



INVITATION TO SUBSCRIBE FOR SHARES WITH PREFERENTIAL RIGHTS IN NILAR INTERNATIONAL AB (PUBL)

RIGHTS ISSUE 2022

As a shareholder in Nilar International AB (publ) you will receive subscription rights in the Rights Issue. Please note that the subscription rights are expected to have an economic value In order not to lose the value of the subscription rights, the holder must either;

- Sell the subscription rights not exercised no later than 13 June 2022; or
- Exercise the subscription rights received and subscribe for New Shares no later than 16 June 2022.

Please note that (i) shareholders can only exercise subscription rights and subscribe for New Shares in accordance with applicable securities legislation and (ii) shareholders with nominee-registered holdings (i.e. in securities depository, in a bank or a securities firm) must subscribe for New Shares through their respective nominees.

Restrictions on distribution of the Prospectus and subscription of New Shares in certain jurisdictions

Not for distribution, publication or release in or to the United States, Australia, Belarus, Canada, Hong Kong, Japan, New Zealand, Russia, Singapore, South Africa, South Korea or Switzerland. The Prospectus may not be sent to persons in these countries or any other jurisdiction to which it is not permitted to deliver subscription rights, BTAs or New Shares, except in accordance with applicable law and provided that it does not require additional prospectuses, registration or other measures in addition to those that follow from Swedish law. Unless expressly stated otherwise in the Prospectus, subscription rights, BTAs or New Shares may not be offered, sold, transferred or delivered, directly or indirectly, in or to any of these countries.

Validity of the Prospectus

The Swedish version of the Prospectus was approved by the Swedish Financial Supervisory Authority (Sw. *Finansinspektionen*) (the "SFSA") on 1 June 2022. The Prospectus is valid for a period of maximum 12 months from this date, provided that Nilar International AB (publ) complies with the obligation, in accordance with the (EU) 2017/1129 Prospectus Regulation, if applicable, to provide supplements to the Prospectus in the occurrence of significant new factors, material mistakes or material inaccuracies, which may affect the assessment of the securities in the Company. The obligation to prepare a supplement to the Prospectus is valid from the time of the approval date of the prospectus until the end of the subscription period. The Company is under no obligation to prepare supplements to the prospectus after the end of the subscription period.

IMPORTANT INFORMATION TO INVESTORS

This prospectus (the "**Prospectus**") has been prepared with the Board of Directors of Nilar International AB (publ) resolution on 23 May 2022, based on the authorisation given by the extraordinary general meeting of the Company on 18 May 2022, to carry out a new share issue of a maximum of 273,070,506 new shares with preferential rights for existing shareholders (the "**Rights Issue**"). The Rights Issue is directed to existing shareholders and the general public in Sweden. The new shares are in the Prospectus referred to as the "**New Shares**" and paid subscribed shares (Sw. *Betalda Tecknade Aktier*) are referred to as "**BTA**".

"**Nilar**", the "**Group**" or the "**Company**" refers to, depending on the context, the group including its subsidiaries, in which Nilar International AB (publ), a Swedish public limited company with reg. no. 556600-2977, is the parent company. References to "**Nasdaq First North Premier Growth Market**" refer, in accordance with Directive (EU) 2014/65 of the European Parliament and of the Council ("**MiFID II**"), to the multilateral trading platform and the growth market for small and medium-sized enterprises operated by Nasdaq Stockholm AB, where the Company's shares are admitted to trading. Carnegie Investment Bank AB (publ) ("**Carnegie**") is the financial advisor to the Company in connection with the Rights Issue. "Euroclear" refers to Euroclear Sweden AB.

The prospectus has been prepared as an EU Growth Prospectus in accordance with article 15 of the Regulation (EU) 2017/1129 of the European Parliament and of the Council (the "**Prospectus Regulation**"). The prospectus has been approved by the Swedish Financial Supervisory Authority (Sw. *Finansinspektionen*) (the "**SFSA**"), which is the Swedish national competent authority according to the Prospectus Regulation, in accordance with Article 20 of the Prospectus Regulation. The SFSA approves the Prospectus only to the extent that it meets the requirements for completeness, comprehensibility and consistency specified in the Prospectus Regulation. The approval should not be seen as any kind of support for Nilar or support for the quality of the securities referred to in the Prospectus and does not imply that the SFSA guarantees that the factual information in the Prospectus is correct or complete. Each investor is invited to make an own assessment of whether it is appropriate to invest in the Rights Issue. Swedish law applies to the Prospectus. Any dispute arising in connection with the Prospectus or related legal matters shall be settled by a Swedish court exclusively, whereby the Stockholm District Court shall constitute the first instance.

Within the European Economic Area ("**EEA**"), no offer is made to the public of New Shares in Member States other than Sweden. In other Member States within the EEA where the Prospectus Regulation applies, an offer of New Shares may only be submitted in accordance with exemptions in the Prospectus Regulation and any implementation measures.

No subscription rights, BTA or New Shares may be offered, subscribed, sold or transferred, directly or indirectly, in or to the United States, Australia, Belarus, Canada, Hong Kong, Japan, New Zealand, Russia, Singapore, South Africa, South Korea, Switzerland or any other jurisdiction where such distribution requires additional prospectus, registration or other measures in addition to those that follow from Swedish law or otherwise contravene applicable rules in such jurisdiction or cannot take place without the application of exemptions from such measure. Subscription and acquisition of securities in violation of the above restrictions may be invalid. Persons who receive copies of the Prospectus, or wish to invest in Nilar, must inquire about and comply with such restrictions. Measures in violation of the restrictions may constitute a violation of applicable securities legislation. Nilar reserves the right to, at its sole discretion, invalidate any subscription in the Rights Issue if Nilar or its advisers consider that such subscription may involve a violation or a violation of laws, rules or regulations in any jurisdiction. No New Shares or other securities issued by Nilar have been registered or will be registered under the United States Securities Act of 1933, as amended, or the securities laws of any state or other jurisdiction in the United States, including the District of Columbia.

Forward-looking statements

The Prospectus contains certain forward-looking statements and opinions. Forward-looking statements are statements that do not relate to historical facts and events, and such statements and opinions pertaining to the future that, for example, contain wordings such as "believes", "estimates", "anticipates", "expects", "assumes", "forecasts", "intends", "could", "will", "should", "would", "according to estimates", "is of the opinion", "may", "plans", "potential", "predicts", "projects", "to the knowledge of" or similar expressions, or negations thereof, which are intended to identify a statement as forward-looking. This applies, in particular, to statements and opinions in the Prospectus concerning future financial returns, plans and expectations with respect to the business and management of the Company, future growth and profitability, and the general economic and legal environment, and other matters affecting the Company.

Forward-looking statements are based on estimates and assumptions made according to the best of the Company's knowledge as of the date of the Prospectus. Such forward-looking statements are subject to risks, uncertainties, and other factors that could cause the actual results, including the Company's cash flow, financial position and operating profit, to differ from the information presented in such statements, to fail to meet expectations expressly or implicitly assumed or described in those statements or to turn out to be less favourable than the results expressly or implicitly assumed or described in those statements. Accordingly,

prospective investors should not place undue reliance on the forward-looking statements contained herein, and are strongly advised to read the entire Prospectus. The Company can give no assurance regarding the future accuracy of the opinions set forth herein or as to the actual occurrence of any predicted developments.

In light of the risks, uncertainties and assumptions associated with forward-looking statements, it is possible that the future events mentioned in the Prospectus may not occur. Moreover, the forward-looking estimates and forecasts derived from third-party studies referred to in the Prospectus may prove to be inaccurate. Actual results, performance or events may differ materially from those presented in such statements due to, without limitation: changes in general economic conditions, in particular economic conditions in the markets in which the Company operates, changes affecting interest rate levels, changes affecting currency exchange rates, changes in levels of competition and changes in laws and regulations.

After the date of the Prospectus, neither the Company nor Carnegie assumes any obligation, except as required by law or Nasdaq First North Premier Growth Market's Rule Book for Issuers, to update any forward-looking statements or to conform these forward-looking statements to actual events or developments.

Industry and market information

The Prospectus contains industry and market information attributable to the Company's operations and the market in which the Company operates. Unless otherwise stated, such information is based on the Company's analysis of several different sources.

Industry publications or reports usually state that information reproduced therein has been obtained from sources deemed reliable, but that the accuracy and completeness of such information cannot be guaranteed. Nilar has not verified the information, and therefore cannot guarantee the accuracy, of the industry and market information reproduced in the Prospectus which has been taken from or derived from industry publications or reports. Such information is based on market research, which by its nature is based on selection and subjective assessments, including assessments of the type of products and transactions that should be included in the relevant market, both by those conducting the research and those consulted.

The Prospectus also contains estimates of market data and information derived therefrom which cannot be obtained from publications of market research institutions or any other independent sources. Such information has been produced by Nilar based on third party sources and the Company's own internal estimates. In many cases, there is no publicly available information and such market data from, for example, industry organizations, authorities or other organizations and institutions. Nilar believes that its estimates of market data and information derived therefrom are useful to give investors a better understanding of both the industry in which the Company operates and the Company's position in the industry.

Information from third parties has been reproduced correctly and, as far as Nilar is aware and can ascertain from such information, no facts have been omitted that would make the reproduced information incorrect or misleading.

Presentation of financial information

The Group's audited annual reports for the financial years 2021 and 2020, and the Group's reviewed unaudited interim report for the period 1 January - 31 March 2022, have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, the Financial Reporting Recommendation RFR 1, Supplementary Accounting Rules for Groups, and the Swedish Annual Accounts Act. The Group's annual accounts for the financial years 2021 and 2020 have been audited by the Company's auditor and are incorporated in the Prospectus by reference and form part of the Prospectus. Unless otherwise expressly stated, no financial information in the Prospectus has been audited or reviewed by the Company's auditor. Financial information in the Prospectus relating to the Company that is not included in the audited information or that has not been reviewed by the Company's auditor is derived from the Company's internal accounting and reporting systems. Certain financial and other information presented in the Prospectus has been rounded off to make the information more accessible to the reader. Consequently, the figures in some columns do not correspond exactly to the stated total. All financial amounts are stated in Swedish kronor ("**SEK**"), Euro ("**EUR**") or US dollars ("**USD**") unless otherwise states.

Nasdaq First North Premier Growth Market

Nasdaq First North Premier Growth Market is a registered SME growth market, in accordance with MiFID as implemented in the national legislation of Denmark, Finland and Sweden, operated by an exchange within the Nasdaq group. Issuers on Nasdaq First North Premier Growth Market are not subject to all the same rules as issuers on a regulated main market, as defined in EU legislation (as implemented in national law). Instead they are subject to a less extensive set of rules and regulations adjusted to small growth companies. The risk in investing in an issuer on Nasdaq First North Premier Growth Market may therefore be higher than investing in an issuer on the main market. All issuers with shares admitted to trading on Nasdaq First North Premier Growth Market have a Certified Adviser who monitors that the rules are followed. The Company's Certified Adviser is FNCA Sweden AB.

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DOCUMENTS INCORPORATED BY REFERENCE

Investors should read all the information incorporated in the Prospectus by reference and the information, to which reference is made, should be read as part of the Prospectus. The information stated below as part of the following documents shall be considered to be incorporated into the Prospectus by reference. Copies of the Prospectus and the documents incorporated by reference can be obtained from Nilar electronically through the Company's web page, <https://www.nilar.com/investors/>. Those sections of the documents that are not incorporated by reference are by the Company deemed either not relevant for an investor's assessment of the Company or its securities or the corresponding information is reproduced elsewhere in the Prospectus.

Please note that the information on Nilars web page, or third party web pages to which reference is made, is not included in the Prospectus unless this information is incorporated into the Prospectus by reference. The information on Nilars web page, or other web pages referred to in the Prospectus, has not been reviewed and approved by the SFSA.

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Nilar's interim report for the period 1 January - 31 March 2022 is available through the following link:

<https://www.nilar.com/wp-content/uploads/Nilar-International-AB-Delarsrapport-Q1-2022.pdf>

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Nilar's annual report for the financial year 2021 is available through the following link:

<https://www.nilar.com/wp-content/uploads/Nilar-International-AB-Arsredovisning-2021.pdf>

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Nilar's annual report for the financial year 2020 is available through the following link:

[Nilar-International-AB-Annual-report-2020_English.pdf](https://www.nilar.com/wp-content/uploads/Nilar-International-AB-Annual-report-2020_English.pdf)

SUMMARY

INTRODUCTION

Share class and ISIN	The Rights Issue concerns shares in Nilar International AB (publ) (ISIN code SE0015950001).
Company information	<p>Nilar International AB (publ), corporate reg.no. 556600-2977</p> <p>Head office and visting address: Stockholmsvägen 116 A, 187 30 Täby, Stockholm, Sweden Telephone number: +46 (0)8 768 00 00 Web page: https://www.nilar.com/investors/ E-mail: info@nilar.com Company identification code (LEI): 549300YB1GKR0RB4XL6</p>
National competent authority	<p>The Prospectus has been scrutinized and approved by Swedish Financial Supervisory Authority (the "SFSA") (Sw. <i>Finansinspektionen</i>) as the Swedish national competent authority under the Prospectus Regulation. The SFSA has the following contact information:</p> <p>Finansinspektionen Postal address: Box 7821, 103 97 Stockholm, Sweden Telephone number: +46 (0)8 408 980 00 E-mail: finansinspektionen@fi.se Web page: www.fi.se</p>
Approval of the Prospectus	The Prospectus was approved by the SFSA on 1 June 2022.
Introduction and warnings	<p>This summary should be read as an introduction to the EU Growth prospectus. Any decision to invest in the securities should be based on a consideration of the EU Growth prospectus as a whole by an investor. An investor in the securities could lose all or part of the invested capital.</p> <p>Where a claim relating to the information contained in the EU Growth prospectus is brought before a court, the plaintiff investor may under national law of the Member State have to bear the costs of translating the EU Growth prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary, including any translation thereof, but only where this summary is misleading, inaccurate or inconsistent when read together with the other parts of the EU Growth prospectus or where it does not provide, when read together with the other parts of the EU Growth prospectus, key information in order to aid investors when considering whether to invest in such securities.</p>

KEY INFORMATION ABOUT NILAR

About Nilar	<p>Nilar is a public limited company incorporated in Sweden. The Company's form of association is governed by the Swedish Companies Act (2005:551). The registered office of the Company is in Stockholms County, Täby Municipality, Sweden. The CEO of the Company is Erik Oldmark.</p> <p>Main activities</p> <p>Nilar develops and manufactures batteries, control systems and reoxygenating technology suitable for a range of different stationary energy storage solutions. Energy storage can be used to bridge the connection between energy production and supply, and to increase flexibility in realising the full potential of intermittent production of renewable energy. In practice, this is done by bridging the production and consumption of renewable electricity and by balancing out the load to avoid peaks in demand from the grid. The Company's core expertise is in the development of safe and environmentally friendly batteries.</p> <p>Nilar is active on the energy storage market and intends to focus in particular on energy storage for commercial and industrial installations and large-scale energy storage. The Company's battery technology, called Nilar Hydride®, is based on nickel metal hydride (NiMH) with a water-based electrolyte, which gives it a solid environmental and safety profile. The next generation Nilar Hydride battery pack, which is compatible with Nilar's reoxygenating technology, is currently under development, with production scheduled to start in 2022. The new battery pack can potentially be reconditioned in a cost-effective manner, in order to restore lost capacity at what would otherwise have been the end of its lifespan. This will result in a lower lifetime cost for storage and a reduced impact on the environment, as it will be possible to replenish the battery with a new lifespan instead of replacing it.</p>
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About Nilar (cont.)

Ownership structure

Listed below are all shareholders of the Company as of March 31, 2022, including changes known thereafter, with holdings or votes exceeding five percent of the total number of outstanding shares and votes in the Company. The Company is not directly or indirectly controlled by any shareholder. The Company has issued only one class of shares having the same voting power.

Shareholder	Number of shares and votes	Share of capital and votes (%)
Christopher Braden	5,335,879	11.72
Första AP-Fonden	4,316,053	9.48
BNY Mellon	3,060,138	6.72
R&H Trust Company	2,939,691	6.46
Fjärde AP-Fonden	2,319,197	5.10
Total shareholders with more than five percent of the number of shares and votes	17,970,958	39.5
<i>Other shareholders</i>	<i>27,540,793</i>	<i>60.5</i>
Total	45,511,751	100.00

Key financial information

The below presents certain key financial information for Nilar that has been extracted from the Group's annual reports for the financial years 2021 and 2020 and the Group's interim report for the period 1 January - 31 March 2022 with comparative financial figures for the corresponding period in 2021. The Group's annual reports have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, the Financial Reporting Recommendation RFR 1, Supplementary Accounting Rules for Groups and the Annual Accounts Act and have been audited by the Company's auditor. The Group's reviewed unaudited interim report for the period 1 January - 31 March 2022, with comparative financial figures for the corresponding period in 2021, have been prepared in accordance with IAS 34 - Interim Financial Reporting.

Key items in the consolidated statement of comprehensive income

	1 January – 31 December		1 January - 31 March	
	2020 <i>Audited</i>	2021 <i>Audited</i>	2021 <i>Unaudited</i>	2022 <i>Unaudited</i>
SEK thousand (unless stated otherwise)				
Revenue	25,238	17,820	5,395	-4,193
Operating income	-284,008	-596,386	-96,028	-63,513
Profit after tax	-342,903	-600,539	-114,387	-74,217
Profit per share before/after dilution (SEK)	-74.52	-18.54	-22.53	-1.63

Key items in the consolidated balance sheet

	31 December		31 March
	2020 <i>Audited</i>	2021 <i>Audited</i>	2022 <i>Unaudited</i>
TSEK			
Total assets	576,370	815,168	734,674
Total equity	103,118	491,498	417,296

Key items in the consolidated cash flow statement

	1 January–31 December		1 January - 31 March	
	2020 <i>Audited</i>	2021 <i>Audited</i>	2021 <i>Unaudited</i>	2022 <i>Unaudited</i>
SEK thousand				
Cash flow from operating activities	-211,553	-446,648	-81,917	-58,873
Cash flow from investing activities	-111,502	-215,120	-36,516	-17,530
Cash flow from financing activities	233,622	818,549	105,314	-3,405

Key figures for the Group

	1 January – 31 December		1 January - 31 March	
	2020	2021	2021	2022
SEK million (unless stated otherwise)				
Gross profit ¹	-199.2	-479.5	-69.6	-40.8
EBITDA ²	-216.7	-382.1	-78.0	-48.1
Equity/asset ratio, % ²	18	60	1	57
Debt ratio, times ²	4.6	0.7	78.2	0.8

1) The key figure is an alternative key figure that is not defined in accordance with IFRS, which is the Company's accounting standard. The key figure has been audited for the financial years 2020 and 2021 and has not been audited for the periods 1 January - 31 March 2022 and 2021.

2) The key figure is an alternative key figure not defined in accordance with IFRS, which is the Company's accounting standard. The ratio has not been audited for any period.

Key risks affecting Nilar

Risks related to the company's operations and industry**Nilar has historically reported losses, and there is a risk of the Company failing to achieve profitability in accordance with the Company's revised strategy**

Nilar has historically only reported losses in its business during the period for which the Company has been active. In 2021, the Company was significantly negatively affected by quality problems with the Company's products, as well as problems within the delivery chain of Nilar's system integrators, which reduced the opportunities to supply battery storage systems as the shortage of components made the delivery of complete solutions to the end customer more difficult. In addition, as a result of the COVID-19 pandemic, the procurement of materials and the increased prices of raw materials in 2021 had a negative impact on the Company and its customers. The increased loss between the financial years 2021 and 2020 was primarily driven by a write-down of capitalised development expenses relating to older development work on system design and production methods. The shortage of components and higher purchase prices, combined with the negative gross margin on Nilar's products, led to a decision to reduce sales during the fourth quarter of 2021. Another contributory factor in the decision were the continuing deficiencies in the quality of the Company's products, which continued for much of 2021. In order to adjust the Company's cost base, the decision was made in autumn 2021 to reduce production in Gävle temporarily and to put the ongoing construction of the new production facility in Paldiski, Estonia, on hold. The decrease in sales and the negative margin are contributory reasons for Nilar conducting the Rights Issue in order to inject additional working capital into the business. Moreover, the revised strategy aims to prioritise profitability over short-term growth in production volume.

There is a risk that, through the Company's investments, Nilar will fail to achieve such changes to the business as are required under the Company's strategy and the goals it has set in order to achieve profitability within the Company.

The Company is dependent on the implementation of the Rights Issue and continued financing thereafter

Historically, the Company has been unable to finance its business operations using its own cash flow and has therefore depended on external financing. The Board of Directors considers the Company's working capital as of the date of the Prospectus to be insufficient for the Company's working capital requirements over the next twelve-month period. If the Rights Issue is fully subscribed for, the Company considers that the working capital will be sufficient up to and including the end of 2023. The Company will thus need to have further capital, whether through share issues or other financing sources, in order to ensure that there is sufficient liquidity and working capital, including after completion of the Rights Issue. There is a risk that it will not be possible to obtain future financing under terms that the Company finds acceptable, or at all.

