study, Royal institute of technology, Stockholm.	Authorized Public Accountant.
Previous experience	CEO Nilar AB since 2016, Head of sales and marketing of Nilar 2007-2016, Product manager Gycom Nordic AB, Sales engineering Vacon AB, Electrical and industrial consultant Ångpanneföreningen and Process Control System consultant at Siemens Sweden, Germany, and USA.	CFO of Brandos AB (publ), CFO of Ortivus AB (publ) - listed on Nasdaq OMX Stockholm Small Cap, CFO of GTE plc - listed on AIM, London, Director of Finance Nordics for ACNielsen, Business Controller City Stormarknad.	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.	VManaging director Gycom Svenska AB, Country manager, Gycom Norge AS Business unit manager Gycom Danmark A/S Regional manager Gylling Component AB.	Engineer Svensk Konstruktionstjänst, Technical sales Promoco Scandinavia AB, Product manager Gycom Nordic AB.	Vice President business unit and Head of Product Development at Stoneridge Electronics AB, Global Product Manager and Product Manager at Stoneridge Electronics AB, Project Manager and Electronics Design Engineer at Stoneridge Electronics AB.	
Born	1975	1970	1963	1964	1973	1978	1971
Nationality	Swedish	Swedish	Swedish	Swedish	Swedish	Swedish	Swedish
Other duties	Board member Power Circle	-	-	-	-	-	
Shareholding as at 31 December 2020	-	-	-	299	-	-	
Share options as at 31 December 2020	-	-	-	-	-	-	

MARCUS WIGREN
CEO

MAGNUS NORDGREN
CFO

ANETTE ANDERUNG
Head of Production

JAN LUNDQUIST
Head of Sales & Marketing

ERIK TOLAGEN
Head of Product Management

JOACIM WENNA
Head of R&D

KEY FIGURES FOR THE GROUP

MSEK	2020	2019	2018	2017	2016
Income statement					
Revenue	25,2	10,4	3,4	1,1	0,3
Gross profit	-199,2	-151,1	-35,7	-24,0	-19,2
EBITDA	-223,4	-183,0	-77,8	-53,1	-38,2
Operating profit / EBIT	-284,0	-221,7	-89,9	-58,5	-43,7
Profit/loss before tax	-342,9	-238,5	-91,1	-59,2	-44,0
Profit/loss after tax	-342,9	-238,5	-91,1	-59,2	-44,0
Other					
Depreciation	-60,7	-38,8	-12,1	-5,4	-5,5
intangible fixed assets	-30,9	-28,2	-7,3	-0,5	-0,5
tangible fixed assets	-24,9	-6,9	-4,7	-4,9	-5,0
Capitalised expenses for development work	30,4	26,8	17,4	17,2	18,5
Full-time equivalent employees, number	127	90	48	44	38
Cash flow from					
operating activities	-211,6	-153,9	-73,6	-52,9	-37,1
investing activities	-111,5	-135,2	-45,6	-24,9	-21,5
financing activities	233,6	420,0	76,9	135,0	55,7
Cash flow for the period	-89,4	130,9	-42,3	57,1	-2,8
Ordinary shares and share options in issue, thousand					
Weighted average number of ordinary shares in issue	4 589,3	4 047,7	3 281,2	2 912,5	2 471,5
Weighted average number of share options in issue	56,1	149,5	275,3	320,6	228,3
Weighted average number of shares after dilution	4 658,8	4 197,2	3 556,5	3 233,1	2 699,8

MSEK	2020	2019	2018	2017	2016
Balance sheet					
Non-current assets	421,0	370,4	232,8	198,5	178,9
Current assets	155,3	195,5	56,1	86,2	27,9
Total assets	576,4	565,9	288,9	284,7	206,8
Equity	103,1	275,8	201,3	274,3	186,0
Non-current liabilities	119,1	33,0	-	-	-
Current liabilities	354,1	257,1	87,5	10,4	20,7
Total equity and liabilities	576,4	565,9	288,9	284,7	206,8
Other					
Patents	0,5	1,2	1,5	2,0	2,5
Capitalised expenditure for development work	184,3	190,8	191,8	181,3	164,1
Property, plant and equipment	146,4	60,5	16,2	7,0	10,2
Fixed assets under construction	50,6	80,4	23,2	8,2	2,2
Inventory	42,0	17,6	8,0	4,7	5,7
Cash and cash equivalents	73,9	163,4	32,5	74,8	17,6
Equity/asset ratio, %	18%	49%	70%	96%	90%
Debt ratio, times	4,6	1,0	0,4	0,0	0,1
Ordinary shares and share options in issue at end of period, thousand					
Shares in issue at end of period	5 025,2	4 431,9	3 451,0	3 270,6	2 615,5
Share options in issue at end of period	170,6	149,5	149,5	319,9	320,6

