

Interim Report

1 January - 31 March 2023



STEP BY STEP, WE CONTINUE TO DELIVER ACCORDING TO THE NEW STRATEGY

January – March 2023 in summary

- Net sales, MSEK 3.1 (-4.2).
- Delivered batteries 144 (52).
- Gross profit MSEK -30.2 (-40.8).
- EBITDA¹ MSEK -44.9 (-48.1).
- Operating profit (EBIT) MSEK -64.8 (-63.5).
- Profit for the period MSEK -70.9 (-74.2).
- Earnings per share before/after dilution SEK -0.22 (-1.63)³.

Significant events during the first quarter

- During the quarter, Nilar entered a new strategic partnership with Dutch Indutec Renewable Solutions, part of the industrial group Schuurman Group, to jointly develop smart energy storage solutions for major industries and commercial properties. The agreement is Nilar's third integration cooperation. This collaboration will start with a development project to test and integrate Nilar's battery into Indutec's own energy storage solutions with a capacity of 50-500 kWh per system.
- In March, Nilar's factory in Gävle was visited by Sweden's Minister of Education Mats Persson. In connection with the visit, the Minister expressed the importance of Swedish research-intensive companies such as Nilar and the growing importance of battery technology for Sweden.
- In connection with an extraordinary general meeting on March 13, John Häger was elected as a new board member.

Significant events after end of period

- Nilar International AB has signed an offtake agreement with Indutec Renewable Solutions to supply ReOx[®] batteries for integrated energy storage. The new agreement entails an order worth EUR 10 million or approximately SEK 110 million, corresponding to over 13 MWh in battery capacity.

MSEK	2023 jan-mar	2022 jan-mar	2022 jan-dec
Revenue	3,1	-4,2	0,3
Gross profit	-30,2	-40,8	-150,3
EBITDA	-44,9	-48,1	-185,8
Operating income (EBIT)	-64,8	-63,5	-249,1
Net profit/loss after tax	-70,9	-74,2	-287,5
Cash flow from operating activities	-49,2	-58,9	-217,9
Cash flow from investing activities	-3,8	-17,5	-48,2
Cash flow from financing activities	-0,0	-3,4	240,0
Equity/debt ratio, %	53%	57%	57%
Shares in issue at end of period, '000	318 582,3	45 511,8	318 582,3
Share options in issue at end of period, '000	250,3	250,3	250,3
Weighted average number of ordinary shares in issue ²⁾ , '000	318 582,3	45 511,8	229 973,0
Delivered batteries, number	144	52	592
Average employed and contracted personnel	111	168	120

¹⁾ Alternative key ratios. See page 15 for further explanations. Applies to this and all subsequent alternative key ratios in the report.

²⁾ For Average number of shares and Earnings per share after dilution, the option rights in the EIB loan have not been taken into account, as that would have resulted in a small negative result per share.

³⁾ The historic number of issued shares when calculation earnings per share have been recalculated as an effect of the bounds issue parameter in the carried out rights issue during q2 2022. The conversion factor is 3.16.

CEO'S COMMENTS: STEP BY STEP, WE CONTINUE TO DELIVER ACCORDING TO THE NEW STRATEGY

Nilar continues to develop the business in line with our new strategy. During the first quarter of the year, several milestones were reached, which both confirm Nilar's prominent position in innovation and that our solutions are attractive for new integration projects. Together with new partners, we will continue to drive the development of smart energy storage solutions, while broadening our market segments. During the first quarter, the high pace of change work that characterized the previous year continued.

Dutch Indutecc chooses Nilar for new integration project

In February, we announced that Nilar is initiating a long-term collaboration with Indutecc Renewable Solutions, where we together will develop smart energy storage solutions for major industries and commercial properties. The collaboration is Nilar's third integration collaboration and an important step in our strategic plan. Thus, Nilar has strong partners in all our prioritized market segments. Indutecc will also acquire a number of energy storage systems from Enequi, which include Nilar's batteries. The goal is to sell around thirty ready-made solutions already in 2023.

In May Nilar International AB signed an offtake agreement with Indutecc Renewable Solutions to supply ReOx[®] batteries for integrated energy storage. The new agreement entails an order worth EUR 10 million or approximately SEK 110 million, corresponding to over 13 MWh in battery capacity.

Minister of Education Mats Persson visits the factory in Gävle

As CEO of Nilar, I am proud to have received Minister of Education Mats Persson at Nilar's factory in Gävle, where he learned more about the company's circular battery and innovative power. Sweden is a country with a strong engineering and technology culture, where investments in technology and research such as Nilar's are crucial to ensure the country's competitiveness and continued growth. One of the minister's messages during the visit was that battery technology is a particularly important part of this as it is necessary for the continued electrification of society and the expansion of the grid.