There is a risk of the Company's revised strategy not proving successful, and that the Company's set financial targets will not be met

During the autumn of 2021, after the Company's CEO, Erik Oldmark, had been appointed as permanent CEO, the Company presented a revised strategy that prioritises profitability above a short-term growth in production volume. The strategy means, among other things, a clarified focus on developing and producing batteries, control systems and reoxygenating technology. Customised energy storage solutions will need to be produced in close collaboration and partnership with selected system integrators with complete responsibility for the production and delivery of finished systems based on Nilar's technology. Moreover, the Company will increase the selling price of its products in order to reflect the customer value provided through the next generation of battery packs with reoxygenating and to compensate for the increase in the costs of raw materials. Nilar's previous strategy, one of rapidly scaling up production capacity, was severely negatively affected by pandemic-related pressures within the delivery chains of the Company's distributors during 2021. The challenges faced by distributors in getting hold of key components for end products led to a large reduction in sales for Nilar. In addition to this, product-related quality problems was discovered, while at the same time there was an increase in the prices of raw materials globally. In order to adjust the Company's cost base, the decision was made in autumn 2021 to reduce production in Gävle temporarily and to put the ongoing construction of the new production facility in Paldiski, Estonia, on hold. As a consequence of the revised strategy, it is planned that sales will increase at a slower pace than had been planned in the previous strategy. There is a risk that the Company may, fully or partially, fail in its revised strategy, or that the revised strategy will not achieve the profitability effects intended.

Historically, the Company's products have had quality deficiencies, and there is a risk that there may be deficiencies in the Company's launch of the next generation of battery

Product-related quality problems was discovered during the second and third quarters of 2021, which meant, among other things, that the Company decided to reduce production in Gävle temporarily. Additionally, when a battery overheats, this can cause a fire in the system surrounding the battery, causing personal injury and damage to property. Fires can develop quickly and spread to surrounding areas. On a small number of occasions, the Company has experienced overheating of the batteries – due, among other things, to short-circuits in the supplementary technical equipment and related software. The materials and software in a battery can also prove defective, leading to extensive warranty claims on the Company. There is a risk in future that the Company, in launching the next generation of battery, may have similar quality problems with its products, and that the Company – temporarily or permanently – will be forced to interrupt or stop production of a specific product and expend resources on investigating the causes of such incidents.

Risks relating to disruptions to the logistics chain

Nilar is dependent on materials supplied from various parts of the world and the Company delivers its products worldwide, which means that the Company will be affected by global disruptions to production and logistics. The Company's products and materials critical to production are primarily transported by trucks and ships. Lead times for the shipment and, by extension, manufacture of materials critical to production and the Company's products may be

Key risks affecting Nilar (cont.) extended if the components that the Company requires for manufacturing its products cannot be secured in time, or if shipments from China, for example, are delayed. For example, the Company has experienced – and, as of the date of the Prospectus, is experiencing – longer lead times in the logistics chain as a result of the COVID-19 pandemic. The Company considers that delays and/or missing deliveries of materials critical to production may have a significant negative impact on the Company's business if such material becomes unavailable to the Company and the Company is unable to purchase materials of equivalent quality and in equivalent volumes from another supplier at short notice.

Risks relating to the global market, macroeconomic events and increasing prices of raw materials

During 2021, the Company noted an increase of more than 400 percent in the raw material price of lithium carbonate as a result of higher demand from battery manufacturers. The IEA estimates that the demand for lithium in 2040 will be between 13 and 51 times higher than in 2021. The price of nickel, the material most commonly used in Nilar's batteries, has been volatile and has been subject to a significant price increase over the past twelve months. Sales of, and demand for, the Company's products are affected by factors beyond the Company's control, including the prevailing economic situation and the development of, demand for and price of the products that the Company provides.

KEY INFORMATION ABOUT THE COMPANY'S SECURITIES

Rights attached to the shares As of the date of the Prospectus, there is one class of shares in the Company. The shares are denominated in Swedish kronor (SEK) and have been issued in accordance with Swedish law. All issued shares are fully paid and freely transferable. The rights attached to the shares issued by the Company, including those arising from the articles of association, may only be changed in accordance with the procedures set out in the Swedish Companies Act (2005:551).

As of the date of the Prospectus, there are 45,511,751 shares outstanding in the Company. Each share has a nominal value of approximately SEK 0.167.

Voting rights

Each share grant entitlement for the shareholder to one vote at general meetings and each shareholder is entitled to a number of votes equal to the number of shares in the Company held by the shareholder.

Preferential rights to new shares, etc.

If the Company issues new shares, warrants or convertibles in a cash issue or a set-off issue, the shareholders have, as a general rule according to the Swedish Companies Act (2005:551), preferential right to subscribe for such securities proportionally to the number of shares held prior to the issue.

Rights to dividends and balances in the event of liquidation

All shares in the Company carry equal rights to dividends and to the Company's assets and any potential surplus in the event of liquidation. Decisions regarding dividends are made by the general meeting of shareholders. Entitlement to receive dividends accrues to those who, on the record date adopted by the general meeting of shareholders, are registered in the share register maintained by Euroclear as shareholders. Dividends are normally distributed to the shareholders as a cash amount per share through Euroclear, but may also be distributed in forms other than cash (distribution in kind). Should a shareholder be unable to be reached through Euroclear, the shareholder will continue to have a claim against the Company with regard to the dividend limited in time pursuant to a ten-year statute of limitation. Should the claim become barred by the statute of limitations, the dividend amount accrues to the Company.

No restrictions on the right to receive dividends apply to shareholders residing outside of Sweden. Shareholders who do not have a tax domicile in Sweden are normally subject to Swedish withholding tax.

Dividend policy

Nilar has not paid any dividends for the period covered by the historical financial information and does not intend to pay any dividends in the foreseeable future, therefore no dividend policy has been adopted. Future dividends, to the extent proposed by the Board of Directors and approved by the Company's shareholders, will be dependent upon and based upon the requirements of the nature, scope and risks of the business on the Company's equity and the Company's consolidation needs, liquidity and financial position.

The Company's securities are not covered by any guarantees.

Trading of the shares on Nasdaq First North Premier Growth Market The Company's shares are admitted to trading on the multilateral trading platform and the growth market for small and medium-sized enterprises Nasdaq First North Premier Growth Market. The New Shares will also be traded on the Nasdaq First North Premier Growth Market. Such trading is expected to commence on or about 1 July, 2022 in connection with the registration of the Rights Issue with the Swedish Companies Registration Office.

Key risks associated with the Company's shares **Risks related to the Rights Issue**

The compensation in the event of a sale of subscription rights on the market may be less than the financial dilution

For shareholders who refrain from subscribing for New Shares in the Rights Issue, a dilution effect, upon full subscription in the Rights Issue, corresponding to a maximum of approximately 85.7 percent of the number of shares and votes arises. In the event that a shareholder chooses to sell its subscription rights, or if these are sold on behalf of the shareholder (e.g., through a nominee), there is a risk that the compensation the shareholder receives for the subscription rights on the market does not correspond to the financial dilution in the shareholder's ownership in Nilar following the completion of the Rights Issue.

Key risks associated with the Company's shares (cont.)**There is a risk that active trading in subscription rights and BTA will not develop and that there will not be sufficient liquidity**

In light of the historical volatility and fluctuating turnover in the Company's share as described above, there is a risk that active trading in subscription rights or BTAs will not develop on Nasdaq First North Premier Growth Market or that satisfactory liquidity will not be available during the subscription period at the time such securities are traded. The price of Nilar's subscription rights and BTAs may fluctuate during the Rights Issue (and, with respect to the New Shares, also following the completion of the Rights Issue). The price of Nilar's shares may fall below the subscription price set for subscription of the New Shares. A general downturn in the stock market or a rapid slowdown in the economy could also put the Company's share price under pressure without this having been caused by Nilar's business.

Subscription and guarantee commitments made in the Rights Issue are not secured

Nilar has received subscription commitments from existing shareholders of approximately SEK 100 million, corresponding to approximately 37 percent of the Rights Issue. In addition, guarantee commitments from certain existing shareholders, including Fjärde AP-fonden, and a consortium of external investors, have been provided for a total of approximately SEK 173 million, corresponding to approximately 63 percent of the Rights Issue. The Rights Issue is therefore fully covered by the subscription and guarantee commitments. The Company's largest shareholder, Christopher Braden, has given a subscription undertaking in respect of his pro rata share in the Rights Issue corresponding to approximately SEK 32.0 million. However, the subscription and guarantee commitments made are not secured by bank guarantee, escrow, pledges or similar arrangements, which means that there is no secured capital to meet the commitments made. Consequently, there is a risk that those who have provided subscription and guarantee commitments will not be able to fulfil them, which would have a material adverse effect on Nilar's ability to successfully complete the Rights Issue.

INFORMATION ABOUT THE RIGHTS ISSUE**Key terms and time plan of the Rights Issue****The Rights Issue**

The Board of Directors of Nilar resolved on 23 May 2022, based on the authorisation granted by the extraordinary general meeting of the Company on 18 May 2022, to issue a maximum of 273,070,506 New Shares with preferential rights for existing shareholders. In the event that the Rights Issue is fully subscribed, the Company will receive approximately SEK 273 million before deductions of costs related to the Rights Issue. The costs related to the Rights Issue amounts to approximately SEK 28 million, which also includes the reimbursement of the guarantee commitments given.

Preferential right to subscribe for New Shares

Anyone who was a shareholder of the Company on the record date of 31 May 2022 had preferential right to subscribe for New Shares in the Rights Issue based on the shareholder's existing shareholding in the Company.

Record date

The record date with Euroclear for determining who was entitled to receive subscription rights in the Rights Issue was 31 May 2022. The last day of trading in the Company's shares, including the right to receive subscription rights, was 27 May 2022. The first day of trading in the Company's shares, excluding the right to receive subscription rights, was 30 May 2022.

Subscription rights

One (1) existing share held on the record date of 31 May 2022 entitled the holder to one (1) subscription right. One (1) subscription right entitled the holder to subscribe for six (6) New Shares.

Subscription price

The subscription price is SEK 1.00 per New Share. No commission will be payable.

Subscription period

Subscription for New Shares shall take place during the period from and including 2 June 2022 until and including 16 June 2022. Subscription for New Shares without preferential rights shall take place during the same period.

Trading in subscription rights

Trading in subscription rights will take place on Nasdaq First North Premier Growth Market from 2 June 2022 until 13 June 2022. Subscription rights that are not used for subscription in the Rights Issue must be sold no later than 13 June 2022 or used for subscription for New Shares no later than 16 June 2022 in order not to become invalid and lose their value.

Subscription rights not used

Subscription rights not sold or exercised for the subscription of shares will be cancelled from all securities accounts without compensation.

Dilution effect

Shareholders who refrain from subscribing for New Shares in the Rights Issue, will be subject to a dilution effect corresponding to a maximum of approximately 85.7 percent of the number of shares and votes.

Key terms and time plan of the Rights Issue (cont.)

Subscription and guarantee commitments

Nilar has received subscription commitments from existing shareholders of approximately SEK 100 million, corresponding to approximately 37 percent of the Rights Issue. In addition, guarantee commitments from certain existing shareholders, including Fjärde AP-fonden, and a consortium of external investors, have been provided for a total of approximately SEK 173 million, corresponding to approximately 63 percent of the Rights Issue. The Rights Issue is therefore fully covered by the subscription and guarantee commitments.

Allotment of New Shares subscribed for without subscription rights

In the event that not all New Shares have been subscribed for with subscription rights, New Shares subscribed for without subscription rights shall be allotted first to those who have also subscribed for New Shares with subscription rights, second to those who have only applied for subscription without subscription rights, and third to guarantors.

Trading in BTA

Trading in BTA will take place on Nasdaq First North Premier Growth Market from 2 June 2022 until the Rights Issue has been registered with the Swedish Companies Registration Office and BTA has been converted into shares, around 1 July 2022. BTA has ISIN code: SE0018014037.

Announcement of the outcome of the Rights Issue

The outcome of the subscription in the Rights Issue will be announced on or about 17 June 2022 through a press release by the Company.

Background and rationale and use of proceeds

Nilar's previous strategy, one of rapidly scaling up production capacity, was severely negatively affected by pandemic-related pressures within the delivery chains of the Company's distributors during 2021. The challenges faced by distributors in getting hold of key components for end products led to a large reduction in sales for Nilar.

In order to adjust the Company's cost base, the decision was made in autumn 2021 to reduce production in Gävle temporarily and to put the ongoing construction of the new production facility in Paldiski, Estonia, on hold. This also meant that a significant temporary reduction in staffing levels was implemented. The effects of the economic measures introduced during 2021 will be fully reflected in the results from the second quarter of 2022. As a consequence of the revised strategy, it is planned that sales will increase at a slower pace than had been planned in the previous strategy.

The Board of Directors considers that the existing working capital as of the date of the Prospectus is insufficient to finance the Company's working capital requirements over the next twelve-month period, when taking into account the Company's existing business plan and strategy. The Board of Directors therefore resolved on 23 May 2022 to conduct the Rights Issue in order to strengthen the Company's financial position and to allow it to carry out the Company's business plan and strategy.

Use of proceeds

In order to be able to implement the new strategy and to delivery according to the new business plan, Nilar's Board of Directors has decided to conduct a Rights Issue of approximately SEK 273 million before deductions for costs relating to the Rights Issue. It is estimated that the costs of the Rights Issue, including compensation for any guarantee commitments provided, amounts to approximately SEK 28 million, meaning that the Rights Issue may add approximately SEK 245 million to the Company after deductions for costs relating to the Rights Issue. It is intended that the expected net proceeds will be distributed within the business as follows:

- Financing of the operating activities, such as production and development costs (approximately 75–80 percent of the net proceeds).
- Investments in manufacturing equipment (approximately 10–15 percent).
- Other business purposes, including repayment of deferred tax relating to COVID-19 grace periods on payment (approximately 10 percent).

Provided that the Rights Issue is fully subscribed, the net proceeds, together with existing cash and cash equivalents, are expected to finance the Company's business plan until the end of 2023.

Nilar has received subscription commitments from existing shareholders and guarantee commitments from a consortium of external investors and existing shareholders corresponding to 100 percent of the Rights Issue.

Material conflict of interests

Carnegie is acting as financial adviser in connection with the Rights Issue. Carnegie (and its affiliates) has provided, and may in the future provide, various financial, investment, commercial and other services to Nilar for which Carnegie has received, or may receive, compensation. Baker McKenzie Advokatbyrå is the legal advisor to the Company.

The Company considers that there are no material conflicts of interest in relation to the Rights Issue.

RESPONSIBLE PARTIES, INFORMATION FROM THIRD PARTIES AND APPROVAL

APPROVAL BY THE SWEDISH FINANCIAL SUPERVISORY AUTHORITY

The Swedish version of the Prospectus has been approved by the Swedish Financial Supervisory Authority (the "SFSA") (Sw. *Finansinspektionen*) which is the Swedish national competent authority in accordance with Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on prospectuses to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (the "Prospectus Regulation").

The SFSA approves the Prospectus only to the extent that it meets the requirements for completeness, comprehensibility and consistency specified in the Prospectus Regulation. The approval should not be seen as any kind of support for the issuer referred to in the Prospectus or support for the quality of the securities referred to in the Prospectus. Each investor should make his or her own assessment of whether it is appropriate to invest in the shares referred to in the Prospectus. The Prospectus has been prepared as an EU Growth Prospectus in accordance with article 15 of the Prospectus Regulation.

RESPONSIBLE PARTIES

The Board of Directors of Nilar is responsible for the content of the Prospectus. To the best of the Board of Director's knowledge, the information contained in the Prospectus is in accordance with the facts and no statement has been omitted which is likely to affect its content. As of the date of the Prospectus, the Board of Directors of Nilar consists of the Chairman of the Board, Gunnar Wieslander, and the Board members Stefan De Geer, Helena Nathhorst, Ulrika Molander and Marko Allikson. For complete information on the Board of Directors, see the section "*Board of Directors and Senior Management*".

INFORMATION FROM THIRD PARTIES

The Company assures that information from third parties in the Prospectus has been reproduced correctly and that, as far as the Company is aware and can ascertain from information published by the third party concerned, no facts have been omitted that would make the reproduced information incorrect or misleading. Statements in the Prospectus are based on the joint assessment of the Board of Directors and senior management, unless otherwise explicitly stated. The third-party sources that Nilar has used in the preparation of the Prospectus appear in the list of sources below.

REFERENCES

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BACKGROUND AND RATIONALE

BACKGROUND

Nilar's previous strategy, one of rapidly scaling up production capacity, was severely negatively affected by pandemic-related issues within the delivery chains of the Company's distributors during 2021. The challenges faced by distributors in getting hold of key components for end products led to a large reduction in sales for Nilar. In addition to this, product-related quality problems were discovered, while at the same time there was an increase in the prices of raw materials globally. Taken together, these factors led to a severe deterioration of the Company's financial position and its forecast for the future. Once Erik Oldmark had been appointed as CEO for the Company in October 2021, work began on reworking the Company's strategy for establishing an action plan that prioritises profitability above short-term growth in production volumes. This strategy has now been developed and consists of the following initiatives:

- Increased focus on growth within major energy storage installations on the European market within the commercial and industrial facilities and large-scale energy storage segments.
- Increased focus on building long-term partnerships with selected system integrators in order to create optimised energy storage solutions based on the customers' needs.
- The Company will adjust its focus from supplying complete energy storage systems to focusing on the Company's battery and BMS platform, together with its reoxygenating technology, while transferring system construction to Nilar's partners.
- The Company will increase the selling price of its products in order to reflect the customer value provided through the next generation of battery packs with reoxygenating, and to compensate for the increase in the costs of raw materials.

RATIONALE FOR THE RIGHTS ISSUE

In order to adjust the Company's cost base, the decision was made in autumn 2021 to reduce production in Gävle temporarily and to put the ongoing construction of the new production facility in Paldiski, Estonia, on hold. This also meant that a significant temporary reduction in staffing levels was implemented. The effects of the economic measures introduced during 2021 will be fully reflected in the results from the second quarter of 2022. As a consequence of the revised strategy, it is planned that sales will increase at a slower pace than had been planned in the previous strategy.

The Board of Directors considers that the existing working capital as of the date of the Prospectus is insufficient to finance the Company's working capital requirements over the next twelve-month period, when taking into account the Company's existing business plan and strategy. The Board of Directors therefore resolved on 23 May 2022 to conduct the Rights Issue in order to strengthen the Company's financial position and to allow it to carry out the Company's business plan and strategy.

USE OF PROCEEDS

In order to be able to implement the new strategy and to deliver according to the new business plan, Nilar's Board of Directors has decided to conduct a Rights Issue of approximately SEK 273 million before deductions for costs relating to the Rights Issue. It is estimated that the costs of the Rights Issue, including compensation for any guarantee commitments provided, amounts to approximately SEK 28 million, meaning that the Rights Issue may add approximately SEK 245 million to the Company after deductions for costs relating to the Rights Issue. It is intended that the expected net proceeds will be distributed within the business as follows:

- Financing of the operating activities, such as production and development costs (approximately 75–80 percent of the net proceeds).
- Investments in manufacturing equipment (approximately 10–15 percent).
- Other business purposes, including repayment of deferred tax relating to COVID-19 grace periods on payment (approximately 10 percent).

Provided that the Rights Issue is fully subscribed, the net proceeds, together with existing cash and cash equivalents, are expected to finance the Company's business plan until the end of 2023.

Nilar has received subscription commitments from existing shareholders and guarantee commitments from a consortium of external investors and existing shareholders corresponding to 100 percent of the Rights Issue. More information on the guarantee commitments received can be found in the section "*Terms and conditions for the Rights Issue – Subscription commitments and guarantee commitments*". If the Rights Issue is not sufficiently subscribed, despite the guarantee commitments entered into, the Company intends to explore alternative financing opportunities, such as directed issues, loans or similar. Alternatively, the Company will be forced to revise its planned development or operate at a more restrained pace than planned pending additional financing. Should the Company be unable to secure alternative financing, it will impact the Company's opportunities to commercialise and develop its products as planned, which will adversely affect the Company's financial and operational position. For comprehensive information on the Company's working capital requirements, refer to the section "*Working capital statement*".

ADVISOR'S INTERESTS

Carnegie is acting as financial adviser and issuing agent in connection with the Rights Issue. Carnegie (and its affiliates) has provided, and may in the future provide, various financial, investment, commercial and other services to Nilar for which Carnegie has received, or may receive, compensation. Baker McKenzie Advokatbyrå is the legal advisor to the Company.

The Company considers that there are no material conflicts of interest in relation to the Rights Issue.

