

Interim Report

1 January - 30 September 2023



NILAR LAUNCHES NEXT-GENERATION BATTERY IN THE NETHERLANDS

April – September 2023 in summary

- Net sales, MSEK 1.2 (1.2).
- Delivered batteries 190 (68).
- Gross profit MSEK -104.0 (-31.3).
- EBITDA¹ MSEK -46.5 (-38.0).
- Operating profit (EBIT) MSEK -126.1 (-53.8).
- Profit for the period MSEK -130.7 (-63.8).
- Earnings per share SEK -0.41 (-0.21).

January – September 2023 in summary

- Net sales, MSEK 6.5 (-1.2).
- Delivered batteries 426 (572).
- Gross profit MSEK -170.9 (-107.1).
- EBITDA¹ MSEK -130.3 (-128.8).
- Operating profit (EBIT) MSEK -249.8 (-175.8).
- Profit for the period MSEK -274.5 (-205.8).
- Earnings per share SEK -0.86 (-1.57).

Significant events during the third quarter

- Together with a European manufacturer of automated agricultural products, Nilar is now initiating a new project where Nilar's batteries will be tested in driverless vehicles for material transports. Driverless vehicles, also known as AGVs (Automated Guided Vehicles), are considered to be a segment with great potential and strong growth, and the manufacturer chooses Nilar's batteries precisely because of the high safety and low risk of fire.
- On September 15, Nilar received Member of Parliament and the Christian Democrats' business policy spokesperson Lili André for a study visit to our research and production facility in Gävle. Securing the strategic value chain was high on the agenda, along with talks about creating better conditions for research, development, and production of batteries in Sweden.
- Marie Fossum Strannegård has left her position as a member of Nilar's Board of Directors due to her taking over as CEO of AxSol. She has been a member of the Board of Directors of Nilar since the Annual General Meeting on May 25 this year and left her position on August 31.
- During the quarter, a write-down of close to SEK 65 million was made on fixed assets under construction, in Nilar OU, the Estonian subsidiary, as a consequence of the company's updated business plan.

Significant events after end of period

- Nilar has launched the second generation ReOx battery, ReOx 2 in the Netherlands. The battery has a new technology for cooling, which significantly improves performance.

MSEK	2023 jul-sep	2022 jul-sep	2023 jan-sep	2022 jan-sep	2022 jan-dec
Revenue	1,2	1,2	6,5	-1,2	0,3
Gross profit	-104,0	-31,3	-170,9	-107,1	-150,3
EBITDA	-46,5	-38,0	-130,3	-128,8	-185,8
Operating income (EBIT)	-126,1	-53,8	-249,9	-175,8	-249,1
Net profit/loss after tax	-130,7	-63,8	-274,5	-205,8	-287,5
Cash flow from operating activities	-45,8	-48,1	-141,9	-150,2	-217,9
Cash flow from investing activities	-0,2	-6,6	-4,8	-49,0	-48,2
Cash flow from financing activities	-2,3	-15,9	-6,7	221,6	240,0
Equity/debt ratio, %	35%	61%	35%	61%	57%
Shares in issue at end of period, '000	318 582,3	297 067,0	318 582,3	297 067,0	318 582,3
Share options in issue at end of period, '000	250,3	250,3	250,3	250,3	250,3
Weighted average number of ordinary shares in issue ²⁾ , '000	318 582,3	297 067,0	318 582,3	131 226,9	229 973,0
Average employed and contracted personnel	105	101	109	125	120

¹⁾ Alternative key ratios. See page 16 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 considered, as that would have resulted in a small negative result per share.

CEO'S COMMENTS: NILAR LAUNCHES NEXT-GENERATION BATTERY IN THE NETHERLANDS

Nilar is launching a new generation ReOx battery with improved performance and even longer lifespan. In this way, the previously communicated Indutecc order of SEK 110 million can also be realized. Production will begin in early 2024 and is an important milestone in the business plan presented in August, in parallel with the ongoing strategic review of Nilar's financing structure.

An updated ReOx battery provides better performance and longevity
Nilar launches ReOx 2, an updated version of the world's first rechargeable battery with new lifetime. The upgrade is an important technological step that both extends the service life and improves performance further, including a new cooling system. ReOx 2 is an important milestone that opens up for new integration projects with our partners. The substantial quality increases that have been achieved also mean that the off-take order from Indutecc of SEK 110 million can be materialized.