The Swedish battery contributes to robust energy systems and increased sustainability

In an environment where high energy prices and geopolitical uncertainty dominate the news flow, the need for efficient battery solutions and

robust production chains is clearer than ever. The EU's high targets for accelerating the green transition mean a major increase in global demand for batteries. Wood McKenzie's report (December 2022) notes that the energy storage market in Europe and the US is being driven by higher energy prices that are becoming increasingly volatile. Already in 2023, a doubling of the installed energy storage capacity is expected compared to 2022. The growth rate of energy storage capacity in GWh is expected to be about 28% per year until 2031. With a rapidly growing demand for batteries, the sustainability perspective and resource use will become increasingly critical issues.

Nilar's battery technology is distinguished using nickel metal hydride (NiMH) electrochemistry with a water-based electrolyte, which provides a high level of safety. In addition, all Nilar products in Sweden are produced with 100% renewable energy. The battery is built in a way that allows materials to be separated mechanically without energy-intensive processes, allowing components to be reused in new Nilar batteries. In addition, our products do not contain the harmful substances cadmium, mercury, and lead.

At an extraordinary general meeting in March, we strengthened the company's board. We welcome John Häger, President of Duroc AB with many years of experience from Sandvik Coromant.



THE BUSINESS

ABOUT NILAR

Nilar is a Swedish-based developer and manufacturer of batteries aimed to build Electrical Energy Storage (ESS) systems with better energy storage, society can support the increasingly strained electricity grid by bridging imbalances between production and demand. This is particularly important when the share of renewable energy sources increases. Nilar's battery technology is based on nickel metal hydride (NiMH) electrochemistry with a water-based electrolyte, which provides both higher safety and better performance while allowing the components to be recycled and reused.

The company is headquartered in Täby and production are since 2012 based in the Gävle, where the company's research and development also takes place.

The NILAR share is listed on Nasdaq First North Premier Growth Market, with FNCA Sweden as Certified Adviser. For more information, see www.nilar.com.

FINANCIAL TARGETS

SALES:

Net sales of at least SEK 1 billion by 2025. Sales are expected to be achieved through, among other things, increased production capacity through productivity improvements, increased sales prices, and installation of additional production lines in the Gävle factory as well as the establishment of a factory in Estonia.

PROFITABILITY:

Long-term EBITDA margin of at least 20 percent. Margin improvements are expected to be achieved through, product development, increased pricing, economies of scale, a higher proportion of production in low-cost regions and the introduction of new service offerings related to Nilar's reoxygenating technology and data monitoring.



FINANCIAL OVERVIEW

JANUARY – MARCH 2023

TURNOVER AND EARNINGS

Revenue for Q1 increased to MSEK 3.1 (-4.2). The negative sales in the first quarter of 2022 were due to the take-back of batteries delivered at the end of 2021. Sales of the new ReOx® batteries that began at the end of 2022 have continued in the first quarter of 2023.

Cost of sales decreased to MSEK -33.3 (-36.6). Cost of goods sold consists mainly of staff related expenses. The decline in staff related expenses is the primary reason for the decline in cost of goods sold.

Gross Profit amounts to MSEK -30.2 (-40.8).

Cost for R&D amounts to MSEK -15.6 (-8.5) for the period. The increase is primarily due to increased expenses for staff and consultants. During the first quarter of 2023, no development costs have been capitalized since the development of the ReOx® battery is completed.

Distribution & Selling cost amounts for the quarter to MSEK -7.8 (-6.8). The increase is primarily due to increased expenses for staff.

Administrative expenses in the quarter amounts to MSEK -11.6 (-7.8). The increase is primarily explained by exchange losses and increased expenses related to staff, audit, and board fees.

Depreciation and amortisation of tangible and intangible fixed assets amounts to MSEK -20.0 (-15.4). Depreciation of machinery equipment increased to MSEK -15.9 (-13.3) as a result of the expansion of the production facility in Gävle. Amortisation of capitalised development expenses related to Nilar's new battery ReOx® and the new BMS platform and patents amounted to MSEK -1.7 (0.0). This amortisation began on 1 January 2023. Depreciation cost for right-of-use assets amounted to MSEK -2.5 (-2.1).

Other operation income amounts to MSEK 0.3 (0.4).

Operating profit came in at MSEK -64.8 (-63.5) as a result of above-mentioned changes.

Financial items net amounted to MSEK -6.1 (-10.7), of which MSEK 3.6 relates to exchange gains, MSEK -2.5 relates to exchange losses, MSEK -3.8 relates to interest on loans from EIB, MSEK 2.4 relates to amortised cost related to the loan from EIB and MSEK -0.7 relates to leasing interest according to IFRS 16.