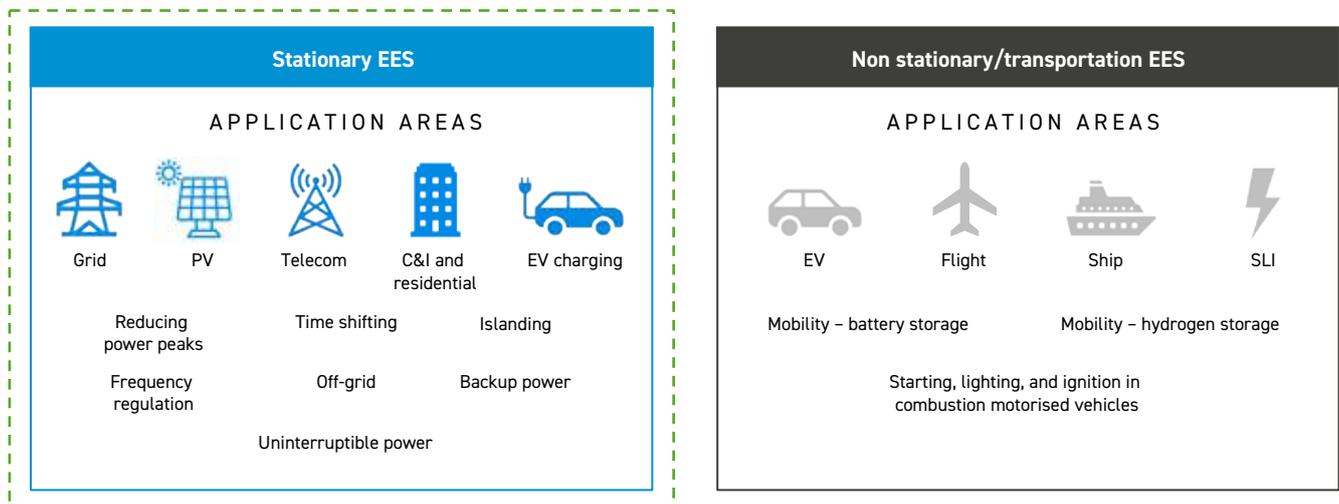
MARKET OVERVIEW AND BUSINESS DESCRIPTION

The reference list for the footnotes recorded continually under this section can be found in its entirety under the section "Responsible parties, information from third parties and approval – References".

MARKET OVERVIEW

Introduction to Nilar's market

Nilar operates in the energy storage market, with a particular focus on energy storage for commercial and industrial facilities and the large-scale energy storage in the Northern and Central European market. Nilar develops and manufactures batteries, control systems and oxygen filling technology suitable for a range of stationary energy storage solutions. These energy storage systems are also known as Electrical Energy Storage (EES) Systems.



Nilar's addressable market

In 2019, 0.9 GWh of electrical energy storage was installed in EMEARC (Europe, the Middle East, Africa, Russia and the area surrounding the Caspian Sea¹). Between 2019 and 2030, the annual installations are estimated to grow with an annual average growth rate of 22 percent. This would imply 8.6 GWh of electrical energy storage installations in 2030 and that the installed capacity would be 19 times higher than that of 2019.

Energy production is transitioning to an ever greater proportion of renewable energy sources. The proportion of the total global energy production from renewable energy is estimated to have amounted to 27 percent in 2020, and in 2035 it is expected that renewable energy will account for more than 50 percent of the total global energy production.² Significant investments in renewable energy technology have led to major technical progress and considerable cost reductions. Developments in recent years have made many renewable alternatives, such as solar and wind power, highly competitive with fossil-based energy sources in terms of price.³

Energy sources can be divided into intermittent energy sources and base energy, where renewable energy sources are often intermittent.

Intermittent power varies, such as solar and wind power, and depends on external conditions. For example, it is only possible to generate solar energy during those hours of the day when the sun is shining. In the same way, wind power production depends on wind speed and air density. Therefore, production by intermittent energy sources depends on location, weather conditions, and daily and seasonal variations, and it is not possible to generate an even flow of energy. In order to take full advantage of the technical progress in renewable energy production, and as the same time secure a continuous energy supply, there is a need for efficient energy storage solutions.

Dynamic changes in the demand for energy are also expected to increase. Vehicle electrification is progressing at a fast pace, which will require a significant increase in grid capacity in order to deal with periods of high demand for charging. The current electricity grid is a bottleneck, as capacity is insufficient to support a properly functional charging infrastructure.⁴ Energy storage can act as a solution for providing flexibility and creating a balance on the grid in order to circumvent temporary capacity limitations.

1) The area around the Caspian Sea includes Afghanistan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan.

2) McKinsey, Global Energy Perspective 2019: Reference Case, published in January 2019.

3) European Commission, Europe's energy transition is well underway, published in February 2017, retrieved 28 March 2021.

4) BCG, The Costs of Revving Up the Grid for Electric Vehicles, <https://www.bcg.com/publications/2019/costs-revving-up-the-grid-for-electric-vehicles.aspx>, published in December 2019.

Market trends and driving forces

The need for flexibility in the energy system is expected to increase in future. Flexibility in supply will be needed in order to deal with irregularities in electricity production and to meet shifts in demand. For example, the penetration of the market by electric vehicles has led to a marked increase in demand for electricity at certain times and in certain locations. These peaks in demand will require a significant increase in grid capacity.¹ These trends, which the Company has identified as major driving forces, are further described below.

Increased proportion of renewable energy: The global capacity for solar and wind power is expected to increase fivefold between now and 2035, and – by as early as 2035 – renewable energy sources are expected to account for the majority of the world's energy capacity.² As solar and wind power are intermittent energy sources, solutions are required to safeguard reliable access to electricity as and when demand arises. As a result, increased use of solar and wind power is expected to drive the market for energy storage solutions as we move forward.³

The price of solar energy has fallen in recent years and now competes with fossil-based alternatives.⁴ The technical development has led to reductions in costs in a number of aspects of the production process. The cost of producing energy using solar power fell by 77 percent between 2010 and 2018, and it has now become an attractive energy source from an economic perspective. The cost of producing solar energy is expected to fall by a further 41 percent between 2018 and 2030.⁵ Similar trends can also be identified for wind power, where the cost of onshore and offshore wind power plants fell by 39 and 29 percent, respectively, between 2010 and 2019.⁶ Currently, two-thirds of the world's population live in areas where solar or wind power is economically preferable.⁷

Intermittent energy sources produce energy only under certain conditions: One limitation of intermittent energy sources is that energy is produced only under certain conditions. For example, solar energy production is limited to daylight hours, which is not necessarily the time when the energy is required. In residential buildings, energy consumption is normally high during mornings and evenings. As the proportion of electricity from solar energy increases, electricity production will be concentrated in the daylight hours. This can interfere with energy systems, as an imbalance will arise with regard to the times of supply and demand.

Energy storage solutions will play a vital role in energy systems that have a large proportion of renewable energy.⁸ The expected increase in renewable energy sources will drive the demand for

energy storage solutions designed to balance the times of supply and demand.

Large variations in electricity prices over a day: In addition to an increased demand for intermittent, renewable energy sources, there are also incentives to invest in an energy storage solution from a cost perspective. Electricity prices vary widely during the day, which is a consequence of the increased load on the grid during certain times of the day. An energy storage solution allows the user to buy electricity when it is relatively cheaper in order to consume it when electricity prices are relatively higher.

Electric vehicles

The growth in electric vehicles is primarily being driven by strategies aimed at reducing emissions of greenhouse gases and reducing battery costs.⁹ The European Union (EU) has set a target of reducing average emissions levels for newly registered vehicles by 37.5 percent between 2021 and 2030.¹⁰ The stimulation for the initiative is being provided through a credit system for manufacturers, which will be introduced from 2025. In order to achieve this target, around 32 percent of the vehicles sold in the EU between now and 2030 must be electric vehicles. In 2019, electric cars accounted for around 4 percent of the total number of vehicles sold.¹¹ There are also a number of local initiatives to reduce greenhouse gas emissions from vehicles. For example, in 2019 around 20 large cities around the world announced plans to ban petrol and diesel cars by no later than 2030.¹² The global market for electric vehicles is being driven by initiatives such as these, and is expected to increase by an average growth rate of 30 percent between 2018 and 2030.¹³

Energy storage facilitates "prosumption"

Energy storage systems allow property owners to become self-sufficient in electricity. This phenomenon is referred to as "prosumption", which means that you are both the producer and the consumer of a product. Property owners can sell any surplus produced back to the grid, thereby even profiting from having produced and stored electricity. The fact that solar cells, which are expected to form a large part of future electricity production in the home, do not produce electricity at the times when the need is greatest means that energy storage systems will gain a central role in enabling prosumption to work.¹⁴

The fact that the number of electric vehicles is expected to increase significantly in the coming years strengthens the theory that property owners will look for effective storage solutions in the home. With an energy storage system, property owners can not only benefit from balancing out the supply of electricity, but also charge their cars more efficiently as the charging capacity from the grid is limited.¹⁵

1) McKinsey, Global Energy Perspective 2021, published in January 2020.

2) McKinsey, Global Energy Perspective 2021, published in January 2020.

3) Imperial College, Electricity energy storage for mitigating climate change, published in July 2016.

4) Bloomberg News, Solar and Wind Power So Cheap They're Outgrowing Subsidies, <https://www.bloomberg.com/news/features/2019-09-19/solar-and-wind-power-so-cheap-they-re-outgrowing-subsidies>, published in September 2019, retrieved 25 March 2021.

5) IRENA, Future of Solar Photovoltaics, published in November 2019.

6) IRENA, Renewable Power Generations Costs in 2019, published in June 2019.

7) Bloomberg News, Solar, Wind Provide Cheapest Power for Two-Thirds of Globe, <https://www.bloomberg.com/news/articles/2019-08-27/solar-wind-provide-cheapest-power-for-two-thirds-of-globe-map>, published in August 2019, retrieved 30 March 2021.

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13) Deutsche Welle, Move is on to ban diesel cars from cities, published in February 2018, retrieved 25 March 2021.

14) SolarPower Europe, EU Market Outlook for Solar Power 2020–2024.

15) IEA, Global EV Outlook 2020, published in June 2020.

Regulations and grants

As well as the economic aspect, there are political and regulatory driving forces for investments in renewable technology, energy storage and electric vehicles. The increased awareness of climate change has been met with national and international regulations and initiatives in the effort to reduce greenhouse gas emissions, for example through the EU Commission's amendment of the Renewable Energy Directive to align renewable energy targets with new climate ambitions. They proposed, among other things, to raise the target for the share of renewable energy in the EU energy mix to 40 percent by 2030 and support the use of renewable fuels.

Global energy capacity per year

Global energy storage capacity is expected to increase markedly year on year. This long period of growth coincides with the major focus on phasing out fossil fuels. The most recent summit meetings of world leaders have not only confirmed the global commitment to reducing carbon dioxide emissions but also led to the setting of even more ambitious targets, which are driving development forward. Even though, from a visual perspective, the US and China dominate forecasts for the future energy market, Europe is undergoing a huge energy storage revolution.

BUSINESS DESCRIPTION

About the business

Nilar develops and manufactures batteries, control systems and reoxygenating technology suitable for a range of different stationary energy storage solutions. Energy storage can be used to bridge the connection between energy production and supply, and to increase flexibility in realising the full potential of intermittent production of renewable energy. In practice, this is done by bridging the production and consumption of renewable electricity and by balancing out the load to avoid peaks in demand from the grid. The Company's core expertise is in the development of safe and environmentally friendly batteries.

Nilar is active on the energy storage market and intends to focus in particular on large-scale energy storage for commercial and industrial installations and the large-scale energy storage. The Company's battery technology, called Nilar Hydride®, is based on nickel metal hydride (NiMH) with a water-based electrolyte, which gives it a solid environmental and safety profile. The next generation Nilar Hydride battery pack, which is compatible with Nilar's reoxygenating technology, is currently under development, with production scheduled to start in 2022. The new battery pack can potentially be reconditioned in a cost-effective manner, in order to restore lost capacity at what would otherwise have been the end of its lifespan. This will result in a lower lifetime cost for storage and a reduced impact on the environment, as it will be possible to replenish the battery with a new lifespan instead of replacing it.

Nilar's principal marketing focus is on existing and new system integrators that offer their customers solutions for energy and power optimisation. These system integrators develop customised solutions using, among other things, Nilar's products. The system integrators with which Nilar intends to establish a sales relationship are those that mainly focus on industrial and commercial properties, as well as large-scale energy storage primarily for frequency balancing of energy networks.

The Company's Head Office is in Täby, while Nilar's energy-efficient production, along with the Company's research and development, takes place in a production facility in Gävle. The Company is currently improving the capacity of its production facility by streamlining the production processes and current production lines.

Nilar's value chain

Nilar controls large parts of the value chain: from cell production, manufactured from purchased raw materials, to complete batteries ready for delivery to system integrators or end customers. This allows the Company to maintain a high level of overall quality in the production process. The Company has direct contact with suppliers of raw materials, system integrators, distributors and – frequently – end customers, as the delivered systems are often directly and constantly monitored via an Internet connection to Nilar. The Company considers the main challenges to the value chain in future to be securing access to raw materials and electronic components and expanding the network of system integrators with which to collaborate.

Raw materials and components

The main raw materials in Nilar's battery cells are hydrogen storage alloys, nickel, nickel hydroxide, cobalt and potassium hydroxide. Hydrogen storage alloys, nickel and nickel hydroxide are purchased from suppliers in China, while cobalt is purchased from a supplier in Finland and potassium hydroxide from a supplier in Germany. The supplier agreements usually run until further notice. Nilar has designed processes to assess quality and compliance with its ESG criteria.

Battery system production

Nilar controls large parts of the value chain, from cell production to batteries. The first step in Nilar's production process consists of cell production, which is performed using a patented dry process that is automated and industrially scalable. Compared to a conventional slurry process¹, a dry process is advantageous as it avoids time and energy-consuming drying. The cells produced are flat, which allows a modular design and increases the flexibility of applications. This results in a streamlined production. The battery cells are assembled into a battery module by stacking them horizontally on top of each other, with a bimetallic plate in between. It is relatively simple to fit the battery module to a battery pack as modules are stacked, and there are few parts and connections between the cells.

Energy management system

Nilar's customers consist primarily of system integrators who design and manufacture energy storage systems with associated energy management systems (EMSs).

End customers

The process of creating agreements between system integrators and end customers can be performed in a number of different ways. The process usually begins with Nilar and a system integrator, through an integration project, creating a system solution with inverters and energy management systems. The end customer specifies the storage capacity and contacts the system integrator, who customizes the final product for the challenges faced by the end customer. The system integrator then submits an order for batteries and associated battery management systems from Nilar.

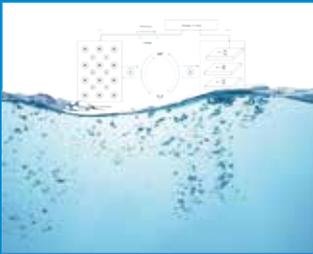
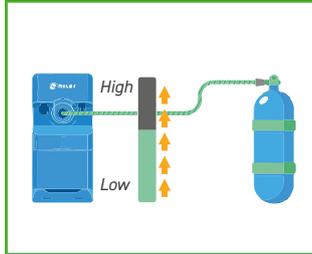
Recycling process for Nilar's batteries

Nilar cooperates with system integrators for recycling its batteries. Once a battery approaches the end of its useful life, the customer is able to return it to the system integrator, which then forwards it to Nilar. Returned batteries are systematically recycled, and the materials are reused either in new batteries or in other industries, for example in stainless steel.

¹) Produces a wet electrode that is injection moulded or brushed out and then requires more energy to dry.

Nilar's technology

The cornerstones of Nilar's technology

CHEMISTRY	ARCHITECTURE	BMS	LIFE CYCLE MANAGEMENT
			
CHEMISTRY ALLOWING WATER-BASED ELECTROLYTE	MODULAR ARCHITECTURE ENABLING FLEXIBILITY	ROBUST BATTERY MANAGEMENT SYSTEM (BMS)	NILAR'S REOXYGENATING TECHNOLOGY ENABLES FILLING
			
Properties of the nickel-metal hydride chemistry facilitate a safe and environmentally sound battery	The bipolar design and the production of battery packs allow for flexibility in terms of system size and application	The BMS monitors and controls the battery to ensure safe operations and a long service life	With the help of oxygen, Nilar can recondition the battery and reverse its ageing process, thus regaining lost capacity

Chemistry

The company manufactures nickel-metal hydride batteries. When the batteries are discharged, the hydrogen moves from the negative active material, metal hydride (MH), to the positive active material, nickel oxyhydroxide (NiOOH). In this process, the negative active material is drained of hydrogen, and the hydrogen is reduced to nickel hydroxide (Ni(OH)₂) in the positive active material. When the batteries are charged and then discharged, the hydrogen moves in the opposite direction. The positive active material is oxidised to nickel oxyhydroxide and loses hydrogen, which is taken up by the negative active material in the form of hydrogen gas (H₂), which forms a metal hydride. The chemical process in the Company's batteries is illustrated below.

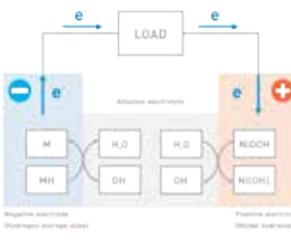
	Charge products	Discharge products
 Positive material	Nickel (III) oxyhydroxide (NiOOH)	Nickel (II) Hydroxide (Ni(OH) ₂)
 Negative material	Metal hydride (MH)	Metal alloy (M)
 Electrolyte	KOH	KOH

Discharge process

Negative electrode MH+OH⁻ → M+H₂O+e⁻

Positive electrode NiOOH+H₂O → Ni(OH)₂+OH⁻+e⁻

Entire battery MH+NiOOH → M+Ni(OH)₂



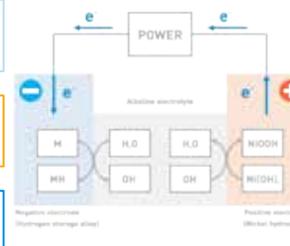
- Hydrogen moves from the negative active material to the positive active material. In this process, the metal hydride is drained of hydrogen and the positive active material is reduced to Nickel hydroxide

Charge process

Negative electrode M+H₂O+e⁻ → MH+OH⁻

Positive electrode Ni(OH)₂+OH⁻ → NiOOH+H₂O+e⁻

Entire battery M+Ni(OH)₂ → MH+NiOOH



- As the battery is charged, Nickel hydroxide in the positive electrode loses hydrogen and the metal alloy takes up hydrogen to form a metal hydride. When losing hydrogen, the Nickel hydroxide oxidises and the positive active material becomes Nickel oxyhydroxide

Architecture

Nilar's batteries are manufactured using a bipolar design, which means that cells are stacked horizontally on top of each other, with a bimetallic plate in between. The bipolar design allows the current to flow evenly through the entire battery cell, which creates an even heat generation and load on the cell that ultimately ensures the cell's longer lifespan. The flat bipolar design is also more space-efficient compared to cylindrical or prismatic battery designs.

The battery module is the building block of Nilar's battery systems

- One module consists of 10 cells stacked horizontally with a metal biplate in between 
- The outer contact plates act as current collectors for all cells in the module 
- After assembly, the module is filled with electrolyte to enable a free flow of ions 
- The modular design enables easy assembly 

Components of Nilar's battery cell

1	Contact plate The positive and negative terminal on the module which transfer electrical current	1	Case Together with the contact plate, it is part of the sealing which forms the 12 V module	2	Electrodes Manufactured through a compression of dry powders which store energy in the cell	3	Separator Prevents electrical contact between the positive and negative electrodes while holding the electrolyte	4	Biplate The biplate seals each cell while providing electrical contact between them	5	Electrolyte The water-based electrolyte provides the means of ionic conductivity in the cell and it has important features such as low cost, fast filling time and excellent ionic conductivity over a wide range of temperatures
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The Battery pack can be sold together with battery management system

- Optimised for large battery management system 
- Equipped with a battery management system and industrial connectors for electrical and communication interfaces 
- Operating temperature between -10°C and +40°C 
- Can be stored or operated at an intermediate state of charge for a long time without loss of performance 

Components of Nilar's battery pack

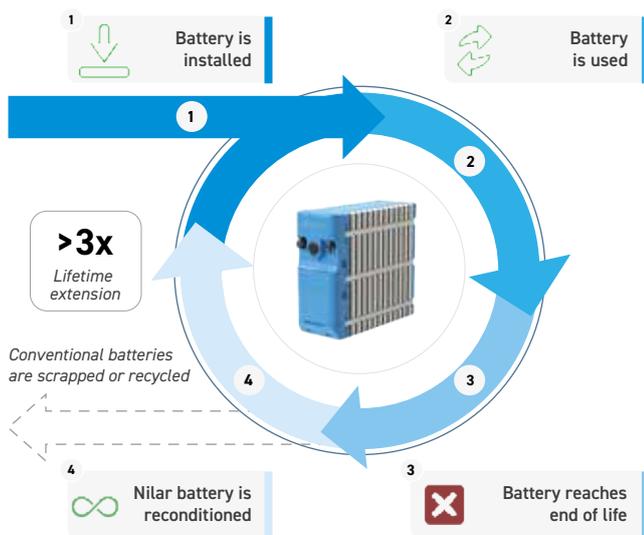
1	Integrated Monitoring Unit An electronic monitoring system which monitors the conditions of the battery pack and communicates the data	2	Module The building block of all Nilar's batteries	3	Rupture Disc The rupture disc is only activated at abusive conditions when the internal pressure is high	4	Contact Plate Electronically connects the adjacent modules in the pack and eliminates the need for external connectors between modules	5	End Piece Provides uniform cell compression over the electrode surface, impact protection to the cell stack and electrical insulation
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Battery management system

The Company's software for the battery management system (BMS) optimises the use of the battery's storage capacity and measures the battery's charge level. The BMS communicates with an EMS (from system integrators), which controls the use and charging of the battery. For example, if the battery's energy storage exceeds the desired charge levels, the BMS will communicate this to the EMS, which will then reduce the charging rate back to the desired levels.