The production of ReOx 2 will start after the turn of the year 2023/2024 and sales will primarily take place through our integration partners to prioritized market segments. Initially, the production will be focused on delivery on the order from Indutecc.

ReOx 2 opens for new integration projects

The launch of ReOx 2 also means that Nilar is opening up for new integration projects and collaborations. Together with a European manufacturer of automated agricultural products, Nilar is now starting a new project where Nilar's batteries will be tested in driverless vehicles for material movement. Driverless vehicles, also known as AGVs (Automated Guided Vehicles), are considered to be a segment with great potential and in strong growth, and the manufacturer chooses Nilar's batteries precisely for the high safety and low fire risk.

We are preparing Nilar for the future

The unique technology is Nilar's main strength and continued focus on product development, integration adaptation and cost savings are crucial for Nilar to reach its goals by 2027 – in line with the business plan presented last quarter.

Nilar sharpens the business for increased profitability and more efficient production. Within the framework of this, a cost-saving program is currently being implemented where existing agreements and purchases of consulting services are evaluated. In parallel, the board's strategic review continues to find a long-term financing solution.

Changes in Nilar's Board of Directors

Marie Fossum Strannegård has left her position as a member of Nilar's Board of Directors due to her taking over as CEO of AxSol. She has been a Board member in Nilar since the annual general meeting on May 25 this year and left her position on August 31.

Study visit focused on the importance of Swedish battery production

We often discuss the risk that our societies build themselves into new unsustainable dependencies in a time of a deteriorating security situation, energy crisis and energy transition. Ahead of the EU summit in Granada, the European Commission presented a report showing that Europe risks becoming as dependent on China for access to lithium-ion batteries and fuel cells in 2030 as it was on Russian energy before the war in Ukraine. On September 15, Nilar welcomed the member of parliament and the Christian Democrats' industry and trade spokesperson Lili André for a study visit to our research and production facility in Gävle. Securing the strategic value chain was high on the agenda, along with discussions about creating better conditions for research, development and production of batteries in Sweden.

Last quarter, the Swedish Energy Agency granted research support to a new development project for advanced battery recycling. Together with Stockholm University and Uppsala University, we will develop simple, environmentally friendly and cost-effective methods for recycling electrode material in spent NiMH batteries. Nilar continuously seeks new research and innovation grants to develop future battery solutions in collaboration with academia, authorities and other companies.

Nilar takes new steps forward

Finally, I can state that Nilar takes new steps forward during the third quarter. The launch of ReOx 2 is of course an important milestone, which together with measures to increase profitability, reduce costs and streamline the organization, is crucial for the company. As before, we are determined to drive innovation and deliver smart energy storage solutions, together with our integration partners, in a positive market development driven by society's desire to switch to sustainable energy sources.



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 has since 2012 been based in 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 1.5 billion in 2027. Sales are expected to be achieved through increased number of system integrators where the goal is four new annually for the coming four years combined with increased sales efforts, increased production capacity, productivity and efficiency improvements in production and increased sales prices.

PROFITABILITY:

Long-term EBITDA margin of at least 25 percent and a positive cash flow in 2027. Margin improvements and a positive cash flow are expected to be achieved through production of the next generation battery, increased sales prices, lower cost of input material, economies of scale linked to larger production volumes, increased number of production lines and by introducing support and service offerings in connection with Nilar's re-oxygen filling technology and data monitoring.



FINANCIAL OVERVIEW

JULY – SEPTEMBER 2023

TURNOVER AND EARNINGS

Revenue remained at MSEK 1.2 (1.2). Revenue was limited by the capacity of Nilar's integrators.

Cost of sales increased to MSEK -105.2 (-32.6). The change from the previous year is essentially explained by a write-down of fixed assets under construction in Nilar OU, the Estonian subsidiary, amounting to MSEK -64.5.

Gross Profit amounts to MSEK -104.0 (-31.1).

Cost for R&D amounts to MSEK -12.0 (-8.7) for the period. The increase is for the most part explained by the fact that during the period, no development costs have been capitalized since the development of the ReOx[®] battery is completed and the costs for R&D and development now relate to continuous improvements of the ReOx[®] battery.

Distribution & Selling cost amounts for the quarter to MSEK -3.0 (-5.4). The decrease is primarily due to a reversal of expenses related to the provisions of warranty.

Administrative expenses in the quarter amounts to MSEK -9.0 (-8.4). The increase is primarily explained by a positive foreign currency effect.

