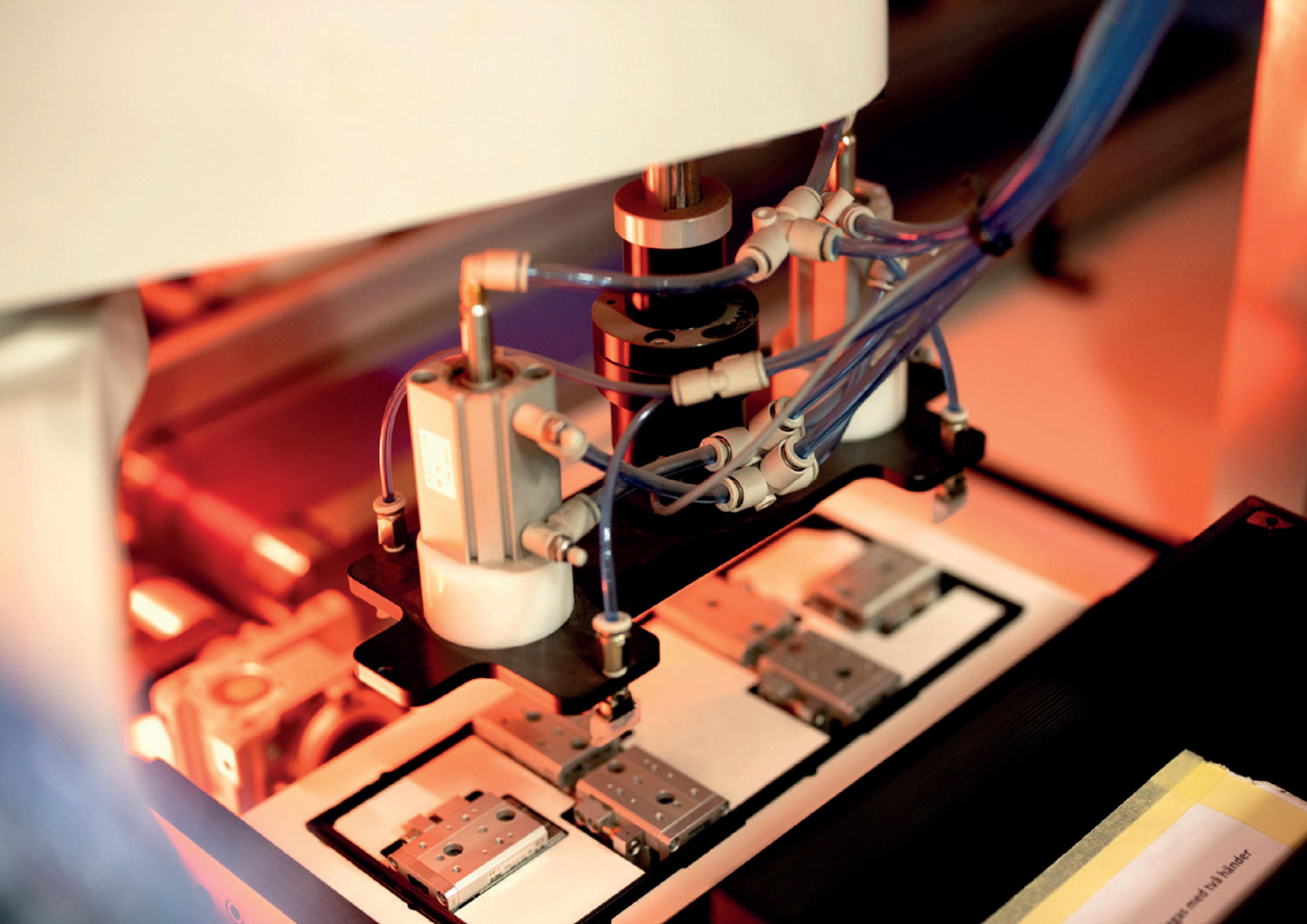
We make renewable energy available for everyday life

Annual Report 2022

MANUFACTURED IN SWEDEN WITH 100% RENEWABLE ENERGY

nilar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The Board of Directors and CEO for Nilar International AB (publ), corp. ID no. 556600-2977, hereby submit the annual accounts for the 2022 financial year for the Parent Company and the Group. which consist of the Administration Report (pages 44-47 and pages 52-56) and the Financial Statements plus notes and comments (pages 62-102). The consolidated income statement and balance sheet, along with the Parent Company's income statement and balance sheet were adopted at the Annual General Meeting.

This annual report has been prepared in Swedish and translated into English. In the event of any discrepancies between the Swedish annual report and the English translation, the former shall take precedence.

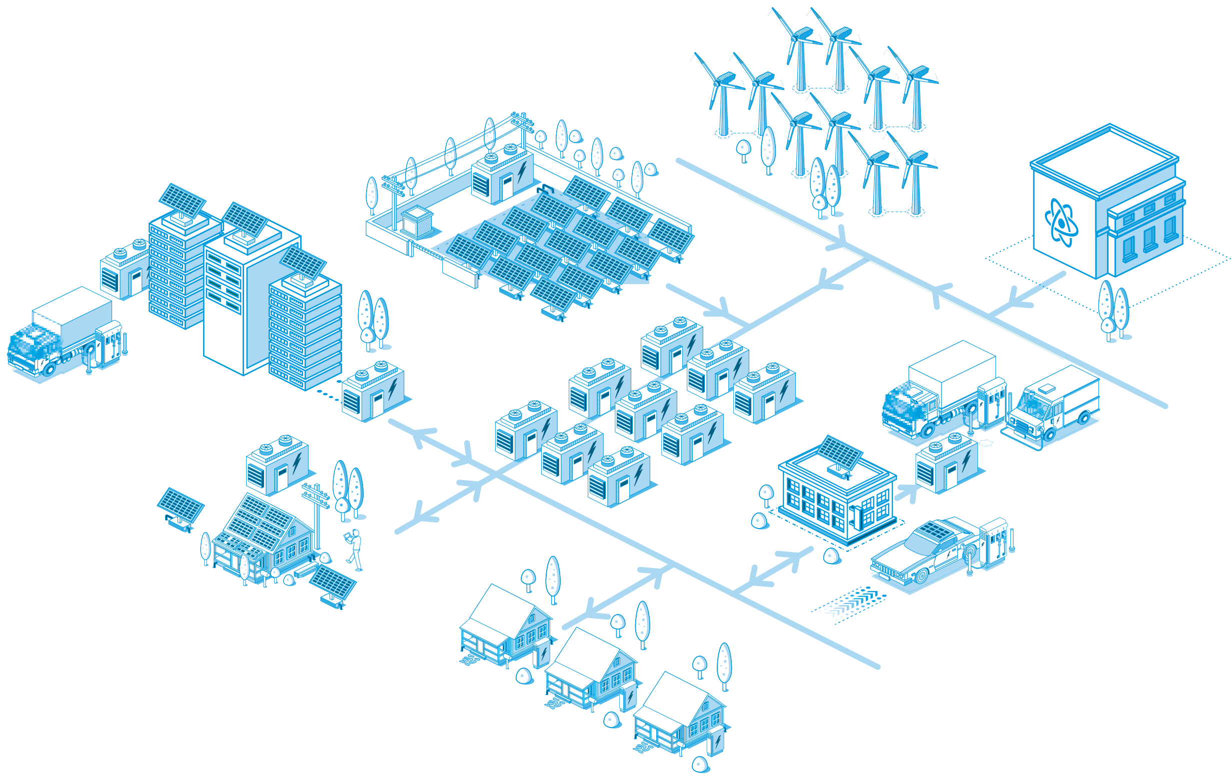
It has never been easier to do good while doing what's best for you and the planet

Nilar's idea is to speed up electrification and the climate transition. We make batteries for sustainable energy storage, which is crucial for a climate transition that works, i.e. that electricity is actually there when it is needed and not just when it is generated.

Nilar develops and manufactures batteries that are safe and re-usable. It is actually the only battery in the world that can be given new life through oxygen refilling. Our batteries can be used for energy storage in homes, in commercial properties, industrial operations and for large-scale energy storage in society's electricity infrastructure.

We ensure that renewable energy works in everyday life, that electricity is there when and where we need it and at the right price. We are now helping to do away with fossil energy and build a more climate-smart world.

It is our ambition to develop and produce one of the world's most sustainable batteries at our plant in Gävle. It is based on Nilar's innovations, patents and entrepreneurship. We are now ready to show what we can do and, together with our selected collaborative partners, supply the market with system solutions that function in everyday life!



Sustainability is in Nilar's DNA. Our goal is to support the electrification of society with sustainable solutions.

Financial Summary

FINANCIAL SUMMARY, MSEK	2022	2021	2020	2019	2018
Revenue	0.3	17.8	25.2	10.4	3.4
Gross profit	-150.3	-479.5	-199.2	-151.1	-35.7
EBITDA	-185.8	-382.1	-223.4	-183.0	-77.8
Operating profit / EBIT	-249.1	-596.4	-284.0	-221.7	-89.9
Profit/loss after tax	-287.5	-600.5	-342.9	-238.5	-91.1
Cash flow from operating activities	-217.9	-446,6	-211,6	-153.9	-73.6
Cash flow from investing activities	-48.2	-215,1	-111,5	-135.2	-45.6
Cash flow from financing activities	240.0	818.5	233.6	420.0	76.9
Shareholder equity ratio, % *	57%	60%	18%	49%	70%
Debt ratio, times	0.7	0.7	4.6	1.1	0.4
Full-time equivalent employees, number	110	185	127	90	48

*) Alternative performance measures. See page 112 for further explanations. Applies to this and all subsequent alternative performance measures in the report.

Gunnar Wieslander new Chairman of the Board of Directors

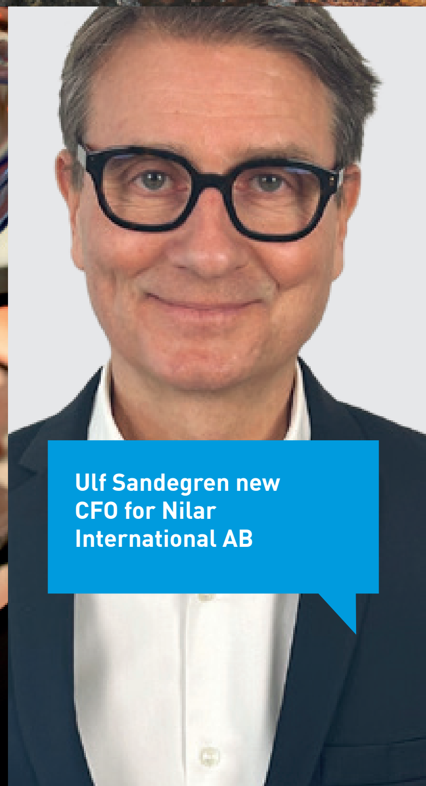
A fully guaranteed preferential rights issue was implemented in a tough market climate.

Nilar and Enequi announce strategic partnership. Enequi places battery order worth MSEK 10

Nilar has started production of the world's first battery that can be replenished with new service life

Collaboration with Mc Energy broadens the range of applications for Nilar's batteries

Production was ramped up at the end of the year in order to meet orders for 2023



Ulf Sandegren new CFO for Nilar International AB

Talks with Indutecc commenced in 2022, which resulted in a letter of intent during early 2023

CEO review

New strategy, new battery, new energy for Nilar
We entered 2022 with production halted and major uncertainty in the wake of Covid-19, however, since then Nilar's development during the year has gone according to plan in all ways.

The central strategy change that has been implemented during the year is that we have refined our focus onto our batteries and our unique technology, as well as established collaborations with selected system integrators with a high level of technical expertise.

We were also able to commence production of our first ReOx® battery at the end of the year. The only battery in the world that can be replenished with new service life, when otherwise the life cycle would have been over. It is smart for both the wallet and the environment.

With a new strategy in place, I can also state that Nilar has got a solid grip on costs and drastically reduced the loss.

New collaborations opening up new market segments
Of the year's many important milestones, I am particularly pleased that Nilar has now established three very exciting partnerships with selected system integrators. In early 2022, a collaboration was initiated with the Swedish technology company Enequi, where we have together produced a system for energy optimisation of properties and homes. Later during the autumn another collaboration was established with the Dutch company Mc Energy, which expands the market segment for our batteries to industrial customers, through integration in Mc Energy's GridCon modular container solution.

A third collaboration commenced with the Dutch company Indutecc early during 2023. Applications for Nilar's batteries were again expanded, this time to commercial and industrial properties. The new strategy is firmly in place, and these three system integrators and collaboration projects

Nilar make batteries for sustainable energy storage that is crucial for a cl imate transition that works, i.e that electricity is actually there when it is needed and not just when it is generated. › **Erik Oldmark, CEO**

that we have now established mean that we are producing high quality, cost-effective solutions for all our priority market segments. It has been an important milestone that we can now tick off.

Batteries are a crucial piece of the puzzle in society's green transition

The fact that energy storage must also be sustainable is the basis for our design and the battery's life cycle. Nilar's batteries are manufactured in Gävle with 100 per cent renewable energy.

If we look out toward the world at large, we see that demand for stationary energy storage solutions is continuing to increase substantially. There are several forces that are driving the constantly increasing need for batteries. These include the fact that more renewable sources of power in the energy systems cannot be planned and that electrification is increasing the need for storage. Furthermore, today's energy crisis in Europe is leading to higher electricity prices, which is increasing the need for peak shaving in the grid and in households' consumption.

We know that smart battery solutions will be an important part of the future energy system. Nilar make batteries for sustainable energy storage, which is crucial for the climate transition and that electricity is actually there when it is needed and not just when it is generated.

With today's deteriorating security situation, an ongoing energy crisis and transition to a completely fossil-free energy production, Europe must become more self-sufficient in strategically important supply chains and energy supply.

I share the assessment that Fatih Birol, Executive Director of the International Energy Agency (IEA), makes that development of the smart energy storage solutions of the future needs to be geographically diversified, preferably to Europe, in order to reduce dependence on individual countries. Nilar's business concept is based on a circular production chain where research, technical development and the bulk of production is assembled here in Sweden.

Nilar is well prepared for an exciting 2023

We are well prepared for 2023, with a new strategy in place, a unique battery focusing on sustainability and safety, and with production that is expanding according to plan. A completely different starting point than a year ago.

We have now put several challenges behind us and I would like to thank employees, collaborative partners, customers and not least owners for your confidence. Some work remains to be done before we achieve the financial goals that we have set for the future, but we are clearly on the right path, we have a plan that we believe in, and step by step we are going to tick off the milestones that we have set for ourselves.

Erik Oldmark, CEO

Three questions for the Chairman

What is the most important aspect of Nilar's new strategy?
Nilar has made several important changes during the year. The new strategy means that Nilar is placing its entire focus on producing a battery that meets the market's high requirements. It means that we can now focus on developing the battery's unique properties within safety and sustainability, where Nilar meets needs and demand within a number of identified applications. It is now important that we continue to deliver on our objectives.

What work have you been engaged in in the Board of Directors in the last year?
As Chairman, my most important task is to lead and drive on the development of Nilar's operation going forward. During the year, the entire Board of Directors has been very active in formulating the new strategy and the plans that govern all of Nilar's functional areas. Nilar has moved from producing entire energy storage systems to focusing on the core – batteries and battery management systems. Through collaboration agreements with three carefully selected system integrators, Nilar will be able to offer energy storage solutions to more priority market segments. The new partnerships are contributing important technical knowledge to be able to deliver smart system solutions which will constitute a central role in the future electricity grid.

What are your and the Board's priorities going forward?
The Board of Directors will be focused in part on securing financing for the company's future activities, in part on the management delivering in accordance with the objectives that have been set. I am expecting Nilar's operation to continue to develop in a positive direction.

Gunnar Wieslander, Chairman of the Board of Directors

The Board of Directors will be focused in part on securing financing for the company's future activities, in part on the management delivering in accordance with the objectives that have been set.

Gunnar Wieslander, Chairman of the Board of Directors

Energy storage systems more important than ever

Renewable sources of power continued to grow during 2022, at the same time as energy prices and the need to plan energy usage increased substantially. Nilar's batteries even out society's energy usage – so that good value energy can be saved and used when the need is greatest.

More fossil-free types of power are increasing the need f or batteries

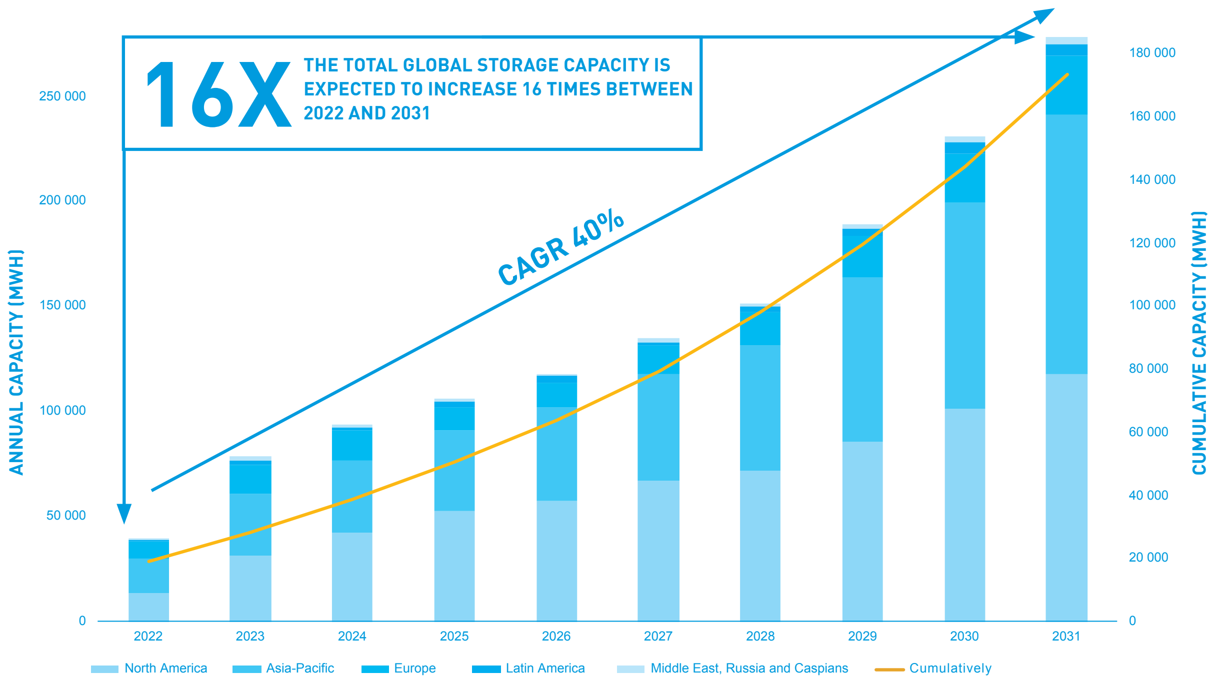
The expansion of wind and solar power constitutes a central part of the global green transition. In Europe, the EU has agreed that 40% of the total energy mix should come from renewable energy sources by 2030 at the latest. The ability to meet the climate policy objectives will require the development and production of flexible solutions for energy storage.

Higher energy prices in the wake of increased geopolitical turmoil

Russia's invasion of Ukraine, together with its role as one of the world's major exporters of both crude oil and gas, has brought major uncertainty to the energy market. Increased electricity prices, price volatility and concern about supply disruptions are accelerating efforts to make a carbon-neutral society. A reliable energy system that can meet future challenges requires a robust infrastructure together with flexible solutions for energy storage.

1. Wood Mackenzie, Global energy storage market outlook update: Q4 2022

EXPECTED INCREASE IN GLOBAL ENERGY STORAGE CAPACITY PER YEAR[1)]



Factors that are driving the market for Nilar's batteries

The market for energy storage is growing rapidly with the development being driven by several different macroeconomic factors. Stationary batteries are a prerequisite for the green transition, and in the future batteries will be used for energy storage in homes, commercial properties, industrial operations and for large-scale energy storage in society's electricity infrastructure.

1 More renewable sources of power in the energy systems

Renewable sources of power are expected to account for 51 per cent of electricity generation by 2035 and 73 per cent by 2050[1]. The transition is driving the need to store energy when the wind blows and the sun shines, so that it can be used when the energy is needed.

2 Electrification is increasing the need for storage

Society's energy consumption is increasing substantially in line with the electrification of more sectors. Globally, the number of electric vehicles is expected to grow from ~10 million in 2020 to almost 200 million in 2030[2]. Powerful stationary batteries will charge electric cars without overloading the electricity grid.

3 Higher electricity prices – More peak shaving

In recent years, Sweden has experienced substantially increased electricity prices. An ordinary household consumes most energy during the day's waking hours. At the same time, the price of electricity is lowest at night. With batteries, households can purchase electricity when it is cheapest and use the electricity when it is needed most.

4 Major fluctuations in the electricity grid

An increasing proportion of renewable and intermittent energy sources, along with increased electrification, is also increasing the fluctuations in the electricity networks. However, stationary batteries can manage these fluctuations more easily and contribute to a more stable electricity network. Besides flexibility, stationary batteries can also reduce costly, time-consuming investments in the future electricity grid[3].

5 International agreements are driving the transition

Throughout the world, and not least in Sweden and the EU, high targets are being set for the pace of the green transition. The EU Commission calculates that global demand for batteries will increase 14-fold by 2030. The EU will account for 17 per cent of the demand. The EU emphasises in particular the important role of batteries in the transition to climate neutrality[4].

6 Lithium is becoming more expensive with a decreasing supply

Most of today's batteries are based on lithium, and the price has escalated in line with increasing demand for lithium[5]. Moreover, a global shortage of lithium is expected as early as 2025[6]. Nilar builds batteries based on nickel, a raw material with a historically more stable price level, which is easy to recycle and that can be mined in Europe.

Footnote: 1. Renewable defined as hydro power, wind and solar. 2. Based on the IEA's Sustainable Development Scenarios, ("SDS") including two types of cars: battery-powered electric vehicles ("BEVs") and plug-in hybrid electric vehicles ("PHEVs"). 3. McKinsey Energy Insights, 2019; IEA Global EV Outlook 2021; Nord Pool, 2022; European Commission, 2022; Nikkei Asia, 2022; S&P Global, 2019; Markets Insider, 2022 and Forbes, 2021. 4. European Commission "Green Deal: EU agrees new law on more sustainable and circular batteries to support EU's energy transition and competitive industry", 2022. 5. Ny Teknik, 2022. 6. World Economic Forum, 2022.

New strategy provides new energy for Nilar

Nilar facilitates safe and sustainable energy systems through our groundbreaking battery technology. A close collaboration with system integrators means that we can optimise energy management for end customers with battery solutions that are sustainable and safe.

Nilar took several important forward steps during 2022. One of the milestones was the launch of a new strategy to achieve our targets for volume and profitability. The new strategy is based partly on our expertise and partly on the core of the operation – the actual battery. Together with selected partners, we build tailored battery solutions where Nilar's hardware achieves its full potential in smart energy storage systems. With the next generation battery in place, we are offering a safe and sustainable solution that can be adapted according to our partners' and customers' specific needs.

THREE IMPORTANT PRIORITIES – THE BASIS FOR NILAR'S DEVELOPMENT GOING FORWARD

1. Focus on selected market segments

It is in households, commercial and industrial installations and the energy network that our technology will do the most good, with solutions for back-up power, frequency regulation, load balancing, micro-grid and off-grid. It is here that we perceive the best conditions for our unique technology, which also stands out competitively within safety and sustainability.

2. Close collaboration with selected system integrators

We are now focusing on long-term partnerships with selected system integrators for our priority market segments; households, commercial and industrial properties. During 2022, important strategic partnerships were concluded with Enequi and Mc Energy, both of which deliver systems for intelligent energy storage and energy management, where our batteries are combined with software for control and energy optimisation. Nilar is completely focused on developing and producing batteries and handing over system construction and life cycle management to our partners.

3. Optimised production and sales

We are optimising manufacture and sales with a focus on what we know best – the actual battery. We have also increased the sales price of our batteries in order to reflect the customer value we are delivering through the next generation battery pack with oxygen refilling.

Production in Gävle was temporarily halted during early 2022, the production processes were reviewed and prepared for the launch of the next generation Nilar battery in the middle of the year. With a new battery in place, we are now increasing the rate of production in a cautious and controlled fashion. Besides deliveries to collaborative partners, the new batteries will be used in test systems and in new integration projects.

Close collaboration with selected system integrators

Focus on selected market segments

ENEQUI

MC-ENERGY

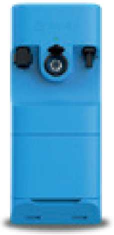
Optimised production and sales

The ideal battery for the home

We think that home owners and residents in apartment blocks should be able to sleep soundly at night knowing that they have safe and environmentally compatible batteries. Thanks to its water-based electrolyte, a Nilar battery cannot catch fire or explode. With substantial benefits within sustainability and safety, Nilar batteries are the ultimate choice for all homes that want to utilise safer and cheaper electricity.

CUSTOMER BENEFIT

- Peak shaving
- Tariff control
- Phase balancing
- Time shifting
- Off-grid

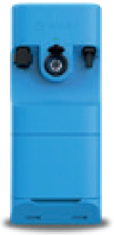


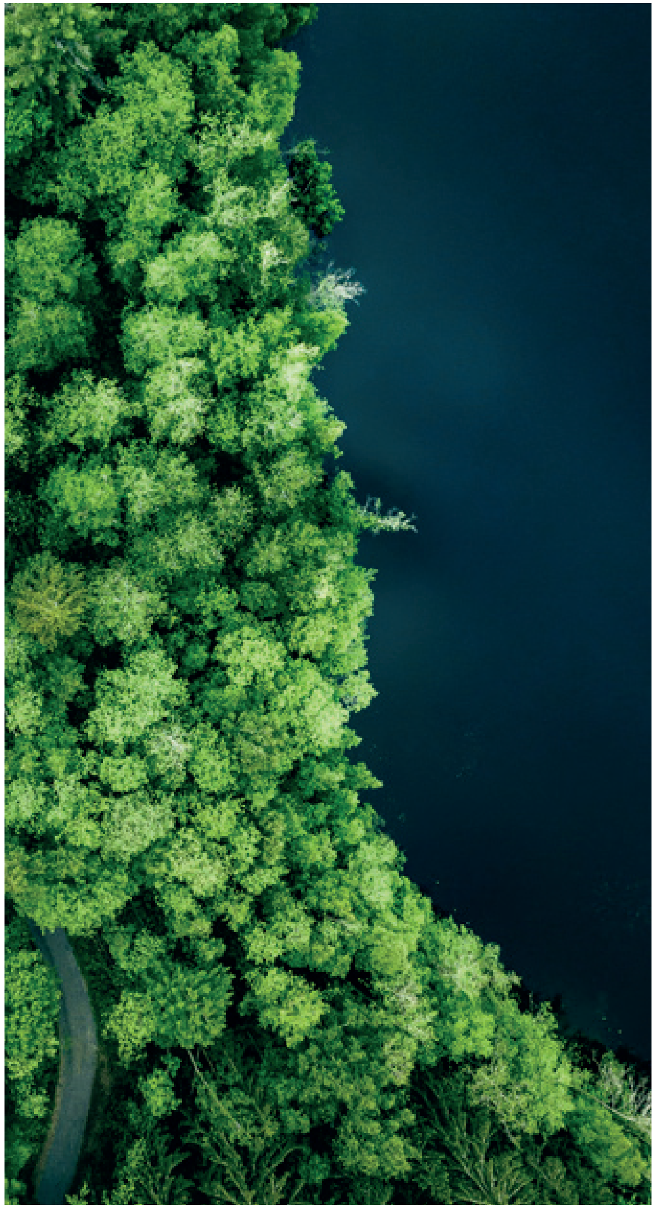
Batteries for commercial & industrial properties

When you choose batteries for a housing association or office property, a shopping centre or a charging station, it is important to minimise risks. Nilar's batteries are the safe alternative for storing energy. Thanks to its water-based electrolyte, a Nilar battery cannot catch fire or explode. The modular Nilar battery supports scalable solutions for energy storage in order to meet the needs within different types of applications.

CUSTOMER BENEFIT

- Peak shaving
- Tariff control
- Phase balancing
- Time shifting
- Off-grid





Long-term power for smart electricity grid & infrastructure projects

Today's electricity grid cannot handle the new requirements from mass charging of electric vehicles and generally increased electrification. Energy storage will be an important part of the electrical infrastructure of the future. Energy storage solutions with batteries from Nilar are an effective way to tackle these challenges.