Profit before and after tax amounted to MSEK -70.9 (-74.2).

CASH FLOW AND INVESTMENTS

Cash flow from operating activities amounted to MSEK -49.2 (-58.9).

Change in working capital amounted to MSEK 1.0 (-1.2), of which MSEK 2.8 was due to a decrease in inventories, MSEK -1.2 was due to an increase in operating receivables and MSEK -0.6 was explained by a decrease in operating liabilities.

Cash flow from Investing activities amounted to MSEK -3.8 (-17.5), of which MSEK -3.8 (-14.8) consisted of investments in tangible assets and MSEK 0.0 (-2.8) consisted of capitalised development costs and patents.

Cash flow from financing activities amounted to MSEK 0.0 (-3.4).

Cash flow for the period was MSEK -53.1 (-79.8).

PERSONNEL

During the first quarter 2023, the average number of full-time equivalent workers decreased to 111 (168). Average number of full-time employees amounts to 96 (156) and full-time contractors 15 (13). Within the production unit, numbers of FTE decreased to 47 (94). The decrease is due to lower production levels and the two redundancy notices in Q4 2021.

Total head count by the end of the period was 117 (170).

FINANCIAL POSITION

BALANCE SHEET

The balance sheet total is MSEK 718.7 (787.0). Comparative figures for the balance sheet are from December 31st, 2022.

The group's **intangible fixed assets** at the end of the period amounted to MSEK 44.0 (45.8). Assets consist of capitalised expenditure for development work of MSEK 43.0 (44.6) and patents of MSEK 0.9 (1.2). On 1 January 2023 amortisation of capitalised expenditure related to the development of Nilar's new battery ReOx® and the new BMS platform.

Property, plant and equipment amounted to MSEK 332.9 (343.3), of which MSEK 180.0 (174.6) consists of fixed assets under construction for the factory in Gävle and the commenced construction of Nilar's new factory in Estonia. Total tangible assets consist of forming- and electrode manufacturing equipment for a total of 6 completed production lines in Gävle and for 4 lines under construction in Estonia.

Current assets at the end of the period amounted to MSEK 270.7 (324.7). The decrease in the balance sheet item mainly consists of lower cash and cash equivalents. Stock amounted to MSEK 99.1 (101.9).

Equity in the group per year end amounted to MSEK 379.8 (450.4).

Liabilities at the end of the period amounted to MSEK 338.9 (336.6), of which **long-term liabilities** amounted to MSEK 226.0 (222.5) and **short-term liabilities** amounted to MSEK 112.9 (114.0). The equity ratio amounts to 53% (57%).

GROUP STATEMENT OF COMPREHENSIVE INCOME

TSEK	Note	Q1		Full year
		2023 jan-mar	2022 jan-mar	2022 jan-dec
Revenue	1	3 101	-4 193	280
Cost of sales		-33 275	-36 626	-150 621
Gross profit		-30 174	-40 818	-150 341
Research and development expenses		-15 603	-8 454	-37 051
Distribution and selling costs		-7 780	-6 763	-30 786
Administrative expenses		-11 588	-7 835	-34 668
Other operating income		310	357	3 787
Operating profit / EBIT		-64 835	-63 513	-249 060
Finance income		3 622	-2 185	8 827
Finance costs		-9 688	-8 519	-47 258
Finance items, net	2	-6 066	-10 704	-38 431
Profit before income tax		-70 901	-74 217	-287 491
Income tax		-	-	-
Net profit/loss after tax		-70 901	-74 217	-287 491
Attributable to:		-	-	-
Parent Company shareholders		-70 901	-74 217	-287 491
Non-controlling interests		-	-	-
Earnings per share				
Profit after tax		-70 901	-74 217	-287 491
Number of shares at end of period		318 582 257	45 511 751	318 582 257
Number of share options at end of period		250 315	250 315	250 315
Weighted number of ordinary shares before dilution ¹⁾ ,		318 582 257	45 511 751	229 973 009
Earnings per share before dilution, ¹⁾²⁾ , SEK		-0,22	-1,63	-1,59
Other comprehensive income				
Currency translation differences		304	15	-241
Other comprehensive income for the year, net after tax		304	15	-241
Total comprehensive income		-70 597	-74 202	-287 732

¹⁾ For Average number of shares and Earnings per share after dilution, the option rights in the convertible loan and the EIB loan have not been taken into account, which would have resulted in a smaller negative result per share.