Depreciation and amortisation of tangible and intangible fixed assets amounts to MSEK -15.2 (-15.8). Depreciation of machinery equipment increased to MSEK -11.0 (-13.3). Amortisation of capitalised development expenses related to Nilar's new battery ReOx[®] and the new BMS platform and patents amounted to MSEK -1.6 (0.0). This amortisation began on 1 January 2023. Amortisation of cost for right-of-use assets amounted to MSEK -2.5 (-2.5).

Write-down of fixed assets under construction amounting to 64.5 MSEK in Nilar OU, the Estonian subsidiary, were made during the period.

Other operating income amounts to MSEK 1.9 (0.1).

Operating profit amounts to MSEK -126.1 (-53.8).

Financial items net amounted to MSEK -4.6 (-10.0), of which MSEK 7.5 relates to exchange gains, MSEK -4.0 relates to exchange losses, MSEK -3.8 relates to interest on loans from EIB, MSEK -2.6 relates to allocation of accrued cost according to the effective interest method, as well as fees attributable to loans from the EIB, and MSEK -0.7 relates to leasing interest according to IFRS 16.

Profit before and after tax amounted to MSEK -130.7 (-63.8).

CASH FLOW AND INVESTMENTS

Cash flow from Operating activities amounted to MSEK -45.8 (-48.1). Change in working capital amounted to MSEK 3.1 (-5.9), of which MSEK 10.3 was due to a decrease in inventories, MSEK -1.1 was due to an increase in operating receivables and MSEK -6.1 was explained by a decrease in operating liabilities.

Cash flow from Investing activities amounted to MSEK -0.2 (-6.6), of which MSEK -0.2 (-5.9) consisted of investments in tangible assets and MSEK 0.0 (-0.7) consisted of capitalised development costs and patents.

Cash flow from Financing activities amounted to MSEK -2.3 (-15.9).

Cash flow for the period was MSEK -48.3 (-70.7).

JANUARY – SEPTEMBER 2023

TURNOVER AND EARNINGS

Revenue increased to MSEK 6.5 (-1.2). The negative sales in the first half 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 period of 2023.

Cost of sales decreased to MSEK -177.4 (-105.9). The change from the previous year was essentially due to the write-down of fixed assets under construction amounting to 64.5 MSEK in Nilar OU, the Estonian subsidiary.

Gross Profit amounts to MSEK -170.9 (-107.1).

Cost for R&D amounts to MSEK -42.5 (-26.5) for the period. During the period, no development costs have been capitalized since the development of the ReOx[®] battery is completed and the costs for R&D and development now relates to continuous improvements of the ReOx[®] battery.

Distribution & Selling cost amounts to MSEK -11.2 (-19.9). The decrease is primarily due to a reversal of expenses related to the provisions for warranty claims.

Administrative expenses in the period amounts to MSEK -27.5 (-25.6).

Depreciation and amortisation of tangible and intangible fixed assets amounts to MSEK -55.1 (-45.8). Depreciation of machinery equipment increased to MSEK -42.8 (-40.0) 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 -4.9 (0.0). This amortisation began on 1 January 2023. Depreciation cost for right-of-use assets amounted to MSEK -7.4 (-6.9).

Write-down of fixed assets under construction amounting to 64.5 MSEK in Nilar OU, the Estonian subsidiary, were made during the third quarter.

Other operating income amounts to MSEK 2.3 (3.3).

Operating profit came in at MSEK -249.9 (-175.8) as a result of above changes.

Financial items net amounted to MSEK -24.7 (-30.1), of which MSEK 10.1 relates to exchange gains, MSEK -12.0 relates to exchange losses, MSEK -11.4 relates to interest on loans from EIB, MSEK -7.5 relates to allocation of accrued cost according to the effective interest method, as well as fees attributable to loans from the EIB, and MSEK -2.2 relates to leasing interest according to IFRS 16.

Profit before and after tax amounted to MSEK -274.5 (-205.8).

CASH FLOW AND INVESTMENTS

Cash flow from Operating activities amounted to MSEK -141.9 (-150.2). Change in working capital amounted to MSEK 17.3 (-9.7), of which MSEK 21.5 was due to a decrease in inventories, MSEK 2.5 was due to a decrease in operating receivables and MSEK -6.7 was explained by a decrease in operating liabilities.