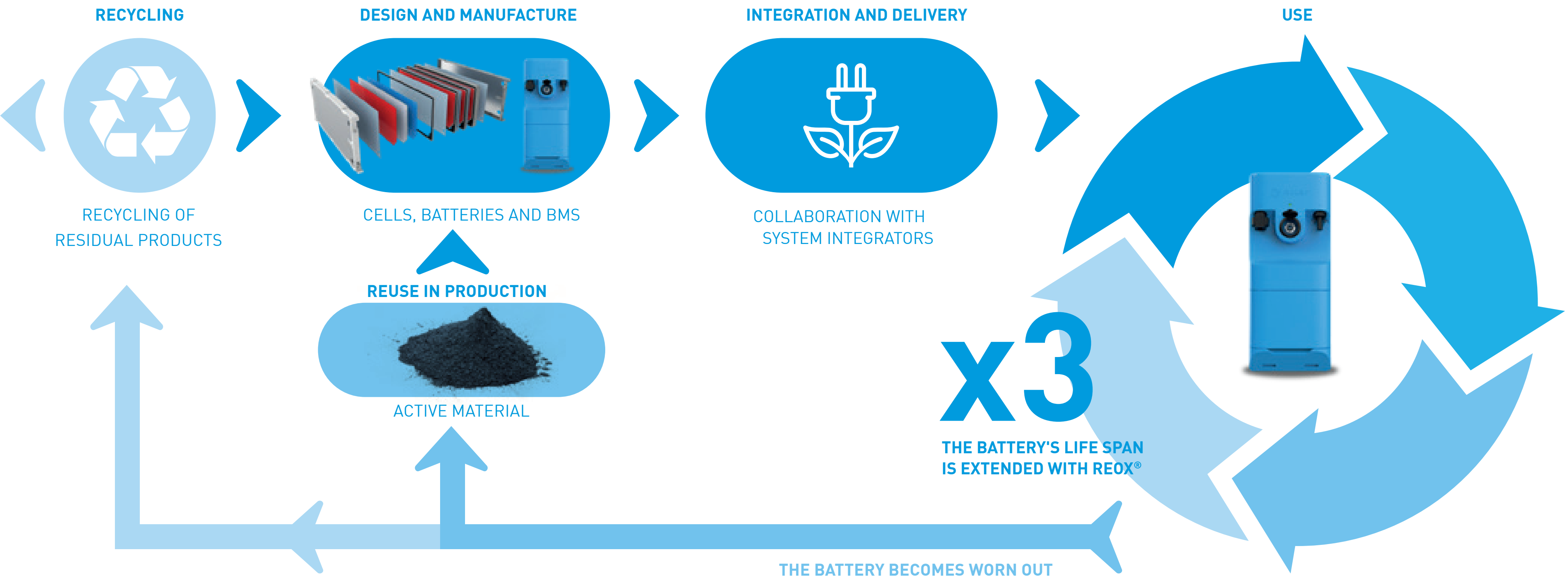
CUSTOMER BENEFIT

- Peak shaving of renewable energy
- Increased transmission capacity
- Increased utilisation
- Voltage regulation
- Frequency regulation
- Disturbance reserve

A close collaboration with system integrators means that we can optimise energy management for end customers with battery solutions that are sustainable and safe.

Business driven by innovations

Nilar is a unique manufacturer of safe battery technology with the focus on designing, developing and producing batteries, battery management systems (BMS) and the life extending ReOx® technology for stationary energy storage systems. Thanks to cutting edge expertise within battery chemistry, production technology, product development and system development, our R&D initiatives have contributed to groundbreaking innovations within Swedish battery research such as the ReOx® technology. Our continual work on innovations has a crucial role for Nilar's continued product development to meet future requirements. We currently have 76 patents registered throughout the world for our unique ways of designing, manufacturing and maintaining batteries.



There is a major difference between batteries

Batteries are a prerequisite in facilitating the green transition, and demand for energy storage in homes, commercial and industrial properties and the energy network is increasing substantially. Today batteries are already used in everything from small watches and smart phones, to cars, ships and properties. The total global storage capacity is expected to increase 16 times between 2022 and 2031, with an annual growth of 40%.

At the same time, there is a major difference between batteries. Important properties such as voltage, energy density, flammability, performance and sustainability are governed by the battery's design and chemical content. The applications for different types of battery therefore also vary. Nilar builds batteries for stationary energy storage. This means that our batteries are ideal for installation in smart homes, office properties and industrial buildings so that energy can be used when it is needed – not just when it is produced. Our batteries thereby even out price and capacity fluctuations in the electricity grid.

Water-based electrolyte provides superior safety

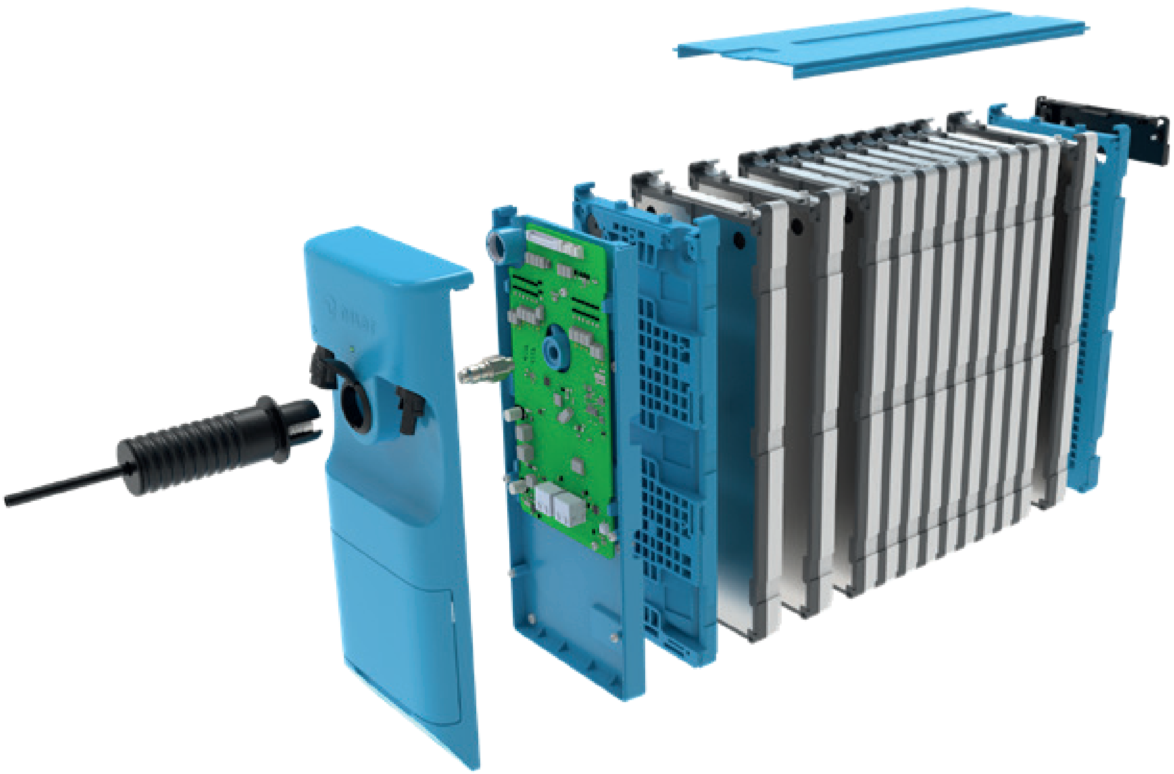
The water-based electrolyte in Nilar's batteries cannot ignite or burn. Uniform current flow paths mean that there are no concentrated hotspots and provide a more efficient heat dissipation. All in all, this leads to the risk of internal short-circuit decreasing substantially in Nilar's batteries. Uncontrolled chain reactions that can lead to fires or explosions are avoided. The fact is that Nilar's batteries are so safe that they can be transported by air. Home owners and property owners can sleep soundly at night knowing that they have safe and sustainable batteries in their energy storage system.

ReOx® - Smart for both the wallet and the environment.

Nilar is first in the world with a technology that enables spent batteries to be restored and given the same storage capacity as if the battery was completely new. The technology is called ReOx and enables worn out batteries to be replenished with new oxygen, extending the battery's service life by at least three times. There are numerous benefits, the battery's performance is retained for longer, at the same time as the circular life cycle is beneficial for both the environment and the users' wallet. With ReOx®, Nilar is building a reliable and safe source of power designed to last for a long time.

Designed to be recycled

For Nilar, sustainability and a circular philosophy permeates the entire chain from research and development to production. We have developed a design where the majority of components can be recycled and re-used, and moreover, the amount of waste in the production process is minimised. Furthermore, all products from Nilar are produced in our factory in Sweden with 100% renewable energy. Nilar's battery is constructed in a way that enables material to be separated mechanically, without energy-intensive processes. Components from the battery can thereby be re-used, even in new Nilar batteries. To further ensure that we offer a sustainable solution, our batteries do not contain any cadmium, mercury or lead.



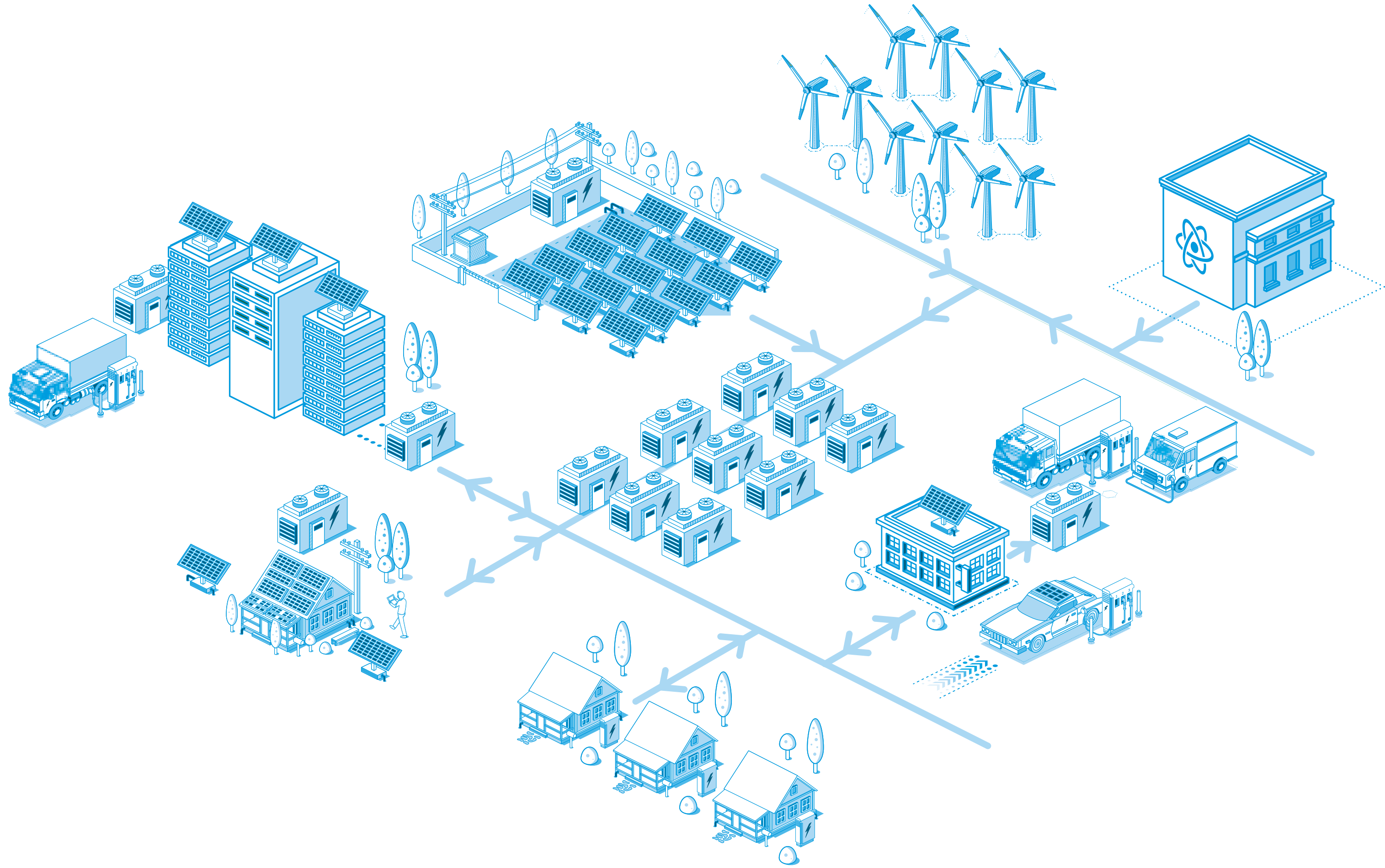
It has never been easier to do good while doing what's best for you and the planet

Safe technology for you and your property

High performance for your energy needs

Sustainability is in Nilar's DNA. We are supporting the electrification of society with sustainable solutions.

We ensure that renewable energy functions in everyday life, that electricity is available when and where we need it and at the right price



Goal 7: Sustainable energy for everyone

Goal 9: Sustainable industry, innovations and infrastructure

Goal 11: Sustainable cities and societies

Goal 12: Sustainable consumption and production

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

Prioritising essential sustainability issues

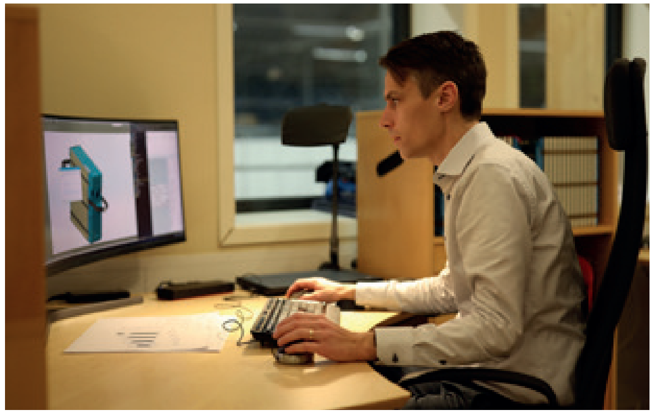
In order to contribute to a sustainable energy transition and to achieve the UN's global sustainability goals, we believe that Nilar needs initiatives within research and development, production and work environment. Nilar's management has therefore identified the company's most important sustainability issues and grouped them in the following focus areas: **Sustainable products**, **Sustainable production** and **Sustainable workplace**.

I. SUSTAINABLE PRODUCTS

- Our product can be replenished through the ReOx® technology.
- Our product contains water-based electrolyte.
- Material included is not flammable.
- Designed for recycling.

II. SUSTAINABLE PRODUCTION

- Our production uses 100% renewable energy.
- We are working to reduce waste and increase the proportion of recycled material in the production.
- In the future we will be able to reuse the active material.
- Production with dry rolling produces low energy consumption.



III. SUSTAINABLE WORKPLACE

- We support each other and resolve tasks together.
- It is with joy and desire to achieve that we constantly produce better results.
- We regard the personnel as our most important resource and safeguarding the environment as our most important task.
- The customer permeates all stages of the operation with respect to quality, treatment and reliability.

Control and tools

The focus of Nilar's sustainability efforts is determined by the Board of Directors and implemented by the management as part of the ongoing operational work. Tools that are used for this are policies and goals, as well as various different regulations and standards. Life Cycle Analysis (LCA) has been conducted in collaboration with Triathlon Greentech in order to better understand the effects of Nilar's products over the entire life cycle and to identify focus areas for future research initiatives.

Risks

Nilar conducts regular risk assessments, which are presented on page 48-51 in the annual report. The most important sustainability risks are environmental impact, social responsibility, organisation and skills provision.

Policy document

We work proactively to guide our employees and facilitate control within our business areas. The below policies are especially important to take into account when working on sustainability issues:

- Code of conduct
- HR policy
- Finance policy
- Work environment policy

Product safety standards

All companies that work with chemicals have a responsibility to handle them properly and to comply with standards for this. All our chemicals are registered and continuously monitored in our risk inspections. When purchasing new chemicals, a risk assessment is conducted and the chemical is registered. We then look at both safety and environmental aspects and utilise the Reach regulation as well as the RoHS directive:

- **Reach:** The Reach regulation concerns registration, evaluation, authorisation and restrictions of chemical substances. Reach also includes requirements for use of chemicals.
- **RoHS:** The RoHS directive has the aim of reducing the risks for people's health and for the environment through replacing and restricting hazardous chemical substances in electrical and electronic equipment.

Focus area
Sustainable products

All products that leave the production plants must meet our high standards.

Nilar's battery has major environmental benefits. The principal benefit is the degree of recycling. This is always an important parameter and goal within Nilar's research and development. The production processes are also adapted as far as possible to a circular approach. Nilar is currently engaged in developing a process to reuse the left-over material in the manufacture of electrodes. The ambition is also to be able to reuse the active material in scrapped products in newly produced batteries. Our long-term strategic goal is to find suppliers located closer to us.

INNOVATIVE BATTERY TECHNOLOGY FOR ENERGY STORAGE

Nilar ReOx® batteries

Applications

- Peak shaving
- Frequency regulation
- Back-up power
- Time shifting
- Off-grid
- Uninterruptible power supply
- Islanding

Distinct product benefits

Sustainability

Recyclable material and energy-efficient production

Safety

Nonflammable technology

Performance

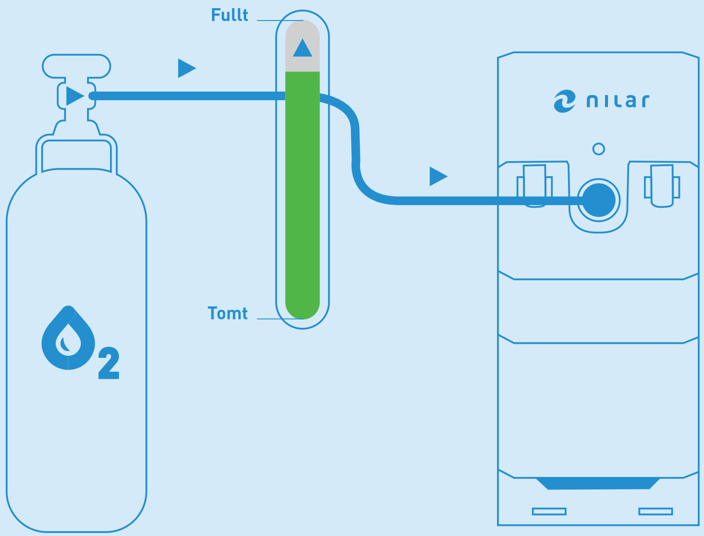
Longer service life with the ReOx® technology

Sustainable design for increased service life and lower life cycle cost

Manufacture and recycling of batteries is resource-intensive. Furthermore, most batteries have major limitations on their service life. Nilar is first in the world with a technology that enables spent batteries to be restored and given a new service life. The technology is called ReOx® and it enables batteries to be replenished with new oxygen before they are worn out, extending the battery's service life by at least three times. There are numerous benefits, the battery's performance is retained for longer, at the same time as the circular life cycle is beneficial for both the environment and the users' wallet. With ReOx®, Nilar is building a reliable and safe source of power designed to last for a long time. Our battery management system (BMS), software and sensors that ensure that the battery is used as efficiently and safely as possible are also important for the service life.

GLOBALLY UNIQUE PATENTED TECHNOLOGY BALANCES THE ELECTRODES AND REFILLS THE ELECTROLYTE THROUGH A CONTROLLED ADDITION OF OXYGEN.

Nilar ReOx® batteries
The sustainable choice



LONGER SERVICE LIFE

x3

The ReOx® technology triples the battery's life span.

LESS ENERGY USE

x3

Our batteries are manufactured with three times less energy compared with other alternatives.

MORE RENEWABLE

100%

Manufactured with 100% renewable energy

SUSTAINABLE

100%

100% of our batteries are used again or recycled[1].

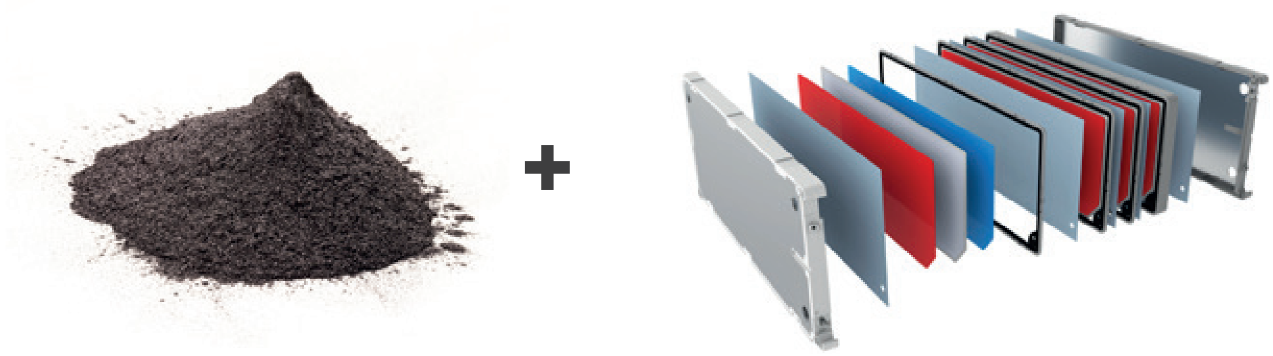
1. 74% of our batteries go to material recycling, 26% to energy recovery.

Choice of material and design increases the battery's performance and safety

Nickel, the central component, is a raw material that is accessible, fire-proof and recyclable. Nickel-based chemistries function well within a wide temperature range. This is an advantage compared with other battery chemistries that are flammable and that furthermore emit toxic gases in connection with a fire. Thanks to unique solutions within design and integration, our products have a high safety performance. The electrodes cannot ignite spontaneously. Every fire close to a Nilar battery can be treated in the same way as any other electrical fire and extinguished with a carbon dioxide extinguisher. There is no risk of explosion or severe uncontrolled fire in Nilar's battery chemistry.

The bipolar design is the key to efficiency in relation to materials and space. The flat battery modules are stacked serially, with few intermediate connectors, resulting in a uniform flow of current across the cells, reducing electrical resistance and optimising performance. The modular design facilitates simple installation.

Nickel, the central component, is a raw material that is accessible, fire-proof and recyclable. The bipolar design is the key to efficiency in relation to materials and space.



Tailored solutions with system integrators

Energy storage will be the key in the transition to renewable energy. The intermittent character of renewable energy sources requires the flexibility and support of the electricity grid that energy storage offers. Improvements in efficiency and the battery's life span enables the resource-efficiency and infrastructure upgrades that are needed to achieve the goals set by the UN's Agenda 2030.

We have established partnerships with system integrators that have a high level of technical expertise. Through these collaborations, the batteries can be adapted to numerous applications. End users and partners are given major opportunities to have a system adapted for their needs.

Continuous innovation

Nilar's research and development processes place a major focus on circularity. There has been significant investment in research into direct recycling strategies to advance the sustainability of the production process. The batteries' software is under continuous development in order to increase efficiency and functionality. Furthermore, our research into extending the service life makes it possible for batteries to go on after their conventional end date, leading to a long-lasting solution.

STRATEGIC PARTNERSHIP WITH SYSTEM INTEGRATORS - ENEQUI

ENEQUI Take charge

The market for stationary solutions for energy storage is growing substantially and there is major demand in the European market. As developer and supplier of intelligent solutions for energy storage and energy management, it is important for Enequi to listen attentively to what the market wants. Innovative battery technology with high safety and recyclability are important parameters. Batteries from Nilar meet the high requirements and furthermore offer a unique oxygen filling technology that enables repeated renewal of the batteries' service life.

"Our customers are looking for safe and reliable energy storage solutions that can provide them with sustainable and stable energy supply. We have been working with Nilar for several years, and the new partnership reinforces our offering, at the same time as creating conditions to accelerate our growth in Europe," says Håkan Svärd, CEO of Enequi.

Enequi's QuiPower platform gives home and property owners access to clean and environmentally friendly energy through intelligent energy storage and energy management, with well selected hardware combined with software for control and energy optimisation. By entering into a long-term strategic partnership with Nilar, Enequi wants to meet the customers' needs for safe, reliable and sustainable solutions.

Håkan Svärd, CEO of Enequi

Recyclable product

The circular concept permeates everything we do, from design to production. The battery cells' flat design is formulated in order to simplify reuse and recycling, where material can be used in new batteries.

The constituent raw material, nickel, is easy to recycle. Any residues are sent for recycling. There is a minimal amount of cobalt in Nilar's batteries (<0.5%), however, as cobalt is a material that has unfavourable health effects, we are actively engaged in minimising our usage and have a strategic goal to entirely eliminate our usage in the future. When Nilar batteries that have been in operation are worn out, they are returned to Nilar for re-use and processing prior to recycling of the constituent material. As a part of our sustainability efforts, we are developing processes so that we can maximise the proportion of material that can be re-used for new Nilar batteries in the future.

Re-use of powder in the production process

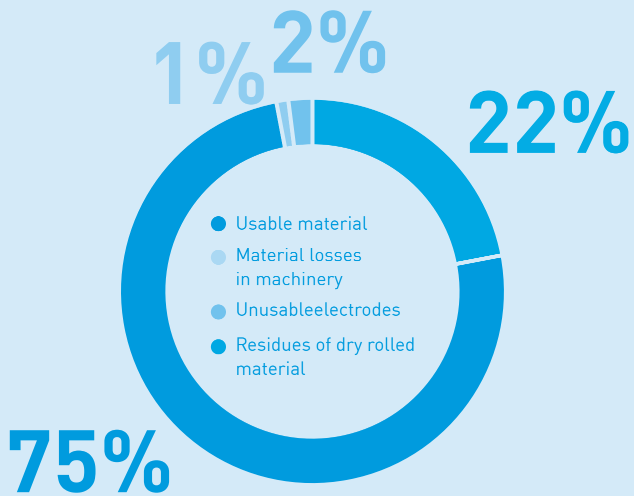
There is currently a certain amount of material waste in our production of electrodes. Material waste is currently sent to external partners for recycling, but the aim is to return this material to the production process. Method development has taken place together with Uppsala University and ReSiTec, with tests of the method now underway in our production.

Life Cycle Analysis

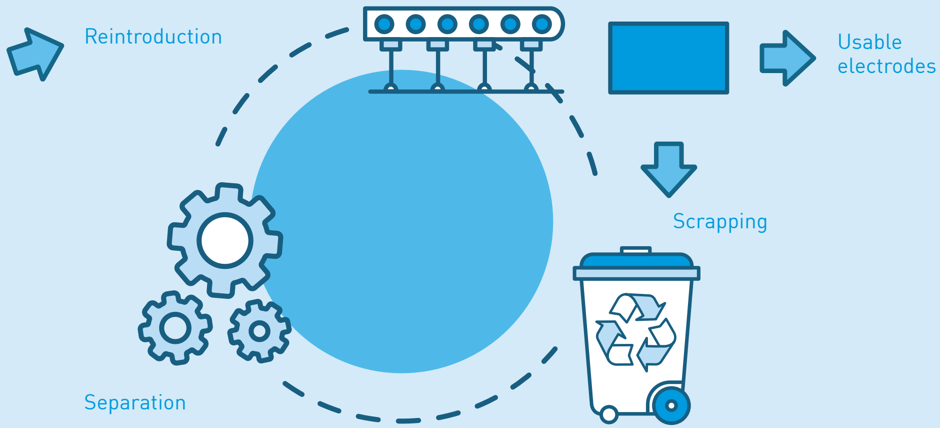
We have conducted a life cycle analysis in order to gain a better understanding of how our Nickel Metal Hydride batteries affect our environment, as well as to identify areas where we can become better. The analysis has been conducted in collaboration with Triathlon Greentech.

As far as possible, underlying data has been obtained from Nilar, along with supplementary data from transparent sources and databases that are considered relevant based on temporal- and geographic aspects.

MATERIAL USAGE



THE REUSE PROCESS



Before the recycling process

After the recycling process

INSIGHTS FROM THE LIVE CYCLE ANALYSIS

INSIGHTS	DESCRIPTION	ALTERNATIVE TO REDUCE THE IMPACT	THE POTENTIAL ALTERNATIVE'S FEASIBILITY AND EFFECT
Nickel is the type of material that causes the greatest impact in both GWP100 and the ADP category	• It contributes 43% of the GWP100 effect in the first phase • Use of recycled nickel can reduce the effect by 14–39%	Purchase recycled nickel	**Purchasing recycled nickel is profitable, and it would have significant positive effects**
Cobalt causes significant impact in both GWP100 and ADP category	• It contributes 14% of the GWP100 effect in the first phase • Use of recycled cobalt can reduce the impact by 8%	Purchase recycled cobalt	**Purchasing recycled cobalt is possible,** but **the effect would be relatively minor**
Aluminium causes a major impact in the GWP100 category	• It contributes 8 % of the GWP100 effect in the first phase • Use of recycled nickel can reduce the impact by 2%	Purchase recycled aluminium	**Purchasing recycled aluminium is possible** as it is easily accessible, **but the effect is very limited**
The planned **recycling of scrap from active material** would have positive effects	• kgCO2-eq/kWh throughput for GWP100 is 19% lower if active material is re-used • kgSb-eq/kWh throughput for GWP100 is 25% lower if active material is re-used	Reduce waste of active material	**Reduced waste of active material is already planned, and it would entail significant improvements**

Impact categories in the life cycle analysis
GWP100: Global warming potential based on a hundred years value (Global Warming Potential, GWP). Represents the heat that is absorbed by greenhouse gases in the atmosphere. Measured in kg carbon dioxide equivalents (CO2-eq), where other greenhouse gases are indexed based on equivalent carbon dioxide mass that would have the same effect.
ADP: Abiotic Resource Depletion Potential, ADP. Represents the depletion of non-living resources such as fossil fuels and minerals.
Measured in kg antimony equivalents (Sb-eq), where antimony is selected as reference substance to compare other abiotic resources.