²⁾ The historical amount of outstanding shares when calculating earnings per share have been recalculated as an effect of the bonus issue parameter in the carried out rights issue during second quarter 2022. The conversion factor is 3.16.

GROUP BALANCE SHEET

TSEK	Note	2023-03-31	2022-12-31
ASSETS			
FIXED ASSETS			
Intangible fixed assets			
Patents		942	1 186
Capitalized expenditure for development work		43 018	44 611
Total intangible fixed assets		43 960	45 798
Tangible fixed assets			
Property, plant and equipment		152 871	168 746
Fixed assets under construction		179 996	174 600
Total tangible fixed assets		332 867	343 346
Other fixed assets			
Right-of-use assets		71 223	73 180
Total other fixed assets		71 223	73 180
Total fixed assets		448 050	462 324
CURRENT ASSETS			
Inventories	4	99 122	101 893
Accounts receivable - trade		8 003	5 323
Tax assets		1 982	1 452
Other receivables		6 377	8 083
Prepaid expenses and accrued income		3 454	3 188
Cash and cash equivalents		151 749	204 735
Total current assets		270 687	324 673
Total assets		718 737	786 997
EQUITY AND LIABILITIES			
EQUITY			
Share capital		53 097	53 097
Non-registered share capital		-	-
Other contributed capital		2 252 916	2 252 916
Other reserves		139	-164
Retained earnings		-1 926 312	-1 855 412
Total equity		379 840	450 437
LIABILITIES			
Non-current liabilities			
Long-term lease liabilities		61 712	63 178
Borrowings	3	164 254	159 352
Total non-current liabilities		225 966	222 530
Current liabilities			
Current lease liabilities		11 104	11 340
Provisions of warranty		30 686	30 992
Accounts payable - trade		5 534	10 140
Other liabilities		47 917	48 200
Accrued expenses and deferred income		17 689	13 358
Total current liabilities		112 930	114 030
Total equity and liabilities		718 737	786 997

GROUP STATEMENT OF CHANGES IN EQUITY IN SUMMARY

TSEK	Q1		Full year
	23-03-31	22-03-31	22-12-31
Equity at beginning of period	450 437	491 498	491 498
Comprehensive income			
Earnings after tax	-70 901	-74 217	-287 544
Other comprehensive income	304	15	-188
Total comprehensive income	-70 597	-74 202	-287 732
Transactions with shareholders			
New share issue	-	-	246 671
Total transactions with shareholders	-	-	246 671
Equity at end of period	379 840	417 296	450 437

GROUP CASH FLOW ANALYSIS

	Q1		Full year
	2023	2022	2022
TSEK	jan-mar	jan-mar	jan-dec
Cash flow from operating activities			
Profit/loss before tax	-70 901	-74 217	-287 491
<i>Interest paid and received</i>	-4 781	-2 732	-14 867
Adjustments for other non-cash items			
Depreciation of tangible and intangible fixed assets	19 975	15 418	63 249
Change in fixed assets not affecting cash	188	-	1 240
Unrealised exchange rate difference	-976	2 704	4 869
Amortised cost EIB loan	2 353	2 031	8 717
Provisions for warranty	-306	-3 492	4 174
Other	-	-158	178
Net cash generated from operating activities before changes in working capital	21 234	16 503	82 427
Taxes paid	-530	-	-
Cash flow from changes in working capital			
Increase (-)/decrease (+) in inventories	2 771	3 657	-2 642
Increase (-)/decrease (+) in receivables	-1 193	26 151	26 090
Increase (+)/decrease (-) in liabilities	-558	-30 966	-36 268
Change in working capital	1 020	-1 158	-12 820
Net cash generated by operating activities	-49 177	-58 872	-217 884
Cash flows from investing activities			
Investments in intangible assets	-	-2 769	-6 035
Investments in tangible fixed assets	-3 840	-14 761	-42 138
Net cash used in investing activities	-3 840	-17 530	-48 173
Cash flows from financing activities			
New share issue	-	-	246 671
Amortization of leasing liability and payment of leasing interest	-2 206	-	-
Change in external debt	-	-3 405	-6 686
Change in internal debt	2 168	-	-
Net cash used in financing activities	-38	-3 405	239 985
Net decrease/increase in cash equivalents	-53 055	-79 807	-26 072
Reconciliation of cash equivalents			
Cash equivalents at the beginning of the period	204 735	230 748	230 748
Cash flow for the period	-53 055	-79 807	-26 072
Exchange rate difference in cash equivalents	70	12	60
Cash equivalents at the end of the period	151 750	150 953	204 736