Reoxygenating technology

Cell breakdown and ageing of NiMH batteries is due to corrosion of metal hydride, as this reduces the quantity of metal hydride capacity and uses up the water in the electrolyte (which is bound chemically). The corrosion also produces hydrogen, which increases the internal resistance as a result of an imbalance between the electrodes.¹ Nilar has developed and patented a technique that can balance the electrodes and replenish the electrolyte by adding a controlled quantity of oxygen and recycling water in the electrolyte. The technique makes it possible for Nilar to restore lost capacity in a Nilar Hydride® battery, which ultimately extends its useful lifespan more than threefold.² It is planned to implement the reoxygenating technology in a new version of the battery module, with the first product deliveries taking place in the second half of 2022.



Strong product benefits

- **Safety:** The water-based electrolyte is non-flammable. Uniform current conduction means that no concentrated hot spots occur, providing more efficient heat dissipation. The structural components of the battery, combined with the non-flammable electrolyte, mean that spontaneous combustion cannot occur.
- **Sustainability:** Nilar's research and development process focuses on the philosophy of a circular economy, where each innovation strives for component renewal and reduction in waste. All products from Nilar are produced in the Company's factory in Gävle, Sweden using 100 percent renewable energy, and can be recycled at the end of their lifespan. Nilar's batteries contain no cadmium, mercury or lead, however a minimal amount of difficult to recycle metals.

- **Performance:** The robust chemistry in Nilar's batteries allows it to age only during charging and discharging, unlike other battery technologies. The battery can be quickly charged and discharged and provides many cycles during its long calendar lifespan. The combination of Nilar Hydride® technology and Nilar's patented bipolar design provides a reliable source of power that is designed to last for more than 20 years.

Strategy and business plan

In the past few months, Sweden and the rest of Europe have experienced the effects of a change in circumstances regarding both the supply of and demand for various different kinds of energy sources. The transition from fossil-based fuels to renewable energy has a major effect on energy systems and infrastructure, where intermittent energy sources such as solar and wind power generate a wildly varying amount of energy, leading to volatile energy prices. At the same time, unrest in the world has turned the supply of, for example, oil and natural gas on its head, which has consequences for energy prices in a number of parts of the world. Society's energy consumption patterns are also rapidly changing, in part as a result of the growing market for electric cars, which in turn leads to increased pressure on society's already stretched electricity grids. Changes to consumption patterns, along with an increasing proportion of intermittent energy, are creating problems with regard to stability and reliability on the grid.

Nilar sees the potential in stationary electrical energy storage to become a key component in mitigating these fluctuations in energy supply and demand. In 2019, EMEARC's³ total stationary energy storage capacity amounted to 2.4 GWh and annual installations are expected to grow at an annual average growth rate of 22 percent between 2019 and 2030, which means that the total installed capacity in 2030 is expected to be 19 times higher than the 2019 level. Thanks to Nilar's battery technology, the Company considers conditions good for taking a share of this strongly growing market. Along with selected partners, the Company is striving to be a leader in optimised solutions for customers who are looking for high performance, cost-effective, safe and sustainable energy storage.

Nilar's strategy is to deliver high quality batteries that will allow safe and sustainable energy systems through the Company's ground-breaking battery technology. Through close collaboration with system integrators, Nilar can optimise energy management for the Company's end customers using sustainable and safe battery solutions with high performance.

In conjunction with the publication of the Company's year-end report on 28 February 2022, Nilar's Board of Directors adopted a revised business strategy for the Company's sustainable growth. The purpose of the revised business strategy is to implement measures for a realistic road to profitability.

- In addition to Nilar's existing operations in the residential segment, the Company will increase its focus on growth within major energy storage installations on the European market. The primary customer applications can be found in the segments for commercial and industrial facilities and the large-scale energy storage, with solutions such as reduce power peaks, time shifting, backup power, interruptible power, islanding, frequency control and off-grid. The Company considers that the best conditions can be found in these segments for Nilar's technology,

1) Yang Shen, Development of metal hydride surface structures for high power NiMH batteries, <http://su.diva-portal.org/smash/get/diva2:1194626/FULLTEXT01.pdf>, published 2018, retrieved 26 March 2021.

2) Based on battery pack level tests conducted by the Company.

3) Europe, the Middle East, Africa, Russia and the Caspian Sea region.

which stands out in terms of competitiveness in performance, safety and sustainability.

- Nilar will focus on building long-term partnerships with selected system integrators within the Company's prioritised market segments. The Company will streamline the value chain by removing unnecessary distribution stages and working with the Company's partners to create optimised energy storage solutions based on the customers' needs.
- Nilar will direct its focus from supplying complete energy storage systems to focusing on the Company's competitive battery and BMS platform, together with reoxygenating technology, while transferring system construction to its partners.
- In order to achieve growth in major installations, a shift is required from complete energy storage solutions to solution-based offers, where the Company's partners will provide complete systems based on Nilar's technology. Henceforth, the Company's focus will be exclusively directed at developing and supplying battery technology, together with providing Nilar's knowledge about developing smart and safe solutions based on the Company's products. Through the launch of batteries with reoxygenating, Nilar's partners will be given the opportunity to develop a recurring business for lifecycle management of the Company's battery solutions.
- Nilar will raise the selling price of the Company's batteries in order to reflect the customer value provided through the next generation of battery packs with reoxygenating and to compensate for the increase in the costs of raw materials.

Nilar's goals for 2022–2023

Nilar considers that the Company's production volumes will remain moderate during 2022. By launching the Company's first battery pack with reoxygenating functionality, Nilar will have a competitive offer for energy storage solutions. Furthermore, the Company will be focusing on production in Gävle during 2022, with a planned increase in volume starting during the third quarter of 2022 in order to achieve a production capacity of up to 20 MWh during 2023. During 2022 and 2023, Nilar will focus on achieving the following goals:

- Signing strategic agreements with important integrators for jointly developed solutions directed at Nilar's primary customer segments.
- Delivering batteries with Nilar's reoxygenating technology, with improvements in performance and quality of the Company's current battery design.
- Continuing with the development of the next generation of batteries and control systems for launch in 2024.
- Establishing a plan to achieve a production capacity of 150–200 MWh during 2025, including the production plant in Paldiski, Estonia.

Financial targets

Prior to the listing of the Company's shares on Nasdaq First North Premier Growth Market in April 2021, the Company adopted financial targets of net sales of at least SEK 1 billion in 2023 and a long-term EBITDA margin of 20 percent.

The Company's Board of Directors revised on 12 October, 2021, as a consequence of lower sales and disruptions in the supply chain, and adopted new financial targets that would bring net sales to at least SEK 1 billion by 2025, a shift in the net sales target by two years. However, the Company has chosen to maintain its long-term return target of a 20 percent EBITDA margin.

The Company's financial targets are thus adopted as follows:

- Net sales to reach at least SEK 1 billion by 2025.
- Long-term EBITDA margin of 20 percent.

Financing of the business

The Group's goal regarding capital structure is to secure the Group's ability to continue its business so as in future to be able to generate a profit for its shareholders, while also maintaining an optimal capital structure in order to keep the costs of capital down. Up to the date of the Prospectus, the Group has been financed through shareholder contributions in the form of new share issues and loans from the EIB drawn down to SEK 180 million.

In October 2020, the EIB (European Investment Bank) granted the Company a conditional five-year loan facility of EUR 47 million, of which EUR 35 million with scheduled disbursement 2020-2022, Tranche A and Tranche B, for the further expansion of the Gävle plant, and EUR 12 million, Tranche C, with scheduled disbursement 2023 to co-finance the next plant. The condition for disbursement of the initial EUR 17.5 million (tranche A) was achieved with the capital raising completed in the second half of 2020 of SEK 178 million before transaction costs. The first tranche of EUR 8.75 million (SEK 91.0 million) of Tranche A was received in the fourth quarter of 2020. The second and final tranche of EUR 8.75 million (SEK 87.8 million) was received in the first quarter of 2021. In order to draw down the remaining tranches under the facility, it is required, among other things, that additional equity is raised as well as the achievement of certain sales and/or profitability targets. Tranche A runs from 24 November 2020 until 31 December 2025 at an annual interest rate of 7.5 percent, and the EIB has received 160,633 warrants in Nilar International AB entitling the lender to purchase shares at a fixed price during the option period.

Following the listing of the Company's shares on Nasdaq First North Premier Growth Market on 30 April 2021, the Company has met the requirements associated with additional capital raising as stipulated under Tranche B and C. Tranche B is also conditional upon the Company's sale in the second half of 2021 would exceed SEK 77 million (excluding sales within the Group and sales of replenishment services). This condition has not been met, which means that Nilar cannot use the remaining tranches.

As at 31 March 2022, the Group's equity amounted to SEK 417,296 thousand and the Group's cash and cash equivalents amounted to SEK 150,953 thousand. Nilar's working capital and investments have been set aside to be financed through the Rights Issue and sales income. For comprehensive information on the Company's working capital, refer to the section "*Working capital statement*".

Significant changes to the Company's loan and financing structure from 31 March 2022 to the date of the Prospectus

There have been no significant changes to the Company's loan and financing structure from 31 March 2022 to the date of the Prospectus.

Investments

Significant ongoing investments

During the fourth quarter of 2021, the Company decided to pause the ongoing development of its new production facility in Paldiski, Estonia, temporarily – thereby postponing parts of the significant investments on which the Company had previously decided for the first four production lines in Paldiski. The production facility in Paldiski can be developed into a maximum of 16 production lines. The decision was made as a result of the Company's financial position.

As of the date of the Prospectus, the Company's significant ongoing investments consist of investments to improve the Company's product portfolio and to streamline the Company's production processes. Apart from these investments, as of the date of the Prospectus the Company has no significant ongoing investments, and nor has it made any fixed commitments on significant future investments. However, in the event of the Rights Issue being fully subscribed for, the Company intends to make future significant investments in the continued installation of and commissioning the four production lines in Paldiski that have already been started, in accordance with what is stated in the section "*Background and rationale – Use of proceeds*".

Significant investments from 31 March 2022 to the date of the Prospectus

The Company has not made any significant investments from the end of 31 December 2021 to the date of the Prospectus.

Structure of the Group and organisation

Nilar International AB (publ), corporate reg. no. 556600-2977, is a Swedish public limited company with its registered office in Stockholm County, Täby municipality. It was founded in Sweden on 4 October 2000 and its current name (and trade name) were registered on 3 August 2016. Nilar is the parent company to four fully-owned subsidiaries – the American subsidiary Nilar Inc, the Estonian subsidiary Nilar OÜ and the Swedish subsidiaries Nilar AB and Nilar Holding Nr 1 AB.

The Company's Head Office and address for visitors is: Stockholmsvägen 116 A, 187 30 Täby. The Company can be reached on telephone number +46 (0)8 768 00 00. The Company's identification code (LEI) is 549300YB1GKR0RB4XL64. The Company's website is <https://www.nilar.com/investors/>. Please note that the information on the Company's website is not included in the Prospectus unless this information is incorporated into the Prospectus through reference.

Employees

During the period 1 January–31 March 2022, the Company had an average of 168 employees. During the 2021 financial year, the Company had an average of 185 employees.

WORKING CAPITAL STATEMENT

In light of Nilar's revised strategy, existing business plan and business objectives, the Company's Board of Directors believes that the Company's working capital is not sufficient to fund the Company's operations for the next twelve-month period. The Company's working capital deficit is estimated to be approximately SEK 120-150 million over the next twelve-month period. The Company further believes that the deficit in the Company's existing working capital will occur in October 2022.

Assuming that the Rights Issue is fully subscribed, the proceeds from the issue are expected to amount to approximately SEK 273 million before deduction of costs related to the Rights Issue. Costs related to the Rights Issue are estimated to amount to approximately SEK 28 million, including cash consideration for guarantees provided, which amounts to approximately SEK 15 million. In connection with the Rights Issue, the Company has entered into agreements with a number of external investors and existing shareholders for subscription commitments and guarantee commitments corresponding to 100 percent of the Rights Issue. The guarantors in the Rights Issue will receive cash consideration, for more information see the section "*Terms and conditions for the Rights Issue - Subscription commitments and guarantee commitments*" below.

The net proceeds from the Rights Issue are expected to amount to approximately SEK 245 million and the Company estimates that, following the completion of the Rights Issue and assuming the Rights Issue is fully subscribed, its working capital will be sufficient for the next twelve-month period and until the end of 2023.

The subscription and guarantee commitments in the Rights Issue are not secured by bank guarantee, escrow, pledges or similar arrangements, which means that there is no secured capital to fulfil the commitments made. Consequently, there is a risk that the providers of the subscription and guarantee commitments will not be able to fulfil these, which would have a material adverse effect on Nilar's ability to successfully complete the Rights Issue. If the Rights Issue is not sufficiently subscribed to, despite the guarantee commitments entered into, the Company intends to explore alternative financing options such as directed issues, loans or similar. Alternatively, the Company will be forced to review its planned development or operate at a more restrained pace than planned pending additional financing. Should the Company be unable to secure alternative financing, it will affect the Company's ability to commercialize and develop its products as planned, which will adversely affect the Company's financial and operating position.

RISK FACTORS

An investment in securities is associated with various risks. This section describes the risk factors and significant circumstances considered to be material to Nilars business and future development. In accordance with the Prospectus Regulation, the risk factors described in this section are limited to such risks which are deemed specific to the Company and/or to the Company's shares and which are deemed material in order for an investor to be able to make a well-informed investment decision.

Nilar has assessed the materiality of the risks based on the likelihood of the risks occurring and the expected extent of their negative effects. The risk factors are presented in a limited number of categories that include risks attributable to Nilars operations and industry, financial risks, legal and regulatory risks, and risks related to Nilars shares and the Rights Issue. The risk factors presented below are based on the Company's assessment and information available as of the date of the Prospectus. The risk factors considered most significant as of the date of the Prospectus are presented first within each category, while subsequent risk factors are presented without any particular ranking. Financial information presented in brackets represents comparative information for the relevant corresponding period of the previous financial year.

RISKS RELATED TO THE COMPANY'S OPERATIONS AND INDUSTRY

Financial risks

Nilar has historically reported losses, and there is a risk of the Company failing to achieve profitability in accordance with the Company's revised strategy

Nilar has historically only reported losses in its business during the period for which the Company has been active. During the period 1 January–31 March 2022, the Company's revenue decreased by 178 percent to SEK -4.2 million (5.4), compared to the corresponding period in 2021, and revenue also decreased by SEK 7.4 million from the financial year 2020 to 2021, equivalent to a decreased of approximately 29 percent. For the period 1 January–31 March 2022, the Group reported a loss of SEK -74.2 million, compared to SEK -114.4 million for the corresponding period in 2021, as well as losses of SEK 600.5 million and SEK 342.9 million for the financial years 2021 and 2020, respectively. In 2021, the Company was significantly negatively affected by quality problems with the Company's products, as well as problems within the delivery chain of Nilar's system integrators, which reduced the opportunities to supply battery storage systems as the shortage of components made the delivery of complete solutions to the end customer more difficult. In addition, as a result of the COVID-19 pandemic, the procurement of materials and the increased prices of raw materials in 2021 had a significant negative impact on the Company and its customers. The increased loss between the financial years 2021 and 2020 was primarily driven by a write-down of capitalised development expenses relating to older development work on system design and production methods. The impairment was made in the fourth quarter of 2021 of SEK 137.5 million related to the Company's legacy battery pack design and system design in connection with the Company's revised strategy. The shortage of components and higher purchase prices, combined with the negative gross margin on Nilar's products, led to a decision to reduce sales during the fourth quarter of 2021. Another contributory factor in the decision were the continuing deficiencies in the quality of the Company's products, which continued for much of 2021. In order to adjust the Company's cost base, the decision was made in autumn 2021 to reduce production in Gävle temporarily and to put the ongoing construction of the new production facility in Paldiski, Estonia, on hold. This also meant that a significant temporary reduction in staffing levels was implemented. The effects of the economic measures introduced during 2021 will be fully reflected in the results from the second quarter of 2022. The decrease in sales and the negative margin are contributory reasons for Nilar conducting the Rights Issue in order to inject additional working capital into the business. Moreover, the revised strategy aims to prioritise profitability over short-term growth in production volume.

There is a risk that, through the Company's investments, Nilar will fail to achieve such changes to the business as are required under the Company's strategy and the goals it has set in order to achieve profitability within the Company. As a result, the Company may not generate sufficient revenues in the future to cover the Company's costs, or such revenues may be generated later than assumed by the Company. Among the prerequisites of the Company's business plan for profitability are: an increase in the price of the Company's products, upscaling of the Company's production and sales, efficient use of incoming raw materials and components, an increase in productivity, a reduction in scrap rate, and for production in a new factory abroad to be possible at a lower cost than in Sweden. If these do not happen or they are delayed, or if they affect the willingness to buy on the part of the Company's customers, there is a risk of the Company being unable to carry out its business plan, which would result in the Company's income not exceeding its expenditure, which ultimately may cause the Company difficulties in settling its debts as they fall due for payment. If Nilar fails in the actions required to achieve profitability, this may have a significant negative effect on the Group's financial position, profit/loss and opportunities in the future to acquire capital under acceptable terms and conditions.

The Company is dependent on the implementation of the Rights Issue and continued financing thereafter

Since its foundation, the Company has conducted several acquisitions of capital of which the latest of SEK 750 million in connection with the Company's offer to the public prior to the listing of the Company's shares on Nasdaq First North Premier Growth Market in April 2021. The net proceeds from previous acquisitions of capital have primarily been used to invest in the Company's products and production facilities. In order to be able to implement the new strategy and to delivery according to the new business plan, Nilar's Board of Directors has decided to conduct the Rights Issue, which will inject approximately SEK 245 million into the Company after deductions for costs related to the Rights Issue. The net proceeds will be used to finance the operating activities such as development and production costs, investments in manufacturing equipment and for other company purposes, including repayments under COVID-19-related grace periods.

During the period 1 January–31 March 2022, the Group reported a negative cash flow from operating activities of SEK -58.9 million, and SEK -446.6 million and SEK -211.6 million relating to the financial years 2021 and 2020, respectively. As of 31 March 2022, the Group's cash and cash equivalents amounted to SEK 151.0 million. Historically, the Company has been unable to finance its business operations using its own cash flow and has therefore depended on external financing. The Board of Directors considers the Company's working capital as of the date of the Prospectus to be insufficient

for the Company's working capital requirements over the next twelve-month period. During this twelve-month period, taking into account the Company's existing strategy and business plan, it is estimated that the deficit in the Company's working capital is approximately SEK 120–150 million, and that the shortage in working capital will arise after the third quarter of 2022. If the Rights Issue is fully subscribed for, the Company considers that the working capital will be sufficient up to and including the end of 2023. The Company will thus need to have further capital, whether through share issues or other financing sources, in order to ensure that there is sufficient liquidity and working capital, including after completion of the Rights Issue. There is a risk that it will not be possible to obtain future financing under terms that the Company finds acceptable, or at all.

The availability of financing is affected, among other things, by the prevailing market conditions, the general availability of capital on the capital markets, and the Company's creditworthiness. There is a risk that the capital available to the Company is not sufficient to finance the Company's operations, or that it is not available to the Company at all. The terms for financing may be significantly worse than those that the Company has historically experienced. Irrespective of the above, the Company may apply to both the Swedish and the international capital market in order to acquire capital for further growth initiatives or other purposes. If the Company carries out further acquisitions of capital, this may dilute the shareholders' holdings and – if favourable terms cannot be obtained – this may lead to increasing financing costs, or it may force Nilar to revise its business plan, which in turn may lead to a significant negative effect on the Company's future prospects, profit/loss, cash flow and financial position.

If the Rights Issue is not subscribed for and used sufficiently, the Company intends to examine alternative financing options, for example through directed share issues, loans or similar. Alternatively, the Company will be forced to revise the planned development or operate the business at a more restrained pace than planned while awaiting additional financing. Should the Company fail to secure alternative financing, and if it does not have access to the necessary capital to operate its business, the Company may also be forced to halt its planned development work, restructure the whole or parts of its business, or be forced to conduct its operation at a slower pace than it wishes. If this occurs, it could lead to delays to, or the absence of, sales income, which could then have a significant negative impact on Nilar's operations, financial position and profit/loss. Given that the Rights Issue is fully covered by subscription and guarantee commitments, Nilar's Board of Directors considers the conditions to be good for the successful completion of the Rights Issue, and thus the securing of the Company's working capital requirements.