Focus area Sustainable production

To minimise the environmental impact from the production process, 100% renewable energy is used throughout the production plant in Gävle.

Sustainable production

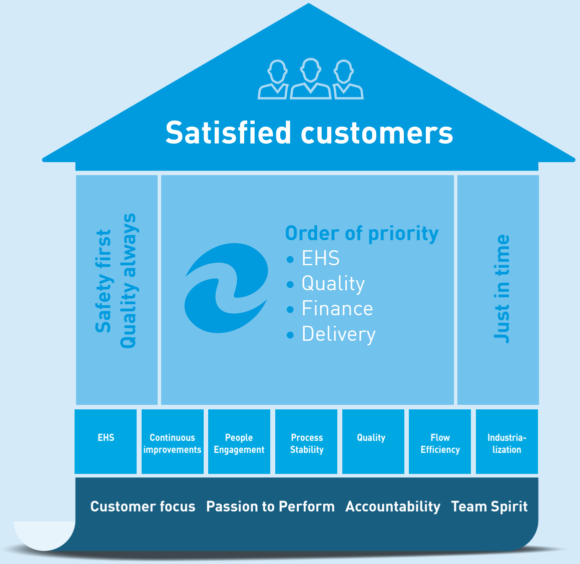
We have continued to invest in order to maintain a sustainable production plant. The production process benefits from automated efficiency, which ensures that it is as resource-efficient and environmentally friendly as possible. Newly integrated production lines have the potential to speed up the automated stages, with clearly established quality procedures that control the production. To develop the optimum production process, Nilar has continued to invest in enlisting recognised and qualified expertise. To minimise the environmental impact from the production process, 100% renewable energy is used throughout the production plant in Gävle.

Nilar's operations are subject to permit and registration requirements. Nilar is licensed under the Environmental Code to manufacture batteries in the factory in Gävle that do not contain cadmium, lead or mercury. We have a licence to produce a maximum of two million batteries per year, and also to dismantle batteries as an element in introducing our own recycling, in accordance with the company's strategy.

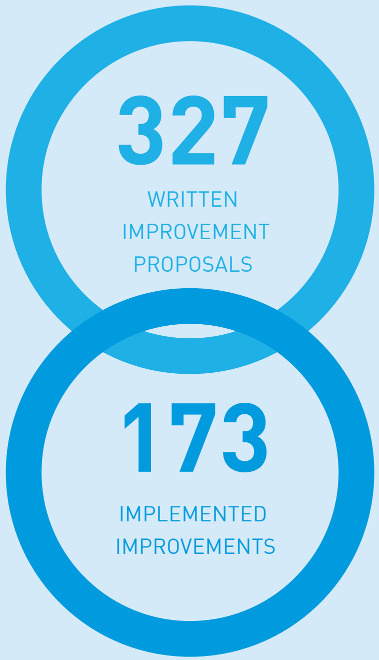
An efficient production process that creates value

In order to create as efficient a production as possible, we are gradually implementing Lean throughout the entire operation. The basis for our production system rests on our values. The aim of Lean Production is to produce a satisfied customer. To ensure that the customer is satisfied, we simultaneously want to minimise waste of resources through different types of streamlining and rationalisation. We are perceiving a distinct improvement in our operation when it comes to streamlining as everybody has been involved in the improvement work. Structured improvement work means that we have revised all standardised instructions (SOB) and made instruction films that can be used in the training of new personnel. Our focus on the Lean principle "Right from me" has led to clear improvements in our way of working and recognising everybody's joint responsibility to deliver quality. We are careful to survey where we want to become better in order to place the focus on areas of improvement, and we evaluate the production based on criteria derived from our production system.

NILAR'S PRODUCTION SYSTEM



RESULTS AREAS OF IMPROVEMENT 2022



Supply chain audited for sustainability

Nilar purchases raw material from all over the world, with most of the large suppliers located in Europe and Asia. With a dispersed supply of raw materials, there are risks of a lack of sustainability in the supply chain in relation to environmental or social issues. When establishing collaborations with new suppliers, we require them to work according to ISO 9001, ISO 14001 and ISO 45001/OHSAS 18001. Nilar has started the work of evaluating the current supplier base according to a formal auditing process, in order to ensure that we maintain a desired level of quality in our supply chain. The audit process functions as a countermeasure to the risks associated with environmental and social issues.

Nilar works proactively, with its purchasing strategy under continuous review and updating. This optimises all of Nilar's purchases with respect to volume, price and quality.

Feedback of electricity in the production process

All our testing equipment for mass production that is used for charging and discharging of our batteries has functions that enable current to be reused or sent back to the electricity grid. This results in power consumption being reduced to essentially just the loss from the equipment and batteries.

Tomas Sandin, Lean coordinator/Operational support

Our Lean work is creating engagement

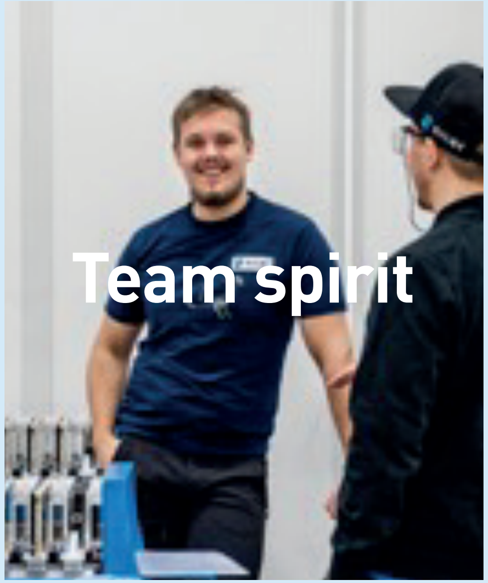
Our employee Tomas Sandin is engaged in introducing 5S, which is one of the LEAN tools in our operation. He describes the work as follows: " Our work with LEAN, the 5S tool and our regular improvement meetings every week have contributed to everybody being seen and heard.
All proposals for improvement – large and small – are discussed in the group and elevated to those who can have an influence. This way of working has contributed to the utilisation of everybody's individual qualities and knowledge. We share our knowledge and work to remove distractions which means that we can focus on what we do best, and make the most of what is of value for our customers"

Focus area Sustainable workplace

Our values are a result of solid, mutual work that has emerged over many year in dialogues together with our employees based on our mission, vision and goal.

We believe in a sustainable workplace for several reasons, both for us and our employees. We want to promote healthy practices and a good work environment, as we believe that it enhances both well-being and productivity. We show engagement through sustainability in many ways. Through taking social responsibility, reducing our consumption and emissions and saving resources and energy. We know that through our sustainability efforts and working to strengthen our brand, we will continue to attract talented people, customers, suppliers and other stakeholders who are in line with our values. We want to continue to strengthen our role as an important member of society and contribute to a better environment and a sustainable society. Our values are a result of solid, mutual work that has emerged over many years in dialogues together with our employees based on our mission, vision and goal.

OUR VALUES



We boost each other and resolve tasks together.

It is with joy and a drive to succeed that we constantly achieve better results and higher goals. We are proud of what we achieve.

We regard the personnel as our most important resource and safeguarding the environment as our most important task.

The customer permeates all stages of the operation with respect to treatment, quality and reliability.

Respectful culture that promotes collaboration

Our corporate culture concerns our shared values, norms and attitudes that we have in our organisation. It is our invisible power which influences how our employees conduct themselves and how they work and behave at our workplace. Our corporate culture has been influenced to some extent by our transitional journey last year, but it has also strengthened us in many different ways. Even though we have undergone a major and tough change for many of us, we have worked hard on activities to develop our processes and to strengthen our employees. This has included training initiatives and an optimum use of resources with a lean organisation. The results of this are demonstrated in that we improved our engagement index in the employee survey by +0.3, and are thereby above the industry average. We can also deduce from the employee survey that we have strengthened our sense of a joint direction through the solid work on strategy and management by objectives that permeates our entire organisation. This has led to our employees feeling that they belong to a larger whole and that they have a meaningful working day.

Changes that have created space for development and forward thinking

After large increases in volume and recruitment in 2021, last year we implemented a major change that entailed consciously reducing the workforce by more than 50% as we also halted a large part of our production. Back to the drawing board became a word on many people's lips, and it affected individuals as well as the organisation as a whole. Our concerns regarding this transition included the fact that the change could damage the organisation's reputation and make it more difficult to attract and recruit new employees, but also that it could lead to inferior performance from existing employees due to an increased workload. To prevent this, a number of cooperation forums were set up, internally and externally. All collaborations have had a number of common denominators; structure, openness and transparency. Our external transition partners have also contributed positively throughout the year, above all through supporting us with internal and external training initiatives. 75 training courses were granted support during the year, which has given us the opportunity to reduce our costs for skills development at the same time as we have further developed and utilised existing personnel.

A large part of my role requires a cross-disciplinary approach, the training included reviewing communication and collaborations between different groups within organisations with different opinions and varying backgrounds.

Mayte Puig Cortegoso, System architect

MAYTE PUIG CORTEGOSO, SYSTEM ARCHITECT

What training did you attend and what was it about?
System Architect(ing), it focused on structure surrounding a role that is otherwise very broad with complex boundaries. With the help of resources, study cases and practical exercises, I learned more about different ways to work, as well as which tools to use and when. A large part of my role requires a cross-disciplinary approach. The training included reviewing communication and collaborations between different groups within organisations with different opinions and varying backgrounds.

How has the training helped you in your work at Nilar?
At Nilar we work with a very complex product and manufacturing process, which requires a systematic and structured analysis where all disciplines within the company contribute solutions. Among other things, the training gave me resources and tools to use in the analysis. A part of my job is also to produce new ways to work with procedures and in that context I can derive a lot of inspiration from the training material that I subsequently adapted for our operation.

Our Employees

Our employees are our most important resource and we endeavour to always put their well-being and development first. We show our engagement in several different ways. Some examples of this are to constantly work with the opportunity for learning and development, to proactively work with feedback and support, to offer a pleasant work environment, to set goal for the organisation and also to work with our values. For Nilar as employer, it is important to have an active collaboration in order to create a positive and inclusive working culture and to always be attentive to our employees' needs and wishes. An important step in succeeding with this is that all managers have been followed-up to ensure that they hold 100% of their performance appraisals, which was achieved during the year.

We have actively followed up last year's employee surveys and worked to make Nilar a more attractive employer. It transpires that the activities have produced a positive outcome in our employee survey for 2022. All parameters have increased in comparison with last year.

The results are in line with the industry average within eight out of twelve areas, and above the industry average within work environment, work processes, leadership and communication.

Our ambition is to strive at all times to be an attractive employer and offer our employees market-based benefits and a healthy workplace. Despite cutbacks during 2022, we have enjoyed a low staff turnover during the year and placed a major focus on attracting new talents and ensuring rapid introduction process for new employees. During the year, we have strengthened and developed our quality in everyday operational HR processes and drawn up a long-term strategic plan for future production volumes.

A secure and safe workplace produces a high level of engagement

Several improvements within health and safety have been put in place and implemented during 2022. These include strengthening our procedures to follow-up both short- and long-term absence due to illness. Following-up and ensuring actions in relation to relevant risks are now conducted continuously and followed-up on a weekly basis. The effect has been reduced sick leave and more risk observations reported. We need to continue to work proactively on these issues in order to also ensure in the long-term that it is not only an effect of reduced production volume. A reporting programme has been implemented for incidents, accidents and risks, and has gradually been improved in order to optimally reflect connections between cause and effect. Risk reporting is measured in relation to accidents, a so-called Birds-ratio. The goal is to work proactively to mitigate and manage problems more effectively. It is therefore particularly important that our risk reporting continues to increase to a level where we can ensure that we can identify and manage potential risks in good time, so that we can minimise their effect and prevent problems.

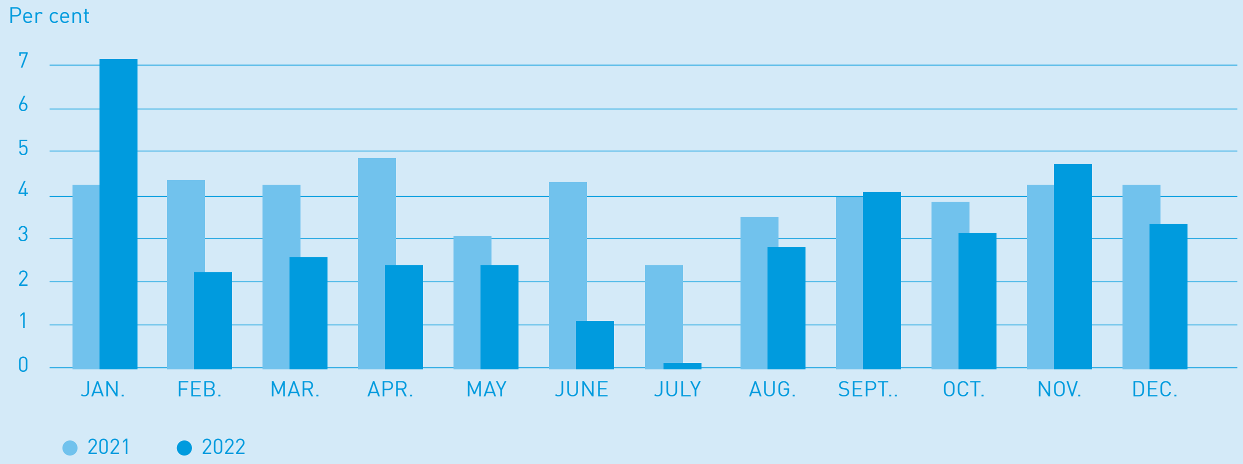
The risk reporting is a way for us to retain our profitability and improve business results in the long-term, through minimising undesirable events and crises that can adversely affect the operation. Our risk reporting is now a part of the organisation's overall management system and integrated in all operational processes.

Many other minor initiatives and activities have been implemented during the year, including theme week, safety day, and ergonomy inspections. A focus on a healthy workplace has been crucial to retain a high level of engagement after the transitional journey that we have undertaken.

ENGAGEMENT

COMPARISON VALUE: 3.7

SICK LEAVE 2021 AND 2022

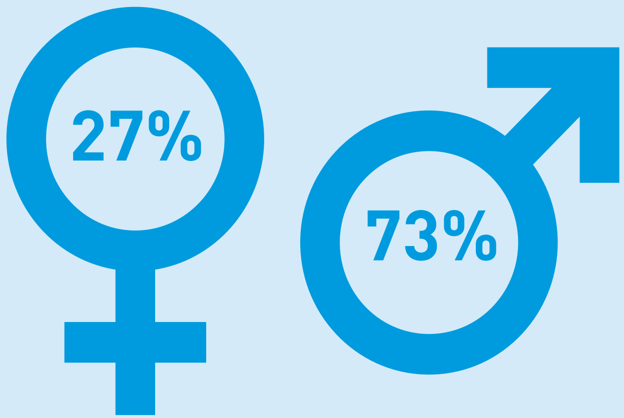


Human rights

It is important that our organisation has a culture and a work environment that respects and protects human rights and that all our employees receive the support and the encouragement that is needed to be able to exercise their rights in the workplace. Respect for people's health, well-being and rights are fundamental values for us.

Our overall ambition is to treat all interest groups ethically and respectfully. A new procedure for how we handle victimisation and bullying has been developed during the year and we have implemented a first stage of management training and developed our employees within cultural competence.

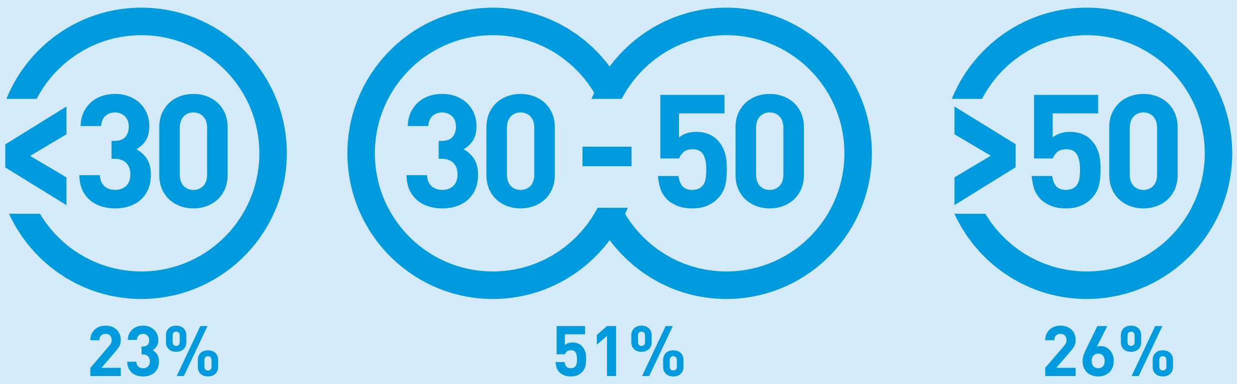
BASED ON NUMBER OF FULL-TIME WORKERS



FORM OF EMPLOYMENT	%
Employees	87%
Contracted	13%

EMPLOYEES PER DEPARTMENT	%
Production	47%
Development	39%
Sales, market and aftermarket	11%
Administration	3%

BASED ON NUMBER OF FULL-TIME WORKERS



Shareholder information

Nilar International AB (publ) is a Swedish public company. The company's shares have been listed on First North Premier Growth Market since 30 April 2021.

The share capital amounts to KSEK 53,097 divided into 318,582,257 shares with a quota value of SEK 0.17. Each share entitles the holder to one vote and equal right to share in the company's capital and earnings.

SHAREHOLDERS

The company had a total of 5,550 (3,147) shareholders at the end of 2022.

At year-end, the five largest shareholders controlled 38.7 (37.8) per cent of the capital and votes.

SHARE REGISTER

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

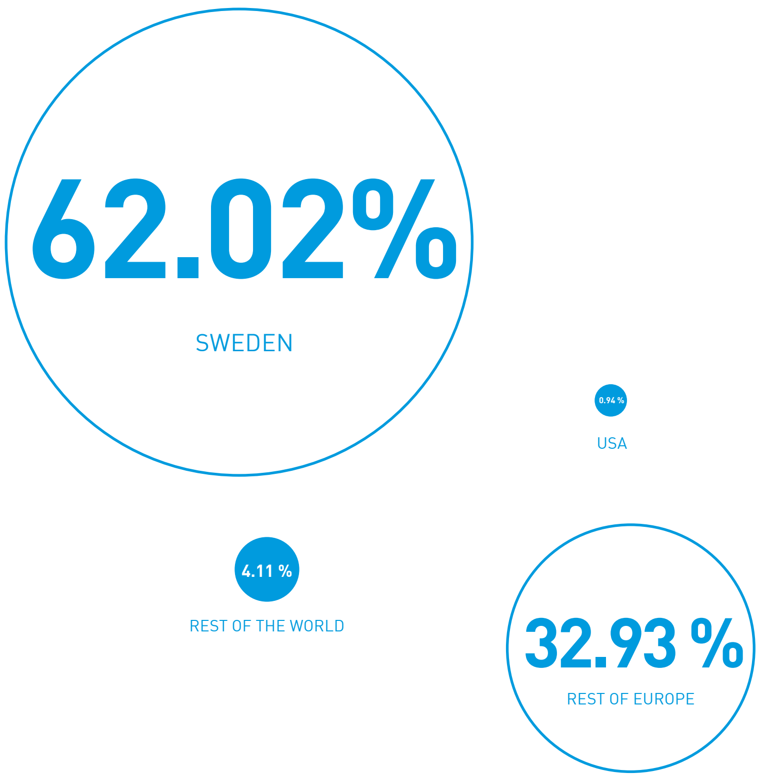
FINANCIAL INFORMATION

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

ANNUAL GENERAL MEETING 2002

The annual general meeting of Nilar International AB (publ) will be held on 25 May 2023.

SWEDISH AND FOREIGN OWNERSHIP



NILAR'S LARGEST SHAREHOLDERS AS OF 31 DECEMBER 2022

NAMe	NUMBER OF SHARES	PROPORTION % CAPITAL/VOTES
BNP Paribas SA Paris	38 428 371	12.06%
Första AP-Fonden	30 212 371	9.48%
Fjärde AP-Fonden	25 234 379	7.92%
Bronsstädet AB	16 600 000	5.21%
R&H Trust Company (Jersey) Ltd	12 939 693	4.06%
UBS Switzerland AG	11 742 958	3.69%
Banque Pictet & Cie (Europe) SA	9 993 603	3.14%
Avanza Pension	7 741 492	2.43%
Other	165 689 390	52.00%
Total	**318 582 257**	**100%**

DEVELOPMENT OF SHARE CAPITAL

EVENT	DATE OF REGISTRATION	MONTH	CHANGE IN NUMBER OF SHARES	NUMBER 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
New share issue	2021	January	62,000	5,087,191
Share split 1:6	2021	April	25,435,955	30,523,146
New share issue IPO	2021	May	11,194,029	41,717,175
Exchange convertible loan	2021	May	3,582,252	45,299,427
New share issue (Greenshoe option IPO)	2021	June	212,324	45,511,751
New share issue (preferential rights issue)	2022	June	251,555,232	297,066,983
New share issue (preferential rights issue)	2022	October	21,515,274	318,582,257

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

ADMINISTRATION REPORT

The Board of Directors and CEO of Nilar International AB (publ.), corporate ID no. 556600–2977, hereby present the annual accounts and consolidated financial statements for the 2022 financial year.

OWNERSHIP STRUCTURE

Nilar International AB (publ) is a Swedish public limited liability company. The company's shares have been listed on Nasdaq First North Premier Growth Market since 30 April 2021.

THE GROUP'S OPERATIONS

After several years of ambitious development and industrialisation, the company has launched specialist products for battery systems for homes, battery systems for industry and commercial properties and battery systems for large-scale energy storage, based on the company's unique bipolar Nickel Metal Hydride battery.

Up to the fourth quarter, production in the company has been sparse awaiting completion of the new ReOx® battery. ReOx® is a patented process that enables oxygen replenishment when the battery has aged and the capacity has decreased, which restores the battery's original properties, thereby extending the service life and energy output by up to three times. The rate of production in Nilar's factory in Gävle has gradually risen during quarter four in order to meet orders placed for 2023.

THE YEAR IN BRIEF

A new strategic partnership between Nilar and Enequi has been established, based on a jointly developed energy storage system containing Nilar's new refillable ReOx® batteries together with Enequi's advanced control systems. The first deliveries of Nilar's next generation battery – Nilar ReOx® batteries – to Enequi have been made as part of a large order for 800 batteries.

Nilar International AB signed a declaration of intent with the Dutch company Mc Energy B.V. in the third quarter. The company specialises in design and production of advanced energy storage solutions. Mc Energy develops tailored energy storage systems, which are principally aimed at industrial users. This is a further step in Nilar's strategy to develop safe battery solutions together with a small number of close collaborative partners, where Nilar's stationary batteries achieve their full potential.

Gunnar Wieslander was elected as the new Chairman of the Board of Directors of Nilar at an extraordinary general meeting on 3 March 2022.

During the year, Nilar has implemented a fully guaranteed preferential rights issue that brought in a total of approximately MSEK 273 before related issue costs.

Sustainability report

The sustainability report is submitted in a separate report distinct from the administration report. See pages 22–41.

Profit and profitability

Net sales fell by 98% to MSEK 0.3 (17.8). The reason for the low annual sales is the effect of the previously communicated quality deficiencies and the warranty risk that has arisen and which has caused Nilar to halt most new sales. The sales have also been adversely burdened by return of systems during the first quarter at a value of MSEK 4.7. The number of energy storage units sold fell by 81% to 592 (3,187).

FINANCIAL SUMMARY, MSEK	2022	2021	2020	2019	2018
Revenue	0.3	17.8	25.2	10.4	3.4
Gross profit	-150.3	-479.5	-199.2	-151.1	-35.7
EBITDA	-185.8	-382.1	-223.4	-183.0	-77.8
Operating profit (EBIT) *	-249.1	-596.4	-284.0	-221.7	-89.9
Profit/loss after tax	-287.5	-600.5	-342.9	-238.5	-91.1
Cash flow from operating activities	-217.9	-446.6	-211.6	-153.9	-73.6
Cash flow from investing activities	-48.2	-215.1	-111.5	-135.2	-45.6
Cash flow from financing activities	240.0	818.5	233.6	420.0	76.9
Shareholder equity ratio, % *	57%	60%	18%	49%	70%
Debt ratio, times	0.7	0.7	4.6	1.0	0.4
Full-time equivalent employees, number	110	185	127	90	48

*) Alternative performance measures. See page 112 for further explanations. Applies to this and all subsequent alternative performance measures in the annual accounts.

The gross profit increased to MSEK -150.3 (-479.5). The explanation for the increase is in part the impairment of capitalised expenditure for development of MSEK -137, in part the impairment of inventories of MSEK 60 that was implemented during 2021. Lower personnel, consultancy and material expenses as a result of the year's low production rate and sales also contributed to the increase. The period's cost of goods sold principally consists of the function's personnel expenses. The change in the guarantee reserve during the year was MSEK 4.2, amounting at the end of the year to MSEK 31.

Operating expenses fell to MSEK -253.1 (-617.8). Employee and contractor costs amounted to MSEK -107.5 (-194.6). This decrease was mainly in Production and R&D. Costs for raw materials amounted to -31.8 (-148.4) as a result of production being halted during the first three quarters of the year.

Depreciation of tangible and intangible fixed assets amounted to MSEK -63.2 (-76.8). Depreciation of machinery equipment increased to MSEK -53.9 (-39.8) as a result of the expansion of the production facility in Gävle. Depreciation of capitalised development expenses and patents amounted to MSEK -0.1 (-31.6) and depreciation expenses for right-of-use assets amounted to MSEK -9.3 (-5.3).

The operating profit increased to MSEK -249.1 (-596.4).

Financial items amounted to MSEK -38.4 (-4.2), of which MSEK 8.8 relates to foreign exchange gains, MSEK -18.1 for foreign exchange losses, MSEK –14.8 consists of interest expenses to EIB and MSEK -9.7 relates to allocation of accrued cost according to the effective interest method, as well as fees attributable to loans from the EIB, and MSEK -3.0 regarding the interest component for lease liabilities relating to the company's costs for premises (see note 14). Earnings before and after tax increased to MSEK -287.5 (-600.5).

Cash flow, working capital, investments and financial position

Cash flow from operating activities amounted to MSEK -217.9 (-446.7). Changes in working capital amounted to MSEK -12.8 (-63.2), of which MSEK -36.3 consisted of reduced operating liabilities, MSEK -2.6 was increased inventories and MSEK 26.1 was reduced operating receivables.

Investments amounted to MSEK -48.2 (-215.1), of which MSEK -42.1 (-191.0) consisted of investments in machinery and equipment for the factory in Gävle and MSEK -6.0 (-24.2) consisted of capitalised development costs and patents. Cash flow from financing activities amounted to 240.0 (818.5) MSEK, 246.7 of which related to new share issue after deduction for issue expenses. Closing cash and cash equivalents in 2022 amount to MSEK 204.7.

The amortisation component of the lease liabilities relating to the company's premises costs amounted to MSEK -6.7 (-4.3). Cash flow for the period was MSEK -26.1 (156.8).

The balance sheet total is MSEK 787.0 (815.2). The comparative date for the balance sheet analysis is 31 December 2021.

The group's intangible fixed assets at the end of the period amounted to MSEK 45.8 (39.8). Assets consist of capitalised expenses for development work of MSEK 44.6 (38.7) and patents of MSEK 1.2 (1.1). During the period, MSEK 5.9 of development expenditure has been capitalised for the development of a new product with oxygen filling and the development of BMS (Battery Management System). As a result of the launch of the ReOx® battery at the end of the year, depreciation of the above assets will commence. Impairment of capitalised development expenditure during the year amounts to 0.0 (-137.5). Tangible fixed assets amounted to MSEK 343.3 (348.3), of which MSEK 174.6 (155.1) consisted of construction on progress for the factory in Gävle and the construction of Nilar's new factory in Estonia, which has started. The assets consist of forming and electrode manufacturing equipment for a total of 6 completed production lines in Gävle and 4 lines in Estonia. Current assets at the end of the period amounted to MSEK 324.7 (374.3). The decrease in the balance sheet item principally comprises lower VAT receivables and lower cash and bank balances. Inventories amounted to MSEK 101.9 (99.3).