PARENT COMPANY INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

TSEK	Q1		Full year
	2023 jan-mar	2022 jan-mar	2022 jan-dec
Revenue	-	-	-
Cost of sales	-	-48	-260
Gross profit	-	-48	-260
Research and development expenses	-2 195	-236	-2 514
Distribution and selling costs	-85	-88	-595
Administrative expenses	-7 085	-3 312	-18 636
Other operating income	0	1	46
Operating profit / EBIT	-9 365	-3 683	-21 958
Finance income	4 186	1 440	15 879
Finance costs	-8 644	-7 415	-42 782
Write-down of shares in subsidiaries	-	-	-150 616
Finance costs - net	-4 458	-5 974	-177 519
Profit after finance costs	-13 823	-9 657	-199 477
Profit before tax	-13 823	-9 657	-199 477
Income tax expense	-	-	-
Profit after tax	-13 823	-9 657	-199 477
Parent company statement of other comprehensive income			
Other comprehensive income, net after tax	-	-	-
Total comprehensive income for the period	-13 823	-9 657	-199 477

PARENT COMPANY BALANCE SHEET

TSEK	2023-03-31	2022-12-31
ASSETS		
FIXED ASSETS		
Intangible fixed assets		
Patents	942	1 186
Capitalised expenditure for development work	43 018	44 611
Total intangible fixed assets	43 960	45 798
Tangible fixed assets		
Property, plant and equipment	167	179
Total tangible fixed assets	167	179
Financial non-current assets		
Participations in Group companies	28 199	28 199
Receivables from Group companies	355 439	312 589
Total financial non-current assets	383 638	340 788
Total fixed assets	427 765	386 765
CURRENT ASSETS		
Tax assets	456	359
Other receivables	802	866
Prepaid expenses and accrued income	1 053	1 020
Cash and cash equivalents	145 217	194 051
Total current assets	147 529	196 296
Total assets	575 294	583 061
EQUITY AND LIABILITIES		
EQUITY		
Restricted equity		
Share capital	53 097	53 097
Statutory reserve	34 401	34 401
Fund for development expenditure	44 611	44 611
Total restricted equity	132 110	132 110
Non-restricted equity		
Share premium reserve	2 220 284	2 220 284
Profit/loss brought forward	-1 935 520	-1 736 043
Profit/loss for the year	-13 823	-199 477
Total non-restricted equity	270 941	284 764
Total equity	403 050	416 874
LIABILITIES		
Non-current liabilities		
Borrowings	164 254	159 352
Total non-current liabilities	164 254	159 352
Current liabilities		
Accounts payable - trade	539	814
Other liabilities	2 280	2 226
Accrued expenses and deferred income	5 171	3 795
Total current liabilities	7 990	6 835
Total equity and liabilities	575 294	583 061

NOTES TO THE FINANCIAL REPORT

GENERAL INFORMATION

Nilar International AB (publ), 556600-2977, the parent company and its subsidiaries, referred to collectively as the group, is a company engaged in the development, manufacture and sale of batteries for use in electrical energy storage devices. The parent company is a limited liability company with its registered office and headquarters in Täby, Sweden. The address of the head office is Stockholmsvägen 116A, 187 30 Täby, Sweden.

The company's shares have been listed on Nasdaq First North Premier Growth Market under the ticker name NILAR since 30 April 2021.

ACCOUNTING PRINCIPLES

The interim report for the group has been prepared in accordance with IAS 34, Interim Financial Reporting, and the Annual Accounts Act. The financial statements for the parent company have been prepared in accordance with the Annual Accounts Act and RFR 2, Accounting for legal entities. The accounting policies applied are unchanged from the principles set out in the 2022 Annual Report.

The new standards and interpretations and amended standards effective on 1 January 2022 have not had a material impact on the group's financial statements. The same applies to the parent company, i.e. changes in RFR 2 effective on 1 January 2022 have not had a material impact on the parent company's financial statements.

Segment

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.

ESTIMATES AND ASSESSMENTS

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

The group makes assessments and assumptions for the future. The estimates for accounting purposes resulting from these will, by definition, rarely correspond to the actual results. The estimates and assumptions involving a considerable risk of significant adjustments to the recognised value of assets and liabilities in the next financial year are outlined below.

Impairment of intangible fixed assets

Nilar capitalises expenditure relating to product development, production process development and Battery Management System (BMS) to the extent that they are deemed to meet the criteria of IAS 38 paragraph 71 as set out on page 79 of the 2022 Annual Report.

The company continuously assesses whether there is a need to write down the value of its assets. At the end of the fourth quarter the board of Directors see no need for impairment of any assets. However, the outcome is sensitive to changes in key assumptions. The estimated recoverable amount for Nilar has no room for changes in the key assumptions.

Development costs for projects that have not yet been completed amount to MSEK 0.0.