Risks relating to the Company's loan facility from the European Investment Bank

In October 2020, Nilar was granted a loan of up to EUR 47 million from the European Investment Bank ("EIB"). The loan consists of three tranches (A–C) and, as of the date of the Prospectus, the Company has received a payment totaling EUR 17.5 million (of a maximum of EUR 17.5 million) under tranche A. In order for the Company to be able to make use of the remaining tranches (B and C), each tranche is subject to special terms and conditions. Payment under tranche B was conditional, among other things, on the Company's sales during the period 1 July 2021–31 December 2021 having reached or exceeded SEK 77 million. As of the date of the Prospectus, the Company has not met the condition relating to sales, and tranches B and C will, therefore, not be used.

The loan agreement also contains terms relating to the Company's financial position, the focus of the business and certain obligations to provide information in terms of the EIB.

There is a risk that if the Company's financial situation materially deteriorates, that the focus of its activities changes or that disclosure obligations are not met, EIB may consider that the Company, even historically, does not meet or has not met, in whole or in part, the conditions of the EIB loan. If material adverse changes in the Group's business and financial prospects become known or if EIB considers that the Company does not meet, or has not historically met, the conditions under the EIB loan, this may result in the EIB requiring early repayment, meaning that the Company may have to seek other financing alternatives. There is a risk that the Company will not be able to procure other financing alternatives if the EIB loan should become due for payment early.

Operational risks

There is a risk of the Company's revised strategy not proving successful, and that the Company's set financial targets will not be met

During the autumn of 2021, after the Company's CEO, Erik Oldmark, had been appointed as permanent CEO, the Company presented a revised strategy that prioritises profitability above a short-term growth in production volume. The strategy means, among other things, a clarified focus on developing and producing batteries, control systems and reoxygenating technology. Customised energy storage solutions will need to be produced in close collaboration and partnership with selected system integrators with complete responsibility for the production and delivery of finished systems based on Nilar's technology. Moreover, the Company will increase the selling price of its products in order to reflect the customer value provided through the next generation of battery packs with reoxygenating and to compensate for the increase in the costs of raw materials. Nilar's previous strategy, one of rapidly scaling up production capacity, was severely negatively affected by pandemic-related pressures within the delivery chains of the Company's distributors during 2021. The challenges faced by distributors in getting hold of key components for end products led to a large reduction in sales for Nilar. In addition to this, product-related quality problems was discovered, while at the same time there was an increase in the prices of raw materials globally. In order to adjust the Company's cost base, the decision was made in autumn 2021 to reduce production in Gävle temporarily and to put the ongoing construction of the new production facility in Paldiski, Estonia, on hold. This also meant that a significant temporary reduction in staffing levels was implemented. It is expected that the effects of the economic measures introduced during 2021 will be fully reflected in the results from the second quarter of 2022. As a consequence of the revised strategy, it is planned that sales will increase at a slower pace than had been planned in the previous strategy. In order to be able to implement the new strategy and to deliver in accordance with the new business plan, Nilar's Board of Directors decided to conduct the Rights Issue, where the net proceeds will be used to finance the operating activities and production costs, development costs, investments in manufacturing equipment and for other company purposes, including the deferred tax relating to COVID-19 grace periods on payment.

Prior to the listing of the Company's shares on Nasdaq First North Premier Growth Market, the Company set financial targets of revenue amounting to at least SEK 1 billion in 2023 and a long-term EBITDA margin of 20 percent. During the autumn of 2021, as a result of lower sales and disturbances to supply lines, the Company adopted a new financial target of net sales amounting to at least

SEK 1 billion in 2025, i.e. a delay to the target of two years. The expectations surrounding the Company's future strategy, sales and EBITDA margin over the next few years will place high demands on the Company's management, operational and financial infrastructure, as well as on the design and implementation of planning, management and expansion processes in the day-to-day operations. There is a risk that the Company may, fully or partially, fail in its revised strategy, or that the revised strategy will not achieve the profitability effects intended. Furthermore, there is a risk that the Company's adopted financial targets may be revised as a result of this, or due to factors both within and outside the Company's control. If the revised strategy does not have the desired effect on the business, it could have a material adverse effect on the Group's profitability and financial position, which in turn could lead to a revision of the Company's financial targets.

Historically, the Company's products have had quality deficiencies, and there is a risk that there may be deficiencies in the Company's launch of the next generation of battery

The Company's latest generation of batteries was developed relatively recently and has been used by customers since 2018. Additionally, some new batteries and subcomponents that replaced older products were introduced in 2020. During 2022, the Company also expects to release further updates to existing products and components – for example, a new battery management system (BMS) and Nilar's reoxygenating technology, which is expected to be able to restore the battery's charging capacity at the end of its lifespan. The Company plans to release the next generation of battery in 2024. The focus of the next generation of battery is on improved performance relative to its target market segment, along with further cost reductions in battery design.

Given that the Company's products are relatively young, the Company has not had the opportunity to gather comprehensive data on the lifespan of the batteries and their subcomponents, nor on typical faults and defects that may arise in the longer term and their relative servicing requirements. Product-related quality problems was revealed during the second and third quarters of 2021, which meant, among other things, that the Company decided to reduce production in Gävle temporarily. Additionally, when a battery overheats, this can cause a fire in the system surrounding the battery, causing personal injury and damage to property. Fires can develop quickly and spread to surrounding areas. On a small number of occasions, the Company has experienced overheating of the batteries – due, among other things, to short-circuits in the supplementary technical equipment and related software. The materials and software in a battery can also prove defective, leading to extensive warranty claims on the Company.

There is a risk in future that the Company, in launching the next generation of battery, may have similar quality problems with its products, and that the Company – temporarily or permanently – will be forced to interrupt or stop production of a specific product and expend resources on investigating the causes of such incidents. Furthermore, there is a risk that additional product-related quality problems linked to previous or current generations are discovered and that such defects cannot be remedied by the Company. By extension, this may lead the Company to be forced to change or replace its manufacturing method or choice of material, take part in a replacement programme or recall the product. This can entail high costs to the Company, with a reduction in sales income from the specific product. It can also damage the Company's reputation among customers and on the market in general. The Company is also exposed to product liability claims relating to personal injuries

or damage to property, and thus extensive damage claims that can lead to costs associated with compensation to claimants and costs of legal proceedings. This liability may increase – for example, if the Company expands its business in the US, where some states have strict rules on product liability and issues relating thereto. There is also a risk that the Company's insurance may not cover this damage or these claims, either in whole or in part. It is not certain that the provisions made in the day-to-day management for guarantee commitments will be sufficient. If any of these risks materialise, it could have a negative impact on the Company's business, reputation and financial position.

Risks relating to the development of the Company's products and market acceptance

The Company's products are subject to continuous further development and quality improvement in order to meet new requirements. The Company's existing products belong to the second generation since the Company was commercialised, and they have been developed over a period of around 20 years. During the financial years 2021 and 2020, the Company's product, research and development departments have spent around SEK 100 million on design research and product development, above all in activities relating to hardware and software. Following completion of the Rights Issue, the Company intends, among other things, to continue investing in product development.

It is important to the Company that its batteries evolves in line with the demands of the market in respect of the batteries' general functionality, performance and relative climate footprint. The Company needs to be prepared to adapt its products to new areas of use and to applications that use batteries, whether this is within the Company's existing focus area as of the date of the Prospectus or not. Future product development may also, to a greater extent than is the case as of the date of the Prospectus, be focused on software development or investments in associated areas of use and applications, with the aim of creating the right conditions for an expanded income base, such as collecting user data and services. It is also important to the Company that the products developed can be launched and offered on the market. For example, the Company has developed a reoxygenating technology, which can restore the battery's charging capacity through an oxygen infusion once it is at the end of its lifespan. The production start for the reoxygenating technology is planned during 2022 in Nilar's new battery system, with the first product deliveries taking place in the second half of 2022. There is a risk that the launch of the reoxygenating technology or other products will not be well received on the market, or that they will be delayed or – in the worst case – not take place, which may have a negative impact on the Company's business and profit/loss.

Product development of advanced batteries and the development of associated services are complex and time-consuming. The outcomes of individual investments, or how the market's demand for the Company's batteries or services will evolve, are difficult to predict in advance. There is a risk that the Company may misjudge the market trend, and that investments in one or more development projects may be delayed, misjudged in terms of the general market trend, turn out more costly than anticipated; or, the product or service may not become profitable once launched, or the product launches may be delayed or not take place at all. This may mean that the investments made do not necessarily provide any equivalent benefit to the Company, or any benefit at all.

Risks relating to dependency on certain components and materials and their quality

In order to produce the Company's products, continuous access is required to certain components and materials provided by third parties, such as nickel and various types of nickel metal powder, which form the basis for electrode production. Any components and materials that form part of the final product must be of high quality in order for the Company's products to achieve maximum performance. Where such components and materials are not supplied to the agreed level of quality, there is a risk of the Company's products not meeting the performance and/or quality requirements agreed with, or expected by, the Company's customers. In turn, this could lead to claims and remedial measures that may be expensive and damage the Company's image among customers.

There is also a risk that access to the necessary components and materials may be generally limited among the Company's existing suppliers, and that other suppliers may not be able to provide components/materials on equivalent terms to those procured by the Company. The Company's purchases of raw materials and other materials critical to production are made in part as call-off orders, and it is not always possible for the Company to secure materials for new components that have previously been purchased. Among the raw materials and input goods required for production, Nilar's greatest exposure relates to nickel, the largest constituent in the Company's raw materials for electrodes, and changes to purchase prices for these materials and input goods can have a negative impact on the Company's costs. The Company is also dependent on access to other materials for electrode production, and these are primarily provided by Chinese suppliers. There is a risk of the production or supply capacity of important suppliers being restricted, whether temporarily or permanently, as a result of supply and production problems due to the COVID-19 pandemic, bankruptcy, liquidation, sanctions, strikes, natural disasters or – where applicable – limited access to the raw materials on which the component/material is based. In the event of these risks becoming reality, there is a risk that the Company may be unable to replace these suppliers at short notice, or that the cost of the components/material may increase as a result of changes in the purchase terms for these. If the Company does not have continuous access to the necessary high quality components/materials, this can also lead to limited production capacity, or the Company's customers raising compensation claims against the Company for delayed, missing or faulty deliveries; alternatively, there may be reduced income from sales, or the costs of production may increase and it may not be possible to pass on these costs to the Company's customers, which may have a negative impact on the Company's business and profit/loss.

Risks relating to the upscaling of the Company's production capacity

As of the date of the Prospectus, the Company has six operational production lines in its production facility in Gävle. It is estimated that only 10–15 percent of the production capacity will be used in 2022. Provided that Nilar's new strategy can be upheld, the Company intends to resume full-scale production at the Gävle facility and to resume and complete the expansion of the production facility in Paldiski.

There is a risk that the planned expansion of the Company's production facility may be associated with unexpected, or bigger than expected, design or technical integration challenges, which by extension may mean that the expansion becomes more time-consuming than previously assumed, that the Company is unable to supply its products in accordance with signed agreements, and that the expected scale effects do not occur. Such a development

may lead to the Company failing to achieve its production and sales targets, which would mean a significant negative impact on the Company's ability to become profitable. In addition to this, the introduction of new products and product variants may require the production facilities to be adapted, which in turn may be associated with high costs and delay the commercialisation of the Company's products.

Risks associated with parts of the manufacturing process being deployed with third parties

Some parts of Nilar's manufacturing process for batteries are deployed with third parties. It is therefore important to ensure that these third parties are available to the Company in future and, if the relationship with any third party of this kind should end, that the Company is able to replace the supplier at short notice under essentially comparable contractual terms. As a result of the fact that some parts of the manufacturing process have been outsourced, there is also a risk that any interruptions or disruptions on the part of the suppliers – for example, as a result of the COVID-19 pandemic, breakdowns, fire, industrial disputes or natural disasters – may significantly affect the Company's ability to meet its obligations to its customers. These types of occurrences may mean that the Company's deliveries cease, either completely or partially, for a shorter or longer period. Customers may be dependent on planned deliveries from Nilar, and delays to deliveries from Nilar may lead to claims being raised against the Company and a deterioration in Nilar's reputation with current and potential customers. If these risks materialise, the Company's business and results could be adversely affected.

Risks relating to the destruction of, or damage to, the Company's production facility

As of the date of the Prospectus, the Company's production facility in Gävle contains six operational production lines. The production facility also houses other parts central to production, such as an electrode building and a forming building. During the 2021 financial year, the production facility in Gävle generated sales of SEK 17,820 thousand. If this production facility were to be wholly or partly destroyed, or if it needed to be closed, or if any important equipment at the facility were to be seriously damaged, production – and, consequently, distribution – of the Company's products may be reduced or stopped completely. The Company's manufacturing operation consists of several processes in which any interruptions or disruptions to any part of the production process – for example, as a result of breakdowns, fire, industrial disputes or natural disasters – may significantly affect the Company's ability to meet its obligations to its customers. These types of occurrences may mean that the Company's deliveries cease, either completely or partially, temporarily or permanently. Some areas of the Company's facility are also shared for production, which means that any minor or major damage in these areas brings a risk of bringing the production process to a halt. For example, at the start of the second quarter of 2020, a minor powder explosion occurred in the exhaust air ventilation of the electrode building at the Gävle production facility (a distinct part of the factory), as a result of which the exhaust air ventilation system of the electrode building had to be rebuilt. Abnormally long delivery times for a critical component from a German sub-supplier as result of the COVID-19 pandemic meant that this rebuild could not be completed until March 2021. During the time of this rebuild, Nilar's production capacity was significantly reduced against the installed production capacity and the Company's business plan.

Replacing damaged equipment can be difficult, time-consuming and costly. Interruptions to production can also harm the Company's image among its existing and potential customers, leading to a deterioration in customer relations and lower sales. Where damage occurs to property or there are unpredicted interruptions to production, these can have a significant negative impact on the Company's profit/loss, and it is not certain that any losses are covered by the Company's insurance.

Risks relating to dependency on key persons in the business and the availability of personnel

The success of the Company largely depends on the comprehensive expertise and lengthy experience in the Company's area of business of certain key persons in the Company. This particularly applies to employees and consultants within company management, research and development. The input from each of these individuals will continue to be important to the Company. The ability to recruit and retain skilled employees is vital in order to maintain the level of skills within the Company, and there is a risk that it may not be possible to ensure that recruitment can be done under satisfactory terms as a result of competition from other employers in the industry. There is also a risk that the Company may experience difficulties in recruiting the right skills in conjunction with the planned expansion of the business. If the Company were to lose key individuals, or if in future the Company is unable to continue recruiting skilled employees, this may lead to the Company's projects being delayed or halted, which could have a negative impact on the Company's business and future prospects.

Due to the COVID-19 pandemic, there is also a risk of large proportions of the Company's personnel becoming unavailable at short notice because of infection among the personnel, or as a result of decisions by the authorities to impose lockdowns in order to limit the spread of infection. If this occurs, it could have a negative impact on the Company's operations, financial position and profit/loss.

Economic situation and external risks

Risks relating to disruptions to the logistics chain

Nilar is dependent on materials supplied from various parts of the world and the Company delivers its products worldwide, which means that the Company will be affected by global disruptions to production and logistics. The Company's products and materials critical to production are primarily transported by trucks and ships. Lead times for the shipment and, by extension, manufacture of materials critical to production and the Company's products may be extended if the components that the Company requires for manufacturing its products cannot be secured in time, or if shipments from China, for example, are delayed. For example, the Company has experienced – and, as of the date of the Prospectus, is experiencing – longer lead times in the logistics chain as a result of the COVID-19 pandemic. The Company considers that delays and/or missing deliveries of materials critical to production may have a significant negative impact on the Company's business if such material becomes unavailable to the Company and the Company is unable to purchase materials of equivalent quality and in equivalent volumes from another supplier at short notice. Other factors that may affect deliveries of both materials critical to production and the Company's own deliveries of batteries include, but are not limited to, trade barriers, natural disasters and strikes. Disruptions to the logistics chain can lead to delays to or failures of deliveries to the Company, or to the Company being unable to deliver its products on time or in the agreed quantities. This may lead to increased costs to cover damages to the Company's customers and to the deterioration of the Company's image among its customers.

Risks relating to the global market, macroeconomic events and increasing prices of raw materials

Nilar is active on a global market – energy storage – that is characterised by strong growth as a result of growth in the area of intermittent electricity production (wind and solar) and the transition to electric vehicles in the transport sector (e.g. electric and hybrid cars), where the customers in part are driven by macroeconomic factors, which may affect the demand for the Company's products. Nilar is active on the energy storage market and intends to focus in particular on energy storage for commercial and industrial installations and the large-scale energy storage. The profit/loss of the business depends on the Company's ability to react quickly to changes in demand for the Company's products and to adapt production levels and operating costs accordingly. Entering new markets demands properly prepared plans and processes, as well as local knowledge where it is important to take into account cultural and political aspects.

During 2021, the Company noted an increase of more than 400 percent in the raw material price of lithium carbonate as a result of higher demand from battery manufacturers. The IEA estimates that the demand for lithium in 2040 will be between 13 and 51 times higher than in 2021. The price of nickel, the material most commonly used in Nilar's batteries, has been volatile and has been subject to a significant price increase over the past twelve months.

Sales of, and demand for, the Company's products are affected by factors beyond the Company's control, including the prevailing economic situation and the development of, demand for and price of the products that the Company provides. Domestic and global economic factors, as well as other circumstances that may significantly affect the markets where the Company is active, include general slowing of economic growth or recessions, as well as reductions in investment in the Company's sector or in sectors where the Company's batteries can be used. Negative changes in the general economic conditions and trading conditions may also mean that price increases cannot be implemented, or there may be a need to reduce prices, or it may not be possible to maintain capacity utilisation at a level that is profitable for the Company. The demand for, cost of and price of the Company's products may vary markedly in the future, and a decline in the economic situation or market may have a negative impact on the Company's business and financial position.

Risks relating to the competition situation, trends and driving forces in the energy storage industry

Nilar is active on the energy storage market, which is a competitive and cost-aware market that places high demands on environmental issues, quality, delivery reliability, technological development and customer service. The Company is finding that the market is demanding advanced batteries with the capacity to replace traditional lead-based battery storage. As of the date of the Prospectus, the Company considers that the number of direct competitors – i.e. competitors with a technology that has comparable benefits and drawbacks to those of the Company's products and excluding manufacturers of lithium ion batteries – is limited, but that the market's total value does have risks in the form of the potential entry of new players onto the market. This may translate into the major, well-established and financially robust players developing their own solutions or acquiring, investing in or establishing joint ventures with suppliers or other direct or indirect competitors that, compared to the Company, have similar or competing products or target markets. There is a risk of Nilar's competitors developing new types of products with superior performance to that of Nilar's products, or manufacturing products using materials or technologies with lower production costs or that are better for the environment. There is a

risk that increased competition may result in increasing pressure on prices, reduced profit margins, increased costs of research and development and/or increased marketing and selling costs. Nilar may fail in proactively managing its competitors when it comes to new products and price strategies, which may result in the Company losing shares of its established markets, which in turn may have a significant negative impact on the Group's profit/loss and financial position.

Risks relating to market development

The Company is active on a market that, at a general level, is undergoing a transition to more environmentally friendly products and services, which has a direct impact on the Company's business. In recent years, developments in the Company's sector have been moving towards a great awareness of the environment, both in terms of choice of materials, the quality of the energy consumed and energy consumption during production. For example, the Company has invested heavily in sustainable production facilities, using 100 percent renewable energy throughout the production plant. In order to develop an optimal production process for the Company, Nilar is committed to attracting qualified expertise in mechanics and electronics. This transition within the Company's sector and the possibility of using the Company's batteries on a wide scale within various areas of application bring with them structural challenges in that any other infrastructure may not be ready and may have capacity limitations. There is a risk that the Company's market may develop more slowly than the Company estimates, or that the Company is not able to adapt its business and products to a changed market in a manner initially anticipated by the Company or that investments, such as the one described above, will not produce the intended results, leading to a fall in interest in the Company's products among customers, lower income and thus a negative impact on the Company's business and future prospects.

Legal and regulatory risks

Risks relating to not obtaining or being able to retain the necessary licences

The Company's battery production at its production facility in Gävle is subject to a licence requirement. As of the date of the Prospectus, the Company has a licence from the County Administrative Board in Gävleborg (Environmental Protection Unit) to manufacture batteries. The existing licence includes restrictions on the number of batteries that may be produced, which as of the date of the Prospectus is a limit of a maximum of 2,000,000 battery modules, equivalent to 5,800 tonnes per year or battery modules equivalent to approximately 170,000 battery packs. The Company considers that the planned expansion of the production facility in Gävle will allow for the production of between 800,000 and 1,000,000 battery modules, depending on the amount of energy per module.