Equity in the group at the end of the period amounted to MSEK 450.4 (491.5). The preferential rights issue in June increased equity by MSEK 246.7 during the year.

The liabilities at the end of the period amounted to MSEK 336.6 (323.7) MSEK, of which non-current liabilities amounted to MSEK 222.5 (181.2) and current liabilities amounted to MSEK 114.0 (142.5). The equity ratio was 57 (60)%.

Risks and risk management

Exposure to risks is a natural part of a business activity and this is reflected in Nilar's approach to risk management. It aims to identify risks and prevent risks from arising and to limit any damage from those risks. Risks can be classified as financial risks, economic risks, market risks and external risks, operational risks and sustainability risks. For a description of how the Group manages these risks in its operations, see Note 4, Risks and risk management risk factors on page 72 and Risk factors on pages 48–51.

Continued financing

The capital raised during 2022 ensured the financing of the company's operations until the end of 2023, provided that Nilar develops positively with the production and sales projections adopted. Since the summer, the company and the Board of Directors have worked to implement the strategy set in relation to product and production improvements, as well as within sales channels and pricing. Besides this, extensive work has been undertaken to reduce costs and purchases. Nilar needs to be refinanced by the end of 2023 at the latest to continue operating. At the time of signing this annual report, no additional financing had been secured, and the conditions for future financing will, among other things, be affected by the situation in the finance market. The Board of Directors is evaluating a range of potential sources for financing. Potential sources of capital are loans and share issues. Given these sources of capital, the Board of Directors believes that it will be possible to obtain new capital during the second half of 2023.

Permits and environment

Nilar holds a permit in accordance with the Environmental Code for the factory in Gävle to manufacture batteries that contain no cadmium, lead or mercury. The company has a permit to produce a maximum of two million batteries a year. See our sustainability report on pages 22–27 for more information.

Significant events after the end of the financial year

A new strategic collaboration between Nilar and Indutecc Renewable Solutions has been established for development of smart energy storage solutions with Nilar's ReOx® batteries for industries and commercial properties.

John Häger was elected to Nilar's Board of Directors at an extraordinary general meeting held on 13 March 2023.

PARENT COMPANY

The parent company's net sales amounted to MSEK 0.0 (0.0). Intergroup purchases amounted to MSEK 5.9 (23.4) and consisted of the acquisition of intangible assets from the subsidiary Nilar AB. Research and development expenses amounted to MSEK -2.5 (-170.6) and consisted mainly of maintenance expenses for patents. Net financial income amounted to MSEK -177.6 (-491.3). Net financial income includes impairment of shares in subsidiaries MSEK -150.6 (-502.5), interest on loans to EIB MSEK -14.8 (-13.6).

The loss after tax amounted to MSEK -199.5 (-297.9).

Cash flow for the period was MSEK -32.2 (157.7). Cash and cash equivalents at the end of the period amounted to MSEK 194.1 (225.3).

The equity ratio was 71 (72)%. Equity amounted to MSEK 416.9 (369.7).

Total number of shares

The total number of outstanding shares as of 31 December 2022 amounted to 318,582,257. As of the balance sheet date, there were 250,315 warrants outstanding, of which 21,000 were to board members and senior executives and 160,633 were to the EIB.

The work of the Board of Directors

The Board of Directors has adopted rules of procedure, instructions and a number of policies governing the responsibilities of the Board of Directors on the one hand and, on the other, the Chief Executive Officer, the committees set up by the Board of Directors and the group management The Board of Directors has ultimate responsibility for the Group's operations and organisation and ensures that the work of the Chief Executive Officer and financial work is carried out according to established principles. The Board of Directors has held 18 minuted meetings.

Corporate governance report

Nilar submits a separate corporate governance report, which is included in this annual report on pages 52–56.

Appropriation of profit/loss

PARENT COMPANY	2022
The following profits are at the disposal of the annual general meeting:	
Share premium reserve	2,220,284
Profit/loss brought forward	-1,736,043
Net loss for the year	-199,477
Total	**284,764**

Dividend

The board of directors proposes that no dividend be paid out for the 2022 financial year. With regard to the parent company's and the group's earnings and position in general, we refer to the below income statements and balance sheets, the report on changes in equity, the cash flow statements, the appropriation of profit/loss above and supplementary information. All amounts are expressed in thousands of Swedish kronor, unless stated otherwise.

Risk factors

Exposure to risks is a natural part of a business activity and this is reflected in Nilar's approach to risk management. Risk management aims to identify risks and prevent them occurring as well as limiting any damage from those risks.

Below and to the right there is a description of how the group management assesses and manages the main risks in the business with a time perspective of 1–3 years. A more detailed description is set out in Note 4 "Risks and risk management".

HIGH RISKS

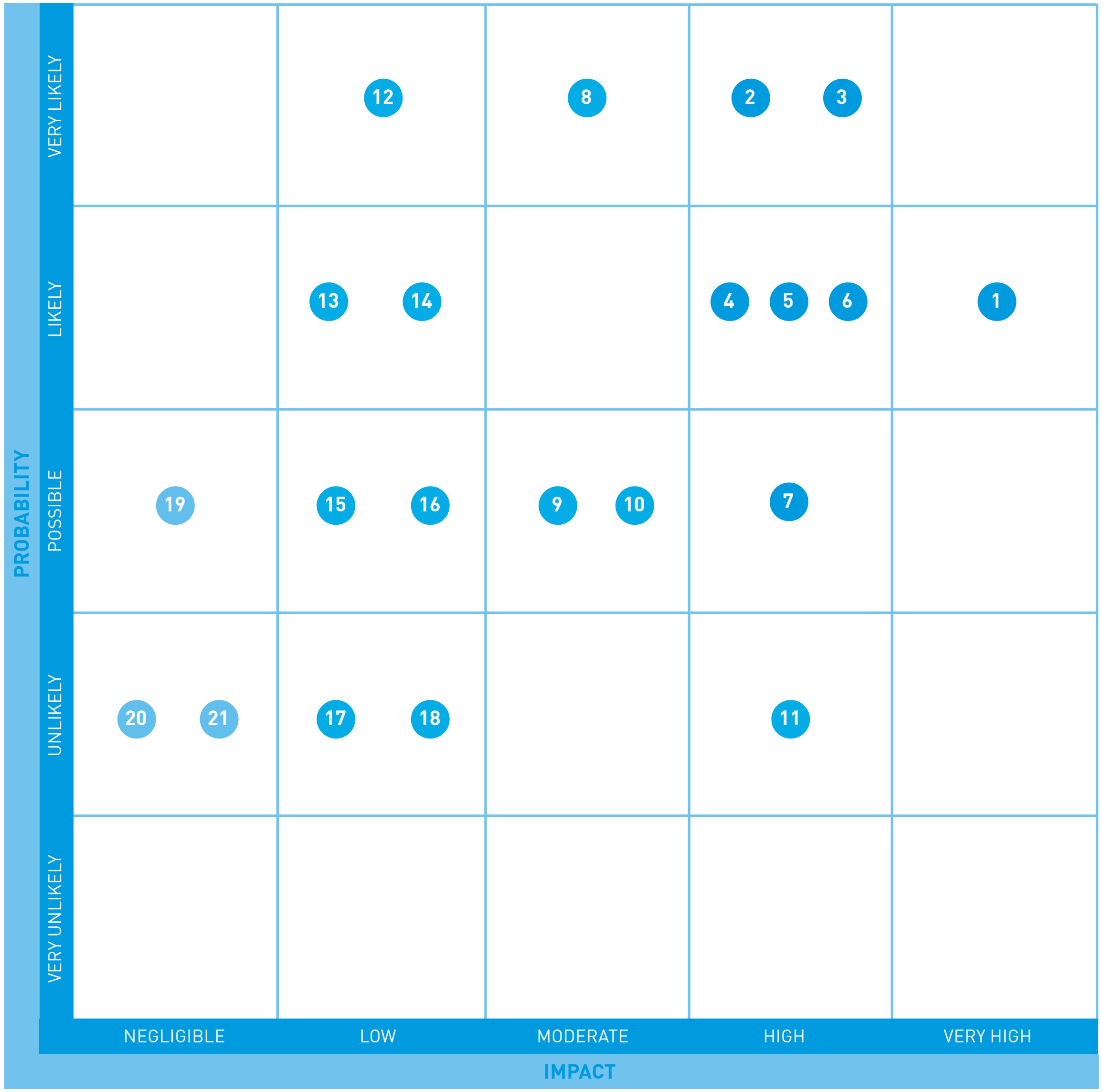
1. Liquidity and capital risk
2. Product liability, warranty and recall
3. Organisation and skills enhancement
4. Currency risk
5. Trends and driving forces in the energy storage industry
6. Legal and political risks
7. Customer dependence

MODERATE RISKS

8. Force majeure
9. Global supply chain
10. Violations of human rights
11. Lack of health and safety
12. Global market and macroeconomic risks
13. Environmental impact
14. Credit risk
15. Production
16. Lack of gender equality and diversity as well as discrimination
17. IT-related risks
18. Environment-related risks

LOW RISKS

19. Corruption
20. Energy use
21. Interest rate risk

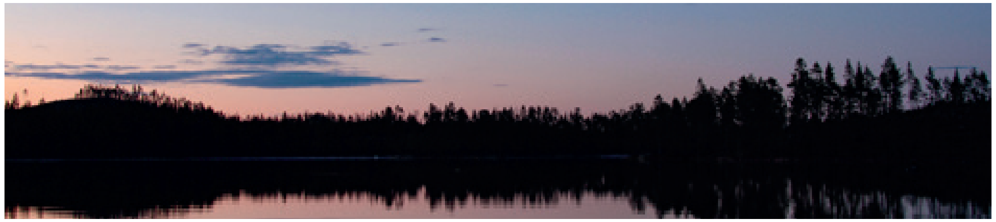


RISK AREA	DESCRIPTION	COUNTERACTING FACTORS	PROBABILITY	IMPACT
HIGH RISKS				
1. Liquidity and capital risk	• The risk of the group not being able to meet its payments as a result of insufficient liquidity or difficulty obtaining credit from external credit providers.	• Nilar's management monitors the Group's liquidity on an ongoing basis. • Nilar carries out new share issues on a regular basis in order to finance operations.	Likely	Very high
2. Product liability, warranty and recall	• Nilar has product liability and may be made subject to warranty claims in cases where products supplied by the group cause injury to persons or damage to property. • Economic risk if products fail to live up to the warranty commitments. • Nilar's brand may be adversely affected due to lack of quality.	• Nilar has a Service Organisation that is responsible for Nilar's installed customer base. • Nilar has taken out liability insurance that onwards will reduce the financial risk linked to injury or damage that can arise in the future due to defects in Nilar's product.	Very likely	High
3. Organisation and skills enhancement	• Nilar is dependent on being able to attract, recruit and retain the right employees in order to maintain a high level of expertise. This is required so that Nilar will be able to implement its strategies and achieve its long-term goals. • The risk of not being perceived as an attractive employer may lead to difficulties recruiting new and/or retaining existing personnel. • Lack of engagement on the part of employees can have an adverse effect on the company's brand, position and earnings.	• Nilar's brand, core values and management culture. • Employee surveys that are able to contribute insight and support to identify preventive and developmental activities. • Internal development and career opportunities. • Further development of the benefits we offer all employees • Clear, responsible vertical and horizontal communication regarding goals and strategy.	Very likely	High
4. Currency risk	• **Transaction risk** arises in connection with currency exposures linked to the company's sales and purchases of materials in foreign currency, primarily linked to EUR and USD. This risk affects the group's net income as a consequence of balance sheet items such as accounts receivable, accounts payable and borrowings in foreign currency being re-evaluated in connection with exchange rate fluctuations. • **Conversion risk** arises when converting foreign subsidiaries' net assets to the consolidation currency of Swedish kronor, and consequently increases in line with an increase in the assets in foreign subsidiaries.	• Nilar manages the Transaction risk primarily by attempting to change the operational conditions in the business by making income and expenses in currencies other than SEK match one another. • Nilar has not implemented any process to reduce the conversion risk.	Likely	High*
5. Trends and driving forces in the energy storage industry	• Nilar operates in a competitive, cost-conscious marketin which extremely high standards are required in terms of environment, quality, delivery precision, technological development and customer service. • Price vs performance is a natural and important part of comparing competitiveness • Development of products and materials can affect Nilar's competitiveness.	• The Group monitors research and development to ensure a competitive product. • Nilar works continually to create added value for customers and scope for meeting the industry's new requirements and needs for performance and cost-efficiency. • By conducting its own development in relation to new materials and areas of use, for example, the company considers that it can reduce the risk of loss of competitiveness.	Likely	High
6. Legal and political risks	• Nilar operates in various jurisdictions and is subject to local regulations and laws in each jurisdiction, as well as overall international rules. Changes in local and international rules and laws may have an impact on the Group's operations. • Nilar's business is to some extent dependent on grants/state incentives. These can change.	• Nilar manages these risks through continuous work on risk assessments and, if necessary, by acquiring external expertise in each risk area identified. • Nilar carries out active work to safeguard its intellectual property rights.	Likely	High
7. Customer dependency	• Nilar's sales are dependent on the success of its customers' range of models in the market. • Nilar currently has a small number of selected systems integrators that buy the company's batteries.	• Nilar manages these risks with the ambition to add one or two new integration partners per year and through them to access new segments, applications and markets. • Nilar also attempts to reduce the risks by carefully adapting the rate of production to confirmed volumes and not risking incurring too high production expenses.	Possible	High

* (Given that there is a significant asset in the Estonian subsidiary included in EUR and also that the EIB loan is also in EUR)

RISK AREA	DESCRIPTION	COUNTERACTING FACTORS	PROBABILITY	IMPACT
MODERATE RISKS				
8. Force majeure	• Global "just-in-time" logistics have made global trade more sensitive to disturbances due to natural disasters, strikes and pandemics, for example.	• Capacity planning and good customer and supplier relationships serve to reduce the risk relating to disruptions of global production and logistics.	Very likely	Moderate
9. Global supply chain	• Various risks exist relating to global flows of goods, such as dependence on specific suppliers, input goods, logistics and quality risks. • Nilar is dependent on raw materials and input goods for deliveries to customers. • Volatility in the price of raw materials and input goods can affect the Group's earnings. • Nilar is dependent on specific machinery subcontractors for expansion of the production capacity. • The supply of metal powders, primarily from China, constitutes a certain risk element.	• Nilar neutralises these risks by means of active, professional work on purchasing, quality and logistics. • The global purchasing strategy is continually being overhauled and updated with the aim of optimising purchasing of materials and input goods to achieve greater sustainability and cost-effectiveness. • The company works systematically to secure alternative suppliers in order to limit the risks. • Nilar's T&Cs stipulate that it must be possible to pass on price increases in raw materials to the customer through price increases.	Possible	Moderate
10. Violations of human rights	•Nilar operates in a global market in which there can be limited transparency as far as human rights are concerned. This entails a risk that Nilar may be contributing to human rights violations.	• Nilar works based on a supplier strategy that includes a qualification process that deals with sustainability aspects. • Supplier and customer audit to ensure compliance with the Code of Conduct is a way to implement a way of working and methodology to ensure this.	Possible	Moderate
11. Lack of health and safety	• A good working environment, health and safety are human rights and are of strategic importance to Nilar. Deficiencies in the workplace regarding the working environment, health and safety lead to a greater risk of ill-health. • Risk of bad publicity, difficulties attracting new employees and retaining important personnel. • Risk of legal penalties.	• Nilar carries out systematic, methodical work to safeguard, improve and monitor activities that contribute to a better working environment.	Unlikely	High
12. Global market and Macro-economic risks	• Nilar operates in a cyclical global market which is governed by macroeconomic factors. • Entering new markets can be associated with risks such as cultural and political risks as well as other risks that are difficult to assess.	• Nilar manages these risks by operating in different markets as well as in different segments, such as energy storage in homes, energy storage for industrial and public facilities. • Nilar counteracts these risks by carefully evaluating and planning establish-ments, preferably through partners with considerable knowledge of local markets. • Nilar operates primarily in the European market.	Very likely	Low
13. Environmental impact	• Nilar uses direct and indirect transport services, which entails use of fossil fuels.	• Nilar works to optimise logistical flows.	Likely	Low
14. Credit risk	• Credit risk arises from cash and cash equivalents and balances at banks and financial institutions as well as credit exposures including outstanding receivables and contracted transactions.	• Cash and cash equivalents are only placed in credit institutions with a high credit rating. • Nilar has thus far not had significant sales or accounts receivables.	Likely	Low
15. Production	• It must be possible to maintain productivity and production yield at extremely high levels because of large capital investments and processing of expensive input materials.	• The production method is improving and continually becoming more stable through improvement efforts. • The production process utilises a lean working method, where we address quality shortcomings as at early a stage in the process as possible. • Ongoing work and overhaul of processes in order to become more efficient and raise the quality level.	Possible	Low

RISK AREA	DESCRIPTION	COUNTERACTING FACTORS	PROBABILITY	IMPACT
MODERATE RISKS				
16. Lack of gender equality and diversity as well as discrimination	• Risk of bad publicity, difficulties attracting new employees and retaining important personnel. • Risk of legal penalties linked to discrimination or victimisation.	• In order to achieve greater gender equality in the company, Nilar engages in activities such as initiatives to increase gender equality in HR processes, working conditions, recruitment, equal treatment and diversity and also works to combat discrimination and harassment. • Non-discriminatory nomination and recruitment processes. • Our aim is a workplace with greater gender equality, increased diversity and an inclusive working climate.	Possible	Low
17. IT-related risks	• Nilar is dependent on IT systems and hardware in order to conduct its business. Problems within critical systems entail a risk of disruptions in production. • Risk of unauthorised intrusion in systems.	• Nilar has guaranteed an IT environment that can be quickly replicated in the event of any disruption. • Nilar works to clarify roles and responsibilities and to safeguard resources and skills. • Nilar has a well-established IT company that is responsible for operation and security.	Unlikely	Low
18. Environment-related risks	• The material that Nilar uses belongs to the type that is constantly monitored as mines are always subject to inspection both in relation to the environment and working conditions.	• Nilar manages risks by ensuring that the company has all the permits and agreements that are required, and complies with safety, reporting and inspection requirements. • The battery is environmentally-friendly and production has the necessary permits.	Unlikely	Low



RISK AREA	DESCRIPTION	COUNTERACTING FACTORS	PROBABILITY	IMPACT
LOWER RISKS				
19. Corruption	• Corruption exists in all countries and sectors, albeit to a differing extent. • Nilar runs a risk of becoming involved in unethical business transactions. Areas that are considered to involve a particularly high risk include the sales and purchasing process and the exercise of public authority.	• Nilar's application of global and local certification manuals.	Possible	Negligible
20. Energy use	• Increased production and additional processes will lead to higher energy usage. There is a risk that Nilar will not be able to purchase sufficient energy from renewable sources, thus having an adverse impact on the environment.	• Nilar measures its energy usage on a continuous basis • The starting point when procuring energy is that 100% must come from renewable sources. • Energy efficiency is a decision parameter when investing.	Unlikely	Negligible
21. Interest rate risk	• The Group's interest rate risk arises from short- and long-term borrowing in which a considerable increase in the interest rate can affect the company's position and earnings.	• Nilar's interest rate risk is considered low due to the lack of loans at variable interest rates. The EIB's loan has a fixed rate of interest.	Unlikely	Negligible

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 in 2021.

The table below provides an overview of the composition of the Board as of 2023. Additional information about Board members can be found on pages 58-59 in this annual report.

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 authorisation 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.

Extraordinary general meetings may be called in addition to the annual general meeting. 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. The request shall be received by the Board no later than seven weeks prior to the AGM.

Major shareholders

At the end of 2022, the company had a total of 5,550 (3,147) shareholders.

NAME	BOARD ROLE	ELECTED	RESIGNED	AUDIT COMMITTEE	REMUNERATION COMMITTEE	INDEPENDENCE OF THE COMPANY AND CORPORATE MANAGEMENT	INDEPENDENCE OF THE COMPANY'S MAJOR SHAREHOLDERS
Gunnar Wieslander	Chairman	2022		Member	Member	Yes	Yes
Stefan De Geer	Member	2017		Member	Chairman	Yes	Yes
Marko Allikson	Member	2021		-	-	Yes	Yes
Ulrika Molander	Member	2021		-	Member	Yes	Yes
Helena Nathhorst	Member	2020		Chairman	-	Yes	Yes
Peter Wesslau	Member	2022, 22 June		Member	-	Yes	Yes
John Häger	Member	2023, 13 March		-	-	Yes	Yes

At year-end, the five largest shareholders controlled 38.73 (37.8) per cent of the capital and votes.

Annual General Meeting 2022

The annual general meeting for the 2021 financial year was held on 22 June 2022. Notice of the general meeting was issued in accordance with the articles of association. All resolutions proposed to the general meeting were adopted. In addition to a resolution by the annual general meeting to adopt the income statement and balance sheet for the company and the group and that no dividend would be paid out for 2021, resolutions were also adopted on discharge from liability for directors and the CEO, election of directors, re-election of Deloitte AB as auditor, directors' and auditors' fees, an incentive programme for senior executives, employees and other key persons within the group and to authorise the Board of Directors, on one or more occasions up to the next annual general meeting, to adopt resolutions on new issue of shares, convertibles and/or share warrants, with the right to subscribe for and convert to shares in the company, corresponding to a maximum of 10 per cent of the company's share capital after dilution based on the number of shares at the moment when the authorisation is used for the first time, with or without a preferential right for the shareholders and within the limits set out in the articles of association, to be paid in cash or by means of set-off. In accordance with the proposal of the Nomination Committee, it was resolved to re-elect Marko Allikson, Stefan De Geer, Ulrika Molander, Helena Nathhorst and Gunnar Wieslander as board members. Peter Wesslau was elected as new board member. It was resolved to re-elect Gunnar Wieslander as the Chairman of the Board of Directors.

Extraordinary General Meeting

An extraordinary general meeting held on 3 March 2022 resolved to elect Gunnar Wieslander onto the Board of Directors and to appoint him as Chairman. Three Board members also chose to resign at the time of the General Meeting: Anders Gudmarsson, Peter Feledy and former Chairman of the Board of Directors Michael Obermayer. For extraordinary general meeting after the balance sheet date, see Note 16. In accordance with the board's proposal, an extraordinary general meeting held on 18 May 2022 resolved to update Nilar's articles of association regarding the share capital limits and number of shares, and also to authorise the Board of Directors to issue new shares. This decision was taken in order to be able to raise capital in the future, which the company subsequently implemented via a preferential rights issue during spring 2022.

Annual General Meeting 2023

The 2023 annual general meeting will be held on Thursday 25 May. More information is available at www.nilar.com.

NOMINATION COMMITTEE

The Nomination Committee will consist of four members – one representative of each of the three largest shareholders as of the last banking day in September that wish to appoint a member of the Nomination Committee and the Chair of the Board of Directors. The three largest shareholders refers to the three largest shareholders registered and grouped by owner by Euroclear Sweden AB as of the last banking day in September. In the event of major changes in ownership, the new major owner is entitled, if a request is put forward, to appoint a member of the Nomination Committee.

NOMINATION COMMITTEE	SHAREHOLDER/COMPANY
Anders Gudmarsson, Chairman	Christopher Braden
Michael Obermayer, Director	Fjord Advisors AB
Ossian Ekdahl, Director	R&H Trust Company (Jersey) LTD
Gunnar Wieslander, Director	Chairman of the Board of Directors

The instructions for the Nomination Committee were adopted at the AGM held on 22 June 2022. The Nomination Committee will put forward proposals on matters including the Chair of the Annual General Meeting, the number of directors elected by the general meeting, the chair and other directors elected by the general meeting, fees and other payments to each director elected by the general meeting and to members of the committees of the Board of Directors, election of auditors and fees for the auditors. Anders Gudmarsson was appointed as Chairman of the Nomination Committee.

During the year, the Nomination Committee has worked actively to broaden diversity and provide the Board of Directors with greater expertise in various areas. Information concerning the members of the Nomination Committee shall be announced on the company's website six months before the annual general meeting. Unfortunately, the work was not completed according to plan and the information was published five months before the meeting.

BOARD OF DIRECTORS

The Board of Directors is the highest decision-making body after the general meeting. In accordance with the Companies Act, the Board of Directors is responsible for administration and organisation of the company, which means that the Board of Directors is responsible for matters including establishing goals and strategies, safeguarding procedures and systems for evaluation of established goals, continuous evaluation of the company's earnings and financial position and evaluation of the operational management.

The Board of Directors is also responsible for preparing and issuing the annual accounts and consolidated financial statements and for ensuring that the interim reports are prepared in a timely manner. In addition, the Board of Directors appoints the Chief Executive Officer.

The directors are elected each year at the annual general meeting for the period up to the end of the next annual general meeting. In accordance with the company's articles of association, the Board of Directors, insofar as it is elected by the general meeting, must consist of at least three directors and a maximum of ten directors with a maximum of ten deputies.

Chair of the Board of Directors

The chairperson is elected by the annual general meeting. The chairperson has specific responsibility for the management of the work of the Board of Directors and for ensuring that the work of the Board of Directors is well organised and is carried out in an efficient manner.

Rules of procedure for the Board of Directors

The Board of Directors complies with written rules of procedure that are revised annually and adopted at the board meeting following election of directors each year.

The rules of procedure govern matters such as functions and the division of work between the directors and the CEO. At the time of the board meeting following election, the Board of Directors also establishes instructions for financial reporting and instructions for the CEO, along with rules of procedure for the Board of Directors' Audit- and Remuneration Committees.

The Board of Directors holds at least five ordinary meetings in addition to the board meeting following election according to an annual schedule established in advance. Further meetings may be arranged in addition to these meetings in order to discuss matters that cannot be referred to an ordinary meeting. Besides the meetings of the Board of Directors, the Chair of the Board of Directors and the CEO carry on a continuous discussion regarding the management of the company.

At present, the company's Board of Directors consists of seven directors elected by the general meeting. They are presented in more detail in the section entitled "Board of Directors, senior executives and auditors".

Board meetings in 2022

Directors' attendance at board meetings in 2022.

NAMES OF BOARD MEMBERS	ATTENDANCE/TOTAL NUMBER OF MEEETING
Gunnar Wieslander *, Chairman of the Board	15/15
Stefan De Geer	18/18
Ulrika Molander	18/18
Marko Allikson	18/18
Peter Wesslau*	6/6
John Häger*	0/0
Helena Nathhorst	18/18

* Gunnar Wieslander and Peter Wesslau from 22 June 2022, John Häger from 13 March 2023.

As a result of the company's situation and size, the Board of Directors has been very active in questions that concern strategy, financing and skills provision during the year .

Evaluation of the work of the Board of Directors in 2022

The Board continuously evaluates its work through discussions internally 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 (chairperson), Stefan De Geer, Gunnar Wieslander and Peter Wesslau.

The members of the committee may not be employed by the company. At least one member must have accounting or auditing skills. The committee must appoint one of its members as chairperson. The Audit Committee's tasks will include, without it affecting the Board of Directors' responsibilities and duties in general, supervising the company's financial reporting, monitoring the effectiveness of the company's internal controls, internal audits and risk management, keeping itself informed on the audit of the annual financial statements and consolidated financial statements, inspecting and monitoring the auditor's impartiality and independence, paying particular attention to whether the auditor provides the company with services other than audit services, and assisting in the preparation of draft resolutions by the general meeting on election of auditors. The Audit Committee holds regular meetings with the company's auditor. The Audit Committee has no decision-making power.

During the year, the Audit Committee has actively worked on financing and internal control and governance issues. Furthermore, meetings were held with the auditor in 2022 for review of the 2021 audit, the results of the review of the interim report for Q3 2022 and the audit plan for 2022.

NAMES OF BOARD MEMBERS	ATTENDANCE/ TOTAL NUMBER OF MEETINGS
Helena Nathhorst, chairperson	4/4
Stefan De Geer	4/4
Peter Wesslau*	2/2
Gunnar Wieslander, Chairman of the Board	4/4

* Joined the Audit Committee on 22 June 2022.

REMUNERATION COMMITTEE

Nilar has a Remuneration Committee which consisted of three members at the end of 2022: Stefan De Geer (chairperson), Gunnar Wieslander and Ulrika Molander.