Valuation of loss carry-forwards

The Group has unused carry-forward tax losses as per 31 December 2022 and 2021, respectively, of MSEK 1 635.9 (1329.0), of which MSEK 1 635.9 (1 330.0) relates to non-disclosed carry-forward. These relate to unused carry-forward tax losses for the parent company and the Swedish subsidiary Nilar AB. Deferred tax losses are not recorded in the balance sheet.

BREAKDOWN OF NET SALES (NOTE 1)

MSEK	Q1		Full year
	2023 jan-mar	2022 jan-mar	2022 jan-dec
Revenue	3,1	0,5	5,0
Sweden	3,1	0,5	5,0
Germany	-	-4,0	-4,8
Netherlands	-	-	0,7
Rest of Europe	-	-0,7	-0,6
Total	3,1	-4,2	0,3

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. Customers are mainly systems integrators of electrical energy storage systems (EES).

Nilar's revenue consists mostly of sales of batteries and related battery management systems. Revenue recognition currently takes place upon delivery and when control has been transferred to the customer. The company has no significant contract assets, contract liabilities or outstanding performance commitments.

FINANCIAL ITEMS NET (NOTE 2)

MSEK	Q1		Full year
	2023 jan-mar	2022 jan-mar	2022 jan-dec
Exchange Gains	3,6	-2,2	8,8
Total Financial Income	3,6	-2,2	8,8
Interest expense and amortised cost EIB	-6,2	-3,6	-14,7
Interest expense leasing	-0,7	-0,7	-3,0
Exchange Loss	-2,5	-1,9	-18,1
Other interest expense	-0,3	-0,5	-1,6
Other financial expenses	-	-1,8	-9,8
Sum financial expenses	-9,7	-8,5	-47,2
Financial items, net	-6,1	-10,7	-38,4

Financial items net for the quarter amounted to MSEK -6.1 (-10.7), of which MSEK 3.6 relates to exchange gains, MSEK -2.5 relates to exchange losses, MSEK -3.8 relates to interest on loans from EIB, MSEK 2.4 relates to amortised cost related to the loan from EIB and MSEK -0.7 relates to leasing interest according to IFRS 16.

BORROWINGS (NOTE 3)

MSEK	23-03-31	22-03-31	22-12-31
EIB	164,3	139,1	159,4
Total	164,3	139,1	159,4

EIB

In October 2020, the EIB (European Investment Bank) granted the company a 5-year loan facility of MEUR 47 based on specific conditions, of which MEUR 35 with planned disbursement in 2020-2022 tranche A and B for further expansion of the Gävle plant, and MEUR 12 tranche C with planned disbursement in 2023 to part-finance the next plant.

The condition for the disbursement of the initial MEUR 17.5 (tranche A) was achieved with the capital raising completed in H2 2020 of MSEK 178 before fees. The first partial tranche of MEUR 8.75 (MSEK 91.0) was received in the fourth quarter of 2020. The second and final payment of tranche A MEUR 8.75 (MSEK 87.8) was received in the first quarter of 2021. Remaining tranches have not nor will be used.

Tranche A runs from 24 November 2020 to 31 December 2025 with an annual interest rate of 7.5%. In addition 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.

Fair value

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 valued 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% increase in the share price results in a 10% increase in the market value.

INVENTORIES (NOTE 4)

TSEK	23-03-31	22-03-31	22-12-31
Inventories			
Raw materials	121 340	111 510	128 502
Stock of semi-finished products	9 218	42 334	13 702
Finished products	697	3 934	1 276
Advance suppliers	14 408	9 512	14 408
Impairment to net sales value			
Raw materials	-39 897	-45 053	-42 748
Stock of semi-finished products	-6 607	-24 377	-11 972
Advance suppliers	-37	-2 266	-1 276
Total inventories	99 122	95 594	101 893

The inventory is valued at the lower of purchase price and net realisable value. Raw materials and items relating to the new product strategy have been valued at purchase price. Remaining inventory has been written down to an estimated net realisable value.

TRANSACTIONS WITH RELATED PARTIES

There have been no significant related party transactions during the reporting period. More information is available in Note 25 in the 2022 Annual Report.

PARENT COMPANY

JANUARY – MARCH 2023

The parent company's net sales amounted to MSEK 0.0 (0.0). Intergroup purchases amounted to MSEK 0.0 (0.0) and consisted of the acquisition of intangible assets from the subsidiary Nilar AB. Research and development expenses amounted to MSEK -2.2 (-0.2) and consisted mainly of patent maintenance fees. Net financial income amounted to MSEK -4.5 (-6.0). Net financial items include interest income on loans to subsidiaries amounting to MSEK 4.1 (3.6) and interest expense on loans from the EIB MSEK -3.8 (-3.6). Profit after tax was MSEK -13.8 (-9.7).