QUARTERLY DATA FOR THE GROUP

	2020				2019				2018			
MSEK	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Income statement												
Revenue	5,7	7,5	7,5	4,6	4,6	1,8	2,5	1,5	1,4	0,2	0,9	0,8
Gross profit	-78,1	-39,9	-39,7	-41,6	-61,7	-35,9	-30,3	-23,1	-13,2	-11,3	-4,7	-6,5
EBITDA	-83,9	-43,5	-49,4	-48,3	-70,8	-47,6	-39,4	-27,9	-25,3	-21,9	-15,7	-14,9
Operating profit / EBIT	-101,8	-58,3	-63,1	-60,9	-81,4	-56,3	-47,8	-26,2	-33,7	-23,2	-17,0	-16,0
Profit/loss before tax	-113,2	-75,6	-86,0	-68,0	-83,0	-56,6	-58,1	-40,9	-34,8	-23,2	-17,0	-16,0
Profit/loss after tax	-113,2	-75,6	-86,0	-68,0	-83,0	-56,6	-58,1	-40,9	-34,8	-23,2	-17,0	-16,0
Other												
Depreciation	-17,8	-15,7	-14,5	-12,6	-10,6	-9,6	-9,3	-9,2	-8,4	-1,4	-1,3	-1,1
intangible fixed assets	-8,0	-8,0	-8,0	-7,1	-7,0	-7,1	-7,0	-7,0	-7,0	-0,1	-0,1	-0,1
tangible fixed assets	-8,7	-6,5	-5,4	-4,4	-2,6	-1,6	-1,4	-1,3	-1,3	-1,2	-1,2	-1,0
Capitalised expenses for development work	5,2	6,7	5,4	5,3	11,0	5,8	5,4	4,7	4,7	3,8	4,1	4,7
Full-time equivalent employees, number	152	113	118	125	114	100	77	69	55	50	44	44
Cash flow from												
operating activities	-67,8	-42,6	-41,3	-59,9	-36,5	-55,3	-29,5	-32,6	-22,6	-19,5	-15,4	-16,1
investing activities	-60,6	-17,5	-14,7	-18,7	-28,2	-48,3	-38,9	-19,8	-20,5	-9,3	-8,6	-7,2
financing activities	131,5	123,1	-1,0	-19,9	183,2	-0,7	208,8	28,6	60,8	16,2	0,0	-
Cash flow for the period	3,2	63,0	-57,0	-98,5	118,5	-104,3	140,5	-23,8	17,6	-12,7	-24,0	-23,2
Ordinary shares and share options in issue, thousand												
Weighted average number of ordinary shares in issue	4 969,2	4 524,1	4 431,9	4 431,9	4 431,9	4 431,9	3 876,0	3 451,0	3 312,8	3 270,8	3 270,6	3 270,6
Weighted average number of share options in issue	63,5	10,0	55,0	149,5	149,5	149,5	149,5	149,5	141,8	319,7	319,9	319,9
Weighted average number of shares after dilution	5 032,8	4 534,1	4 486,8	4 581,4	4 581,4	4 581,4	4 025,5	3 600,5	3 454,7	3 590,5	3 590,5	3 590,5

MSEK	20-12-31	20-09-30	20-06-30	20-03-31	19-12-31	19-09-30	19-06-30	19-03-31	18-12-31	18-09-30	18-06-30	18-03-31
Balance sheet												
Non-current assets	421,0	384,4	382,6	382,0	370,4	352,0	287,3	258,3	232,8	219,8	211,8	204,5
Current assets	155,3	118,4	53,0	104,1	195,5	85,5	182,2	46,6	56,1	28,8	40,9	63,7
Total assets	576,4	502,8	435,7	486,1	565,9	437,4	495,5	330,3	288,9	248,5	252,7	268,3
Equity	103,1	170,3	121,8	207,8	275,8	358,5	415,3	160,5	201,3	234,2	241,3	258,3
Non-current liabilities	119,1	35,0	35,8	36,4	33,0	33,8	34,5	35,2	-	-	-	-
Current liabilities	354,1	297,5	278,1	241,9	257,1	45,1	50,2	139,0	87,5	14,3	11,4	9,9
Total equity and liabilities	576,4	502,8	435,7	486,1	565,9	437,4	495,5	330,3	288,9	248,5	252,7	268,3
Other												
Patents	0,5	1,0	1,0	1,1	1,2	1,3	1,3	1,4	1,5	1,6	1,7	1,8
Capitalised expenditure for development work	184,3	185,3	186,6	189,1	190,8	186,7	188,0	189,6	191,8	194,0	190,1	186,0
Property, plant and equipment	146,4	142,6	88,9	86,8	60,5	34,1	18,4	15,3	16,2	17,3	14,8	6,2
Fixed assets under construction	50,6	15,6	65,0	63,2	80,4	92,3	67,1	38,0	23,2	6,8	5,1	10,5
Inventory	42,0	26,1	27,8	24,2	17,6	17,7	10,7	9,2	8,0	6,9	7,5	5,2
Cash and cash equivalents	73,9	70,8	7,8	64,9	163,4	44,8	149,1	8,6	32,5	14,9	27,5	51,5
Equity/asset ratio, %	18%	34%	28%	43%	49%	82%	84%	49%	70%	94%	95%	96%
Debt ratio, times	4,6	2,0	2,6	1,3	1,1	0,2	0,2	1,0	0,4	0,1	0,0	0,0
Ordinary shares and share options in issue at end of period, thousand												
Shares in issue at end of period	5 025,2	4 714,5	4 431,9	4 431,9	4 431,9	4 431,9	4 431,9	3 451,0	3 451,0	3 270,8	3 270,8	3 270,6
Share options in issue at end of period	170,6	10,0	10,0	149,5	149,5	149,5	149,5	149,5	149,5	319,7	319,7	319,9

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/equity ratio	Liabilities divided by equity.	The debt/equity ratio shows the proportion of the company's debt in relation to equity.
Solidity	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).

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.

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