The Remuneration Committee prepares questions regarding remuneration principles, remuneration and other employment conditions for the Chief Executive Officer and all persons in the company management. In addition, the Remuneration Committee monitors and evaluates ongoing programmes and programmes completed during the year for variable remuneration for the company management, and also monitors and evaluates the application of the guidelines for remuneration of senior executives decided on by the annual general meeting and applicable remuneration structures and remuneration levels at the company.

The Remuneration Committee has not held any minuted meetings during the year. However, a number of non-minuted meetings were held, which addressed matters relating to succession planning and recruitment at management level.

NAMES OF BOARD MEMBERS	ATTENDANCE/ TOTAL NUMBER OF MEETINGS
Stefan De Geer, Chairman	0/0
Gunnar Wieslander, Chairman of the Board	0/0
Ulrika Molander	0/0

CEO AND OTHER SENIOR EXECUTIVES

The CEO is subordinate to the Board of Directors and has primary responsibility for the day-to-day management and daily operations of the company. The distribution of work between the Board of Directors and the CEO is set out in the rules of procedure for the Board of Directors and the instructions for the CEO. The CEO is also responsible for preparing reports and compiling information from the management prior to board meetings and acting as rapporteur of the material at board meetings.

According to the instructions for financial reporting, the CEO is responsible for financial reporting at the company and must therefore ensure that the Board of Directors receives sufficient information to enable the Board of Directors to continuously evaluate Nilar's results and financial position. This means that the CEO must continuously keep the Board of Directors informed of the progress of the company's operations, the amount of total sales, the company's earnings and financial position, its liquidity and credit situation, major business events as well as any other event, circumstance or relationship that cannot be assumed be of negligible significance to the company's shareholders of which the Board of Directors is aware. The CEO and the other senior executives are presented in more detail in the section entitled "Board of Directors, senior executives and auditors".

REMUNERATION OF BOARD MEMBERS AND SENIOR EXECUTIVES

Remuneration of board members

Fees and other remuneration to directors elected by the general meeting are established by the annual general meeting. At an extraordinary general meeting held on 30 June 2022, a resolution was adopted to pay a fixed fee to the Board of Directors of TSEK 200 for each director and TSEK 500 for the Chair of the Board of Directors.

Remuneration to senior executives

Salary and other employment conditions must be such that Nilar is always able to attract and retain competent senior executives at a reasonable cost for the company. Remuneration at Nilar must be based on the nature of the position as well as performance, competitiveness and fairness. Senior executives' salaries consist of fixed salary, variable payments, pension and other benefits. Each senior executive must be offered a fixed salary adjusted to conditions on the market, based on the senior executive's responsibility, skills and performance.

In addition, the annual general meeting may, if so resolved, put forward offers for long-term incentive programmes such as share or share price-related incentive programmes. Incentive programmes must contribute to long-term value growth and to promoting a common interest on the part of shareholders and employees in the positive progress of the value of the share.

For further information on remuneration to senior executives, see Note 8 of this annual report.

THE GROUP MANAGEMENT

In 2022, the group management consisted of seven members: the CEO, the CFO, HR Manager, the Head of Sales & Marketing, the Head of Product Management, the Head of Manufacturing and the Head of R&D. The group management meets twice a month and monitors the business and earnings situation. Great emphasis is also placed on maintaining close contact with operational activities.

INTERNAL AUDIT

There is no specific department for internal audits at Nilar. Each year, the Board of Directors evaluates the need to establish a specific department for internal audit. In 2022, the Board of Directors considered that no such need existed. As a reason for the decision, the Board of Directors observed that internal control is mainly exercised through:

- the operational managers at various levels
- local and central accounts departments
- the group management's supervisory controls

The above points, along with the size of the company, lead the Board of Directors to consider that another administrative department is not financially justifiable.

INTERNAL CONTROL

This section contains the Board of Directors' annual report on how internal control is organised, insofar as it relates to financial reporting. The starting point for the description is the rules of the Code and the guidelines produced by working groups at the Confederation of Swedish Enterprise and FAR SRS.

The Board of Directors' responsibility for internal control is set out in the Companies Act and the internal controls relating to financial reports are covered by the Board of Directors' reporting instructions to the CEO. Nilar's financial reporting complies with the laws and rules applying to companies listed on the Stockholm Stock Exchange and the local rules applicable in each country in which business is carried out.

In addition to external rules and recommendations, there are internal instructions, directives and systems as well as an internal distribution of roles and responsibilities aimed at achieving effective internal control in the financial reports.

Control environment

The control environment forms the basis for internal control. Nilar's control environment includes organisational structure, instructions, policies, guidelines, reports and defined areas of responsibility. The Board of Directors has overall responsibility for internal control relating to financial reporting. The Board of Directors has established written rules of procedure to clarify the responsibilities of the Board of Directors and regulate the division of work internally among the Board of Directors and its committees. The Board of Directors has appointed an Audit Committee whose main task is to ensure compliance with established principles for financial reporting and internal controls and that appropriate relations with the company's auditor are maintained. The Board of Directors has also drawn up instructions for the Chief Executive Officer and has agreed on financial reporting to the Board of Directors of Nilar International AB (publ). The Group's CFO reports to the audit committee on the results of his or her work on internal control. The results of the Audit Committee's work in the form of observations, recommendations and draft decisions and measures are reported to the Board of Directors on a continuous basis. Nilar International AB's essential documents and governance documents in the form of policies, guidelines and manuals, insofar as they relate to financial reporting, are kept continuously updated and are communicated via relevant channels to the companies included in the group. Systems and procedures have been created to provide the management with necessary reports on business results in relation to established goals. Necessary information systems exist in order to ensure that reliable, up-to-date information is available to the management to enable it to carry out its tasks correctly and efficiently.

Risk assessment

The goal of Nilar's risk assessment is to secure the development of the group's earnings and its financial position. Nilar's management and Board of Directors actively works on risk assessment and risk management on a continuous basis to ensure that the risks to which the company is exposed are managed in an appropriate manner within the established frameworks.

Risk assessment takes place on a continuous basis as part of the daily processes at Nilar. The Audit Committee carries out an annual evaluation of risks of material errors in financial reporting and establishes action plans to reduce identified risks. The focus is on significant income statement and balance sheet items, which are associated with relatively higher risk due to their complexity or where there is a risk that any errors may be magnified because the values in the transactions are significant. The risk assessment forms the basis for the work to ensure that financial reporting is reliable. Suggestions for improvements are identified and implemented on a continuous basis. Nilar also works closely with the company's auditors to enable it to identify risks at an early stage, primarily in the consolidated financial statements and financial reports Nilar's specific and general risks are described in the annual report.

Internal control relating to financial reporting

Financial reports are prepared monthly, quarterly and annually in the group and subsidiaries. Extensive analyses are carried out in connection with the reports, with comments and updated forecasts which aim, among other things, to ensure that the financial reports are accurate. There are accounts departments and controllers with functional responsibility for accounting, reporting and analysis of financial progress at group and unit level.

Nilar's internal control work aims to ensure that the group achieves its goals for financial reporting.

Financial reporting must

- be accurate and complete and comply with applicable laws, rules and recommendations
- provide a true and fair description of the company's operations
- support a rational, well-informed valuation of the operations.
  In addition to these three goals, internal financial reporting must provide support for correct business decisions at all levels within the group.

Information and communication

Internal information and communication is about creating awareness among group employees of external and internal governance instruments, including powers and responsibilities. Information and communication on internal governance instruments for financial reporting is available to all employees concerned.

Nilar's manuals, policies, intranet and training courses are important tools for this.

Control activities

Internal controls involve identifying risks in the company's processes, developing activities to control these processes and testing to ensure that the controls developed work. Nilar's processes for internal governance and control comply with the requirements for a listed company on Nasdaq First North Premier.

Monitoring of financial information

The Board of Directors issues and is responsible for the company's financial reports.

The Audit Committee assists the Board of Directors by preparing the work on quality assurance of the company's financial reports. This includes a review by the Audit Committee of the financial information and the company's financial controls.

The Board of Directors is informed on a monthly basis of the business' progress, results, position and cash flow. Outcomes and forecasts are evaluated and monitored.

All companies in the group must report financial information according to an established format and according to given accounting policies. An analysis and risk assessment of the financial situation is carried out in conjunction with the reports.

AUDITORS

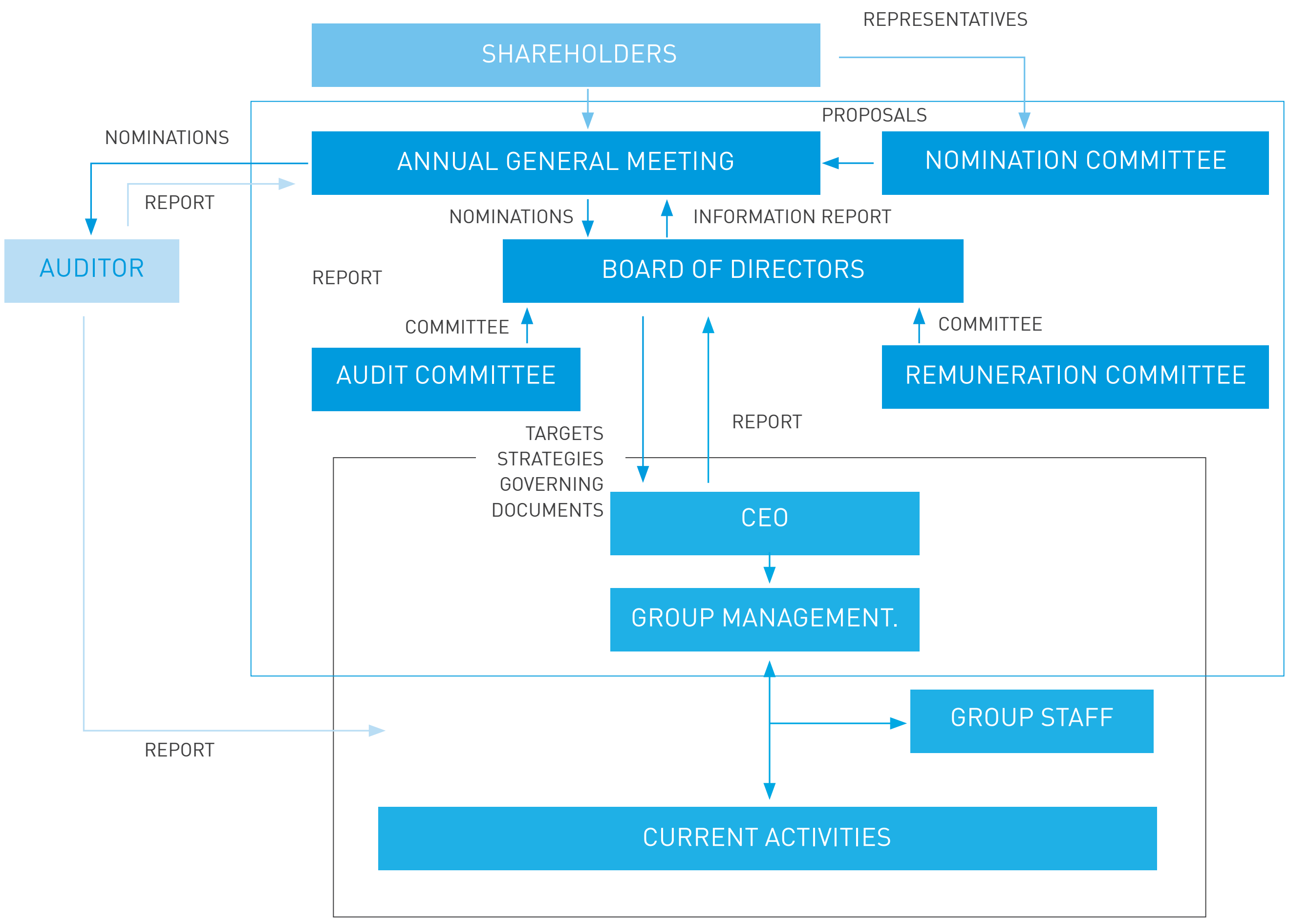
Nilar's auditor is Deloitte AB (Deloitte), with Therese Kjellberg as the engagement partner. Deloitte carries out the audit at Nilar International AB (publ) and at all significant subsidiaries. The audit includes an annual statutory audit of Nilar's annual accounts, a statutory audit of the parent company and all significant subsidiaries.

The auditor attends at least one board meeting per year without the management present in accordance with rules of procedure at a meeting of the audit committee.

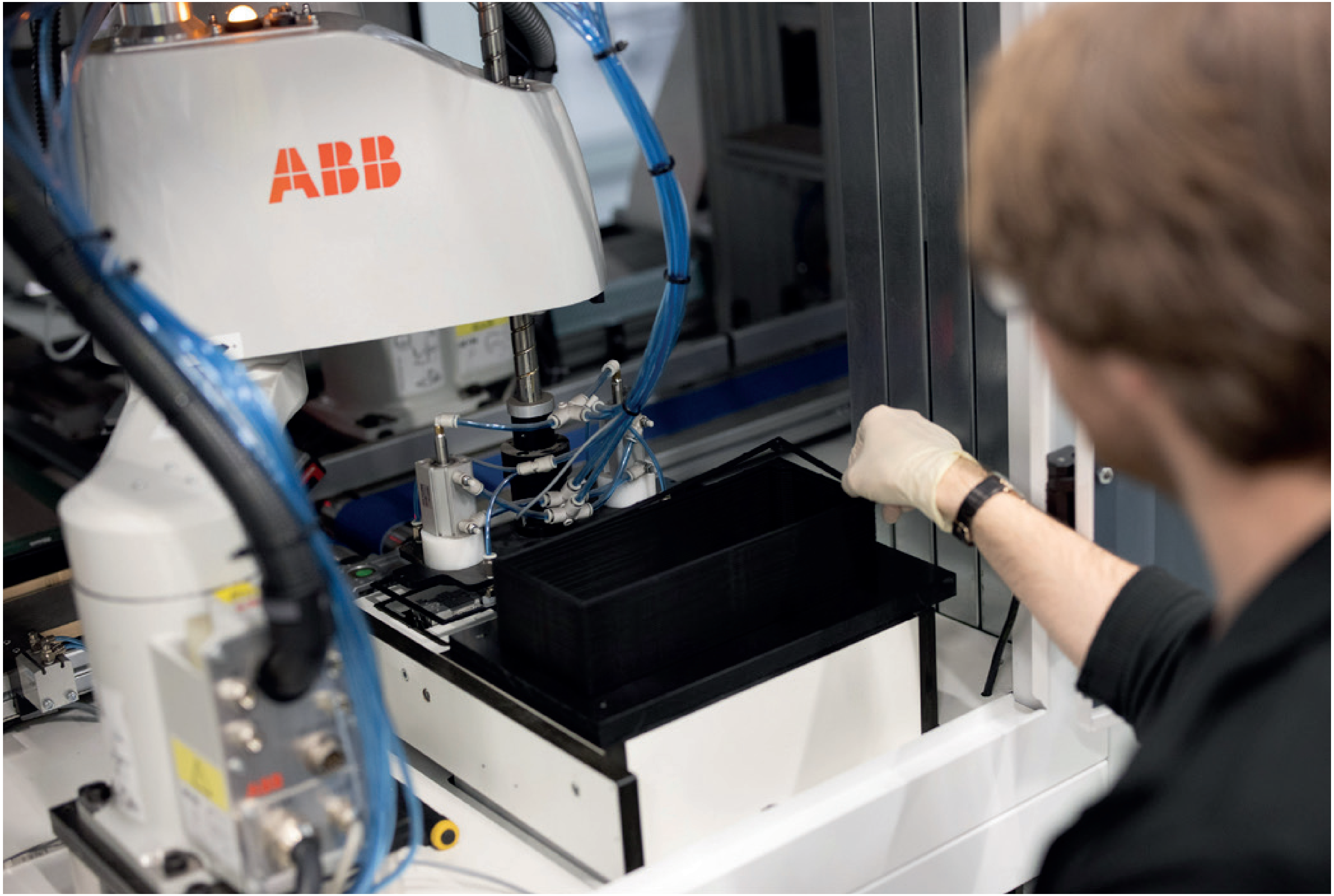
According to the company's articles of association, the company must have a minimum of one and a maximum of two auditors, with a maximum of two deputy auditors or one or two registered firms of auditors. In accordance with the articles of association, the auditor's term of office will be one year.

COMMUNICATION

The company's information for shareholders and other interested parties is provided 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



ABB

THE BOARD OF DIRECTORS

	GUNNAR WIESLANDER **Chairman of the Board**	**STEFAN DE GEER** **Board member, Chair of Remuneration Committee**	**MARKO ALLIKSON** **Board member**
Year elected	2022 (3 March)	2017	2021
Current employment	None	None	Partner for Baltic Energy Asset Management OÜ and Baltic Energy Partners OÜ.
Born	1962	1956	1971
Education	Swedish Defence University, Spanish Defence College, Stanford Executive Programme.	Law degree, Stockholm University, MCJ (Master of Comparative Juris-prudence), New York University School of Law.	Master of Science in Economics, Tallinn Technical University. Economics Bachelor degree, Tallinn Technical University.
Nationality	Swedish	Swedish	Estonian
Other duties	Chairman Stockholm reparationsvarv.	Chairman of the Board of PCTC Invest AB. Board member Origa Care AB (publ).	None
Independent of the company and corporate management	Yes	Yes	Yes
Independent of the company's major shareholders	Yes	Yes	Yes
Previous experience	Naval officer, served i.a. as submarine commander and commander of the submarine fleet. Former Secretary of State to the Prime Minister and Secretary of State to the Trade Minister. CEO of Saab Kockums AB.	Advisor to RoosGruppen AB, former head of corporate finance at Pareto Securities Stockholm, former general counsel E. Öhman J:or AB, former partner of Gernandt & Danielsson	Member of the Supervisory Board in Baltic Energy Services OÜ/ Scener OÜ. Head of operations for Gunvor International B.V. Member of the Management Board in Eesti Energia.
Shareholding as at 31 December 2022	1,002,000	90,930	50% of ultimate beneficiary owner of Baltic Energy Asset Management OÜ owning 836 304 shares in the Company.
Share options as at 31 December 2022	None	5,000	None
Number of Board meet-ings Attendance/Total number of meetings*	15/15	18/18	18/18
Audit committee Attendance/Total num-ber of meetings*	Yes 4/4	Yes 4/4	No -
Remuneration commit-tee Attendance/Total number of meetings*	None	None	No
Remuneration 2022	500	317	183

	ULRIKA MOLANDER Board member	HELENA NATHHORST Board member, Chair of the Audit Committee	PETER WESSLAU Board member	JOHN HÄGER Board member
Year elected	2021	2020	2022 (22 June)	2023 (13 March)
Current employment	COO GreenIron H2 AB.	CFO Byggmax Group AB	CEO Rabbalshede Kraft AB	CEO Duroc AB
Born	1966	1967	1969	1964
Education	University Engineer, University of Borås, AMP INSEAD.	Bachelor of Science in Business Economics, Uppsala University	Bachelor of Science in Business Economics, Stockholm School of Economics.	Civil engineer, Luleå University of Technology
Nationality	Swedish	Swedish	Swedish	Swedish
Other duties	Board member Good Solutions AB.	None	None	None
Independent of the company and corporate management	Yes	Yes	Yes	Yes
Independent of the company's major shareholders	Yes	Yes	Yes	Yes
Previous experience	Group Manufacturing Director of Systemair AB, CEO BDX Företagen AB, Operations Director Sapa Profiler AB.	CFO of Addnode Group, CFO Teracom Boxer Group, consultant KPMG M&A Advisory.	CEO Rabbalshede Kraft AB, several senior manager roles within Vattenfall AB	CEO Sandvik Coromant Sverige AB, CEO Marketing Valenite LLC, several senior manager roles within Sandvik.
Shareholding as at 31 December 2022	None	None	30,000	27,548
Share options as at 31 December 2022	2,000	4,000	None	None
Number of Board meetings Attendance/Total number of meetings*	18/18	18/18	6/6	0/0
Audit committee Attendance/Total number of meetings*	No -	Yes 4/4	Yes 2/2	No -
Remuneration committee Attendance/Total number of meetings*	None	No	No	No
Remuneration 2022	253	317	150	0

EXECUTIVE MANAGEMENT AND AUDITOR




	ERIK OLDMARK	**ULF SANDEGREN**	**ANETTE ANDERUNG**	**JAN LUNDQUIST**
Current position	**CEO**	**CFO**	**Head of Production**	**Head of Sales & Marketing**
In current position/ Employed in the company	2021. CEO Nilar International AB from August 2021.	2022 (December)	2020	2012
Born	1967	1964	1963	1964
Education	MSc at the Royal Institute of Technology Mechanical Engineering specialising in Industrial Economics and Organisation.	Bachelor of Economics, Stockholm University.	BSc Data and Automation, University of Gävle, BSc in Education, Dalarna University.	Business Management, Stockholm School of Economics, Business Finance and Marketing Management, IHM Business School, certified technical college graduate, Åva.
Nationality	Swedish	Swedish	Swedish	Swedish
Other duties	None	Chairman of the Board of Directors of Sandegren Financial Consulting AB.	None	None
Previous experience	More than 25 years of experience in senior management, strategy, sales of technical systems products, product management, operations, outsourcing, marketing and communications. Former CEO of Metria AB, CEO of Orbion Consulting AB, several senior management positions at Ericsson, e.g. Head of Strategy and Marketing Northern Europe, Russia and Central Asia, Head of Business Segment Services Nordics and Baltic, Head of Strategy Marketing and Product Management at Business Unit Global Services.	More than 30 years of experience in developing group accounts, risk management, compliance och budget management from companies including Metria, Bankgirot and Capgemini. Previously interim CFO for Hifab AB, a listed company on Nasdaq First North Growth Market.	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.	CEO Gycom Svenska AB. Country Manager Gycom Norge AS, Business Area Manager Gycom Danmark A/S, Regional Manager Gylling Component AB.
Shareholding as at 31 December 2022	35,000	None	None	1,794
Share options as at 31 December 2022	None	None	5,000	5,000

	JOACIM WENNA	JONNA BUREFJORD	ANDERS MÅRTENSSON	THERESE KJELLBERG
	Head of R&D	**Head of HR & Internal Communications**	**Head of Product Management & Services**	**Deloitte AB Chief auditor**
In current position/ Employed in the company	2021	2022	2021	Auditor of the company since 2019.
Born	1978	1983	1964	1971
Education	MSc at the Royal Institute of Technology Mechanical Engineering specialising in Industrial Economics and Organisation.	BSc in Sociology Human Resources at Mid Sweden University.	Master's Degree in industrial economics and Licentiate Degree from The Institute of Technology at Linköping University.	
Nationality	Swedish	Swedish	Swedish	Swedish
Other duties	None	Board member of Swedish Association of HRM	None	None
Previous experience	More than 20 years of experience of product development and product management of electronic systems for vehicles. 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 developer at Stoneridge Electronics AB.	More than 15 years of experience of establishment of strategic, tactical and operational HR, EHS and communication. Previously Head of HR, EHS and Communications at Ovako, CEO of Burefjord Consulting AB and Junite AB, several senior global HR-manager positions at Sandvik.	Former COO of Datscha AB. Completed assignments (last five years): Chairman of the Board of Directors of Silf Media AB. Board member of Mobilexpense Nordics AB and IPF – Institutet för Personal- och Företagsutveckling Aktiebolag.	
Shareholding as at 31 December 2022	70,000	None	None	
Share options as at 31 December 2022	None	None	None	

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CONSOLIDATED INCOME STATEMENT

TSEK	NOTE	2022	2021
Revenue	5	280	17,820
Cost of goods sold		-150,621	-497,327
Gross profit		**-150,341**	**-479,507**
Research and development expenses		-37,051	-32,730
Distribution and selling expenses		-30,786	-45,971
Administrative expenses		-34,669	-41,771
Other operating income	9	3,787	3,594
Operating income	6, 7, 8	**-249,060**	**-596,386**
Financial income	10	8,827	44,203
Financial expenses	10	-47,258	-48,356
Financial costs - net		**-38,431**	**-4,153**
Profit/loss after financial items		**-287,491**	**-600,539**
Income tax	11	-	-
Net profit/loss after tax		**-287,491**	**-600,539**
Attributable to:			
The parent company's shareholders		-287,491	-600,539
Non-controlling interests		-	-

Earnings per share		
Net profit/loss after tax	-287,491	-600,539
Number of shares at end of period	318,582,257	45,511,751
Share options in issue at end of period	250,315	260,315
Weighted number of ordinary shares before/after dilution [1]	229,973,009	32,385,124
Earnings per share before/after dilution (SEK) [1] [2]	-1.59	-5.87

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Other comprehensive income		
Items that may later be reversed in the income statement:		
Currency translation differences	-241	-115
Other comprehensive income for the year, net after tax	**-241**	**-115**
Total comprehensive income for the year	**-287,732**	**-600,653**

1) A total of 5,281,646 potential ordinary shares in the form of warrants do not give rise to a dilution effect and are thus not included in the calculation of earnings per share after dilution. However, they may have a dilution effect on earnings per share in the future. It concerns:• Warrants employees/Board of Directors of 1,892,290 number of potential ordinary shares • Warrants EIB loan of 3,389,356 number of potential ordinary shares. 2) The number of historic shares has been converted taking into account the preferential rights issue element in the new share issue that was implemented during Q2 2022 and used in all key ratio calculations for earnings per share. The conversion factor is 3.16.

CONSOLIDATED BALANCE SHEET

TSEK	NOTE	31/12/2022	31/12/2021
ASSETS			
FIXED ASSETS			
Intangible assets	12		
Patents		1,186	1,097
Capitalised expenses for development work		44,612	38,724
Total intangible fixed assets		**45,798**	**39,821**
Tangible fixed assets	13		
Property, plant and equipment		168,746	193,204
Construction in progress		174,600	155,089
Total tangible fixed assets		**343,346**	**348,293**
Other fixed assets			
Right-of-use assets		73,180	52,743
Total other fixed assets		**73,180**	**52,743**
Total fixed assets		**462,324**	**440,857**
CURRENT ASSETS			
Inventory	15	101,893	99,251
Accounts receivable	16	5,323	6,937
Tax assets		1,452	1,630
Other receivables	17	8,083	33,435
Prepaid expenses and accrued income	18	3,188	2,309
Cash and cash equivalents	14, 24	204,735	230,748
Total current assets		**324,673**	**374,311**
Total assets		**786,997**	**815,168**

TSEK	NOTE	31/12/2022	31/12/2021
EQUITY AND LIABILITIES			
EQUITY			
Share capital	21	53,097	7,585
Other contributed capital	21	2,252,916	2,051,757
Reserves		-164	24
Retained earnings		-1,855,412	-1,567,868
Total equity		**450,437**	**491,499**
LIABILITIES			
Non-current liabilities			
Non-current lease liabilities	4, 27	63,178	46,092
Borrowings	4, 14	159,352	135,125
Total non-current liabilities		**222,530**	**181,217**
Current liabilities			
Borrowings	4, 14	-	-
Current lease liabilities	27	11,340	7,670
Warranty provisions	28	30,992	26,818
Accounts payable	4, 14	10,140	32,889
Other liabilities	19	48,200	53,551
Accrued expenses and deferred income	20	13,358	21,524
Total current liabilities		**114,030**	**142,452**
Total equity and liabilities		**786,997**	**815,168**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

TSEK	NOTE	SHARE CAPITAL	NON-REGISTERED SHARE CAPITAL	OTHER CONTRIBUTED CAPITAL	RESERVES	RETAINED EARNINGS	TOTAL EQUITY
Opening balance as of 1 January 2021	21	**5,025**	**-**	**1,065,282**	**139**	**-967,329**	**103,118**
Comprehensive income							
Net profit/loss for the year		-	-	-	-	-600,539	-600,539
Other comprehensive income		-	-	-	-115	-	-115
Total comprehensive income		**-**	**-**	**-**	**-115**	**-600,539**	**-600,654**
Transactions with shareholders							
New share issue		2,560	-	970,760	-	-	973,321
Options				1,794			1,794
Reclassification of derivative liability				13,920			13,920
Total transactions with shareholders		**2,560**	**-**	**986,475**	**-**	**-**	**989,035**
Opening balance as of 1 January 2022	21	**7,585**	**-**	**2,051,757**	**24**	**-1,567,868**	**491,499**
Comprehensive income							
Net profit/loss for the year		-	-	-	-	-287,544	-287,544
Other comprehensive income		-	-	-	-188	-	-188
Total comprehensive income		**-**	**-**	**-**	**-188**	-287,544	**-287,732**
Transactions with shareholders							
New share issue		45,512	-	201,159	-	-	246,671
Total transactions with shareholders		45,512	**-**	201,159	**-**	**-**	246,671
Closing balance as of 31 December 2022	21	**53,097**	**-**	**2,252,916**	**-164**	**-1,855,412**	**450,437**

CONSOLIDATED CASH FLOW STATEMENT

TSEK	NOTE	2022	2021
Cash flow from operating activities			
Profit/loss after financial items		-287,491	-600,539
Sale of fixed assets		1,240	423
Interest paid and received		-14,867	-8,876
Adjustment for other non-cash items			
Depreciation on tangible and intangible fixed assets		63,249	76,796
Impairments of intangible fixed assets		0	137,472
Warranty provisions		4,174	11,233
Accrued interest		8,717	17,508
Changes in value of derivatives		0	-28,956
Translation differences		4,869	3,244
Other adjustments		178	-586
Cash flow from operating activities before changes in working capital		**-205,064**	**-383,404**
Cash flow from changes in working capital			
Increase (-) /decrease (+) in inventories		-2,642	-57,238
Increase (-) /decrease (+) in operating receivables		26,090	-4,891
Increase (+) /decrease (-) in operating liabilities		-36,268	-1,114
Total changes in working capital		**-12,820**	**-63,243**
Cash flow from operating activities		**-217,884**	**-446,648**
Investing activities			
Investments in intangible assets	12	-6,035	-24,170
Investments in tangible fixed assets	13	-42,139	-190,949
Cash flow from investing activities		**-48,174**	**-215,119**
Financing activities			
New share issue	21	246,671	733,310
Proceeds from option programme		0	1,794
Repayment of debt	14	-6,686	-4,373
Loans raised	14	0	87,819
Cash flow from financing activities		**239,985**	**818,549**
Reconciliation of cash and cash equivalents			
Cash and cash equivalents at start of year	14	230,748	73,940
Increase/decrease in cash and cash equivalents		-26,073	156,782
Exchange rate difference in cash and cash equivalents		60	27
Cash and cash equivalents at end of year	14	**204,735**	**230,749**

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

These consolidated financial statements comprise the Swedish parent company Nilar International AB (publ), corporate ID number 556600–2977, and its subsidiaries. The Group's main activities consist of the development, production, marketing and sale of batteries and related products. Development, manufacturing, production and sales currently take place mainly at the subsidiary Nilar AB in Gävle. Nilar Inc., located in Colorado, USA, is engaged in some development and sales. Nilar OÜ, located in Paldiski, Estonia will also be engaged in manufacturing in the Group's other production facility.