Cash flow from Investing activities amounted to MSEK -4.8 (-49.0), of which MSEK -4.8 (-43.9) consisted of investments in tangible assets and MSEK 0.0 (-5.1) consisted of capitalised development costs and patents.

Cash flow from Financing activities amounted to MSEK -6.7 (221.6).

Cash flow for the period was MSEK -153.4 (22.4).

PERSONNEL

During the first half year of 2023, the average number of full-time equivalent co-workers decreased to 109 (125). Average number of full-time employees amounts to 95 (114) and full-time contractors 14 (11). Within the production unit, there were on average 46 (44) FTE:s.

Total head count by the end of the period was 115 (119).

FINANCIAL POSITION

BALANCE SHEET

The balance sheet total is MSEK 500.4 (787.0). Comparative figures for the balance sheet are from 31st December 2022.

The group's **intangible fixed assets** at the end of the period amounted to MSEK 40.7 (45.8). Assets consist of capitalised expenditure for

development work of MSEK 39.8 (44.6) and patents of MSEK 0.8 (1.2). On 1st January 2023 amortisation of capitalised expenditure related to the development of Nilar's new battery ReOx[®] and the new BMS platform started.

Property, plant and equipment amounted to MSEK 243.5 (343.3), of which MSEK 117.6 (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 six completed production lines in Gävle and for two lines under construction in Estonia plus an additional two lines, which were sold by Nilar OU to Nilar AB during the third quarter. In line with the group's updated business plan, fixed assets under construction amounting to 64.5 MSEK in Nilar OU, the Estonian subsidiary, were written down during the third quarter.

Current assets at the end of the period amounted to MSEK 149.2 (324.7). The decrease in the balance sheet item mainly consists of lower cash and cash equivalents. Stock amounted to MSEK 80.4 (101.9).

Equity in the group per year end amounted to MSEK 175.0 (450.4).

Liabilities at the end of the period amounted to MSEK 325.4 (336.6), of which **long-term liabilities** amounted to MSEK 231.6 (222.5) and **short-term liabilities** amounted to MSEK 93.8 (114.0). The equity ratio amounts to 35% (57%).

GROUP STATEMENT OF COMPREHENSIVE INCOME

TSEK	Note	Q3		Full year		Full year
		2023 jul-sep	2022 jul-sep	2023 jan-sep	2022 jan-sep	2022 jan-dec
Revenue	1	1 227	1 232	6 465	-1 190	280
Cost of sales		-105 208	-32 567	-177 402	-105 918	-150 621
Gross profit		-103 981	-31 334	-170 937	-107 107	-150 341
Research and development expenses		-11 976	-8 690	-42 492	-26 492	-37 051
Distribution and selling costs		-2 973	-5 421	-11 164	-19 933	-30 786
Administrative expenses		-9 032	-8 378	-27 530	-25 595	-34 668
Other operating income		1 860	61	2 273	3 342	3 787
Operating profit / EBIT		-126 101	-53 762	-249 850	-175 785	-249 060
Finance income		7 503	2 886	10 153	4 083	8 827
Finance costs		-12 150	-12 920	-34 833	-34 144	-47 258
Finance items, net	2	-4 647	-10 034	-24 680	-30 062	-38 431
Profit before income tax		-130 748	-63 796	-274 531	-205 847	-287 491
Income tax		-	-	-	-	-
Net profit/loss after tax		-130 748	-63 796	-274 531	-205 847	-287 491
Attributable to:		-	-	-	-	-
Parent Company shareholders		-130 748	-63 796	-274 531	-205 847	-287 491
Non-controlling interests		-	-	-	-	-
Earnings per share						
Profit after tax		-130 748	-63 796	-274 531	-205 847	-287 491
Number of shares at end of period		318 582 257	297 066 983	318 582 257	297 066 983	318 582 257
Number of share options at end of period		250 315	250 315	250 315	250 315	250 315
Weighted number of ordinary shares ¹⁾		318 582 257	297 066 983	318 582 257	131 226 867	229 973 009
Earnings per share ¹⁾ , SEK		-0,41	-0,21	-0,86	-1,57	-1,59
Other comprehensive income						
Currency translation differences		-2 106	69	-880	-126	-241
Other comprehensive income for the year, net after tax		-2 106	69	-880	-126	-241
Total comprehensive income		-132 854	-63 727	-275 411	-205 973	-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.