Cash flow for the period was MSEK -48.8 (-77.3). Cash and cash equivalents at the end of the period amounted to MSEK 145.2 (194.1).

The equity ratio amounts to 70% (71%). Equity capital amounted to MSEK 403.1 (416.9).

ASSETS PLEDGED AS SECURITY AND CONTINGENT LIABILITIES

All the company's pledged assets, totalling MSEK 30, are unused.

RAISE OF NEW EQUITY

The rights issue carried out in 2022 secured the financing of the company's operations until the end of 2023, provided that Nilar's production and sales improves in accordance with assumed forecasts. Since summer, the company and the board have been working on implementing the established strategy related to product and production improvements as well as sales channels and pricing. In addition, extensive work has been carried out to reduce costs and purchases.

No later than by the end of 2023 Nilar needs to be refinanced for continued operations. When this interim report is signed, no further financing is secured and the conditions for future financing will, among other things, be affected by the situation on the financial market. The board is evaluating various possible sources of funding. Possible sources of capital are loans and issues. Given these sources of capital, the board estimates that new capital will be able to be acquired in the second half of 2023.

SIGNIFICANT RISKS AND UNCERTAINTIES

Nilar is affected by a number of external and internal factors that may result in an outcome that differs from forecasts, past performance and expectations. The following list represents a selection of the risks that the company considers significant but is not an exhaustive list of possible risks.

- Financial risks
- Economic, market and environmental risks
- Operating risks
- Sustainability risks

Nilar as all other companies is challenged by macro-economic fluctuations and changes in geopolitical affairs around the globe. Changes as political insecurity, global virus spreads and potential pandemics can rapidly change the landscape for doing business. Since February 2022 the uncertainty related to the geo-political development and ongoing sanctions between countries in Europe sanctions have escalated. The Russian invasion of Ukraine has raised concerns on multiple levels, not the least in the area connected to supply of specific raw materials. Nilar carefully monitors this situation but cannot at this time fully evaluate future scenarios and the impact these could have on Nilar's business.

No later than by the end of 2023 Nilar needs to be refinanced for continued operations. When this interim report is signed, no further financing is secured and the conditions for future financing will, among other things, be affected by the situation on the financial market. The board is evaluating various possible sources of funding. Possible sources of capital are loans and issues. Given these sources of capital, the board estimates that new capital will be able to be acquired in the second half of 2023.

Impairment testing of fixed assets shows that the recoverable amount exceeds the carrying amount. However, the outcome is sensitive to changes in key assumptions. The estimated recoverable amount for Nilar has no room for changes in the key assumptions.

Risk management is described in more detail in the 2022 Annual Report, Note 4 "Risks and risk management". All forward-looking statements in this report are based on the company's best estimates as of the date of the report. Such statements, like all forward-looking statements, involve risks and uncertainties that could cause actual results to differ.

This report has not been subject to audit by the company's auditors.