The parent company is a Swedish public limited liability company which is registered in and has its headquarters in Sweden. The address of the head office is Stockholmsvägen 116A, 187 30 Täby, Sweden.

NOTE 2. SPECIFICATION OF THE GROUP'S HOLDINGS OF PARTICIPATIONS IN GROUP COMPANIES

PARTICIPATIONS IN SUBSIDIARIES	31/12/2022	31/12/2021
Opening acquisition cost	379	101
Acquisitions	-	278
Shareholder contributions	178,437	502,537
Impairment of shareholder contributions	-150,617	-502,537
Closing reported value	28,199	379

SUBSIDIARY/CORP. ID NO./REGISTERED OFFICE	COUNTRY
Nilar AB, 556790-0815, Gävle	Sweden
Nilar Inc., 1415595, Delaware	USA
Nilar OÜ, 16257391, Paldiski	Estonia
Nilar Holding Nr1 AB, 559321-4637, Täby	Sweden

NOTE 3. SUMMARY OF MAIN ACCOUNTING POLICIES AND INFORMATION

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 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 recognised in the income statement.

Estimations and assumptions are appraised continually and based on historical experience and other factors, including expectations concerning events in the future which are said to be plausible under prevailing circumstances. The group makes assessments and assumptions for the future.

IMPORTANT ESTIMATES AND ASSESSMENTS	NOTE	
Valuation tax loss carry-forwards	23	Deferred tax liabilities
Impairments of intangible fixed assets	13	Capitalised expenditure for development
Composite instruments and embedded derivatives	14	Fair value

The estimates for accounting purposes resulting from these will, by definition, rarely correspond to the actual profit/loss.

The consolidated financial statements have been prepared on a going concern basis.

NEW AND AMENDED IFRS STANDARDS AND NEW INTERPRETATIONS NOT YET IN FORCE

Besides the amendments specified below, the new and amended IFRS standards and new interpretations not yet in force are not deemed to have any significant impact on the consolidated financial statements

Amendments in IAS 1 – Disclosure of accounting policies

The amendments affect the requirements in IAS 1 pertaining to disclosure of accounting policies. By applying the amendments, an entity discloses its essential accounting policies, rather than its significant accounting policies. Further amendments to IAS1 are to explain how an entity can identify a significant accounting policy. To support the amendments, the IASB has also developed guidance and examples to explain and identify a significant accounting policy. The management believes that this amendment may impact disclosures about accounting policies applied but has not yet fully evaluated these impacts. To be applied from financial years that start on 1 January 2023 and later.

Amendment to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction

The amendment makes an additional exception from the previously applicable exception in the initial recognition of an asset or a liability deriving from a transaction. The amendment means that a company shall not apply the exemption from reporting deferred tax attributable to a transaction where the same amount of deductible and taxable temporary differences arises, but report both deferred tax assets and tax liabilities. Such transactions also include right of use assets and lease liabilities that are reported under IFRS 16. The Group currently recognises deferred tax in relation to leases that are encompassed by IFRS 16 and the management does not believe that this amendment will have a major impact on the company's financial statements, other than disclosures. To be applied from financial years that start on 1 January 2023 and later.

Amendments to IAS 1 – Classification of liabilities as current and non-current

The amendment to IAS 1 only affects the presentation of liabilities as current or non-current in the statement of financial position. Among other things, the amendment clarifies that the classification of liabilities as current or non-current is based solely on the rights that are in existence at "the end of the reporting period". The classification is unaffected by expectations about when the company will exercise its right to defer settlement of a liability. Additionally, that only covenants that a company must fulfil during or before the reporting period shall affect the classification of corresponding liability as current or non-current. To be applied from financial years that start on 1 January 2024 and later, but has not yet been approved by the EU.

THE PARENT COMPANY

Amended accounting policies

The amendments that have entered into force and apply from 1 January 2022 have not had a material impact on the Parent Company's financial statements. The amendments in RFR 2 that have not yet entered into force are not expected to have a material effect on the Parent Company's financial statements when they are applied for the first time. The Swedish Financial Reporting Board has not yet processed any amendments or additions for Amendments to IAS 1 – Classification of liabilities as current and non-current.

NEW AMENDMENTS TO STANDARDS AND INTERPRETATIONS THAT HAVE ENTERED INTO FORCE FOR 2022

The changes that have come into effect and that apply from 1 January 2022 have not had any material impact on the Group's financial statements.

NEW AMENDMENTS TO STANDARDS AND INTERPRETATIONS THAT HAVE NOT ENTERED INTO 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 31 December 2022 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). In addition, the Swedish Annual Accounts Act and RFR 1 'Supplementary Accounting Rules for Group Companies' has been applied.

The Parent Company applies the same accounting policies as the Group, with the exceptions mentioned under the section 'The Parent Company's accounting policies'. Note 1. Accounting policies". The Parent Company applies the Swedish Annual Accounts Act (Årsredovisningslagen) and Recommendation RFR 2 'Accounting for Legal Entities'. The deviations 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, unless indicted otherwise. 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 per cent 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 share of the profit is included in the reported results of the consolidated financial statements and the net assets are recognised in the equity of the consolidated financial statements.

Translation of financial statements of foreign subsidiaries

Foreign subsidiaries are translated into Swedish kronor as it is the Group's accounting currency. The income statements are translated at the average exchange rate and the balance sheet is translated at the rate on the balance sheet date. All surplus values that are reported an a result of an acquisition of a foreign subsidiary, such as goodwill and other previously unreported intangible assets, are regarded as the respective subsidiary's and for this reason are translated at the rate on the balance sheet date. Translation differences are recognised in other comprehensive income. If a subsidiary is sold, the accumulated translation differences are restored to the income statement

	Average rate		Closing rate	
	2022	2021	2022	2021
USD	10.1245	8.58	10.4371	9.04
EUR	10.6317	10.14	11.1283	10.23

Gross accounting

Gross accounting is applied throughout the report for assets and liabilities, except when both an asset and a liability exists in relation to the same counterpart and they are legally offsettable. Gross accounting is also applied for income and expenses unless indicated otherwise.

Classification of assets and liabilities

Fixed assets, long-term liabilities and provisions are expected to be recovered or become due more 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

Related party transactions are conducted on commercial terms. 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 recognised 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 recognised and valued in accordance with I AS 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 is responsible for allocating resources and assessing the performance of the business.

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 risk. The Group Management of Nilar has decided not to actively manage its risks, e.g. through the use of derivatives. 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 the value of commercial flows and financing due to changes in exchange rates. Nilar is primarily exposed to currency risk in relation to SEK through purchases and sales in EUR and USD, as well as financing raised in EUR.

As of 31 December 2022, Nilar had the following translation exposure for financial assets:

	31/12/2022	31/12/2021
EUR	159,352	140,508
USD	-	683
Other currencies	-	-
Total	**159,352**	**141,191**

As of 31 December 2021, Nilar had the following translation exposure for financial liabilities:

	31/12/2022	31/12/2021
EUR	498	2,494
USD	-	-
Other currencies	-	-
Total	**498**	**2,494**

If the Swedish krona had been weakened/strengthened by 10% against the other currencies, other variables being constant, the impact on net income and equity would have been TSEK 15,935 (13,513) attributable to financing in EUR. Working capital exposure is limited.

(ii) Conversion risk

The Group faces a risk when converting the net assets of foreign subsidiaries to the consolidation currency of Swedish kronor (SEK).

Interest rate risk

Nilar has interest-bearing financial liabilities whose changes linked to market interest rates affect earnings and cash flow from operating activities. Interest rate risk means the risk that changes in general interest rates may adversely affect the Group's net income. Nilar's interest rate risk arises through long-term borrowing. Borrowing, which takes place at variable interest rates, exposes the Group to interest rate risk regarding cash flow, which is partially neutralised by cash at variable interest rates. At the end of 2022, the Group's borrowing consisted only of loans with the EIB at fixed interest rates in EUR.

Credit risk

Credit risk or counterparty risk is the risk that the counterparty in a financial transaction does not fulfil its obligations on the due date. Nilar's credit risk includes bank balances and trade receivables. For cash and cash equivalents, the credit risk is considered low as 100% of Nilar's total cash and cash equivalents are held by counterparties that are large well-known banks in Sweden with a high rating (such as Swedbank). For accounts receivable, the credit risk in Nilar is considered to be low since the proportion of trade receivables shown in the balance sheet is of non-material amounts. The maximum credit risk corresponds to the book value of the financial assets. The assessment is that there is no significant concentration of credit risks. The reserve for trade receivables is assessed on the basis of individual assessments based on past events, current conditions and forecasts for future economic conditions. The loss reserve for accounts receivable and contractual assets is always valued at an amount corresponding to the maturity of expected loan losses which, at the closing date, gives a completely insignificant reserve. Review to assess commercial risks in these relationships takes place on an ongoing basis and impairment of receivables occurs when there is a failure in the form of evidence that overdue amounts will not be paid. For the Group's credit losses and maturity structure, see note 15. Financial instruments by category.

Liquidity risk

Liquidity risk is the risk that Nilar lacks liquid funds for the payment of its commitments regarding financial liabilities. To ensure effective liquidity for the operations the Group analyses liquidity needs every week through liquidity forecasts. Monthly liquidity forecasts are prepared by the company for the financial year, as well as in multi-year financial plans. Nilar needs to be refinanced by the end of 2023 at the latest to continue operating. At the time of signing this annual report, no additional financing had been secured, and the conditions for future financing will, among other things, be affected by the situation in the finance market. The Board of Directors is evaluating a range of potential sources for financing. Potential sources of capital are loans and share issues. Given these sources of capital, the Board of Directors believes that it will be possible to obtain new capital during the second half of 2023.

Management of capital risk

Nilar's goal is relation to the capital structure is to ensure the Group's capacity to continue its operations, so that it can generate returns for the shareholders, create value for other stakeholders and maintain an optimal capital structure to reduce the cost of capital. The Group defines capital as equity.

Monitoring with regard to legal capital requirements takes place on an ongoing basis. Otherwise, Nilar does not actively work on the basis of any express quantitative measures. The Company has no externally imposed capital requirements.

The equity/assets ratio for the Group as at 31 December 2022 amounts to 57 (60) per cent. The parent company's equity/asset ratio was 71 (72) per cent.

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

PER 31 DECEMBER 2022 (INCLUDING INTEREST PAYMENTS)	TOTAL NOMINAL AMOUNT	LESS THAN 6 MONTHS	BETWEEN 6-12 MTHS	BETWEEN 1-2 YRS	BETWEEN 2-5 YRS	MORE THAN 5 YRS
EIB	238,563	7,303	7,303	223,957	0	0
Accounts payable and other liabilities	54,687	54,657	30	0	0	0
Liabilities related to financial leasing	89,326	6,074	5,813	10,210	26,930	40,299
Total	**382,576**	**68,034**	**13,146**	**234,167**	**26,930**	**40,299**

PER 31 DECEMBER 2021 (INCLUDING INTEREST PAYMENTS)	TOTAL NOMINAL AMOUNT	LESS THAN 6 MONTHS	BETWEEN 6-12 MTHS	BETWEEN 1-2 YRS	BETWEEN 2-5 YRS	MORE THAN 5 YRS
EIB	188,816	6,711	6,711	26,845	148,548	-
Accounts payable and other liabilities	77,978	41,554	36,424	-	-	-
Liabilities related to financial leasing	64,867	3,924	3,924	7,679	17,555	31,786
Total	**331,661**	**52,189**	**47,059**	**34,524**	**166,103**	31,786

ECONOMIC, MARKET AND EXTERNAL RISKS

Global market and macroeconomic risks

Like other companies, Nilar faces challenges as a result of macro-economic changes and the geopolitical situation in the world. Changed conditions, such as political uncertainty and potential outbreaks of viruses can lead to rapid changes in the conditions to conduct business. Since February 2022, uncertainty related to geopolitical developments and ongoing sanctions between countries in Europe have increased. Russia's invasion of Ukraine has created major disruption on many levels, not least linked to access to certain raw materials. Nilar's supply of raw materials is not directly affected. Nilar is monitoring developments, but it is not currently possible to assess future scenarios and which effects they might have for Nilar's operations.

Nilar operates in a global market – energy storage – characterised 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. This risk exposure is reduced by operating in several segments. Nilar operates in the energy storage market with a specific focus on three segments: home and small-scale storage, commercial and industrial purposes, and smart grid infrastructure projects. The use of production forecasts and close relationships with customers keeps the Group well informed of customers' 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 on risk assessments and, if necessary, consulting with external expertise Nilar operates primarily in the European market.

Intellectual property rights

Nilar endeavours to protects its intellectual property rights, including through patent applications and patents. 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. However, it cannot be guaranteed that the measures taken are sufficient. Nor is it guaranteed that Nilar, in the future, could not infringe, or be accused of infringing, a third party's intellectual property rights.

Fiscal risks

Nilar conducts operations in various countries and it cannot be guaranteed that Nilar's interpretation and application of the prevailing laws, regulations or rules based on legal practice have been, or will be, correct in the future or that such laws, regulations, rules or practice will not be altered, potentially with a retroactive effect. The company may be affected by alterations in other countries' fiscal legislation and may be required to pay additional taxes, interest or possibly penalty charges in conjunction with a future tax assessment. There are no deferred tax assets net as capitalised loss carryforwards are only capitalised 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 small number of customers and market segments. Nilar is endeavouring to broaden the customer base, including geographically, as well as to develop the product portfolio.

Production

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

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 dealt with 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 optimising 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 in the event of 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 a certain amount of insurance cover against damages in relation to product liability and recall.

Environmental risks
Nilar's operation is subject to permit and notification requirements. Nilar holds a permit in accordance with the Environmental Code for the factory in Gävle to manufacture batteries that contain no cadmium, lead or mercury. The company has a permit to produce a maximum of two million batteries a year.

Forecasting
Nilar operates in the rapidly growing market for industrial batteries. To date, the business has 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, fr example, 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 management to ensure that its operations are conducted with as minimal impact on the environment as 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 minimise the use of fossil fuels, the logistics function works to ensure efficient logistics and transport solutions

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

Organisation and skills enhancement
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 endeavours to achieve clear internal communication on goals and strategy. The supply of personnel with in-depth expertise in relation to batteries 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 a high level of business ethics, good risk control and healthy corporate culture. Governing guidelines 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. REVENUE

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

	2022	2021
Sweden	280	13,490
Germany	-	4,372
Netherlands	-	-42
Total income	**280**	**17,820**

The Group's customers

Nilar's geographic focus is within the European markets, with a particular focus on the Nordic countries, Benelux, DACH (the 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 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 100% of product sales of systems. Revenue recognition currently takes place upon delivery and when 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. A provision for warranty costs for remaining undertakings has been implemented (see note 28).

NOTE 6. OPERATING EXPENSES

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

	2022	2021
Raw materials and consumables	-31,784	-148,435
Costs for remuneration to employees and directors (note 8)	-89,665	-132,121
Costs for temporary labour	-17,788	-62,507
Depreciation and amortisation	-63,250	-214,268
Other costs	-50,639	-60,469
Total costs for goods sold, development, sales and administration	**-253,126**	**-617,800**

Depreciation of intangible fixed assets of TSEK 59 (31,633) took place, with 59 (183) within Development in the income statement. Depreciation of tangible fixed assets TSEK 53,904 (39,849) took place in the items of Cost of goods sold TSEK 53,850 (39,801), Administration TSEK 49 (16) and Sales TSEK 4 (832). Depreciation of right-of-use assets 9,287 (5,315) took place in the items of Cost of goods sold TSEK 7,225 (3,352), Development costs TSEK 93 (70), Sales TSEK 233 (223) and Administration TSEK 1,736 (1,670). Impairment of intangible fixed assets TSEK 0 (137,472) took place in 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 company's own R&D organisation, contract consultants and depreciation and write-downs for intangible assets such as patents and capitalised development costs.

Selling expenses include costs for the company's internal sales organisation and depreciation of property, plant and equipment used by the group's sales organisation. Provisions to, and reversals of reserves for doubtful accounts receivable, are also included.

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

NOTE 7. REMUNERATION TO THE AUDITORS

	2022	2021
Deloitte AB		
Audit assignment	-2,403	-1,036
Other audit activities	-1,230	-2,288
Other services	-	-
Total Deloitte	**-3,633**	**-3,324**

Audit assignment refers to the review of the financial statements and accounting records and the Board's and the 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.

NOTE 8. EMPLOYEES, PERSONNEL EXPENSES AND FEES TO THE BOARD OF DIRECTORS

AVERAGE NUMBER OF EMPLOYEES	Number of persons 2022	Number of persons 2021	Of whom men in % 2022	Of whom men in % 2021
Parent company	2	2	100	100
Subsidiaries				
Sweden	108	181	69	67
USA	-	2	-	50
Total subsidiaries	108	183	69	67
Total average number of employees	**110**	**185**	**70**	**59**

GENDER DISTRIBUTION ON THE BOARD AND IN THE EXECUTIVE MANAGEMENT	Number of persons 2022	Number of persons 2021	Of whom women in % 2022	Of whom women in % 2021
Board of Directors	6	7	33	29
Executive management	7	5	29	20

SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY EXPENSES	Salaries and remuneration 2022	Salaries and remuneration 2021	Social security expenses 2022	Social security expenses 2021
Parent company	-6,740	-6,965	3,573	3,497
(of which pension costs)	-	-	1,321	1,187
Subsidiaries	-56,750	-91,923	-26,720	-36,370
(of which pension costs)			-7,670	-7,550
Total salaries, other remuneration and social security expenses	**-63,490**	**-98,888**	**-30,293**	**-39,867**
(of which pension costs)			-8,991	-8,737

SALARIES AND OTHER REMUNERATION DISTRIBUTED ACCORDING TO COUNTRY, MANAGEMENT STAFF AND OTHER EMPLOYEES	Management staff 2022	Management staff 2021	Other employees 2022	Other employees 2021
Parent Company and subsidiaries in Sweden	-14,627	-16,169	-78,760	-120,895
(of which social security expenses and pensions)	-4,716	-4,929	-25,541	-34,827
Subsidiaries overseas	-	-	-395	-1,691
(of which social security expenses and pensions)	-	-	-36	-111
Total	**-14,627**	**-16,169**	**-79,155**	**-122,586**

REMUNERATION TO THE BOARD OF DIRECTORS AND SENIOR EXECUTIVES	2022 FEE/ BASIC SALARY	2022 OTHER BENEFITS	2022 PENSIONS	2021 FEE/ BASIC SALARY	2021 OTHER BENEFITS	2021 PENSIONS
Board of Directors						
Gunnar Wieslander	500	-	-	-	-	-
Peter Wesslau	150	-	-	-	-	-
Michael Obermayer	-	-	-	561	-	-
Stefan De Geer	317	-	-	272	-	-
Ulrika Molander	253	-	-	80	-	-
Gunilla Fransson	-	-	-	197	-	-
Peter Feledy	-	-	-	25	-	-
Marko Allikson	183	-	-	25	-	-
Anders Gudmarsson	-	-	-	280	-	-
Alexander Izosimov	-	-	-	130	-	-
Helena Nathhorst	317	-	-	217	-	-
Senior executives						
Marcus Wigren, CEO until end of August 2021	-	-	-	2,765	65	468
Erik Oldmark, CEO from September 2021	2,361	-	721	950	-	-
Other senior executives (6)	9,553*	230	1,290	6,959	215	1,171

The amounts for payments include support received of 386 TSEK. During the year, the company received a salary subsidy of TSEK 372 (372) for doctoral students at KTH and support for new starting jobs of TSEK 84 (60). These salary subsidies are recognised from the start of 2019 as reductions in salary costs and not under other operating income. State compensation for sick pay was received during the year. The payment amounted to TSEK 302 (304).

A resolution was adopted at the annual general meeting to pay the Chair of the Board of Directors a fee of KSEK 500 (250) and board members KSEK 200 (100).

Other senior executives directly subordinate to the CEO receive a 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 corresponding to a maximum of nine months' salary may apply.

Incentive scheme

Incentive schemes 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.

The incentive scheme consists of warrants acquired at market value, see Note 22. Share-based instruments For information regarding stock option programmes 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 recognised in the period in which the employees render the related services.

* Two members of the management team receive consultancy fees instead of fixed salaries from the company.

NOTE 8. CONT. EMPLOYEES, PERSONNEL EXPENSES AND FEES TO THE BOARD OF DIRECTORS

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 pension commitments only include defined contribution plans. A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions to a separate legal entity. The Group has no legal or informal 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. The Group's contributions to defined-contribution pension plans are recognised in the income statement in the year to which they are attributable.

Stock option programme

Share-based incentive programme at the company means an employee stock option programme settled with equity instruments in accordance with IFRS 2. In accordance with IFRS 2, equity instruments allocated to employees, senior executives and the Board of Directors are measured at fair value on the date when they are allocated. The fair value of the employee stock options is established on the date when they are allocated using the Black-Scholes model for pricing of options. Participants in the programme have paid fair value, which is why the Group recognises no cost for the programme and it is only recognised by a corresponding increase in equity. The accumulated cost recognised on each reporting date shows the extent to which the vesting period has been used up, with an estimate of the number of share-related instruments that will finally be fully vested.

NOTE 9. OTHER OPERATING INCOME

	2022	2021
Sales of raw materials	2,542	-
Profit on sale of fixed asset	-	125
Sales of packaging	59	527
Freight invoiced	40	354
Foreign exchange gains	494	1,537
Other	652	1,001
Total other operating income	**3,787**	**3,545**

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	2022	2021
Foreign exchange gains	8,827	44,203
Total financial income	**8,827**	**44,203**

FINANCIAL EXPENSES	2022	2021
Interest expenses to shareholders	-	-10,064
Interest expenses EIB	-14,833	-13,570
Interest expenses leasing	-2,951	-1,686
Other interest expenses	-1,632	-1,064
Foreign exchange losses	-18,073	-15,144
Other financial expenses	-9,769	-6,828
Total financial expenses	**-47,258**	**-48,356**

ACCOUNTING POLICIES

Financial income and expenses consist of interest income on bank funds and receivables, interest expenses on loans, dividend income, changes in the value of derivatives and exchange rate differences. See Note 14 for information regarding changes in the value of derivatives.

The interest component of financial lease payments is recognised 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 recognised 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 ON PROFIT/LOSS FOR THE YEAR

REPORTED TAX	2022	2021
Deferred tax on profit/loss for the year	-	-
Deferred tax on previous years' deficit	-	-
Total reported tax	**-**	**-**

RECONCILIATION OF REPORTED TAX	2022	2021
Profit/loss before tax	-287,491	-600,539
Income tax calculated according to prevailing national tax rates for profit in each country. 20.6% in Sweden:	59,223	123,711
0.0% in Estonia:	-	-
21.0% in USA:	-	-
Tax effects of:		
- Non-deductible income	-	-
- Non-deductible costs	127,564	-34,853
- Taxable losses for which no deferred tax assets have been reported	-186,787	-88,858
Deferred tax on capitalised intangible assets	-	-
Deferred tax on employee share options	-	-
Amounts relating to previous years	-	-
Total reported tax	**0**	**0**

ACCOUNTING POLICIES

Income tax expense represents the sum of the tax currently payable and deferred tax. Income tax is recognised in the income statement, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the tax effect is also recognised in other comprehensive income and equity respectively.

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 for temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases. Deferred tax assets are recognised 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 utilised. 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 realised, 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 are 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 FIXED ASSETS

	31/12/2022 PATENTS	31/12/2022 CAPITALISED DEVELOPMENT EXPENSES	31/12/2022 TOTAL	31/12/2021 PATENTS	31/12/2021 CAPITALISED DEVELOPMENT EXPENSES	31/12/2021 TOTAL
Accumulated cost of acquisition						
At the start of the year	**7,222**	**279,750**	**286,972**	6,425	256,377	262,802
Acquisitions for the year	148	5,887	6,035	797	23,374	24,170
Divestments and disposals	-	-	-	-	-	-
At year-end	**7,370**	**285,637**	**293,008**	**7,222**	**279,750**	**286,972**
Accumulated depreciation						
At the start of the year	**-6,125**	**-96,860**	**-102,985**	-5,941	-65,411	-71,352
Depreciation for the year	-59	-	-59	-183	-31,450	-31,633
At year-end	**-6,184**	**-96,860**	**-103,044**	**-6,125**	**-96,860**	**-102,985**
Accumulated impairment losses						
At the start of the year	-	**-144,126**	**-144,126**	-	-6,694	-6,694
Impairment losses for the year	-	-	-	-	-137,472	-137,472
At year-end	**-**	**-144,126**	**-144,166**	**-**	**-144,126**	**-144,166**
Recognised value						
At the start of the year	**1,097**	**38,724**	**39,821**	484	184,272	191,450
At year-end	**1,186**	**44,611**	**45,798**	**1,097**	**38,724**	**39,821**

Patents
Nilar had 76 active patents as of 31 December 2022.

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

Capitalised development expenses
Capitalised development expenses relate to costs for:

	31/12/2022	31/12/2021
Product development	16,592	10,075
Development of BMS	28,019	28,019
Total capitalised expenditure for development work	**44,611**	**38,724**

Development of Nilar's new ReOx® battery was completed in late 2022 and brought to market in early 2023. The development expenses have therefore been capitalised as a finished project, with depreciation from the start of January 2023.

Development expenses for uncompleted projects that have been recognised during the year amount to MSEK 5.9 and are related to the development of a new battery with oxygen filling, ReOx® and the development of a new BMS (Battery Management System). The company continuously assesses whether there is a need for impairment of the value of its assets. Impairment of capitalised development expenditure during the period amounted to MSEK 0.0.

ACCOUNTING POLICIES
Intangible assets
Intangible assets with finite useful lives are carried at cost less amortisation and impairment losses. Intangible assets are amortised on a systematic basis over 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 expenses are recognised 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 expenses are recognised as an expense. The most important criteria for capitalisation of development expenses 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 expenses capitalised are generated externally as well as internally and include direct costs for services used. Directly attributable costs that are capitalised as part of the product development, production processes, production facility project and implementation of software systems include expenditures to third parties and employees.

Amortisation 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
- Capitalised development expenses 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 realisable value and value in use. Testing of the recoverable amount is performed for cash generating units.

Impairment losses recognised 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 recognised for the asset in prior periods.