GROUP BALANCE SHEET

TSEK	Not	2023-09-30	2022-12-31	2022-09-30
TILLGÅNGAR				
ANLÄGGNINGSTILLGÅNGAR				
Immateriella anläggningstillgångar				
Patent		835	1 186	1 194
Balanserade utgifter för utvecklingsarbeten		39 832	44 611	43 801
Summa immateriella anläggningstillgångar		40 666	45 798	44 995
Materiella anläggningstillgångar				
Byggnader, maskiner och inventarier		142	179	191
Summa materiella tillgångar		142	179	191
Övriga anläggningstillgångar				
Andelar i koncernföretag		378	28 199	379
Fordran på koncernbolag		237 698	312 589	278 432
Summa övriga anläggningstillgångar		238 077	340 788	278 811
Summa anläggningstillgångar		278 885	386 765	323 997
OMSÄTTNINGSTILLGÅNGAR				
Skattefordringar		571	359	652
Övriga fordringar		-8 487	866	2 001
Förutbetalda kostnader och upplupna intäkter		773	1 020	998
Likvida medel		42 582	194 051	248 330
Summa omsättningstillgångar		35 440	196 296	251 981
Summa tillgångar		314 325	583 061	575 978
EGET KAPITAL OCH SKULDER				
EGET KAPITAL				
Bundet eget kapital				
Aktiekapital		53 097	53 097	49 511
Reservfond		34 401	34 401	34 401
Fond för utvecklingsutgifter		39 832	44 611	43 801
Summa bundet eget kapital		127 330	132 110	127 713
Fritt eget kapital				
Överkursfond		2 220 284	2 220 284	2 203 540
Balanserat resultat		-1 930 740	-1 736 043	-1 735 233
Årets resultat		-282 731	-199 477	-180 253
Summa fritt eget kapital		6 813	284 764	288 054
Summa eget kapital		134 143	416 874	415 767
SKULDER				
Långfristiga skulder				
Upplåning		173 084	159 352	153 404
Summa långfristiga skulder		173 084	159 352	153 404
Kortfristiga skulder				
Leverantörsskulder		1 963	814	1 926
Övriga skulder		1 527	2 226	1 774
Upplupna kostnader och förutbetalda intäkter		3 608	3 795	3 108
Summa kortfristiga skulder		7 098	6 835	6 807
Summa eget kapital och skulder		314 325	583 061	575 978

GROUP STATEMENT OF CHANGES IN EQUITY IN SUMMARY

TSEK	Q3		Full year
	23-09-30	22-09-30	22-12-31
Equity at beginning of period	450 437	491 498	491 498
Comprehensive income			
Earnings after tax	-274 531	-205 847	-287 544
Other comprehensive income	-880	-126	-188
Total comprehensive income	-275 411	-205 973	-287 732
Transactions with shareholders			
New share issue	-	226 341	246 671
Total transactions with shareholders	-	226 341	246 671
Equity at end of period	175 026	511 866	450 437

GROUP CASH FLOW ANALYSIS

	Q3		Perioden		Full year
	2023	2022	2023	2022	2022
TSEK	jul-sep	jul-sep	jan-sep	jan-sep	jan-dec
Cash flow from operating activities					
Profit/loss before tax	-130 748	-63 796	-274 531	-205 847	-287 491
Interest paid and received	12	-	20	-	-14 867
Interest paid and received	-5 208	-2 724	-15 077	-8 186	-14 867
Adjustments for other non-cash items					
Depreciation of tangible and intangible fixed assets	15 175	15 802	55 132	45 841	63 249
Change in fixed assets not affecting cash	64 902	-	65 627	-	1 240
Unrealised exchange rate difference	-2 041	4 556	1 600	11 881	4 869
Amortised cost EIB loan	2 598	2 230	7 450	10 985	8 717
Provisions for warranty	3 351	-	-12 708	-	4 174
Translation differences	-1 446	-	-1 622	-	-
Other	-167	-1 013	1 542	-3 337	178
Net cash generated from operating activities before changes in working capital	82 372	21 575	117 021	65 370	82 427
Taxes paid	-516	-	-1 644	-	-
Cash flow from changes in working capital					
Increase (-)/decrease (+) in inventories	10 348	3 659	21 490	5 592	-2 642
Increase (-)/decrease (+) in receivables	-1 108	-4 885	2 509	21 606	26 090
Increase (+)/decrease (-) in liabilities	-6 101	-4 691	-6 748	-36 914	-36 268
Change in working capital	3 139	-5 917	17 251	-9 716	-12 820
Net cash generated by operating activities	-45 753	-48 138	-141 903	-150 193	-217 884
Cash flows from investing activities					
Investments in intangible assets	-	-707	-	-5 117	-6 035
Investments in tangible fixed assets	-243	-5 892	-4 810	-43 882	-42 139
Net cash used in investing activities	-243	-6 599	-4 810	-48 999	-48 174
Cash flows from financing activities					
New share issue	-	-13 725	-	226 215	246 671
Amortization of leasing liability and payment of leasing interest	-2 272	-2 211	-6 709	-4 586	-6 686
Net cash used in financing activities	-2 272	-15 936	-6 709	221 629	239 985
Net decrease/increase in cash equivalents	-48 268	-70 673	-153 422	22 437	-26 073
Reconciliation of cash equivalents					
Cash equivalents at the beginning of the period	99 896	323 807	204 735	230 748	230 748
Cash flow for the period	-48 268	-70 673	-153 422	22 437	-26 073
Exchange rate difference in cash equivalents	-150	51	165	-	60
Cash equivalents at the end of the period	51 478	253 185	51 478	253 185	204 735