The licence for battery production in Gävle is subject to some conditions. These include: the business being conducted in accordance with the information provided by the Company in its application for a licence; the necessity for systematic risk and safety work arrangements to be in place; for the storage and handling of chemical products and hazardous waste to be conducted in such a way that prevent spillages to ground, air or water; and for the facility to be equipped in a specific way. As the Company's business is subject to a licence issued in accordance with the Swedish Environmental Code (Sw. *Miljöbalken (1998:808)*), the Company is therefore also subject to inspections. If the Company does not conduct its business in accordance with existing or future licences, there is a risk that such licences will be revoked, or that the Company will be forced to

cease operating the business to which the licence relates, whether temporarily or permanently. In conjunction with expansions and the opening of new production facilities both in Sweden and abroad, there is also a risk of the necessary licences not being obtained, or only being obtained after a lengthy period.

Under the terms of the Swedish Environmental Code, the legal entity that conducted a business that resulted in pollution is responsible for the clean-up. This means that, under certain circumstances, a demand for reimbursement of costs or actions may be addressed to the Company for environmental remediation or after-treatment resulting from the occurrence or suspicion of pollution of the ground, aquatic areas or groundwater in order to keep the property in the condition required under the Swedish Environmental Code or other applicable legislation. There is a risk that the Company's existing procedures for storing and handling chemical products and hazardous waste do not function in such a way that will definitely prevent pollution of the nature surrounding the production facility, whereupon the Company may – for a shorter or lengthy period – be obliged to halt its operation until the property is in the state required by the supervisory authority, and in connection with this costs may be imposed on the Company for clean-up and after-treatment in accordance with the provisions of the Swedish Environmental Code and other applicable regulations and rulings. This, by extension, may have a negative impact on the Company's profit/loss, financial position and image among customers and suppliers.

Risks relating to the protection of the Company's intellectual property rights

In order to protect its intellectual property rights, the Company relies on a combination of patent and trademark laws, commercial secrets and third-party confidentiality commitments to the Company. As of the date of the Prospectus, the Company has approximately 90 registered patents in 16 patent families, in addition to a number of ongoing patent applications. As at 31 December 2021, the value of the Company's reported intangible assets amounted to SEK 39.8 million, of which patents amounted to SEK 1.1 million and capitalized expenses for development work to SEK 38.7 million.

The sector in which the Company is active is in a constant state of development, and new innovations resembling the Company's products may be introduced onto the market, which may mean that the extent of protection offered by the Company's intellectual property rights may be circumvented. Assessments of patents in the Company's sector involve complex legal and technical judgements, and there is a risk that the Company may not acquire sufficient protection under patent and intellectual property law. There is also a risk that patent applications may not be approved and registered in the countries considered important by the Company from a strategic and commercialisation point of view. Third parties may also oppose the registration of patents or other intellectual property rights by the Company. Such objections from third parties may also relate to declaration of invalidity claims relating to approved and/or registered intellectual property rights. In addition, there is no guarantee that the existing intellectual property rights to which the Company considers itself entitled will provide sufficient protection from violation and competition, or that the provisions under intellectual property law or confidentiality undertakings in the Company's agreements will be respected by third parties. Furthermore, the rights that are held, or will be held, by the Company's competitors or other third parties, may prevent the Company from using a specific product, technology or method. This in turn may lead to the Company being forced to license the rights for use of the product, technology or method, which may lead to

increased costs and limits to their use. There is also a risk that the Company will not succeed in licensing such an intellectual property right at all, or under terms that are commercially acceptable to the Company. There is a risk of the Company not being able to protect, maintain or renew its existing intellectual property rights, or of other products or innovations developed by the Company not receiving sufficient protection under intellectual property law, or of the Company not being able to use the requisite intellectual property rights without limitations. If that occurs, the Company may be forced to write down its intellectual property rights, which may have a significant impact on the Company's financial position and future prospects.

Risks relating to the Company's use of intellectual property rights

There is a risk of the Company committing a violation, or alleged violation, of the intellectual properties of a third party through the production, sale or further development of the Company's batteries and associated services and applications. This risk applies in particular to those intellectual property rights that are not registrable and thus not publicly available to the Company. Any violation or unauthorised use of the whole or parts of another party's intellectual property rights may lead to claims that may become very time-consuming and costly, may mean that the Company is ordered to cease using certain products or technologies, may demand substantial resources from the Company's Board of Directors and management to respond to such demands, which may disturb the operating activities. Such incidents may arise through the Company's own use of existing or future intellectual property rights, or in conjunction with the licensing of its own intellectual property rights to other parties. There is a risk of the Company being unable to defend itself successfully against alleged or actual violations of a third party's patent, trademarks or other intellectual property rights, and of such processes being driven by players that are financially stronger than the Company, which may have a significant negative impact on the Company's business and financial position.

Risks relating to legislative actions and political decisions

The Company is active on a global market – energy storage – that is characterised by strong growth as a result of development in the area of intermittent electricity production (wind and solar) and the transition to electric vehicles in the transport sector (for example, electric and hybrid cars). The Company focuses particularly on the following segments: industrial and commercial properties and large-scale energy storage. The Company's business and the behaviour of existing and potential customers are influenced and – to an extent – controlled by legislative actions and political decisions in these areas. The company is also indirectly affected by bilateral international treaties and agreements, such as the Paris Agreement.¹

Products that replace products that are hazardous or harmful to the environment have historically been the subject of political resolutions, for example grants, which have acted as tools for politicians to steer the behaviour of companies and individuals in a particular direction. These decisions may, for example, mean that more environmentally friendly options may gain an advantage compared to competing products – for example, through grants. For example, a resolution was passed in Sweden in 2018 for the so-called bonus-malus system for passenger cars, light lorries and light buses, whereby buyers and manufacturers of vehicles with carbon dioxide emissions below

a certain limit received a premium/bonus. The aim of the system was to increase the proportion of environmentally friendly vehicles and to boost the more generally applicable fuel taxes, thus helping to reduce the transport sector's reliance on oil and its impact on climate. A further example of policy measures affecting the Company's operations is the subsidy introduced in 2016 in Sweden, which covered 60 percent (or SEK 50,000) of the installation cost of an energy storage system, valid until 2020.² Today, a tax reduction applies to the cost of labour and materials related to the installation of green technologies. There is a risk of such political decisions being made that reward products other than those of the Company, or that political guidance that favours energy storage in general does not materialise, thus affecting the willingness of the Company's customers, or their interest in the Company's products. This could have a negative impact on the Company's future prospects and earning capacity.

RISKS RELATED TO THE COMPANY'S SHARES

Trading in the Company's shares has been, and may in the future be, inactive and illiquid and the price of the share may be volatile

Nilar's share are subject to trading on Nasdaq First North Premier Growth Market in Stockholm, which is a multilateral trading facility and growth market for small and medium-sized enterprises. The price at which the shares in Nilar have been traded has historically been characterized by high volatility. In addition, the turnover in the Company's shares has at times been low. The highest and the lowest price at which the share in Nilar has traded during the last twelve months counting from the day of the announcement of the final terms in the Rights Issue on 23 May 2022, amounts to SEK 64.00 (25 May 2021) and SEK 4.95 (15 December 2021) per share, respectively. The price for Nilar share has thus historically varied. The share has also from time to time been subject to limited trading with low daily turnover and the difference between asking and selling prices can from time to time be big. The liquidity in the Company's share is affected by a number of internal and external factors. The internal factors include quarterly variations. The external factors include general economic conditions, industry factors, and additional external factors such as the outbreak of COVID-19, which has led to higher volatility in global stock markets and which are not related to the Company's business. There is a risk that investors will lose all or part of their investment. There is also a risk that shareholders will not have the opportunity to sell their holdings at any given time as trading may in the future be subject to inactivity or be illiquid. Furthermore, big differences between bid and ask prices generally mean a higher transaction cost for investors and increase the risk of volatile trading in the Company's share.

Historically, the Company has not resolved to pay any dividends and there is no intention to pay dividends in the foreseeable future

The Company has not adopted any dividend policy and has historically not paid any dividends, and does not intend to pay any dividends in the foreseeable future. The Group's profit after tax for the financial year 2021 amounted to SEK -600,539 thousand (SEK -342,903 thousand). Moreover, it is not certain that the Company's Board of Directors, even if the Company is stably profitable, will make any proposals for dividends to the shareholders and it is not certain that the shareholders will resolve to pay dividends. Nilar's

1) UN Committee on Climate Change, Paris Agreement - Ratification Status, retrieved 10 May 2022.

2) The Swedish regulation (2016:899) on subsidies for the storage of self-produced electricity.

ability to pay dividends in the future depends on a number of different factors, such as future income, financial position, cash flows, working capital needs, costs for investments and other factors. Nilar may lack sufficient distributable funds and the Company's shareholders may decide not to pay dividends. An investor in the Company's shares must thus be aware that dividends may not be paid at all.

RISKS RELATED TO THE RIGHTS ISSUE

The compensation in the event of a sale of subscription rights on the market may be less than the financial dilution

In the event that existing shareholders do not intend to exercise or sell their subscription rights in the Rights Issue, the subscription rights will lapse and become worthless, and entails no compensation for the holder. As a consequence, the proportional ownership and voting rights of such shareholders in Nilar will decrease. For shareholders who refrain from subscribing for New Shares in the Rights Issue, a dilution effect, upon full subscription in the Rights Issue, corresponding to a maximum of approximately 85.7 percent of the number of shares and votes arises. In the event that a shareholder chooses to sell its subscription rights, or if these are sold on behalf of the shareholder (e.g., through a nominee), there is a risk that the compensation the shareholder receives for the subscription rights on the market does not correspond to the financial dilution in the shareholder's ownership in Nilar following the completion of the Rights Issue.

There is a risk that active trading in subscription rights and BTA will not develop and that there will not be sufficient liquidity

Subscription rights and BTAs will be traded on Nasdaq First North Premier Growth Market during the period from and including 2 June 2022 until and including 13 June 2022 respectively until the Rights Issue has been registered with the Swedish Companies Registration Office and the BTA is converted into shares, which is expected to occur around 1 July, 2022. Accordingly, in light of the historical volatility and fluctuating turnover in the Company's share as described above, there is a risk that active trading in subscription rights or BTAs will not develop on Nasdaq First North Premier Growth Market or that satisfactory liquidity will not be available during the subscription period at the time such securities are traded. The price of Nilar's subscription rights and BTAs may fluctuate during the Rights Issue (and, with respect to the New Shares, also following the

completion of the Rights Issue). The price of Nilar's shares may fall below the subscription price set for subscription of the New Shares. A general downturn in the stock market or a rapid slowdown in the economy could also put the Company's share price under pressure without this having been caused by Nilar's business.

Subscription and guarantee commitments made in the Rights Issue are not secured

Nilar has received subscription commitments from existing shareholders of approximately SEK 100 million, corresponding to approximately 37 percent of the Rights Issue. In addition, guarantee commitments from certain existing shareholders, including Fjärde AP-fonden, and a consortium of external investors, have been provided for a total of approximately SEK 173 million, corresponding to approximately 63 percent of the Rights Issue. The Rights Issue is therefore fully covered by the subscription and guarantee commitments. The Company's largest shareholder, Christopher Braden, has given a subscription commitment in respect of his pro rata share in the Rights Issue corresponding to approximately SEK 32.0 million. However, the subscription and guarantee commitments made are not secured by bank guarantee, escrow, pledges or similar arrangements, which means that there is no secured capital to meet the commitments made. Consequently, there is a risk that those who have provided subscription and guarantee commitments will not be able to fulfil them, which would have a material adverse effect on Nilar's ability to successfully complete the Rights Issue.

If the Offering is not completed or fully subscribed and if the Company is unable to secure sufficient working capital by other means, the Board of Directors would be forced to revise the business plan or operate at a more limited pace than planned pending additional financing or implement other measures to raise the necessary capital, such as a directed issue or debt financing.

INFORMATION REGARDING THE COMPANY'S SHARES

GENERAL INFORMATION

The Rights Issue concerns the subscription of shares with preferential rights for existing shareholders in Nilar International AB (publ). The ISIN code for the Company's shares is SE0015950001 and the shares are issued in accordance with Swedish law and in SEK. The subscription price in the Rights Issue amounts to SEK 1.00 per share.

CERTAIN RIGHTS ATTACHED WITH THE SHARES

The shares covered by the Rights Issue are in the same class. The rights attached to the shares issued by the Company, including those pursuant from the articles of association, may only be amended in accordance with the procedures set out in the Swedish Companies Act (2005:551). The shares in the Rights Issue are transferable without restrictions.

Voting rights

Each share grant entitlement for the shareholder to one vote at general meetings and each shareholder is entitled to a number of votes equal to the number of shares in the Company held by the shareholder.

Preferential rights to new shares, etc.

If the Company issues new shares, warrants or convertibles in a cash issue or a set-off issue, the shareholders have, as a general rule according to the Swedish Companies Act (2005:551), preferential right to subscribe for such securities proportionally to the number of shares held prior to the issue.

Rights to dividends and balances in the event of liquidation

All shares in the Company carry equal rights to dividends and to the Company's assets and any potential surplus in the event of liquidation. Decisions regarding dividends are made by the general meeting of shareholders. Entitlement to receive dividends accrues to those who, on the record date adopted by the general meeting of shareholders, are registered in the share register maintained by Euroclear as shareholders. Dividends are normally distributed to the shareholders as a cash amount per share through Euroclear, but may also be distributed in forms other than cash (distribution in kind). Should a shareholder be unable to be reached through Euroclear, the shareholder will continue to have a claim against the Company with regard to the dividend limited in time pursuant to a ten-year statute of limitation. Should the claim become barred by the statute of limitations, the dividend amount accrues to the Company.

No restrictions on the right to receive dividends apply to shareholders residing outside of Sweden. Shareholders who do not have a tax domicile in Sweden are normally subject to Swedish withholding tax.

RULES APPLICABLE FOR TAKEOVER BIDS ETC.

In the event that a public takeover offer is made for the shares in Nilar, the takeover rules for certain trading platforms issued by the Swedish Corporate Governance Board (Takeover rules for certain trading platforms) (the "Takeover Rules") will apply as of the date of the Prospectus. These rules provide, inter alia, that any person who does not hold any shares, or holds shares representing less than 30 percent of the voting rights of all the shares in a Swedish limited liability company whose shares are admitted to trading

on, for example, Nasdaq First North Premier Growth Market, and who through the acquisition of shares in such a Company, alone or together with related parties, holds shares representing 30 percent of the voting rights, is obligated to immediately disclose the size of its holding in the company and, within four weeks thereafter, make a public offer to acquire the remaining shares in the company (mandatory bid requirement).

Furthermore, the Takeover Rules stipulate that if the board of directors or the CEO, due to information arising from the person intending to submit a voluntary public takeover bid for the shares in the Company, has good reason to assume that such an offer is imminent, or if such an offer has been submitted, the Company may, in accordance with the Takeover Rules, only after a decision by the annual general meeting take measures that are likely to impair the conditions for the submission or completion of the public takeover offer. Notwithstanding this, the company may search for alternative offers.

A shareholder of the Company who through a public tender offer or otherwise, itself or through a subsidiary, hold more than 90 percent of the shares, is entitled to redeem the shares of the remaining shareholders. Holders of the remaining shares have a corresponding right to have their shares redeemed by the majority owner. The procedure for such redemption of minority shares is further regulated in the Swedish Companies Act.

The shares in the Company are not subject to any offer made due to a mandatory bid, redemption rights or buy-out obligation. Nor has any public takeover bid been submitted regarding the shares during the current or preceding financial year

CENTRAL SECURITIES DEPOSITORY

The shares in Nilar are registered in a central securities depository register in accordance with the Swedish Central Securities Depositories and Financial Instruments Accounts Act (1998:1479). This register is maintained by Euroclear, Box 191, 101 23 Stockholm, Sweden. No share certificates have been issued for the Company's shares.

DECISION ON THE RIGHTS ISSUE AND AUTHORISATION

The Board of Directors of the Company decided on 23 May 2022, based on the authorisation granted by the extraordinary general meeting on 18 May 2022, to carry out the Rights Issue.

REGISTRATION OF THE RIGHTS ISSUE WITH THE SWEDISH COMPANIES REGISTRATION OFFICE

The date expected for the registration of the Rights Issue with the Swedish Companies Registration Office is around 1 July 2022. The date given is tentative and may be subject to change.

TAX ISSUES IN CONNECTION WITH THE RIGHTS ISSUE

Investors in the Rights Issue should note that the tax laws of the investor's Member State and the Company's country of incorporation may affect income from the securities. Investors are advised to consult their independent advisors regarding any tax consequences that may arise in connection with the Rights Issue.

TERMS AND CONDITIONS FOR THE RIGHTS ISSUE

ABOUT THE RIGHTS ISSUE

The Rights Issue comprises 273,070,506 New Shares in Nilar which at full subscription will contribute approximately SEK 273 million to the Company before deductions for costs attributable to the Rights Issue.

RECORD DATE AND PREFERENTIAL SUBSCRIPTION RIGHTS

Anyone who, on the record date 31 May 2022 was registered as a shareholder in the share register maintained by Euroclear on behalf of Nilar had a preferential right to subscribe for New Shares proportional to the number of shares held by the shareholder on the record date. The last day of trading in the Company's shares with the right to participate in the Rights Issue was 27 May 2022. The first date of trading in the Company's shares without the right to participate in the Rights Issue was 30 May 2022.

SUBSCRIPTION PERIOD

Subscription for New Shares with subscription rights shall be made by simultaneous cash payment during the period from 2 June until 16 June 2022. During this period, notification of subscription for New Shares may also be made without subscription rights. The Company's Board of Directors reserves the right to extend the subscription period and the time for payment, which, if applicable, will be announced by the Company via press release no later than the last day of the subscription period, i.e. 16 June 2022. The press release will be available on the Company website, <https://www.nilar.com/investors/>.

SUBSCRIPTION RIGHTS

For each existing share held on the record date, 31 May 2022, one (1) subscription right was obtained. One (1) subscription right was required to subscribe for six (6) New Shares.

SUBSCRIPTION PRICE

The New Shares will be issued at a subscription price of SEK 1.00 per New Share. No commission will be payable.

TRADING SUBSCRIPTION RIGHTS

Trading in subscription rights will take place on Nasdaq First North Premier Growth Market during the period from 2 June 2022 until 13 June 2022 under the trading symbol (ticker) NILAR TR. Shareholders should apply directly to their bank or other trustee with the necessary authorization to carry out the purchase and sale of subscription rights. Subscription rights acquired during the aforementioned trading period will, during the subscription period, give the same right to subscribe for new shares as the subscription rights received by shareholders based on their holdings in the Company on the record date. The subscription rights have ISIN code: SE0018014029.

UNUTILISED SUBSCRIPTION RIGHTS

Subscription rights not sold by 13 June 2022 or exercised for subscription of shares by 16 June 2022 will be deleted from all security accounts without compensation. No specific notice will be given for the cancellation of subscription rights.

DILUTION

Full subscription in the Rights Issue will increase the number of shares in the Company by 273,070,506, from 45,511,751 shares to 318,582,257 shares, corresponding to a dilution effect of approximately 85.7 percent of the capital and votes (calculated as the number of New Shares resulting from the Rights Issue divided by the total number of shares in the Company after a fully subscribed Rights Issue).

ISSUE REPORT AND APPLICATION FORMS

Directly registered shareholders

The shareholders or representatives of shareholders who, on the record date 31 May 2022, were registered in the share register maintained by Euroclear on behalf of the Company will receive a printed issue report with an attached notice of payment, an application form with the support of subscription rights and an application form without support of subscription rights. The complete Prospectus will be available on the Company's website, <https://www.nilar.com/investors/> and Carnegies website, <https://www.carnegie.se/en/>. Anyone who is listed in the separate listing of pledgees and others, which is kept with the share register, will not receive any information, but will be informed separately. A securities notice reporting the registration of the subscription rights in a shareholder's securities account will not be sent out.

Subscription of New Shares with preferential right

Subscription of shares with the support of subscription rights can be done in exchange for cash payment during the period from 2 June 2022 until 16 June 2022. Please note that it may take up to three business days for the payment to reach the recipient's account. Subscription and payment shall be made in accordance with one of the following two alternatives.¹

1. Issue report - printed notice of payment from Euroclear

If all subscription rights obtained by the record date are exercised for subscribing to shares, the printed notice of payment from Euroclear shall be used as documentation for applying for subscription through payment. The application form shall thus not be used. No changes or additions may be made to the printed text on the notice of payment. The application is binding.

2. Application form

If a different number of subscription rights are exercised from what is listed on the printed notice of payment from Euroclear, the application form shall be used. Application and subscription through payment shall be made in accordance with the instructions set out on the application form. The printed notice of payment from Euroclear shall thus not be used. The application form can be ordered from Carnegie by phone or email as described below.

¹) It will also be possible to subscribe for shares with the support of subscription rights by means of deferred payment notification and delivery of shares. Such subscription will be made by and in accordance with instructions from a separate application form specifically prepared for this purpose.

The application form shall reach Carnegie no later than at 3.00 pm CEST on 16 June 2022. Any application form sent by post should therefore be sent in good time before the closing date for subscriptions. Only one application form per person or legal entity will be considered. If more than one application form is submitted, only the last one received will be considered. Any application forms that are incomplete or incorrectly filled in will be disregarded. The application is binding.