IMPORTANT ESTIMATES AND ASSESSMENTS

Capitalised expenditure for development

Nilar capitalises expenditure relating to: product development and BMS (Battery Management System) development to the extent that they are considered to meet the criteria under IAS 38.

Financial forecasts are drawn up on a continuous basis during the year, with an eight year forecasting horizon. Nilar has selected a forecasting period that is compatible with the company's new strategy related to product development, as well as plans for the expansion of the company's production capacity. The company's assessment is that there is currently a very high level of demand for energy storage and that the market is in an early stage of its life cycle, with the company's products well-positioned to meet the market's requirements.

In the assessment of future cash flows, assumptions are made mainly with regard to sales growth, operating margin and discount rate. The anticipated rate of growth derives primarily from the company's own production increase and the projected operating margin has been based on the management's expectation for price and cost trends in the market. The discount rate of 14.1% (17%) before tax reflects in part a higher risk-free interest rate due to the general interest rate situation, but also a reduction in the company-specific risks linked to the product and the company. This reduction in risk is motivated by the changes that have taken place in the last year in the energy sector as a whole. Assumed future price development relates both to a future general increase in prices for energy storage solutions and an improved performance of Nilar's batteries. Input material costs are expected to decrease partly due to more material-efficient design of the battery and partly due to economies of scale regarding purchasing. Assumptions about productivity and efficiency improvements in manufacturing also have a positive impact on the operating margin. The substantially increasing price and volatility of energy, an accelerating focus on energy transition and political initiatives to promote European battery production are all factors that are having a very strong positive impact on Nilar's business.

At the end of the forecasting period, a permanent annual rate of growth of 3.5 (3,5) per cent is applied.

This growth rate is somewhat higher than the Group's long-term assumption regarding inflation and is justified by the generally positive view of the market for energy storage systems and the company's ambitions to further increase production capacity in he long-term through new production plants.

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 five-year depreciation period for intangible fixed assets, is appropriate for the company's capitalised expenditure for development.

In connection with the change in strategy that was implemented in late 2021, the Board of Directors made the assessment that previously capitalised development expenses relating to system design, production technology and older battery design no longer had any value for the company. This resulted in an impairment of intangible assets of MSEK 137.5.

As of 31 Dec 2022, development costs for uncompleted projects that have been recognised amount to MSEK 44.6.

The company continuously assesses whether there is a need for impairment of the value of its assets. The estimated recoverable amount for Nilar has very little scope for changes in the key assumptions. An increase in the discount rate of more than 1.5% would entail an impairment requirement of MSEK 17/0.1%. Permanent growth of under half a per cent gives rise to an impairment requirement.

Negative changes of more than 2% in the operating margin create an impairment requirement of MSEK 15/0.1%.

NOTE 13. TANGIBLE ASSETS

	31/12/2022			31/12/2021		
	PROPERTY, PLANT AND EQUIPMENT	CONSTRUCTION IN PROGRESS	TOTAL	PROPERTY, PLANT AND EQUIPMENT	CONSTRUCTION IN PROGRESS	TOTAL
Accumulated cost of acquisition						
At the start of the year	**292,747**	**155,089**	**447,836**	206,480	50,563	257,043
Acquisitions for the year	-	42,139	42,139	86,845	190,882	277,728
Reclassification to acquisitions of property, plant and equipment	29,576	-30,682	-1,106	-	-86,947	-86,947
Divestments and disposals	-293	-	-293	-618	-	-618
Translation difference	14	8,054	8,068	39	591	630
At year-end	**322,044**	**174,600**	**496,644**	**292,747**	**155,089**	**447,836**
Accumulated depreciation						
At the start of the year	**-99,543**	-	**-99,543**	-60,035	-	-60,035
Divestments and disposals	158	-	158	364	-	364
Depreciation for the year	-53,904	-	-53,904	-39,849	-	-39,849
Translation difference	-10	-	-10	-23	-	-23
At year-end	**-153,299**	**-**	**-153,299**	**-99,543**	**-**	**-99,543**
Recognised value						
At the start of the year	**193,204**	**155,089**	**348,293**	146,446	50,563	197,009
At year-end	**168,745**	**174,600**	**343,346**	**193,204**	**155,089**	**348,293**

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

Construction in progress refers to unfinished production equipment

ACCOUNTING POLICIES

Tangible assets

Tangible assets are measured at cost less accumulated depreciation and accumulated impairment losses.

Expenses for improvements of an asset's performance, above the original level, increases the value of the asset. Expenses related to repair and maintenance activities are recognised as incurred. The Group applies component depreciation, which means that each part of a tangible asset with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

A tangible asset is derecognised 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 a tangible asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss as other operating income or other operating expenses.

Tangible assets are recognised on a systematic basis over the asset's 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 realisable value and value in use. Testing of the recoverable amount is performed for cash generating units.

Impairment losses recognised 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 recognised for the asset in prior periods.

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 recognised using the effective interest method and is 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 deposits.

FINANCIAL ASSETS	ACCRUED COST OF ACQUISITION 31/12/2022	ACCRUED COST OF ACQUISITION 31/12/2021
Accounts receivable (note 17)	5,323	6,937
Cash and cash equivalents	204,735	230,748
Total financial assets	**210,058**	**237,685**

ACCOUNTING POLICIES

Purchases and sales of financial assets are recognised on the transaction date, i.e. the date that the Group commits to purchase or sell the asset. Financial assets are derecognised when the right to receive cash flows has expired or is transferred and the Group has transferred substantially all of the risks and rewards of the ownership. Financial assets 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. After the point of acquisition, they are recognised at amortised 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 recognised at accrued costs. The Group recognises 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 following categories: liabilities measured at amortised cost, with the exception of the convertible loan, which was recognised at fair value at SEK TSEK 0 (0), and the option agreement with the EIB at SEK TSEK 0 (0). Both the convertible loan and the option agreement with the EIB were reclassified as equity during 2021.

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

FINANCIAL LIABILITIES	ACCRUED COST OF ACQUISITION 31-12-2022	ACCRUED COST OF ACQUISITION 31-12-2021
Borrowings		
EIB	159,352	135,125
Total borrowing	159,352	135,125
Accounts payable	10,140	32,889
Accrued interest expenses	0	557
Total financial liabilities	**169,492**	**168,071**

BORROWINGS	AMOUNT AS OF 31-12-2021	MATURITY DATE	INTEREST RATE
EIB	159,352	31/12/2025	7.5%
Total borrowing	159,352		

Convertible debt/Convertible loan

Following the listing of the company's shares on the Nasdaq First North Premier Growth Market on 30 April 2021, the previous convertible loan, which matured from the fourth quarter 2019, has been converted to equity and shares have been issued. The convertible loan was valued at fair value amounting to MSEK 240.0 at the conversion date.

This convertible loan was issued in the fourth quarter of 2019 for a nominal amount of MSEK 175. The loan matured from 20 December 2019 until 30 June 2020 with an annual interest rate of 10% and from 1 July 2020 until 31 December 2020 with an annual interest rate of 12.5% and from 1 January 2021 until 31 December 2021 (the final maturity date) with an annual interest rate of 15%. Repayment of the loan, including accrued interest, will be made no later than 31 December 2021 unless conversion takes has taken place before that date. The convertible bond could be converted into shares at a floating rate during the term and, if not converted, it could be repaid at 130% of the amount of the debt at maturity.

EIB

In October 2020, the EIB (European Investment Bank) granted the company a 5-year loan facility of 47 MEUR, of which 35 MEUR had a planned disbursement in 2020-2022 for further expansion of the Gävle factory, and 12 MEUR with a planned disbursement in 2023 to part-finance the next factory.

Payment of MEUR 8.75 (MSEK 91.0) of the first partial tranche of MEUR 17.5 (tranche A) was received in the fourth quarter of 2020. The second and final payment of MEUR 8.75 (MSEK 87.8) of the first partial tranche of MEUR 17.5 (tranche A) was received in the first quarter of 2021. Disbursement of tranches under the facility is conditional upon, inter alia, the raising of additional equity capital and the achievement of sales and/or profitability targets. For the disbursement of the initial MEUR 17.5 (tranche A), such targets have been achieved with the capital raising completed in H2 2020 of MSEK 178 before fees. For the disbursement of further tranches, contractual conditions remain to be met, or to seek renegotiation.

Tranche A runs from 24 November 2020 to 31 December 2025 at an annual interest rate of 7.5%, and the EIB has received 160,633 warrants in Nilar International AB entitling the lender to purchase shares at a fixed price during the term of the option. The debt is recognised at amortised cost while the options are recognised at fair value.

Following the listing of the company's shares on the Nasdaq First North Premier Growth Market on 30 April 2021, the company has met the requirements for additional equity infusion under Tranche B and C. Tranche B can be used until 30 June 2022. Payment under Tranche B is conditional on the company's sales during the period 1 July 2021 to 31 December 2021 reaching or exceeding MSEK 77 (excluding intra-group sales and sales of filling services). The condition relating to the sale of the company has not been met, which means that tranche B cannot be used at this time.

Fair value

The company's convertible loan was measured discounting the future

RECONCILIATION LIABILITIES FROM FINANCING ACTIVITIES

	31/12/2021	CASH FLOW	ACQUISITIONS/ DIVESTMENTS	RECLASSIFICATIONS	TRANSLATION DIFFERENCES	OTHER(*)	31/12/2022
EIB	135,125	-	-	-	15,510	8,717	159,352
Liabilities related to financial leasing	53,762	-6,686	27,742	-	-	-	74,518
Total	**188,887**	**-6,686**	**27,742**	-	**15,510**	**8,717**	**233,870**

(*) Allocation of borrowing expenses in accordance with the effective interest method.

	31/12/2020	CASH FLOW	ACQUISITIONS/ DIVESTMENTS	RECLASSIFICATIONS	TRANSLATION DIFFERENCES	VALUATION AT FAIR VALUE	31/12/2021
Convertible loans	204,372	-	-	-210,897	1,372	5,153	-
EIB	84,570	87,819	-	-	-3,155	-34,109	135,125
Liabilities related to financial leasing	39,342	-4,373	18,793	-	-	-	53,762
Total	**328,284**	**83,446**	18,793	-210,897	**-1,783**	**-28,956**	**188,887**

cash flows. The discount rate reflects credit risk and maturity. The market value of the convertible loan was measured at MSEK 240.0 on the conversion date of 30 April 2021. For the option part and the convertible, as well as in the option agreement with the EIB, the key parameters for valuation are the date of exercise, the exercise price and the probability of exercise before the expiry of the agreement. The rating is in level 3.

The options to the EIB were recognised at fair value through the income statement. On 27 October 2021, the lock-up commitments for the company's shares expired, with the result that the conditions for debt classification of the options no longer apply. The option was measured using Black-Scholes with volatility assumptions and the market value of the option at maturity was MSEK 13.9. The value at maturity has had an impact on the company's equity during the quarter. The share price has a significant impact on the valuation. A 10 per cent increase in the share price results in a 10 per cent increase in the 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 recognised as long-term liabilities.

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 analysed 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 recognised 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 recognised at fair value through the income statement and recognise the effect of its own credit risk in other comprehensive income.

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 using different methods and is entered in three different levels depending on the input data 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 for 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 capitalised as part of the cost of that asset. Other borrowing costs are recognised in profit or loss in the period in which they are incurred.

IMPORTANT ESTIMATES AND ASSESSMENTS

Composite instruments and embedded derivatives

The Group had a convertible loan that contained an embedded derivative in the form of an option of conversion to shares in the parent company and which was therefore a composite instrument. The company chose to identify the entire instrument at fair value via the income statement. The loan was converted to equity at the time of the listing of the company.

The embedded conversion right meant that the debt could be converted to shares at a price that was dependent on a future market price and it thus failed to meet the criteria for equity instruments.

NOTE 15. INVENTORIES

INVENTORIES	31/12/2022	31/12/2021
Raw materials	128,502	92,514
Stock of semi-finished products	13,702	39,714
Finished products	1,276	4,624
Advances to suppliers	14,408	22,147
IMPAIRMENT		
Raw materials	-42,748	-34,217
Stock of semi-finished products	-11,972	-22,869
Finished products	-1,276	-2,662
Total inventories	**101,893**	**99,251**

The expenditure for inventories as expensed is included in the item Raw materials and consumables, Note 6 Operating expenses.

Inventories have been written down to a value corresponding to net realisable value as this is deemed to be less than cost.

ACCOUNTING POLICIES

Inventories

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

NOTE 16. ACCOUNTS RECEIVABLE

ACCOUNTS RECEIVABLE	31/12/2022	31/12/2021
Accounts receivable	5,702	12,648
Less provision	-379	-5,711
Total accounts receivable	**5,323**	**6,937**

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	31/12/2022	31/12/2021
SEK	5,204	4,443
EUR	119	2,494
Total accounts receivable per currency	**5,323**	**6,937**

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 receivable. Expected credit 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 credit losses.

AGE ANALYSIS, ACCOUNTS RECEIVABLE	31/12/2022	31/12/2021
Receivables not yet matured	2	61
Less than 3 months	648	1,719
3 to 6 months	357	782
More than 6 months	4,316	4,375
Total accounts receivable due	5,321	6,876
Total accounts receivable	**5,323**	**6,937**

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 2022 when it is assessed as a risk that the receivable will not be paid.

NOTE 17. OTHER RECEIVABLES

	31/12/2022	31/12/2021
VAT receivable	5,897	16,318
Tax account	26	10,030
Receivables suppliers	-	2,870
Other receivables	2,160	4,217
Total other receivables	**8,083**	**33,435**

NOTE 18. PREPAID EXPENSES AND ACCRUED INCOME

	31/12/2022	31/12/2021
Accrued income	703	-
Prepaid lease fees	677	190
Prepaid insurance	962	1,036
Other items	846	1,084
Total prepaid expenses and accrued income	**3,188**	**2,309**

NOTE 19. OTHER LIABILITIES

	31/12/2022	31/12/2021
Accrued payroll taxes	1,595	4,383
Social security expenses	1,526	4,603
Temporary payment respite for employer contributions, deducted tax and VAT due to the COVID-19 pandemic	44,547	44,562
Other current liabilities	532	4
Total other liabilities	**48,200**	**53,551**

NOTE 20. ACCRUED EXPENSES AND DEFERRED INCOME

	31/12/2022	31/12/2021
Accrued personnel expenses	9,517	13,988
Accrued audit expenses	650	888
Accrued consulting expenses	633	2,851
Accrued marketing expenses	-	927
Other items	2,558	2,869
Total accrued expenses and prepaid income	**13,358**	**21,524**

NOTE 21. SHARE CAPITAL AND OTHER CONTRIBUTED CAPITAL

	NUMBER OF SHARES	SHARE CAPITAL	OTHER CONTRIBUTED CAPITAL	TOTAL
As of 1 January 2021	**5,025,191**	**5,025**	**1,065,282**	**1,070,307**
New share issue	**15,051**	**2,560**	**970,761**	**973,321**
Stock option programme	-	-	1,791	1,794
Share split	25,435,955	-	-	-
New share issue	15,050,605	2,560	970,760	973,321
Reclassification of derivative liability			13,920	13,920
As of 1 January 2022	**45,511,751**	**7,585**	**2,051,757**	**2,059,343**
New share issue	**273,070,506**	**45,512**	**201,158**	**246,671**
As of 31 December 2022	**318,582,257**	**53,097**	**2,252,916**	**2,306,014**

The total number of shares as of 31 December 2022 amounts to 318,582,257. The quotient value per share is 0.17 SEK. All shares issued 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 produced by the Board of Directors regarded 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 are covered.

Share capital

Ordinary shares are classified as equity. Transaction costs directly attributable to the issue of new shares or options are recognised, 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 recognised in the income statement. In the event that the lender is also, directly or indirectly, a shareholder acting in the capacity of 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 recognised in the income statement.

Other contributed capital

Refers to equity contributed by the owners.

NOTE 22. INTEREST-RELATED INSTRUMENTS

	2021:2	2021:1	2017:1
Start date	12/03/2021	12/03/2021	05/12/2017
End date	30/09/2024	30/09/2024	29/12/2021
Share price (SEK)	300	300	230
Exercise price per share (SEK)	450	450	418
Volatility	0.3	0.3	0.3
Maturity (years)	3.2	3.2	4.0
Risk-free interest rate	-0.37%	-0.37%	-0.2%
Yield	-	-	-
Market value per option according to Black-Scholes (SEK)	20.0	20.0	9.97
Number initially granted	40,000	55,000	122,071
Outstanding 1 January 2020	-	-	-
Granted 2018	-	-	10,000
Granted 2021	36,000	53,682	
Lapsed prior years	-	-	-122,071
Lapsed 2020	-	-	-
Exercised 2020	-	-	-
Matured 2021	-	-	-10,000
Outstanding as of 31 December 2022	**36,000**	**53,682**	**-**

The company had a stock option programme at the start of the year.

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 21.2 ordinary shares 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 an extraordinary general meeting in December 2017, a resolution was adopted on a stock option programme (2017:1) encompassing 122,071 warrants intended for senior executives and board members. 10,000 were allocated in the fourth quarter of 2018. No warrants within stock option programme 2017:1 have been allocated in addition to the 10,000. The warrants were transferred at market price. The warrants were vested over a period of three years and expired on 5 December 2021.

The extraordinary general meeting of 12 March 2021 resolved to adopt a long-term incentive plan for senior executives and other key employees of the company (LTIP) (2021:1) as well as an incentive plan for the Board of Directors of the company (2021:2). A maximum of 95,000 option rights can be issued under the incentive plans. At the end of the subscription period on 26 March 2021, 53,682 out of a total of 55,000 allocated option rights within 2021:1 and 36,000 out of a total of 40,000 allocated option rights within 2021:2 had been subscribed. Payment of TSEK 1,794 has been received for all option rights.

For option programmes 2021:1 and 2021:2, each option gives entitlement to subscribe 21.1 (1) shares. The average weighted exercise price amounts to 21.33 (450) SEK per share. The average weighted exercise price has been recalculated as of 2022 due to share split and new issue implemented, which, according to the conditions for the option programmes, gives rise to recalculation of av exercise price and the number of shares to which each option gives entitlement to subscribe.

The possible dilution effect upon full exercise of outstanding warrants is 0.6%.

	NUMBER PER 31/12/2022	DILUTION EFFECT
Issued shares	**318,582,257**	
Granted options		
Option programme 2021:1	1,132,690	0.36%
Option programme 2021:2	759,600	0.24%
Number of shares after dilution - outstanding warrants	**320,474,547**	**0.6%**

ACCOUNTING POLICIES

Share-based incentive programme at the company refers to an employee stock option programme settled with equity instruments in accordance with IFRS 2. In accordance with IFRS 2, the cost of share-related

payments to employees, senior executives and the Board of Directors is recognised at fair value as of the allocation date The fair value of the employee stock options is established on the date when they are allocated using the Black-Scholes model for pricing of options. Participants in the programme

have paid fair value, which is why the Group recognises no cost for the programme and it is only recognised by a corresponding increase in equity.

NOTE 23. DEFERRED TAX LIABILITIES

	31/12/2022	31/12/2021
Deferred tax income related to losses carried forward	0	0
Deferred tax related to accumulated loss carryforwards	336,988	273,736
Deferred tax related to IFRS16	-	210
Non-reported revaluation of deferred tax assets	-336,988	-273,946
Total deferred tax liabilities	**-**	**-**

ACCOUNTING POLICIES

Deferred tax is calculated in accordance with the balance sheet method for temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases. Deferred tax assets are recognised 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 utilised. 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 that 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 realised, 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 are offset if there is a legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax is attributed to the same entity in the Group and the same taxation authority

IMPORTANT ESTIMATES AND ASSESSMENTS

Deferred tax assets are measured at a maximum of the amount likely to be recovered based on the current and future taxable income. The portion of the tax asset relating to loss carry-forwards that exceeds the tax liability relating to temporary differences is not recognised due to uncertainty as to when in the future sufficient taxable profits will be generated. The Group has unused loss carryforwards amounting to MSEK 1,636 (1,329), of which MSEK 1,636 (1,330) relates to unrecognised loss carryforwards. These relate to unused loss carryforwards for the parent company and the Swedish subsidiary. When the temporary difference gives rise to current tax, the corresponding loss carryforwards will be utilised so that there will be no actual tax payment. Deferred tax assets and liabilities are therefore recorded net, at 0.

NOTE 24. NET CASH/NET LIABILITY

	31/12/2022	31/12/2021
Cash and cash equivalents	204,735	230,748
Total cash and cash equivalents	**204,735**	**230,748**

	31/12/2022	31/12/2021
Current interest-bearing liabilities	-42,565	-44,562
Cash and cash equivalents	204,735	230,748
Net cash (+) / net debt (-)	**162,170**	**186,186**

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 TSEK 5.9 (23.4) consisting of the acquisition of an intangible asset from the subsidiary Nilar AB. Receivables between the Parent Company and the Group companies amount to TSEK 295,549.5 (237.5). Interest income from Group companies amount to TSEK 15,879.4 (12,658.8). Interest expenses to Group companies amounts to TSEK 0.0 (0.0).

In 2022 the Parent Company has issued shareholder contributions amounting to MSEK 178.4 (502.5) – of which MSEK 150.0 (500.0) to Nilar AB, MSEK 27.8 (0.0) to Nilar Oü and MSEK 0.6 (2.5) to Nilar Inc. Write-down of shareholder contributions has also been performed in the Parent Company.

New issue

In 2022, the company carried out a share issue that provided the company with MSEK 246.7 (733.3) of working capital net of issue 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	31/12/2022	31/12/2021
Business mortgages	30,000	30,000
Total pledged assets	**30,000**	**30,000**

CONTINGENT LIABILITIES	31/12/2022	31/12/2021
Other contingent liabilities	-	-
Total contingent liabilities	-	-

All of the company's mortgages totalling MSEK 30 are unused.

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 Nilar's control. A contingent liability can also be a present obligation that arises from past events but is not recognised 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. LEASES

The Group's and the parent company's leases mainly relate to rental of office and factory premises, machinery and vehicles in Täby, Gävle, and Paldiski, Estonia. The Parent Company leases a part of the factory premises in Estonia. No re-rental occurs external to the Group..

The Group's right of use assets as of 31 December 2022 are allocated as follows:

	31/12/2022				31/12/2021			
	BUILDINGS	CARS	PROPERTY, PLANT AND EQUIPMENT	TOTAL	BUILDINGS	CARS	PROPERTY, PLANT AND EQUIPMENT	TOTAL
Cost of acquisition								
At the start of the year	63,128	1,770	1,577	66,476	44,875	1,231	1,577	47,683
Additional/outgoing rights of use	26,156	727	559	27,442	18,130	539	-	18,669
Translation differences	2,488	-	-	2,488	124	-	-	124
At year-end	91,772	2,497	2,136	96,405	63,129	1,770	1,577	66,476
Accumulated depreciation								
At the start of the year	-12,098	-1,137	-497	-13,733	-7,486	-712	-219	-8,416
Depreciation for the year	-8,405	-506	-376	-9,287	-4,610	-426	-279	-5,315
Translation differences	-206	-	-	-206	-2	-	-	-2
At year-end	-20,709	-1,643	-873	-23,225	-12,098	-1,137	-497	-13,733
Closing reported value	71,063	854	1,263	73,180	51,030	633	1,080	52,743

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

Lease expenses	31/12/2022	31/12/2021
Depreciation of rights of use	-9,287	-5,315
Interest expenses on the lease liability	-2,951	-1,686
Costs attributable to short-term leasing agreements	-1,733	-1,827
Costs attributable to leasing agreements of low value	-187	-216

The total cash outflow for leases amounted to MSEK 16.0 (6.0) 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 recognises a right of use 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 recognises the lease payments as a cost linearly 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 the fact 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. LEASES

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 recognised 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 corres-ponding 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 amortised during the shorter of 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 recognises any identified impairment loss as described in the 'Tangible fixed assets' 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 recognised 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 non-leasing components to not be separated from leasing components, and instead to recognise each leasing component and all associated non-leasing components as a single leasing component. Nilar has chosen to use this practical solution.

NOTE 28. OTHER PROVISIONS

On a number of occasions in recent years, Nilar has been forced to make large provisions linked to future warranty expenses for replacement or maintenance of batteries with creeping electrolyte, which can cause short-circuits. At the start of the 2022 financial year, this reserve stood at MSEK 26.8. During the first half of 2022, warranty measures and battery replacements were performed, and MSEK 4.1 was returned from the existing reserve. New findings were made in the autumn in connection with the inspection programme that was conducted, which changed the company's view of the best way to manage the existing customer base and what this it would entail. The new estimates pointed to higher future expenses, which caused Nilar to increase the reserve by MSEK 8.3 during the fourth quarter to a total of MSEK 31.0. Nilar believes that the bulk of these warranty undertakings will be processed during 2023.

ACCOUNTING POLICIES

Provisions

Provisions are recognised 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 fulfil 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.

	31/12/2022	31/12/2021
Accumulated cost of acquisition		
At the start of the year	**56,511**	31,001
Provision for the year	8,261	25,510
At year-end	**64,772**	**56,511**
Accumulated reversals		
At the start of the year	**-29,693**	-15,416
Reversals for the year	-4,087	-14,277
At year-end	**-33,780**	**-29,693**
Recognised value		
At the start of the year	26,818	15,585
At year-end	**30,992**	**26,818**

PARENT COMPANY'S INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

TSEK	NOTE	2022	2021
Revenue		-	-
Cost of goods sold		-260	-233
Gross profit		**-260**	**-233**
Research and development expenses		-2,514	-170,563
Distribution and selling expenses		-595	-618
Administrative expenses		-18,636	-23,101
Other operating income		46	1,395
Operating income	2, 3, 4	**-21,959**	**-193,120**
Financial income	5	15,879	56,862
Financial expenses	5	-40,218	-45,641
Write-down of shares in subsidiaries		-150,616	-502,537
Financial costs - net		**-177,518**	**-491,316**
Loss after net financial items		**-199,483**	**-684,436**
Profit/loss before tax		**-199,477**	**-684,436**
Income tax	6	-	-
Net profit/loss after tax		**-199,477**	**-684,436**
Parent company's statement of comprehensive income			
Other comprehensive income for the year, net after tax		-	-
Total comprehensive income for the year		**-199,477**	**-684,436**

PARENT COMPANY'S CASH FLOW STATEMENT

SEK	NOTE	2022	2021
Cash flow from operating activities			
Profit/loss before tax		-199,477	-684,436
Interest paid and received		-15,219	5,703
Adjustment for other non-cash items			
Depreciation on tangible and intangible fixed assets		108	31,649
Write-down of shares in subsidiaries		150,616	502,537
Accrued interest		8,716	16,713
Sale of fixed assets		-	137,472
Translation differences		15,510	1,688
Changes in value of derivatives		-	-28,956
Cash flow from operating activities before changes in working capital		**174,950**	**-23,333**
Cash flow from changes in working capital			
Increase (-) /decrease (+) in operating receivables		5,714	-3,551
Increase (+) /decrease (-) in operating liabilities		430	-30,201
Total changes in working capital		**6,144**	**-33,752**
Cash flow from operating activities		**-18,383**	**-57,085**
Investing activities			
Investments in intangible assets		-6,036	-24,170
Investments in tangible fixed assets		-	-244
Investments in subsidiaries		-27,820	-278
Loans granted to subsidiaries		-225,683	-584,974
Cash flow from investing activities		**-259,539**	**-609,667**
Financing activities			
New share issue		246,671	733,310
Stock option programme		-	1,794
Loans raised	10	-	89,376
Cash flow from financing activities		**246,671**	**824,479**
(Decrease)/increase in cash and cash equivalents		**-31,251**	**157,728**
Cash and cash equivalents at start of the period		225,302	67,574
Cash and cash equivalents at end of the period		**194,051**	**225,302**

PARENT COMPANY'S BALANCE SHEET

TSEK	NOTE	31/12/2022	31/12/2021
ASSETS			
FIXED ASSETS			
Intangible fixed assets	15		
Patents		1,186	1,097
Capitalised expenses for development work		44,611	38,724
Total intangible fixed assets		**45,798**	**39,821**
Tangible fixed assets			
Property, plant and equipment		179	228
Total tangible fixed assets		**179**	**228**
Other fixed assets			
Participations in Group companies	7	28,199	379
Receivables from Group companies		312,589	237,523
Total other fixed assets		**340,788**	**237,902**
Total fixed assets		**386,765**	**277,951**
CURRENT ASSETS			
Accounts receivable		-	171
Tax assets		359	359
Other receivables		866	6,287
Prepaid expenses and accrued income	8	1,020	1,142
Cash and cash equivalents		194,051	225,302
Total current assets		**196,296**	**233,260**
Total assets		**583,061**	**511,210**

TSEK	NOTE	31/12/2022	31/12/2021
EQUITY AND LIABILITIES			
EQUITY			
Restricted equity			
Share capital	9	53,097	7,585
Statutory reserve		34,401	34,401
Fund for development expenditure		44,611	38,724
Total restricted equity		**132,110**	**80,710**
Non-restricted equity			
Share premium reserve		2,220,284	2,019,125
Profit/loss brought forward		-1,736,043	-1,045,720
Net profit/loss for the year		-199,477	-684,436
Total non-restricted equity		**284,764**	**288,969**
Total equity		**416,874**	**369,680**
LIABILITIES			
Non-current liabilities			
Borrowings		159,352	135,125
Total non-current liabilities		**159,352**	**135,125**
Current liabilities			
Borrowings	10	-	-
Accounts payable	10	814	1,186
Other liabilities	11	2,226	1,912
Accrued expenses and deferred income	12	3,795	3,308
Total current liabilities		**6,835**	**6,405**
Total equity and liabilities		**583,061**	**551,210**

PARENT COMPANY'S STATEMENT OF CHANGES IN EQUITY

		RESTRICTED EQUITY			NON-RESTRICTED EQUITY			
TSEK	NOTE	SHARE CAPITAL	STATUTORY RESERVE	FUND FOR DEVELOP-MENT EXPENDITURE	SHARE PREMIUM RESERVE	PROFIT/LOSS BROUGHT FORWARD.	NET PROFIT/ LOSS FOR THE YEAR	TOTAL EQUITY
Adjusted opening balance as of 1 January 2021	9	**5,025**	**34,401**	**16,093**	**1,032,650**	**-725,230**	**-297,859**	**192,966**
Comprehensive income								
Allocation of previous year's profit/loss		-	-	-	-	**-297,859**	**297,859**	-
Net profit/loss for the year		-	-	-	-	-	-684,436	-684,436
Self-generated development expenses		-	-	22,631	-	-22,631	-	0
Total comprehensive income		**-**	**-**	**22,631**	**-**	**-320,490**	**-386,577**	**-684,436**
Transactions with shareholders								
New share issue		2,560	-	-	970,761	-	-	973,321
Stock option programme		-	-	-	1,794	-	-	1,794
Reclassification of derivative liability		-	-	-	13,920	-	-	13,920
Total transactions with shareholders	9	**2,560**	**-**	**-**	**986,475**	**-**	**-**	**989,035**
Closing balance as of 31 December 2021		**7,585**	**34,401**	**38,724**	**2,019,125**	**-1,045,720**	**-684,436**	**369,680**
Comprehensive income								
Allocation of previous year's profit/loss		-	-	-	-	-684,436	684,436	-
Net profit/loss for the year		-	-	-	-	-	-199,477	-199,477
Self-generated development expenses		-	-	5,887	-	-5,887	-	-
Total comprehensive income	9	**-**	**-**	**5,887**	**-**	-690,323	484,959	**-199,477**
Transactions with shareholders								
New share issue		45,512	-	-	201,159	-	-	246,671
Total transactions with shareholders	9	45,512	**-**	**-**	**201,159**	**-**	**-**	246,671
Closing balance as of 31 December 2022	9	**53,097**	**34,401**	**44,611**	**2,220,284**	**-1,736,043**	-199,477	**416,874**

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 policies 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, (Årsredo-visningslagen). The income statement consists of two statements produced separately: income statement and statement of compre-hensive 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 financial income and expenses and items within equity.