PARENT COMPANY INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

	Q3		Full year		Full year
	2023 jul-sep	2022 jul-sep	2023 jan-sep	2022 jan-sep	2022 jan-dec
TSEK					
Revenue	0	0	0	0	0
Cost of sales	0	0	0	0	-260
Gross profit	0	0	0	0	-260
Research and development expenses	-2 156	-1 049	-6 599	-1 897	-2 514
Distribution and selling costs	-416	-60	-719	-344	-595
Administrative expenses	-3 622	-4 510	-16 420	-13 116	-18 637
Other operating income	-1	0	0	44	46
Operating profit / EBIT	-6 195	-5 619	-23 739	-15 313	-21 959
Finance income	1 856	6 997	10 818	16 295	15 879
Finance costs	-1 578	-11 655	-25 505	-30 619	-42 780
Write-down of shares in subsidiaries	-46 485	-150 000	-244 306	-150 616	-150 616
Finance costs - net	-46 207	-154 659	-258 993	-164 941	-177 518
Profit after finance costs	-52 402	-160 278	-282 731	-180 253	-199 477
Profit before tax	-52 402	-160 278	-282 731	-180 253	-199 477
Income tax expense	-	-	-	-	-
Profit after tax	-52 402	-160 278	-282 731	-180 253	-199 477
Parent company statement of other comprehensive income					
Other comprehensive income, net after tax	-	-	-	-	-
Total comprehensive income for the period	-52 402	-160 278	-282 731	-180 253	-199 477

PARENT COMPANY BALANCE SHEET

TSEK	2023-09-30	2022-12-31	2022-09-30
ASSETS			
FIXED ASSETS			
Intangible fixed assets			
Patents	835	1 186	1 194
Capitalised expenditure for development work	39 832	44 611	43 801
Total intangible fixed assets	40 666	45 798	44 995
Tangible fixed assets			
Property, plant and equipment	142	179	191
Total tangible fixed assets	142	179	191
Financial non-current assets			
Participations in Group companies	378	28 199	379
Receivables from Group companies	237 698	312 589	278 432
Total financial non-current assets	238 077	340 788	278 811
Total fixed assets	278 885	386 765	323 997
CURRENT ASSETS			
Tax assets	571	359	652
Other receivables	-8 487	866	2 001
Prepaid expenses and accrued income	773	1 020	998
Cash and cash equivalents	42 582	194 051	248 330
Total current assets	35 440	196 296	251 981
Total assets	314 325	583 061	575 978
EQUITY AND LIABILITIES			
EQUITY			
Restricted equity			
Share capital	53 097	53 097	49 511
Statutory reserve	34 401	34 401	34 401
Fund for development expenditure	39 832	44 611	43 801
Total restricted equity	127 330	132 110	127 713
Non-restricted equity			
Share premium reserve	2 220 284	2 220 284	2 203 540
Profit/loss brought forward	-1 930 740	-1 736 043	-1 735 233
Profit/loss for the year	-282 731	-199 477	-180 253
Total non-restricted equity	6 813	284 764	288 054
Total equity	134 143	416 874	415 767
LIABILITIES			
Non-current liabilities			
Borrowings	173 084	159 352	153 404
Total non-current liabilities	173 084	159 352	153 404
Current liabilities			
Accounts payable - trade	1 963	814	1 926
Other liabilities	1 527	2 226	1 774
Accrued expenses and deferred income	3 608	3 795	3 108
Total current liabilities	7 098	6 835	6 807
Total equity and liabilities	314 325	583 061	575 978

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. Provisions for the costs of defective batteries are made in a warranty reserve. The calculation is based on direct material costs and excludes direct labour costs as the latter is not considered an additional cost with the current production rate.