Täby, 8 May 2023

The Board of Directors

COMPARISON PER QUARTER

GROUP	2023		2022				2021	
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
MSEK								
Income statement								
Revenue	3,10	1,47	1,23	1,77	-4,19	-0,1	5,4	7,2
Gross profit	-30,2	-43,2	-31,3	-35,0	-40,8	-237,7	-87,4	-84,8
EBITDA	-44,9	-57,0	-38,0	-42,8	-48,1	-110,6	-93,0	-100,6
Operating profit (EBIT)	-64,8	-73,3	-53,8	-58,5	-63,5	-269,5	-112,2	-118,7
Profit/loss before tax	-70,9	-81,6	-63,8	-67,8	-74,2	-251,5	-100,0	-134,7
Profit/loss after tax	-70,9	-81,6	-63,8	-67,8	-74,2	-251,5	-100,0	-134,7
Depreciation	-20,0	-16,3	-15,8	-15,7	-15,4	-21,4	-19,2	-18,2
Intangible assets	-1,7	-0,0	-0,0	-0,0	-0,0	-8,3	-7,9	-7,7
Tangible assets	-15,9	-13,9	-13,3	-13,3	-13,3	-11,6	-10,1	-9,2
Capitalized expenses for development work	-	0,8	0,7	1,7	2,6	6,1	5,1	5,5
Average employed and contracted personnel	111	107	101	105	168	253	227	224
Employed and contracted personnel, end of period	117	117	119	120	170	265	276	251
Cash flow ²								
Operating activities	-49,2	-67,6	-48,1	-51,6	-58,9	-131,9	-112,1	-122,3
Investing activities	-3,8	0,8	-6,6	-14,2	-17,5	-61,8	-65,6	-51,2
Financing activities	-0,0	18,4	-15,9	238,6	-3,4	-1,0	-1,1	716,9
Cash flow for the period	-53,1	-48,4	-70,7	172,8	-79,8	-194,8	-178,8	543,5
Balance sheet								
Fixed assets	448,1	462,3	466,1	473,3	469,9	440,9	522,3	476,2
Current assets	270,7	324,7	369,5	438,8	264,7	374,3	545,8	694,2
Total assets	718,7	787,0	835,6	912,1	734,7	815,2	1 068,0	1 170,4
Equity	379,8	450,4	511,9	589,3	417,3	491,5	729,1	829,2
Non-current liabilities	226,0	222,5	218,1	213,1	205,6	181,2	201,5	218,9
Current liabilities	112,9	114,0	105,7	109,6	111,8	142,5	137,4	122,4
Total equity and liabilities	718,7	787,0	835,6	912,1	734,7	815,2	1 068,0	1 170,4
Capitalised expenses for patents	0,9	1,2	1,2	1,2	1,2	1,1	0,8	0,7
Capitalized expenditure for development work	43,0	44,6	43,8	43,1	41,4	38,7	178,4	181,1
Property, plant and equipment	152,9	168,7	156,6	170,0	183,4	193,2	169,7	138,1
Fixed assets under construction	180,0	174,6	189,6	182,5	167,0	155,1	134,6	116,2
Inventories	99,1	101,9	93,7	97,3	95,6	99,3	91,5	60,2
Cash and cash equivalents	151,7	204,7	253,2	323,8	151,0	230,7	425,5	604,3
Equity/debt ratio, % ¹	53%	57%	61%	65%	57%	60%	68%	71%
Debt ratio, times ¹	0,9	0,7	0,6	0,5	0,8	0,7	0,5	0,4

¹An adjustment between the quarters have been made for the period Q1 2021-Q3 2021 compared to the annual report 2021.

ALTERNATIVE KEY RATIOS

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

Definitions of alternative key ratios that are not calculated according to IFRS

Alternative key figures	Definitions	Purpose
Gross profit/loss	Revenue minus cost of sales.	The gross profit/losses ratio demonstrates the Company's efficiency in production and for calculation of gross margin.
EBITDA	Operating income before depreciation, amortization and write-downs of tangible and intangible assets and Right-of-Use assets.	The measurement is a good complement to operating profit as it shows, simplified, cash flow from the operations.
Operating profit (EBIT)	Earnings before interest and taxes.	The operating profit provides a comprehensive view of the total profit generating from the operating activities.
Cash flows from investing activities	Investments in tangible and intangible current assets.	The ratio demonstrates the Company's investments in new products and production measures (intangible assets) and in production facilities (tangible fixed assets) to grow the business.
Cash flows from financing activities	Cash flows from financing activities include for example share issues, loans raised and amortization of loans.	Cash flow from financing activities indicator measures the generated or used cash flow to fund the Company's investing activities.
Shareholder equity ratio, %	Equity divided by balance sheet total.	A traditional measurement of financial risk, expressed as the percentage of the restricted capital financed by the owners.
Debt ratio, times	Interest-bearing net liabilities divide by equity.	The debt/equity ratio shows the proportion of the Company's liabilities in relation to equity.

GLOSSARY

The interim report refers to a number of concepts that are used to help investors and management analyse the company's activities.

Name	Description	Reason for use of the measure
Capitalization of development expenses	Costs for product development, production technology development and establishment costs for an expanded production facility.	The measure shows how much of the company's operating expenses are invested in activities that are expected to generate increased revenue or reduced costs in the future.
Capitalized expenditure for development	Development expenses are capitalized when they meet the criteria set out in IAS 38 and are estimated to amount to significant amounts for the development effort as a whole. In other respects, development expenses are expensed as normal operating expenses. The most important criteria for capitalization are that the development work's end-product has likely future earnings or cost savings and cash flow, and that there are technical and financial prerequisites to complete the development work when it is started. The capitalized costs are generated both externally and internally and include direct costs for completed work. Direct attributable expenses that are capitalized as part of product development, production processes and implementation of business systems include expenses for third parties and employees.	The measure shows how much of the company's investments in new products and production methods (intangible fixed assets) remain on the balance sheet after depreciation and amortization.
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.

MISCELLANEOUS

Financial calendar

Annual General Meeting: May 25th, 2023

Interim report second quarter 2023: August 11th, 2023

Interim report third quarter 2023: November 1st, 2023

For further information, please contact:

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