Participations in subsidiaries

Participations in subsidiaries are accounted for in the Parent Company at historical cost less impairment losses. 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 recognised and incorporated in 'Profit/loss from participations in Group companies'.

Shareholders' contributions and Group contributions

Shareholders' contributions are recognised as in increase in the value of shares and participations in Group companies. An assessment is made of whether there is a need for impairment of the values of shares and participations in question. All Group contributions are recognised 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 ny impairment loss and financial current assets according to the principle of the lowest value. When calculating the net realisable value of receivables recognised 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 recognised as fixed assets, the principles of impairment testing and loss risk provisioning are applied in IFRS 9 whenever possible. Financial liabilities are valued at amortised cost using the effective interest method. Principles for the booking and cancellation of financial instruments correspond to those applied to the Group and as described above.

Leases

Nilar, which is lessee, 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.

NOTE 2. OPERATING EXPENSES

	2022	2021
Raw materials and consumables	-	-
Costs for remuneration to employees	-8,477	-10,462
Costs for temporary labour	-140	-861
Depreciation and amortisation	-108	-169,121
Other costs	-13,231	-14,071
Total costs for goods sold, development, sales and administration	**-21,956**	**-194,515**

NOTE 3. FEES TO AUDITORS

	2022	2021
Deloitte AB		
Audit assignment	-2,132	-961
Other audit activities	-1,230	-2,139
Other services	-	-
Total Deloitte	**-3,362**	**-3,100**

Audit assignment refers to the review of the financial statements and accounting records and the Board's and the 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.

NOTE 4. EMPLOYEES, PERSONNEL EXPENSES AND FEES PAID TO THE BOARD OF DIRECTORS

The company has 2 (2) employees (CFO and CEO) . Note 8 for the Group, reports on total remuneration for the Board of Directors and senior executives.

AVERAGE NUMBER OF EMPLOYEES	2022	2021
Women	-	-
Men	2	2
Total	**2**	**2**

SALARIES, REMUNERATION, SOCIAL SECURITY COSTS AND PENSION EXPENSES	2022	2021
Salaries and remuneration to Board members, the CEO and the CFO	-6,740	-6,965
Salaries and remuneration to other employees	-	-
Total salaries and remuneration	**-6,740**	**-5,230**
Statutory social security costs	-2,252	-2,311
Pension expenses for Board members, the CEO and the CFO	-1,321	-1,187
Pension expenses for other employees	-	-
Total social security expenses and pension expenses	**-3,573**	**-3,497**
Total	**-10,313**	**-10,462**

NUMBER OF BOARD MEMBERS ON THE BALANCE SHEET DATE	2022	2021
Women	2	2
Men	4	5
Total	**6**	**7**

NUMBER OF CEOs AND OTHER SENIOR EXECUTIVES	2022	2021
Women	-	-
Men	2	2
Total	**2**	**2**

NOTE 5. FINANCIAL INCOME AND EXPENSES

FINANCIAL INCOME	2022	2021
Interest income group companies	15,879	12,659
Foreign exchange gains	-	3,347
Changes in value of derivatives	-	40,855
Total financial income	**15,879**	**56,862**

FINANCIAL EXPENSES	2022	2021
Interest expenses to shareholders	-	-10,064
Other interest expenses	-91	-34
Interest expenses EIB	-14,833	-13,570
Changes in value of derivatives	-	-15,144
Foreign exchange losses	-18,073	-
Other financial expenses	-9,839	-6,828
Total financial expenses	**-42,836**	**-45,641**

No part of interest expenses to shareholders is paid.

NOTE 6. TAX ON PROFIT/LOSS FOR THE YEAR

REPORTED TAX	2022	2021
Deferred tax on profit/loss for the year	-	-
Deferred tax on previous years' deficit	-	-
Total reported tax	**-**	**-**

RECONCILIATION OF REPORTED TAX	2022	2021
Profit/loss before tax	-199,477	-684,436
Income tax calculated according to prevailing national tax rates for profit in each country. 20.6% in Sweden.	41,092	140,994
Tax effects of:		
- Non-taxable income	-	-
- Non-deductible costs	125,165	-135,527
- Taxable losses for which no deferred tax assets have been reported	-166,257	-5,467
Utilisation of previously non-capitalised loss carryforwards	-	-
- Effect of higher tax rate abroad	-	-
Deferred tax on capitalised intangible assets	-	-
Deferred tax on employee share options	-	-
Amounts relating to previous years	-	-
Total reported tax	**0**	**0**

NOTE 7. PARTICIPATIONS IN SUBSIDIARIES

PARTICIPATIONS IN SUBSIDIARIES	31/12/2022	31/12/2021
Opening acquisition cost	379	101
Acquisitions	-	278
Shareholder contributions	178,437	502,537
Impairment of shareholder contributions	-150,617	-502,537
Closing reported value	**28,199**	**379**

SUBSIDIARY/CORP. ID NO./ REGISTERED OFFICE	COUNTRY	PARTICIPATION, % 31-12-2022
Nilar AB, 556790-0815, Gävle	Sweden	100%
Nilar Inc., 1415595, Delaware	USA	100%
Nilar OÜ, 16257391, Paldiski	Estonia	100%
Nilar Holding Nr1 AB, 559321-4637, Täby	Sweden	100%

NOTE 8. PREPAID EXPENSES AND ACCRUED INCOME

	31/12/2022	31/12/2021
Prepaid lease fees	257	253
Prepaid insurance	692	773
Other items	71	116
Total prepaid expenses and accrued income	**1,020**	**1,142**

NOTE 9. SHARE CAPITAL

SHARE CAPITAL	TOTAL NUMBER OF SHARES
Number of shares outstanding as of 31 December 2020	**5,025,191**
New share issue	15,050,605
Share split	25,435,955
Number of shares outstanding as of 31 December 2021	**45,511,751**
New share issue	273,070,506
Number of shares outstanding as of 31 December 2022	**318,582,257**

The total number of shares as of 31 December 2022 is 318,582,257. The share's quota value is 0.17 SEK and corresponds to 1 vote per share. All shares issued are fully paid.

NOTE 10. OTHER FINANCIAL LIABILITIES

OTHER FINANCIAL LIABILITIES	31/12/2022	31/12/2021
Borrowings	159,352	135,125
Accounts payable	814	1,186
Accrued interest expenses	-	7
Total other financial liabilities	**160,166**	**136,318**

	31/12/2021	CASH FLOW	ACQUISITIONS/ DIVESTMENTS	RECLASSIFI- CATIONS	TRANSLATION DIFFERENCES	FAIR VALUE	31/12/2022
EIB	135 125	0	-	-	15 510	8 717	159 352
Total	**135 125**	**0**	0	**-**	15 510	8 717	**159 352**

	31/12/2020	CASH FLOW	ACQUISITIONS/ DIVESTMENTS	RECLASSIFI- CATIONS	TRANSLATION DIFFERENCES	FAIR VALUE	31/12/2021
EIB	84 570	87 819	-	-	-3 155	-34 109	135 125
Convertible loans	204 372	-	-	-210 897	1 372	5 153	0
Bridging loan	20 000	-20 000	-	-	-	-	0
Total	**308 942**	**67 819**	-	**-210 897**	-1 783	-28 956	**135 125**

NOTE 11. OTHER LIABILITIES

OTHER LIABILITIES	31/12/2022	31/12/2021
Accrued payroll taxes	385	458
Social security expenses	241	332
Deferment The Swedish Tax Agency	1,059	1,121
Other current liabilities	540	1
Total other liabilities	**2,226**	**1,912**

NOTE 12. ACCRUED EXPENSES AND DEFERRED INCOME

	31/12/2022	31/12/2021
Accrued personnel expenses	2,497	2,204
Accrued audit expenses	650	656
Other costs	648	448
Total accrued expenses and deferred income	**3,795**	**3,308**

NOTE 13. PLEDGED ASSETS AND CONTINGENT LIABILITIES

PLEDGED ASSETS	31/12/2022	31/12/2021
Business mortgages	20,000	20,000
Total pledged assets	**20,000**	**20,000**

CONTINGENT LIABILITIES	31/12/2022	31/12/2021
Other contingent liabilities	-	-
Total contingent liabilities	**-**	-

NOTE 14. LEASES

	31/12/2022	31/12/2021
Within one year	-996	-996
Between one and five years	-166	-1,162
After more than five years	-	-
Total leasing agreements	-1,162	**-2,159**

NOTE 15. INTANGIBLE FIXED ASSETS

	31/12/2022			31/12/2021		
	PATENTS	CAPITALISED DEVELOPMENT EXPENSES	TOTAL	PATENTS	CAPITALISED DEVELOPMENT EXPENSES	TOTAL
Accumulated cost of acquisition						
At the start of the year	7,222	249,743	256,965	6,425	226,370	232,795
Acquisitions for the year	148	5,888	6,035	797	23,374	24,170
Divestments and disposals	-	-	-	-	-	-
At year-end	**7,370**	**255,630**	**263,000**	**7,222**	**249,743**	**256,965**
Accumulated depreciation						
At the start of the year	-6,125	-73,546	-79,671	-5,941	-42,097	-48,038
Depreciation for the year	-59	-	-59	-184	-31,450	-31,633
At year-end	**-6,184**	**-73,546**	**-79,730**	**-6,125**	**-73,546**	**-79,671**
Accumulated impairment losses						
At the start of the year	-	-137,472	-137,472	-	-	-
Impairment losses for the year	-	-	-	-	-137,472	-137,472
At year-end	**-**	-137,472	-137,472	**-**	-137,472	-137,472
Recognised value						
At the start of the year	1,097	38,724	**39,821**	484	184,273	184,757
At year-end	**1,186**	**44,612**	**45,798**	**1,097**	**38,724**	**39,821**

NOTE 16. SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL YEAR

A new strategic collaboration between Nilar and Indutecc Renewable Solutions has been established for development of smart energy storage solutions with Nilar's ReOx® batteries for industries and commercial properties.

John Häger was elected to Nilar International AB's Board of Directors at an extraordinary general meeting held on 13 March 2023.

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 financial statements give a true and fair view of the development of the business activities, financial position and results of operations as well as the significant risks and uncertainties to which the Parent Company and the entities incorporated in the Nilar Group are exposed.

The annual accounts and consolidated financial statements, as noted below, were approved for issue by the Board and CEO on 12 April 2023.

The consolidated income statement and balance sheet are subject to approval at the annual general meeting on 25 May 2023.

Täby, April 2023

Gunnar Wieslander
Chairman of the Board

Peter Wesslau
Board member

Ulrika Molander
Board member

Stefan De Geer
Board member

Marko Allikson
Board member

Helena Nathhorst
Board member

John Häger.
Board member

Erik Oldmark
CEO

Our auditors' report was submitted in Stockholm on 12 April 2023
Deloitte AB

Therese Kjellberg
Authorised Public Accountant

AUDITOR'S REPORT

To the general meeting of Nilar International AB, corporate ID number 556600-2977

Report on the annual accounts and consolidated financial statements

Statements

We have audited the annual accounts and consolidated accounts of Nilar International AB for the financial year 2022-01-01-2022-12-31, with the exception of the corporate governance report on pages 52-57. The company's annual accounts and consolidated accounts are included on pages 44-102 of this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and, in all material respects provide a true and fair view of the parent company's financial position as at 31 December 2022 and of its financial performance and cash-flow for the year, in accordance with the Annual Accounts Act. The consolidated financial statements have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as at 31 December 2022 and its financial performance and cash-flow for the year in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our statement does not include the corporate governance report on pages 52– 57. The administration report is consistent with the other parts of the annual accounts 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

Vi 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 regarding the going concern assumption

Vi vill fästa uppmärksamhet på förvaltningsberättelsen under We would like to draw attention to the administration report under the section "Continued financing", which states that the company's current strategy requires Nilar to raise new capital in 2023 to finance the company. At the time of signing the annual accounts, no financing has been secured for the next 12 months, however, Nilar has engaged financial advisers to raise this capital. As stated in the administration 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 consolidated accounts

This document also contains information other than the annual report and can be found on pages 1-43 and 103-112.
This other information is the responsibility of the Board and the CEO.

Our opinion on the annual report and consolidated accounts does not cover this information and we do not express an audit opinion on this other information.

In connection with our audit of the annual report and consolidated accounts, it is our responsibility to read the information identified above and consider whether the information is materially inconsistent with the annual report and consolidated accounts.

In performing our review, we also consider the other knowledge we have obtained during the audit and whether the information otherwise appears to be materially misstated.

If, based on the work performed on this information, we conclude that the other information contains a material misstatement, we are required to report it.

We have nothing to report in this regard.

The board's och verkställande direktörens responsibilities

The Board of Directors and the CEO are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the CEO are also responsible for the internal control that they deem necessary for the preparation of an annual accounts and consolidated financial statements that do not contain any material misstatement, whether due to irregularities or mistakes.

In preparing the annual accounts and consolidated financial statements, the Board of Directors and the CEO are responsible for assessing the company's and the Group's ability to continue operations. They disclose, where applicable, conditions that may affect the ability to continue operations and to use the assumption of continued operation. However, the assumption of continued operation does not apply if the Board of Directors and the CEO intend to liquidate the company, cease operations or have no realistic alternative to doing any of these.

Auditor's responsibilities

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

As part of an audit under ISA, we use professional judgement and have a professionally sceptical 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 the internal control.

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

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

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

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

We must inform the Board of Directors of, among other things, the planned scope and focus 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 legal and regulatory requirements

Statements

In addition to our audit of the annual report and the consolidated accounts, we have also performed an audit of the Board of Directors and the CEO's management for Nilar International AB for the financial year 2022-01-01-2022-12-31, and of the proposal for disposal of the company's profit or loss.

We recommend that the general meeting treat losses according to the proposal in the administration report and discharge the board of directors and CEO from liability for the financial year.

Basis for statements

Vi have carried out the audit in accordance with International good auditing practice in Sweden. Our responsibilities in this respect 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.

The board's och verkställande direktörens responsibilities

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 organisation 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 organisation is designed is such a way that the accounting, management of funds and the company's financial affairs are otherwise controlled in a satisfactory manner. Verkställande direktören ska sköta den löpande förvaltningen enligt styrelsens riktlinjer och anvisningar och bland annat vidta de åtgärder som är nödvändiga för att bolagets bokföring ska fullgöras i överensstämmelse med lag och för att medelsförvaltningen ska skötas på ett betryggande sätt.

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:
• has performed any action or omissions which may give rise to liability to the company, or
• 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 a reasonable degree of certainty whether the proposal is compatible with the Companies Act.
Reasonable certainty 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 judgement and have a professionally sceptical 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 audit 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.

Auditor's review of the corporate governance report

The Board of Directors is responsible for the corporate governance report on pages 52-57 and that it has been prepared in accordance with the Annual Accounts Act.

Our audit has been conducted in accordance with FAR's recommendation RevR 16 The auditor's review of the corporate governance report. This means that our audit of the corporate governance report has a different focus and a significantly smaller scope compared to 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 audit provides us with a sufficient basis for our statements.

A corporate governance report has been prepared and can be found on pages 52-57. Disclosures in accordance with Chapter 6, §6, second paragraph, items 2-6 of the Annual Accounts Act and Chapter 7, §31, second paragraph of the same Act, are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act

Stockholm april 12 2023, according to subsequent digital signature

Deloitte AB
Therese Kjellberg Authorised accountant

DEFINITIONS

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

EBITDA
Earnings before Depreciation and Amortisation.

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

EBIT
Earnings after Depreciation and and Amortisation.

EBIT-margin (operating margin)
Operating profit/loss after depreciation and amortisation 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

KEY FIGURES FOR THE GROUP

MSEK	2022	2021	2020	2019	2018
Income statement					
Revenue	0.3	17.8	25.2	10.4	3.4
Gross profit	-150.3	-479.5	-199.2	-151.1	-35.7
EBITDA	-185.8	-382.1	-223.4	-183.0	-77.8
Operating profit / EBIT	-249.1	-596.4	-284.0	-221.7	-89.9
Profit/loss before tax	-287.5	-600.5	-342.9	-238.5	-91.1
Profit/loss after tax	-287.5	-600.5	-342.9	-238.5	-91.1
Other					
Depreciation	-63.2	-76.8	-60.7	-38.8	-12.1
intangible fixed assets	0.0	-31.6	-30.9	-28.2	-7.3
tangible fixed assets	-53.9	-39.8	-24.9	-6.9	-4.7
Capitalised expenses for development work	5.9	23.4	30.4	26.8	17.4
Full-time equivalent employees, number	110	185	127	90	48
Cash flow from					
operating activities	-217.9	-446.6	-211.6	-153.9	-73.6
investing activities	-48.2	-215.1	-111.5	-135.2	-45.6
financing activities	240.0	818.5	233.6	420.0	76.9
Cash flow for the period	-26.1	156.8	-89.4	130.9	-42.3
Ordinary shares and share options in issue, thousand					
Weighted average number of ordinary shares in issue	229,973.0	32,285.1	4,589.3	4,047.7	3,281.2
Weighted average number of share options in issue	250.3	260.3	56.1	149.5	275.3
Weighted number of ordinary shares after dilution	182,630.2	37,877.8	4,658.8	4,197.2	3,556.5

MSEK	2022	2021	2020	2019	2018
Balance sheet					
Fixed assets	462.3	440.9	421.0	370.4	232.8
Current assets	324.7	374.3	155.3	195.5	56.1
Total assets	787.0	815.2	576.4	565.9	288.9
Equity	450.4	491.5	103.1	275.8	201.3
Non-current liabilities	222.6	181.2	119.1	33.0	-
Current liabilities	114.0	142.5	354.1	257.1	87.5
Total equity and liabilities	787.0	815.2	576.4	565.9	288.9
Other					
Capitalised patent costs	1.2	1.1	0.5	1.2	1.5
Capitalised development costs	44.6	38.7	184.3	190.8	191.8
Property, plant and equipment	168.7	193.2	146.4	60.5	16.2
Construction in progress	174.6	155.1	50.6	80.4	23.2
Inventory	101.9	99.3	42.0	17.6	8.0
Cash and cash equivalents	204.7	230.7	73.9	163.4	32.5
Shareholder equity ratio, %	57%	60%	18%	49%	70%
Debt ratio, times	0.7	0.7	4.6	1.0	0.4
Ordinary shares and share options in issue, thousand					
Shares in issue at end of period	318,582.3	45,511.7	5,025.2	4,431.9	3,451.0
Share options in issue at end of period	250.3	260.3	170.6	149.5	149.5

QUARTERLY DATA FOR THE GROUP

	2022				2021				2020			
MSEK	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Income statement												
Revenue	1.47	1.23	1.77	-4.19	-0.11	5.37	7.17	5.40	5.7	7.5	7.5	4.6
Gross profit	-43.2	-31.3	-35.0	-40.8	-237.7	-87.4	-84.8	-69.6	-78.1	-39.9	-39.7	-41.6
EBITDA	-57.0	-38.0	-42.8	-48.1	-110.6	-93.0	-100.6	-78.0	-83.9	-43.5	-49.4	-48.3
Operating profit / EBIT	-73.3	-53.8	-58.5	-63.5	-269.5	-112.2	-118.7	-96.0	-101.8	-58.3	-63.1	-60.9
Profit/loss before tax	-81.6	-63.8	-67.8	-74.2	-251.5	-100.0	-134.7	-114.4	-113.2	-75.6	-86.0	-68.0
Profit/loss after tax	-81.6	-63.8	-67.8	-74.2	-251.5	-100.0	-134.7	-114.4	-113.2	-75.6	-86.0	-68.0
Other												
Depreciation	-16.3	-15.8	-15.7	-15.4	-21.4	-19.2	-18.2	-18.0	-17.8	-15.7	-14.5	-12.6
of which intangible fixed assets	-	-	-	-	-8.3	-7.9	-7.7	-7.7	-8.0	-8.0	-8.0	-7.1
of which tangible fixed assets	-13.9	-13.3	-13.3	-13.3	-11.6	10.1	-9.2	-9.0	-8.7	-6.5	-5.4	-4.4
Capitalised expenses for development work	0.8	0.7	1.7	2.6	6.1	5.1	5.5	6.6	5.2	6.7	5.4	5.3
Full-time equivalent employees, number	107	101	105	168	253	227	224	198	152	113	118	125
Cash flow from												
operating activities	-67.6	-48.1	-51.6	-58.9	-131.9	-110.5	-120.7	-83.5	-67.8	-42.6	-41.3	-59.9
investing activities	0.8	-6.6	-14.2	-17.5	-61.8	-65.6	-51.2	-36.5	-60.6	-17.5	-14.7	-18.7
financing activities	18.4	-15.9	238.6	-3.4	-1.0	-2.7	715.4	106.9	131.5	123.1	-1.0	-19.9
Cash flow for the period	-48.4	-70.7	172.8	-79.8	-194.8	-178.8	543.5	-13.1	3.2	63.0	-57.0	-98.5
Ordinary shares and share options in issue, thousand												
Weighted average number of ordinary shares in issue	315,713.6	297,067.0	51,101.9	45,511.8	45,511.8	45,511.8	45,511.8	5,087.2	4,969.2	4,524.1	4,431.9	4,431.9
Weighted average number of share options in issue	250.3	250.3	250.3	250.3	260.3	260.3	260.3	170.6	63.5	10.0	55.0	149.5
Weighted number of ordinary shares after dilution*	320,995.2	302,348.6	56,383.5	50,793.4	45,511.8	45,511.8	33,440.1	5,076.9	5,032.8	4,534.1	4,486.8	4,581.4

* This is the actual number of shares that will be issued if all options are exercised.

MSEK	31/12/2022	30/09/2022	30/06/2022	31/03/2022	31/12/2021	30/09/2021	30/06/2021	31/03/2021	31/12/2020	30/09/2020	30/06/2020	31/03/2020
Balance sheet												
Fixed assets	462.3	466.1	473.3	469.9	440.9	522.3	476.2	442.2	421.0	384.4	382.6	382.0
Current assets	324.7	369.5	438.8	264.7	374.3	545.8	694.2	137.1	155.3	118.4	53.0	104.1
Total assets	787.0	835.6	912.1	734.7	815.2	1,068.0	1,170.4	579.2	576.4	502.8	435.7	486.1
Equity	450.4	511.9	589.3	417.3	491.5	729.1	829.2	7.3	103.1	170.3	121.8	207.8
Non-current liabilities	222.5	218.1	231.1	205.6	181.2	201.5	218.9	212.9	119.1	35.0	35.8	36.4
Current liabilities	114.0	105.7	109.6	111.8	142.5	137.4	122.4	359.0	354.1	297.5	278.1	241.9
Total equity and liabilities	787.0	835.6	912.1	734.7	815.2	1,068.0	1,170.4	579.2	576.4	502.8	435.7	486.1
Other												
Capitalised patent costs	1.2	1.2	1.2	1.2	1.1	0.8	0.7	0.5	0.5	1.0	1.0	1.1
Capitalised development costs	44.6	43.8	43.1	41.4	38.7	178.4	181.1	183.2	184.3	185.3	186.6	189.1
Property, plant and equipment	168.7	156.6	170.0	183.4	193.2	169.7	138.1	137.3	146.4	142.6	88.9	86.8
Construction in progress	174.6	189.6	182.5	167.0	155.1	134.6	116.2	80.3	50.6	15.6	65.0	63.2
Inventory	101.9	93.7	97.3	95.6	99.3	91.5	60.2	42.0	42.0	26.1	27.8	24.2
Cash and cash equivalents	204.7	253.2	323.8	151.0	230.7	425.5	604.3	60.8	73.9	70.8	7.8	64.9
Shareholder equity ratio, %	57%	61%	65%	57%	60%	68%	71%	1%	18%	34%	28%	43%
Debt ratio, times	0.7	0.6	0.5	0.8	0.7	0.5	0.4	78.2	4.6	2.0	2.6	1.3
Ordinary shares and share options in issue, thousand												
Shares in issue at end of period	318,582.3	297,067.0	62,282.1	45,511.8	45,511.8	45,511.8	45,511.8	5,087.2	5,025.2	4,714.5	4,431.9	4,431.9
Share options in issue at end of period	250.3	250.3	250.3	250.3	260.3	206.3	260.3	170.6	170.6	10.0	10.0	149.5

ALTERNATIVE PERFORMANCE MEASURES

The interim report refers to a number of non-IFRS performance metrics that are used to help investors and management analyse the company's activities. The metrics presented in this report may differ from similarly named metrics in other companies.

DESCRIPTION OF PERFORMANCE MEASURES NOT INCLUDED IN THE IFRS FRAMEWORK

Performance measures	**Different types of performance measures and margin measures 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, warranties 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 capitalised development expenses.
Operating expenses	Cost of goods sold, sales and marketing costs, administration costs, and development costs, before capitalisation of development costs.	
Capitalisation 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 amortisation of tangible and intangible assets.	The measures is a good complement to the operating results as it shows, simplified, the cash-based performance of 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 monitor 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.

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**
Capitalised expenditure for development	Development expenses are recognised 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 expenses are recognised as an expense. The most important criteria for capitalisation of development expenses 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 expenses capitalised are generated externally as well as internally and include direct costs for services used. Directly attributable costs that are capitalised as part of the product development, production processes and implementation of software systems include expenditures to 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 amortisation.
Debt/equity ratio	Liabilities divided by equity.	The debt/equity ratio shows the proportion of the company's debt in relation to equity
Shareholder equity ratio	Equity divided by the balance sheet total.	A traditional measure to show 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.
Investments	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 (tangible fixed assets).

Shareholder 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 measure shows 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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