Impairment of intangible fixed assets

Nilar has capitalised expenditures 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 third quarter, the Board of Directors assesses that there is no need for impairment. However, the outcome is sensitive to changes in the assumption of future sales growth as well as to key assumptions. The estimated recoverable amount of Nilar has limited 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 1 703.6 (1 624.5). 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	Q3		Period		Full year
	2023 jul-sep	2022 jul-sep	2023 jan-sep	2022 jan-sep	2022 jan-dec
Revenue					
Sweden	0,7	1,1	4,1	3,5	5,0
Germany	-	-	0,1	-4,8	-4,8
Netherlands	0,5	-	2,0	0,7	0,7
Rest of Europe	-	0,1	0,2	-0,6	-0,6
Total	1,2	1,2	6,4	-1,2	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). 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	Q3		Period		Helår
	2023 jul-sep	2022 jul-sep	2023 jan-sep	2022 jan-sep	2022 jan-dec
Exchange Gains	7,5	-	10,1	-	8,8
Total Financial Income	7,5	-	10,1	-	8,8
Interest expense and amortised cost EIB	-6,4	-3,7	-18,9	-11,0	-14,8
Interest expense leasing	-0,7	-0,8	-2,2	-2,2	-3,0
Exchange Loss	-4,0	-4,1	-12,0	-11,8	-18,1
Other interest expense	-0,7	-0,4	-1,5	-1,3	-1,6
Other financial expenses	-0,3	-3,9	-0,2	-7,8	-9,8
Sum financial expenses	-12,1	-12,9	-34,8	-34,1	-47,3
Financial items, net	-4,6	-12,9	-24,7	-34,1	-38,5

Financial items net for the quarter amounted to MSEK -4.6 (-12.9), of which MSEK 7.5 relates to exchange gains, MSEK -4.0 relates to exchange losses, MSEK -3.8 relates to interest on loans from EIB, MSEK -2.6 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	23-09-30	22-09-30	22-12-31
EIB	173,1	153,4	159,4
Total	173,1	153,4	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.

INVENTORIES (NOTE 4)

TSEK	23-09-30	22-09-30	22-12-31
Inventories			
Raw materials	112 269	122 278	128 502
Stock of semi-finished products	11 526	35 301	13 702
Finished products	588	3 809	1 276
Advance suppliers	-	14 833	14 408
Impairment to net sales value			
Raw materials	-39 525	-44 740	-42 748
Stock of semi-finished products	-4 418	-34 013	-11 972
Advance suppliers	-37	-3 809	-1 276
Total inventories	80 403	93 659	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 – SEPTEMBER 2023

The parent company's net sales amounted to MSEK 0.0 (0.0). Intergroup purchases amounted to MSEK 69.5 (5.1) and intergroup sales amounted to MSEK 69.5 (0.0). Research and development expenses amounted to MSEK -6.6 (-1.9). Net financial income amounted to MSEK -259.0 (-165.0). Net financial items include interest income on loans to subsidiaries amounting to MSEK 11.0 (12.2) and interest expense on loans from the EIB MSEK -11.4 (-11.0). During the second quarter, shareholder contributions to Nilar AB of MSEK 170.0 and to Nilar OU of MSEK 74.3 have been written down completely. Profit after tax was MSEK -282.7 (-180.3).

Cash flow for the period was MSEK -151.5 (23.0). Cash and cash equivalents at the end of the period amounted to MSEK 42.6 (248.3).

The equity ratio amounts to 43% (72%). Equity capital amounted to MSEK 134.1 (415.8).

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 in the financial market. The Board of Directors works actively with various financing solutions, which are continuously evaluated. The Board of Directors continues to make the assessment that new capital may be possible to be procured to continue the business.

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 due to 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 of Directors works actively with various financing solutions, which are continuously evaluated. The Board of Directors continues to make the assessment that new capital may be possible to be procured to continue the business.

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 limited 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 interim report has been subject to review by the company's auditor.