The completed application form should be sent or submitted to:

Carnegie Investment Bank AB (publ)

Re: Transaction support
Regeringsgatan 56
103 38 Stockholm

Phone: 08-5886 9487

Fax: 08-5886 9077

E-mail: transactionsupport@carnegie.se (scanned application form)

Directly registered shareholders not resident in Sweden and eligible to subscribe for New Shares with subscription rights

Directly registered shareholders who are eligible to subscribe for New Shares with subscription rights and are not resident in Sweden, not subject to the restrictions described below under the heading "*Shareholders residing in certain ineligible jurisdictions*" and who cannot use the pre-printed bank giro form, may pay in SEK through a bank abroad in accordance with the instructions below:

Carnegie Investment Bank AB (publ)

Transaction Support
SE-103 38 Stockholm, Sweden
SWIFT address: ESSESESS
IBAN: SE385000000052211000363
Bank account number: 5221 10 003 63

Payment must include the acquirer's name, address, securities account number and reference from the issue report. Last day for payment is 16 June 2022.

Nominee shareholders

Shareholders whose holdings in the Company are registered with a bank or other manager will receive no issue report. Notification of subscription and payment shall instead be made in accordance with instructions from each manager.

Subscription of New Shares without preferential right

Subscription of shares without preferential right shall be done during the same period as for shares with preferential right, that is from 2 June 2022 until 16 June 2022. In any event, the Company's Board of Directors reserves the right to extend the subscription and payment periods. Such an extension shall be announced no later than on the last day of the subscription period and be made public by the Company.

An application for subscription without preferential right is made by filling in an application form for subscription without subscription rights, as well as signing and submitting or sending it to Carnegie using the aforementioned contact details. The application form can be ordered from Carnegie via phone or email as per above. The application form can also be downloaded from the Company's website, <https://www.nilar.com/investors/> and Carnegies website, <https://www.carnegie.se/en/>.

The application form shall reach Carnegie no later than at 3.00 pm CEST on 16 June 2022. Application forms sent by post should therefore be sent in good time before the closing date for subscriptions. Only one (1) application form for subscription without subscription rights per person may be submitted. If more than one application form is submitted, only the last one received will be considered. Any application forms that are incomplete or incorrectly filled in will be disregarded. The application is binding.

Nominee shareholders

Please note that any nominee shareholders shall apply for subscription without preferential right with their portfolio manager in accordance with their procedures.

Important information for subscription

NID number requirement for individuals

The National ID or National Client Identifier (NID number) is a global identity code for individuals. According to MiFID II, from 3 January, 2018, all individuals have an NID number, and this number is required to be able to make a securities transaction.

If no such number is submitted, Carnegie may be prevented from conducting the transaction on behalf of the individual in question. If you only have Swedish citizenship, your NID number consists of "SE" followed by your personal ID number. If you have several citizenships or a citizenship other than a Swedish one, your NID number may be some other type of number. For more information about obtaining an NID number, contact your bank. Find out about your NID number well in advance, as it needs to be included in the application form.

LEI code requirement for legal entities

Legal Entity Identifier (LEI) is a global identity code for legal entities. According to MiFID II, from 3 January, 2018, legal entities are required to have an LEI code to conduct a securities transaction. If no such number is submitted, Carnegie cannot conduct the transaction on behalf of the legal entity in question.

Subscription from accounts covered by special rules

Subscribers with accounts that are covered by specific rules for securities transactions, such as IPS accounts, ISK accounts (investment savings account) or depots/accounts in an endowment insurance must check with their portfolio how they can subscribe to shares in the Rights Issue.

SHAREHOLDERS RESIDING IN CERTAIN INELIGIBLE JURISDICTIONS

Allocation of subscription rights and issuance of new shares upon exercise of subscription rights to individuals residing outside Sweden may be affected by securities legislation in such countries. As a result, with certain exceptions, shareholders who have their existing shares directly registered in securities accounts and have registered addresses in the United States Australia, Belarus, Canada, Hong Kong, Japan, New Zealand, Russia, Singapore, South Africa, South Korea or in any other jurisdiction where participation would require additional prospectuses, registration or measures other than those required by Swedish law, will not receive any subscription rights in their respective securities accounts or be permitted to subscribe for New Shares. The subscription rights that would otherwise have been registered for such shareholders will be sold and the proceeds of the sale, less expenses, will be paid to such shareholders. Amounts of less than SEK 100 will not be paid.

BTA (PAID SUBSCRIBED SHARE)

Subscription through payment is registered with Euroclear as soon as it can be performed, which normally entails a few business days following payment. Subsequently, the subscriber will receive a securities notice with confirmation that the BTAs (paid subscribed shares) have been booked into the subscriber's securities account. The newly subscribed shares will be booked as BTAs on the securities account until the Rights Issue has been registered with the Swedish Companies Registration Office, which is expected to be around 1 July, 2022.

TRADING BTAS

Trading in BTAs will be take place on Nasdaq First North Premier Growth Market from 2 June 2022 up until the Swedish Companies Registration Office has registered the Rights Issue and BTAs have been converted into shares. BTA has ISIN code: SE0018014037. Conversion of the BTAs will be undertaken by Euroclear Sweden five (5) business days after registration of the Rights Issue at the Swedish Companies Registration Office as described above.

ALLOCATION PRINCIPLES FOR SUBSCRIPTION WITHOUT PREFERENTIAL RIGHT

If not all New Shares are subscribed to with subscription rights, the Board of Directors shall, within the scope of the Rights Issue's highest amount, decide on the allocation of shares to those who subscribed without subscription rights in accordance with the following allocation bases:

- Firstly, allocation shall be made to those who subscribed to shares with the support of subscription rights, regardless of whether the subscriber was a shareholder on the record date or not, and, in case of oversubscription, in relation to the number of subscription rights that each party has exercised for the subscription of shares, and, if this is not possible, by drawing lots.
- Secondly, allocation shall be made to other subscribers who subscribed to shares without the support of subscription rights, and, in case of oversubscription, in relation to the subscribed amount, and, if this is not possible, by drawing lots.
- Thirdly and finally, allocation of any remaining shares shall be made to guarantors in accordance with signed issuance guarantee agreements.

NOTIFICATION ABOUT ALLOCATION FOR SUBSCRIPTION WITHOUT PREFERENTIAL RIGHT

Notification of any allocation of shares, subscribed to without preferential right, shall be done by sending an allocation notice in the form of a contract note. Payment shall be made no later than two (2) business days following the validation of the contract note. No notification shall be sent to those who did not receive an allocation. If payment is not made in time, the number of shares may be transferred to another party. If the sales price in such a transfer were to be less than the price in accordance with the Rights Issue, the party who was originally allocated these shares may incur the cost of all or part of the difference.

Anyone subscribing to shares without preferential right through their portfolio manager will receive information about subscription in accordance with that manager's procedures.

DELIVERY OF NEW SHARES

Approximately seven days after the Rights Issue has been registered with the Swedish Companies Registration Office, BTAs will be converted into shares without any special notification from Euroclear Sweden AB.

RIGHT TO DIVIDEND FROM SHARES

The New Shares convey the right to a dividend for the first time on the first record date for a dividend that falls after registration of the New Shares with the Swedish Companies Registration Office and inclusion in the share register maintained by Euroclear Sweden. The New Shares convey the same right to a dividend as the existing shares.

ANNOUNCEMENT OF THE OUTCOME OF THE RIGHTS ISSUE

As soon as possible following the end of the subscription period, the Company will announce the outcome of the Rights Issue by issuing a press release, which is expected to take place on or around 17 June 2022. The press release will be available on the Company website, <https://www.nilar.com/investors/>.

TRADING NEW SHARES

The shares in Nilar are listed and traded on Nasdaq First North Premier Growth Market. The shares are traded under the ticker, NILAR, and the ISIN code is SE0015950001. The New Shares can be traded when the BTAs have been converted into shares, which is expected to take place on or around 1 July, 2022.

IRREVOCABLE SUBSCRIPTION

A subscription to New Shares is irrevocable and the subscriber cannot cancel or modify a subscription of New Shares. The Company's Board of Directors does not have the right to cancel, revoke or temporarily withdraw the Rights Issue.

INCOMPLETE SUBSCRIPTION

Any application forms that are incomplete or incorrectly filled in may be disregarded. If the payment for subscribed shares is late, insufficient, or paid in an incorrect manner, the application for subscription may be disregarded, or subscription may be made at a lower amount. Any payment that is not used will be repaid. If several application forms of the same category are submitted, only the last application form received by Carnegie will be considered. Payments of less than SEK 100 that are received too late will only be repaid upon request.

SUBSCRIPTION COMMITMENTS AND GUARANTEE COMMITMENTS

Nilar has received subscription commitments from existing shareholders of approximately SEK 100 million, corresponding to approximately 37 percent of the Rights Issue. In addition, guarantee commitments from a consortium of certain existing shareholders, including Fjärde AP-fonden, that will be allocated ahead of the other guarantors in the event of any allocation under the guarantee, and external investors have been provided for a total of approximately SEK 173 million, corresponding to approximately 63 percent of the Rights Issue. The Rights Issue is therefore fully covered by the subscription and guarantee commitments. The guarantee syndicate has been coordinated by Carnegie. The guarantors can be contacted through Carnegie at Regeringsgatan 56, 103 38, Stockholm, unless otherwise stated in the table below. The guarantee agreements were entered into in April 2022.

A guarantee commission of nine (9) percent of the guaranteed amount in cash is paid for the commitments, with the exception of Fjärde AP-fonden's guarantee commitment for which no guarantee commission is paid. The total remuneration for the guarantee commitments given is therefore approximately SEK 15 million.

The guarantee commitments are not secured by pledges, escrow or other similar arrangements to ensure that the proceeds of the Rights Issue will be received by the Company. Consequently, there is a risk that these commitments will not be fulfilled, see further under the section "Risk Factors - Subscription and guarantee commitments made in the Rights Issue are not secured". The guarantee commitments contain customary conditions such as the obligation of the respective guarantor to subscribe for the new shares in accordance with the respective guarantee commitment at the subscription price applicable in the Rights Issue.

Below are lists showing the subscription and guarantee commitments received.

Name	Subscription commitments	
	Subscription commitment (SEK million)	Share of the Rights Issue
Christopher Braden	32.0	12%
Första AP-fonden	25.9	9%
Fjärde AP-fonden	13.9	5%
R&H Trust Co (Jersey) Limited (as Trustee of the Elk Trust)	10.0	4%
AFA Försäkring	7.8	3%
Christmas Common Investments LTD	4.7	2%
Hållbar AB	4.6	2%
Michael Obermayer	0.9	0%
Total	99.9	37%

Guarantor	Guarantee commitments	
	Guarantee commitments (SEK million)	Share of the Rights Issue
Maven Investment Partners Ltd	20.0	7%
Wilhelm Risberg	20.0	7%
Fredrik Lundgren	18.0	7%
Jakob Ryer	15.0	5%
Anavio Equity Capital Markets Master Fund Limited	12.5	5%
Shaps Capital AB	12.0	4%
John Fällström	10.0	4%
Fjärde AP-fonden	9.0	3%
Arnholmen Förvaltning AB	7.0	3%
Patrick Bergström	7.0	3%
Tommy Ure	6.0	2%
Carnegie Investment Bank AB	5.7	2%
Modelio Equity AB	5.0	2%
Exelity AB	5.0	2%
Formue Nord Markedsneutral A/S	5.0	2%
Denali AB	5.0	2%
Darius Hosseinian	3.0	1%
Alexander Fällström	3.0	1%
Hållbar AB	2.5	1%
Christmas Common Investments LTD	2.5	1%
Total	173.2	63%

Obligation to refrain from selling shares (lock-up)

In connection with the Rights Issue, the Company's Board of Directors and senior management have undertaken not, without the written consent of Carnegie and until 26 May 2023, to sell or otherwise transfer or dispose of their shares in Nilar.

The commitments are subject to customary exceptions, which include, among other things, the acceptance of an offer to all shareholders of the Company in accordance with Swedish takeover rules, the sale or other disposal of shares as a result of an offer by the Company to acquire its own shares, or where the transfer of the shares is required as a result of legal, administrative or judicial requirements. After the end of the respective lock-up period, shareholders who have been subject to the lock-up commitment may freely sell or dispose of their shares.

RESTRICTIONS ON SHARE TRANSFERABILITY

In accordance with the terms in the Prospectus, the Rights Issue in Nilar is aimed solely at the Swedish public. The Rights Issue in the Company is not aimed at people residing in the US, Australia, Belarus, Hong Kong, Japan, Canada, New Zealand, Russia, Switzerland, Singapore, South Africa, South Korea or any other country where

participation in the Rights Issue would require additional prospectuses, registrations or measures other than those prescribed by Swedish law, or that may be in breach of local regulations. Consequently, the Prospectus, application forms and other documents pertaining to the Rights Issue cannot be distributed in or to the aforementioned countries or other jurisdiction where such distribution of or participation in the Rights Issue would require additional prospectuses, registrations or other measures.

No paid shares, shares or other securities issued by Nilar have been registered or will be registered in accordance with the United States Securities Act 1933, or in accordance with securities legislation in any American state or Canadian province. Thus no paid shares, shares or other securities issued by Nilar may be transferred or offered for sale in the US or Canada except in such exempted cases as do not require registration. Any application for subscription of shares in breach of the aforementioned may be regarded as invalid and be disregarded.

By signing the application form for the Rights Issue you confirm that the transferee has read the Prospectus and understood the risks associated with an investment in the financial instruments.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

According to Nilar's articles of association, the Board of Directors shall consist of a minimum of three and a maximum of ten members. The members of the Board of Directors are elected annually at the annual general meeting for the period until the next annual general meeting is held. As of the date of the Prospectus, the Board of Directors of the Company consists of five elected board members, including the Chairman of the Board, elected until the end of the 2022 annual general meeting.

The members of the Board of Directors, their position and year of entry into office are described in the table below. The Board of Directors and senior executives of Nilar can be reached at the following contact details: Stockholmsvägen 116 A, 187 30 Täby, Sweden, +46 (0)8 768 00 00.

Name	Position	Board member since	Independent in relation to:	
			The Company and its management	Major shareholders
Gunnar Wieslander	Chairman of the Board	2022	Yes	Yes
Stefan De Geer	Board member	2017	Yes	Yes
Helena Nathhorst	Board member	2020	Yes	Yes
Ulrika Molander	Board member	2021	Yes	Yes
Marko Allikson	Board member	2021	Yes	Yes

Gunnar Wieslander (born 1962)

Chairman of the Board since 2022

Education: Naval War College (Spain), Joint & Combined Operations Staff Course (Spain), The Swedish Defence University (Sw. *Försvarshögskolan*), Stanford University Graduate School of Business (the US).

Previous assignments/engagements: CEO of Saab Kockums AB. (State Secretary to the Prime Minister (Cabinet Office), State Secretary to the Minister of Trade (Ministry of Foreign Affairs) and Head of the Submarine Flotilla. Senior Vice President Kreab Worldwide AB.

Other material ongoing positions: Board member in Bettina Kashefi AB and board member and CEO in Navegante AB.

Holdings in the Company: As of the date of the Prospectus, Gunnar Wieslander does not hold any shares or warrants in the Company.

Stefan De Geer (born 1956)

Board member since 2017

Education: Bachelor's degree in Law from Stockholm University and Master's degree in Law from New York University School of Law.

Previous assignments/engagements: Advisor to RoosGruppen AB, responsible for corporate finance, Pareto Securities Stockholm, General Counsel E. Öhman J:or AB, partner and lawyer at Gernandt & Danielsson Advokatbyrå.

Completed assignments (during the last five years): Board member of Cixcix Bokförling AB (formerly De Geer & Co AB), Oscar Properties Holding AB and United Spaces Network Offices AB. Chairman of the Board of Fondamentor Umeå Bronsdolken AB, Fondamentor Umeå Snoken AB, Fondamentor Umeå Fastigheter AB, Fondamentor Umeå Batteriet AB, Fondamentor & Roosgruppen 5 Umeå AB, Fondamentor & Roosgruppen 6 Umeå AB, Fondamentor & Roosgruppen 7 Umeå AB and Wolseley Nordic Holdings AB.

Other material ongoing positions: Chairman of the Board of Halmslätten Fastighets AB and PCTC Invest AB. Board member of Aarhus Residential Denmark AB and Origa Care AB (publ).

Holdings in the Company: As of the date of the Prospectus, Stefan De Geer holds 12,990 shares and 5,000 warrants under the 2021 Incentive Program entitling the holder to subscribe for 30,000 shares in the Company.

Helena Nathhorst (born 1967)

Board member since 2020

Education: Bachelor's degree in Business Administration from Uppsala University, Sweden.

Previous assignments/engagements: CFO of Addnode Group, CFO of Teracom Boxer Group and consultant KPMG M&A Advisory.

Completed assignments (during the last five years): Board member of Boxer TV-Access AB, Service Works Global Nordic AB, Symetri AB, TECHNIA AB and Teracom AB. Deputy director of Percensor Aktiebolag and Vikbryggan AB.

Other material ongoing positions: CFO of Byggmax Group AB. Board member of BYGGmax AB, BYGGmax Fastighetsutveckling AB, BYGGmax Fastighets Holding AB, BYGGmax International Purchasing AB, BYGGmax fastighetsutveckling 7 AB, Nodnarc and Næstved Lavpris Træ A/S. External signatory of Svea Distribution AB.

Holdings in the Company: As of the date of the Prospectus, Helena Nathhorst holds 4,000 warrants under the 2021 Incentive Program, entitling her to subscribe for 24,000 shares in the Company.

Ulrika Molander (born 1966)

Board member since 2021

Education: Bachelor of Science in Engineering from University of Borås, Sweden AMP INSEAD.

Previous assignments/engagements: CEO of BDX Företagen AB, Operations Director Sapa Profiler AB and Systemair Sverige AB. Completed assignments (during the last five years): Board member of ProOcula AB.

Other material ongoing positions: Production Director of Systemair AB. Board member of Good Solutions Sweden AB.

Holdings in the Company: As of the date of the Prospectus, Ulrika Molander holds 2,000 warrants under the 2021 Incentive Program, which entitle the holder to subscribe for 12,000 shares in the Company.

Marko Allikson (born 1971)

Board member since 2021

Education: Master of Science in Economic from Tallinn University of Technology.

Previous assignments/engagements: Completed assignments (during the last five years): Board member of 220 Energia OÜ.

Other material ongoing positions: Board member in Nordiska Elbolaget AB, Markkinakaasu OY, Spotty Energia OÜ, Varbla Tuulepark OÜ, Powersave OÜ, BPS Energy Trading OÜ, 220 Solar OÜ, Spotty Smart Energy Partner GMBH, Baltic Energy Asset Management OÜ, Home of Smart Energy OÜ and Baltic Energy Partners OÜ.

Holdings in the Company: As of the date of the Prospectus, Marko Allikson owns 50 percent of the company Baltic Energy Asset Management OÜ, which in turn owns 119,820 shares in the Company.

SENIOR MANAGEMENT

Erik Oldmark (born 1967)

Chief Executive Officer since 2021

Education: MSc in Mechanical Engineering from the Royal Institute of Technology in Sweden, specialising in Industrial Economics and Organisation.

Previous assignments/engagements: More than 25 years of experience in senior management, strategy, complex systems sales, product management, operations, outsourcing, marketing and communications. Previously CEO of Metria AB and Orbion Consulting AB, a number of senior management positions within Ericsson such as; 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 Service.

Other material ongoing positions: -

Holdings in the Company: As of the date of the Prospectus, Erik Oldmark owns 35,000 shares in the Company and no warrants.

Johan Önneshj (born 1978)

Chief Financial Officer since 2021

Education: MSc in Accounting and Finance from Uppsala University, Sweden.

Previous assignments/engagements: Over 15 years of financial experience, acting Head of Business control at Aller Media, Head of Finance at Q-matic Nordic, Senior Business Controller to COO at Swedbank, Financial Director and Senior Business Controller at Nasdaq. Completed assignments (during the last five years): Deputy board member of V12 Konsult AB.

Other material ongoing positions: Board member of KIAB Vård-fastigheter. Board member and CEO of Dubbel Ö Consulting AB.

Holdings in the Company: As of the date of the Prospectus, Johan Önneshj holds 7,500 shares in the Company and no warrants.

Jan Lundquist (born 1964)

Head of Sales and Marketing since 2019

Education: Business Management, Stockholm School of Economics in Sweden, Business Finance and Marketing Management, IHM Business School in Sweden, certified secondary school engineer, Åva.

Previous assignments/engagements: CEO Gycom Svenska AB. Country Manager Gycom Norge AS, Business Area Manager Gycom Danmark A/S, Regional Manager Gylling Component AB. Completed assignments (during the last five years): Board member of Termino C 1977 AB.

Other material ongoing positions: -

Holdings in the Company: As of the date of the Prospectus, Erik Lundquist holds 1,794 shares and 5,000 warrants under the 2021 Incentive Program, which entitle the holder to subscribe for 30,000 shares in the Company.