Täby 31ST October 2023

The Board of Directors

COMPARISON BY QUARTER

GROUP	2023				2022			2021	
	MSEK	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Income statement									
Revenue	1,23	2,14	3,10	1,47	1,23	1,77	-4,19	-0,1	
Gross profit	-104,0	-36,6	-30,2	-43,2	-31,3	-35,0	-40,8	-237,7	
EBITDA	-46,5	-38,9	-44,9	-57,0	-38,0	-42,8	-48,1	-110,6	
Operating profit (EBIT)	-126,1	-58,9	-64,8	-73,3	-53,8	-58,5	-63,5	-269,5	
Profit/loss before tax	-130,7	-72,9	-70,9	-81,6	-63,8	-67,8	-74,2	-251,5	
Profit/loss after tax	-130,7	-72,9	-70,9	-81,6	-63,8	-67,8	-74,2	-251,5	
Depreciation	-15,2	-20,0	-20,0	-16,3	-15,8	-15,7	-15,4	-21,4	
Intangible assets	-1,6	-1,7	-1,7	-0,0	-0,0	-0,0	-0,0	-8,3	
Tangible assets	-11,0	-15,9	-15,9	-13,9	-13,3	-13,3	-13,3	-11,6	
Capitalized expenses for development work	-	-	-	0,8	0,7	1,7	2,6	6,1	
Average employed and contracted personnel	105	112	111	107	101	105	168	253	
Employed and contracted personnel, end of period	115	122	117	117	119	120	170	265	
Cash flow ²									
Operating activities	-45,8	-49,1	-49,2	-67,6	-48,1	-51,6	-58,9	-131,9	
Investing activities	-0,2	-0,7	-3,8	0,8	-6,6	-14,2	-17,5	-61,8	
Financing activities	-2,3	-2,2	-0,0	18,4	-15,9	238,6	-3,4	-1,0	
Cash flow for the period	-48,3	-52,1	-53,1	-48,4	-70,7	172,8	-79,8	-194,8	
Balance sheet									
Fixed assets	351,2	435,4	448,1	462,3	466,1	473,3	469,9	440,9	
Current assets	149,2	206,4	270,7	324,7	369,5	438,8	264,7	374,3	
Total assets	500,4	641,8	718,7	787,0	835,6	912,1	734,7	815,2	
Equity	175,0	307,9	379,8	450,4	511,9	589,3	417,3	491,5	
Non-current liabilities	231,6	236,9	226,0	222,5	218,1	213,1	205,6	181,2	
Current liabilities	93,8	97,0	112,9	114,0	105,7	109,6	111,8	142,5	
Total equity and liabilities	500,4	641,8	718,7	787,0	835,6	912,1	734,7	815,2	
Capitalised expenses for patents	0,8	0,9	0,9	1,2	1,2	1,2	1,2	1,1	
Capitalized expenditure for development work	39,8	41,4	43,0	44,6	43,8	43,1	41,4	38,7	
Property, plant and equipment	125,9	137,0	152,9	168,7	156,6	170,0	183,4	193,2	
Fixed assets under construction	117,6	185,6	180,0	174,6	189,6	182,5	167,0	155,1	
Inventories	80,4	90,8	99,1	101,9	93,7	97,3	95,6	99,3	
Cash and cash equivalents	51,5	99,9	151,7	204,7	253,2	323,8	151,0	230,7	
Equity/debt ratio, % ¹	35%	48%	53%	57%	61%	65%	57%	60%	
Debt ratio, times ¹	1,9	1,1	0,9	0,7	0,6	0,5	0,8	0,7	

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 facilitates (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

Year-end report and report for the fourth quarter of 2023: 16 February 2024

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.



AUDITOR'S REPORT ON REVIEW OF INTERIM REPORT

To the Board of Directors of Nilar International AB, reg.nr. 556600-2977

Introduction

We have reviewed the condensed interim financial information (interim report) for Nilar International AB as of September 30, 2023 and the nine-month period which ended on this date. The Board of Directors and the CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim report consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Additional information

Without effecting our conclusion above, we would like to draw attention to the interim report's section *Raising new capital* (page 13), which states that additional financing needs to be provided in 2023 to ensure continued operations. This section also states that the needed additional financing has not been secured at the time of publication of the interim report.

The above circumstances indicate that there is a factor of uncertainty that may lead to doubts on the company's ability to continue its operations.

Stockholm, October 31, 2023

BDO Mälardalen AB

Niclas Nordström
Authorized Public Accountant