Anette Anderung (born 1963)

Production/Site Operations Manager Gävle, Sweden since 2020

Education: Bachelor's degree in Computer Science and Automation from Gävle University College, Sweden. Bachelor's degree in Technical Education from Dalarna University, Sweden.

Previous assignments/engagements: 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.

Other material ongoing positions: -

Holdings in the Company: As of the date of the Prospectus, Anette Anderung does not hold any shares in the Company. Anette Anderung holds 5,000 warrants under the 2021 Incentive Program, which entitle her to subscribe for 30,000 shares in the Company.

Joachim Wenna (born 1979)

Head of Research and Development since 2021

Education: Master's degree in Mechanical Engineering from the Royal Institute of Technology in Sweden.

Previous assignments/engagements: More than 19 years of experience in Product Development and Product Management of automotive electronic systems. 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.

Other material ongoing positions: -

Holdings in the Company: As of the date of the Prospectus, Joachim Wenna holds 20,000 shares in the Company and no warrants.

Anders Mårtensson (born 1964)

Head of Services since 2021, Head of Product Management since 2022

Education: Master's degree in Industrial Economics and Licentiate degree from Linköping University of Technology, Sweden.

Previous assignments/engagements: Former COO of Datscha AB and eBuilder AB. Completed assignments (during the last five years): Chairman of the Board of Sild Media AB. Board member of eBuilder Sweden AB, eBuilder Luleå AB and Mobilexpense Nordics AB.

Other material ongoing positions: Chairman of the Board of Silf Gruppen Aktiefbolag and Silf Competence AB. Board member of IPF - Institutet för Personal- och Företagsutveckling Aktiefbolag.

Holdings in the Company: As of the date of the Prospectus, Anders Mårtensson does not hold any shares or warrants in the Company.

OTHER INFORMATION ABOUT THE BOARD OF DIRECTORS AND THE SENIOR EXECUTIVES

No director or member of the senior executive management has any family ties to any other director or member of the senior executive management.

None of the directors or executive officers of the Company has, within the last five years, (i) been convicted in fraud-related cases, (ii) been bound by, or been subject to sanction by, a regulatory or supervisory authority (including recognised professional bodies) for any offence, or (iii) been prohibited by a court from being a member of the administrative, management or supervisory bodies of an issuer or from exercising managerial or executive functions of an issuer.

Remuneration during 2021

The table below presents the remuneration paid during the 2021 financial year from the Company to the CEO, other senior executives and the Board of Directors.

SEK thousand	Basic salary/ board fees	Variable remuneration	Pension costs	Total
Board of Directors				
Michael Obermayer	561	-	-	561
Stefan De Geer	272	-	-	272
Ulrika Molander	80	-	-	80
Gunilla Fransson	197	-	-	197
Peter Feledy	25	-	-	25
Marko Allikson	25	-	-	25
Anders Gudmarsson	280	-	-	280
Alexander Izosimov	130	-	-	130
Helena Nathhorst	217	-	-	217
Total Board of Directors	1,787	-	-	1,787
Marcus Wigren, CEO until Aug 2021	2,765	65	468	3,298
Erik Oldmark, CEO as of Sep 2021	950	-	-	950
<i>Other senior executives (six individuals)</i>	<i>6,959</i>	<i>215</i>	<i>1,171</i>	<i>8,345</i>
Total CEO and senior executives	10,674	280	1,639	12,593
Total Board of Directors, CEO and senior executives	12,461	280	1,639	14,380

The remuneration of senior executives consists of fixed salary, variable remuneration, pension and other benefits. Pension benefits are defined contribution and do not exceed 35 percent of the fixed salary. Other benefits include the right to a company car. In the event of termination by the Company, the notice period is 3-12 months. In the event of termination by the Company, severance pay of up to nine months' salary may be payable.

REMUNERATION TO THE BOARD OF DIRECTORS, CEO AND SENIOR EXECUTIVES

Remuneration to the Board of Directors

The Chairman of the Board and the members of the Board of Directors are paid remuneration in accordance with the resolution of the general meeting.

At the annual general meeting on 3 March 2022, it was resolved that remuneration to the members of the Board of Directors shall be paid as follows:

- SEK 500,000 to the Chairman of the Board and SEK 200,000 to other members of the Board of Directors; and
- SEK 150,000 to the Chairman of the Audit Committee and SEK 100,000 to the members of the Audit Committee.
- SEK 50,000 to the members of the Remuneration Committee.

The Company's Board members are not entitled to any benefits after they have resigned as members of the Board of Directors.

The Company has no allocated or accrued amounts for pensions or similar benefits after a board member or senior executive resign from office or assignment.

HISTORICAL FINANCIAL INFORMATION

The historical financial information of Nilar has been incorporated in the Prospectus by reference. Incorporated documents and cross-references to the respective parts incorporated are presented in the section "Documents incorporated by reference". The incorporated historical financial information consists of the Group's audited annual report for the financial years 1 January - 31 December 2021 and 1 January - 31 December 2020 which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, the Financial Reporting Recommendation RFR 1, Supplementary Accounting Rules for Groups and the Swedish Annual Accounts Act. In addition, the Group's reviewed unaudited interim report for the period 1 January - 31 March 2022, with comparative financial figures for the corresponding period in 2021, which have been prepared in accordance with IAS 34 - Interim Financial Reporting, are incorporated. The annual accounts for the financial years 2021 and 2020 have been audited by the Company's auditor and the interim report for the period 1 January - 31 March 2022 have been reviewed, but not audited, by the Company's auditor. In addition to the above, no information in the Prospectus has been audited unless expressly stated otherwise.

For the financial year 2021, the Company's auditor has drawn attention to an uncertainty regarding the Company's continued operations as follows:

"We would like to draw your attention to the management report under the section "Continuing funding", which states that the company's current growth plan requires Nilar to raise new capital in 2022 to finance the company. At the time of signing the annual report, no financing has been secured for the next 12 months, However, Nilar has engaged financial advisors to raise this capital. the Directors' Report, these events and circumstances indicate that there is a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. We have not modified our statements because of this."

The company's auditor provided the corresponding disclosure for the financial year 2020 as follows:

"We would like to draw your attention to the management report under the section "Continuing funding", which states that the Company's current growth plan requires Nilar to raise approximately SEK 350 million of new capital during May 2021 to finance the company through the first quarter of 2022. At the time of signing the annual report, there is no financing secured for the next 12 months, however, Nilar has engaged financial advisors to As stated in the Directors' Report, these events and circumstances suggest that indicate that there is a material uncertainty that may cast significant doubt on the Company's ability to continue operations. We have not modified our statements as a result."

The historical financial information presented below should be read in conjunction with Nilar's audited annual reports with accompanying notes and auditor's reports for the financial years 2021 and 2020 and the Group's interim report for the period 1 January - 31 March 2022 with comparative financial figures for the corresponding period in 2021, which have been incorporated into the Prospectus by reference as follows:

Nilar's interim report for the period 1 January - 31 March 2022	Page
Consolidated statement of comprehensive income	7
Consolidated balance sheet	8
Consolidated statement of changes in equity	9
Consolidated cash flow statement	10
Notes for the Group	13-15
Auditor's review report	16

Nilar's interim report for the period 1 January - 31 March 2022 is available through the following link:

<https://www.nilar.com/wp-content/uploads/Nilar-International-AB-Delarsrapport-Q1-2022.pdf>

Nilar's annual report for the financial year 2021	Page
Consolidated income statement	55
Consolidated statement of comprehensive income	55
Consolidated balance sheet	56
Consolidated statement of changes in equity	57
Consolidated cash flow statement	58
Notes for the Group	60-82
Auditor's report	96-97

Nilar's annual report for the financial year 2021 is available through the following link:

<https://www.nilar.com/wp-content/uploads/Nilar-International-AB-Arsredovisning-2021.pdf>

Nilar's annual report for the financial year 2020	Page
Consolidated statement of comprehensive income	40
Consolidated balance sheet	41
Consolidated statement of changes in equity	42
Consolidated cash flow statement	43
Notes for the Group	45-68
Auditor's report	82-83

Nilar's annual report for the financial year 2020 is available through the following link:

https://www.nilar.com/wp-content/uploads/Nilar-International-AB-Annual-report-2020_English.pdf

Copies of the Prospectus and the documents incorporated by reference may be obtained from Nilar electronically via the Company's website, <https://www.nilar.com/investors/>.

THE GROUP'S KEY FINANCIAL FIGURES

Nilar believes that the alternative key figures presented below provide a better understanding of the Group's financial condition and are widely used by the Company's management, investors, securities analysts and other stakeholders as supplemental measures of performance. In addition, such alternative key performance measures, as defined by Nilar, should not be compared to other similarly titled key figures used by other companies. This is because such key figures are not always defined in the same way and other companies may calculate them in a different way.

The following table shows the Group's key figures for the financial years 2021 and 2020 and for the interim period 1 January - 31 March 2022 and 2021. The key figures defined in accordance with IFRS have been revised for the financial years 2021 and 2020 and reviewed for the period 1 January - 31 March 2022. The Group's alternative key figures not defined in accordance with IFRS have not been audited or reviewed for any period unless otherwise stated

SEK million (unless stated otherwise)	1 January - 31 March		1 January - 31 December	
	2022	2021	2021	2020
<i>Key figures defined in accordance with IFRS</i>				
Revenue	-4.19	5.40	17.8	25.2
Profit/loss before tax	-74.2	-114.4	-600.5	-342.9
Cash flow from operating activities	-58.9	-81.9	-446.6	-211.6
Cash flow from investing activities	-17.5	-36.5	-215.1	-111.5
Cash flow from financing activities	-3.4	105.3	818.5	233.6
<i>Alternative key figures not defined in accordance with IFRS</i>				
Gross profit ¹	-40.8	-69.6	-479.5	-199.2
EBITDA	-48.1	-78.0	-382.1	-216.7
Operating profit/EBIT ¹	-63.5	-96.0	-596.4	-284.0
Equity/asset ratio, %	57	1	60	18
Debt ratio, times	0.8	78.2	0.7	4.6

1) The key figure has been revised for the financial years 2021 and 2020 and reviewed for the period 1 January to 31 March 2022.

Definitions of alternative key figures not defined in accordance with IFRS

Key figure	Definition	Purpose
Gross profit	Gross profit minus cost of sales.	The gross profit demonstrates the Company's efficiency in production and for calculating the gross margin.
EBITDA	Operating result before depreciation, amortisation and impairment of tangible and intangible fixed assets and assets held for use.	This measure is a good complement to operating results, which is a simplified measure of cash flow from the business.
Operating profit/EBIT	Operating profit before financial items and tax.	Operating profit gives an overall picture of the total earnings generation in operating activities.
Equity/asset ratio, %	Equity divided by balance sheet total.	A traditional measure of showing financial risk, expressed as the proportion of the restricted capital financed by the owners.
Debt ratio, times	Net interest-bearing debt divided by equity.	The debt ratio shows the proportion of the company's debt in relation to equity.

Reconciliation table for alternative key figures not defined in accordance with IFRS

EBITDA SEK million (unless stated otherwise)	1 January - 31 March		1 January - 31 December	
	2022	2021	2021	2020
Operating profit/EBIT	-63.5	-96.0	-596.4	-284.0
(+) Depreciation on tangible and intangible fixed assets	15.4	18.0	76.8	60.7
(+) Impairment of intangible assets	-	-	137.5	6.7
EBITDA	-48.1	-78.0	-382.1	-216.7

Equity/asset ratio, % SEK million (unless stated otherwise)	1 January - 31 March		1 January - 31 December	
	2022	2021	2021	2020
Equity	417.3	7.3	491.5	103.1
(/) Total assets	734.7	579.2	815.2	576.4
Equity/asset ratio, %	57	1	60	18

Debt ratio, times SEK million (unless stated otherwise)	1 January - 31 March		1 January - 31 December	
	2022	2021	2021	2020
Total non-current liabilities	205.6	212.9	181.2	119.1
(+) Total current liabilities	111.8	359.0	142.5	354.1
(/) Equity	417.3	7.3	491.5	103.1
Debt ratio, times	0.8	78.2	0.7	4.6

DIVIDEND POLICY

Nilar has not paid any dividends for the period covered by the historical financial information and does not intend to pay any dividends in the foreseeable future, therefore no dividend policy has been adopted. Future dividends, to the extent proposed by the Board of Directors and approved by the Company's shareholders, will be dependent upon and based upon the requirements of the nature, scope and risks of the business on the Company's equity and the Company's consolidation needs, liquidity and financial position.

SIGNIFICANT CHANGES IN THE COMPANY'S FINANCIAL POSITION AFTER 31 MARCH 2022

On 16 May 2022, Nilar announced that it has entered into a strategic partnership with Enequi for the development of customised energy storage solutions in the European market. Enequi has also signed an initial order for 800 batteries with associated BMS, intended for 100 units of Enequi's QuiPower Storage, equipped with Nilar's reoxy-generating technology for delivery starting in the third quarter of 2022. In total, the order includes batteries with a capacity of 1.15 MWh and an order value of SEK 10 million.

Other than as set out above, there have been no significant changes in the Group's financial position have occurred since 31 March 2022 up to the date of the Prospectus.

LEGAL INFORMATION AND OWNERSHIP STRUCTURE

GENERAL INFORMATION ABOUT THE SHARE

According to the Company's articles of association, the share capital may not be less than SEK 5,000,000 and may not exceed SEK 20,000,000, and the number of shares may not be less than 30,000,000 and not exceed 120,000,000. The Company has issued one class of shares. As of 1 January 2020, the Company's share capital amounted to SEK 4,431,857 divided into 4,431,857 shares. As of 31 December 2020, the Company's share capital amounted to SEK 5,025,191 divided into 5,025,191 shares. As of 31 December 2021 and as of the date of the Prospectus, the Company's share capital amounted to SEK 7,585,291.84 divided into 45,511,751 shares.

Following the completion of the Rights Issue, subject to full subscription, the Company's share capital will amount to SEK 53,097,042.88 divided into 318,582,257 shares. The Company's shares are traded on Nasdaq First North Premier Growth Market under the ticker NILAR (ISIN code: SE0015950001).

The shares in the Company are denominated in SEK and have been issued in accordance with Swedish law. Each share in the Company has a quota value of SEK 0.167. All issued shares are fully paid and freely transferable.

OWNERSHIP STRUCTURE

Listed below are all shareholders of the Company as of 31 March, 2022, including subsequent known changes thereafter, with holdings or votes exceeding five percent of the total number of outstanding shares and votes in the Company. The Company is not directly or indirectly controlled by any shareholder. The Company has issued only one class of shares having the same voting power.

Shareholder	Number of shares and votes	Share of capital and votes, %
Christopher Braden	5,335,879	11.72
Första AP-Fonden	4,316,053	9.48
BNY Mellon	3,060,138	6.72
R&H Trust Company	2,939,691	6.46
Fjärde AP-Fonden	2,319,197	5.10
Total shareholders with holdings exceeding five percent of the number of shares and votes	17,970,958	39.5
<i>Other shareholders</i>	<i>27,540,793</i>	<i>60.5</i>
Total	45,511,751	100.00

Shareholder agreements, etc.

To the best of the Board of Director's knowledge, there are no shareholders' agreements or other arrangements between the Company's shareholders aimed at joint influence over the Company. To the best of the Board of Director's knowledge, there are no other agreements or similar arrangements that could lead to a change or prevention of control over the Company.

WARRANTS, CONVERTIBLES, ETC.

As of the date of the Prospectus, the Group has two outstanding warrant programs. One warrant program is directed at directors and management with the objective of ensuring alignment of incentives between shareholders and officers of the Company. In addition, under a loan agreement with the European Investment Bank ("EIB"), the Company has committed to issue warrants to EIB.

As of the date of the Prospectus, the Company has no other outstanding warrants, convertibles or similar financial instruments that may entitle the holder to subscribe for shares or otherwise affect the share capital of the Company, other than the warrant program set out below.

Incentive program 2021:1–2 (incentive program for employees (LTIP) and members of the Board of Directors)

The extraordinary general meeting held on 12 March 2021 resolved to adopt (i) a long-term incentive program for senior executives and other key individuals in the Company (LTIP), as well as an incentive program for the Company's Board of Directors. A maximum total of 95,000 warrants can be issued under the incentive program. The value of the warrants is calculated using the Black & Scholes valuation model and has provisionally been set at SEK 20 per warrant. As of the date of the Prospectus, 89,682 warrants have been subscribed for by those entitled to subscribe.

LTIP 2021 is directed at a maximum of six people. The following categories of employee shall have the right to acquire warrants:

- Category A, CEO (maximum 1 person), maximum 20,000 warrants;
- Category B, CFO (maximum 1 person), maximum 15,000 warrants; and
- Category C, other senior executives (maximum four persons), maximum 5,000 warrants per person.

The incentive program for the Board of Directors is aimed at a maximum of six members of the Board of Directors, as follows:

- Chairman of the Board, maximum 15,000 warrants; and
- Other board members, maximum 5,000 warrants per person.

A warrant entitles the holder to subscribe for six new shares at a subscription price of SEK 75 per share. The warrants can be used to subscribe for shares during the period 1 April 2024 to 30 September 2024, both dates inclusive.

Those entitled to subscribe under the Company's incentive program for senior executives will receive a one-off bonus from the Company, which is expected to be used to take part in the incentive program. The total cost to the Company of this bonus has provisionally been estimated at SEK 2.9 million.

The Company has reserved the right to repurchase the warrants if the participant's employment or commission at the Company ends, or if the participant in turn wishes to pass on the warrants. If all of the warrants subscribed for in the incentive programs for senior executives and the Board of Directors are used to subscribe for new shares (i.e. 89,682 warrants), the number of shares will increase by 538,092 and the share capital will increase by SEK 89,682, corresponding to a dilution of approximately 1.17 percent based on the number of shares as of the date of the Prospectus.

Warrants issued under the loan agreement with EIB

On 1 October 2020, the Company entered into a loan agreement with the European Investment Bank ("EIB") for a loan of up to EUR 47 million, divided into three tranches (the "Loan Agreement"). Under the Loan Agreement, the Company shall issue 160,633 warrants to EIB in conjunction with payment during tranche A, in accordance with a separate warrant agreement (the "Option Agreement"). Under the Option Agreement, subscription for the warrants shall be free of charge, and each warrant confers the right to subscribe for six new shares in the Company at a subscription price equivalent to the quota value. The warrants can be used to subscribe for shares for a period of 20 years from the time at which the warrants were registered with the Swedish Companies Registration Office (Sw. *Bolagsverket*).

As of the date of the Prospectus, a total of 160,633 warrants have been issued to EIB in accordance with the Loan Agreement and the Option Agreement. If all 160,633 warrants are exercised for subscription of shares, the number of shares will increase by 963,798 and an increase in the Company's share capital by SEK 160,633, equivalent to a dilution of approximately 2.07 percent based on the number of shares as of the date of the Prospectus. EIB's warrants will be recalculated following the completion of the Rights Issue.

MATERIAL AGREEMENTS

On 14 June 2021, the Company, in its capacity as a tenant, entered into a lease agreement for its battery production facility in Paldiski, Estonia. The Estonian industrial and logistics property company Riigiressursside Keskus OÜ (RRK Logistics Parks) is building a factory for Nilar on the property for the manufacture of batteries for stationary energy storage systems. The agreement is valid until 30 September 2026 and will be automatically extended until 20 September 2031 if the tenant has submitted a written request for extension by 20 September 2025. The cost of the lease is calculated on the basis of a schedule depending on the number of square metres used. The agreement does not contain an applicable law clause, but references are made to Estonian law. Any disputes relating to the agreement shall be settled by Harju County Court.

Apart from the agreement above, the Company has not entered into any material agreements in the last twelve months, calculated from the date of the Prospectus.

LEGAL AND ARBITRATION PROCEEDINGS

The Company is not, and has not been, a party to any governmental, legal, arbitration or settlement proceedings (including pending matters or those that the Company is aware may arise) during the past 12 months that have recently had or could have a material effect on the Company's financial position or profitability.

RELATED-PARTY TRANSACTIONS

Related parties are all subsidiaries of the Group and senior executives of the Group, i.e. the Board of Directors and Group management, as well as their family members. Related-party transactions refer to the transactions of these persons with the Group. The guiding principles for what are considered related party transactions are set out in IAS 24.

Related party transactions after 31 December 2021 up until the date of the Prospectus

For the period after 31 December 2021 up until the date of the Prospectus, there have been no related party transactions.

CONFLICTS OF INTEREST

There are no conflicts of interest or potential conflicts of interest between the directors' and officers' commitments to Nilar and their private interests and/or other commitments (although several directors and officers have certain financial interests in Nilar as a result of their direct or indirect share and option holdings in the Company). None of the directors or officers has been elected or appointed pursuant to a special agreement with major shareholders, customers, suppliers or other parties.

AVAILABLE DOCUMENTS

The following documents are available in electronic form on Nilars web page, <https://www.nilar.com/investors/>.

- Nilar's certificate of incorporation; and
- Nilar's articles of association.

