SaltX Technology

SaltX Technology Holding AB (publ)

Interim Report Q2 2018

This information is information which SaltX Technology is required to disclose under the EU Market Abuse Regulation. The information has been made public at 08.00 CET on 23 August 2018.

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Cover photo: EnerStore produces wind energy when it's blowing and supplies the surplus energy to the energy network when it is needed the most.

Interim Report Q2 2018

FINANCIAL EVENTS

Q2

- Net sales totaled MSEK 1.8 (1.4)
- Operating profit/loss (EBIT) amounted to MSEK -15.9 (-6.0)
- Cash flow from operating activities amounted to MSEK -16.9 (-3.3)
- Earnings per share before and after dilution were SEK -0.25 (-0.12)

Interim report January – June

- Net sales increased to MSEK 3.3 (2.0)
- Operating profit/loss (EBIT) amounted to MSEK -29.7 (-11.9)
- Cash flow from operating activities amounted to MSEK -29.1 (-9.2)
- Earnings per share before and after dilution were SEK -0.50 (-0.24)

SIGNIFICANT EVENTS

Q2

- SaltX won the Bloomberg New Energy Pioneer Award
- SaltX received a breakthrough order for SunCool

"THERE IS A GREAT, IMPLICIT NEED FOR CUSTOMERS TO STORE ENERGY FOR LONGER PERIODS THAN JUST AN HOUR OR TWO."

READ MORE ON PAGE 4

KEY FIGURES

Group, TSEK	Q 2 2018	Q 2 2017	6 months 2018	6 months 2017	FY 2017
Net sales	1,794	1,416	3,321	1,993	5,300
Operating profit/loss (EBIT)	-15,863	-5,951	-29,660	-11,903	-28,515
Earnings per share before and after dilution	-0.25	-0.12	-0.50	-0.24	-0.53
Equity	152,773	170,327	152,773	170,327	161,372
Cash flow from operating activities	-16,911	-3,317	-29,143	-9,170	-28,490
Equity ratio (equity/balance sheet total)	72%	78%	72%	78%	78%

Interview with the CEO

How would you summarize the second quarter? Have there been any surprises or disappointments? And what was most important?
A great deal has occurred and most has been positive. In general, it has been about continuously developing our business, so even though we did not communicate with the same frequency as in the previous quarter, we have been extremely active and made significant progress. Among the individual events worth highlighting it was definitely when SaltX won the Bloomberg New Energy Pioneer award — something that put SaltX on the map and confirms our technology is one of the future game changers in new energy.

Commercially, the SunCool Order from SunAct Ghana was one of the most important events. Interest in the African market with its off-grid issues is, for evident reasons, significant and there is a lot of interest in storing solar energy cost-effectively. No real disappointments, but I had hoped that the SunCool market in China would have started better.

To return to the breakthrough order in Ghana, when do you expect deliveries to begin?
As soon as SunAct — our customer — has finally secured financing, we will start production. I expect this to be at the end of this year or the beginning of the next.

Most people are very curious how the Vattenfall project is going — what is the status? How does the process look going forward and when can it become a commercial order?
The project is running according to plan. We will install and commission the pilot plant in Berlin this fall and expect to get the first results by the end of the year. After that, Vattenfall will evaluate the results to decide how to proceed and if the SaltX EnerStore solution can be implemented on a larger scale in Berlin's district heating network. The commercial potential in the second phase is significant: an estimated 2,000 MWh (mega-watt hours), which corresponds to 5,000 cubic meters of SaltX material, and this only for the requirements in Berlin!

What trends do you see in the energy storage market? When will commercialization take off?
As we said two years ago when we started the efforts in large-scale energy storage and the EnerStore application area, the interest is huge and increasing rapidly. What we have seen in just the last six months is that demand in terms of number of request for proposals and open bids for energy storage has more or less exploded. In California, for example, it was decided to procure 1,000 MWh of storage to balance the grid as the proportion of solar power increases. In the Middle East, Australia and China, new enquiries come in every

"THE INTEREST IN ENERGY STORAGE IS HUGE AND INCREASING RAPIDLY. WHAT WE HAVE SEEN IN JUST THE LAST SIX MONTHS IS THAT DEMAND IN THE FORM OF THE NUMBER OF PROJECTS WITH PUBLIC PROCUREMENT IN ENERGY STORAGE HAS MORE OR LESS EXPLODED."

week about major energy storage projects. It is encouraging to see how fast the world is now switching to renewable energy, and how energy storage plays a crucial role in this transformation. Then there is a certain lead time before this type of procurement materializes into new business, but it is obvious the trend is very positive.

How can SaltX, as a relatively small and unknown company, compete in these major projects and procurement processes?
Just by participating in and responding to these requests and bids we show what SaltX can offer, and how SaltX thermal batteries complement electrical batteries. This requires that we allocate enough time and sufficient resources and that we have the right competence in order to respond to enquiries with credibility. To this end, we need to find, attract and begin to work with the right partners. We are therefore scaling up our business operations and allocating more resources to EnerStore than was originally planned.

What is there to indicate that SaltX will win a major order? If SaltX does win a big order, do you have the capacity to deliver?
SaltX is well positioned and has unique technology patented all over the world. The market for energy storage is at an early stage and yet there is no de-facto standard. That means there are good opportunities for SaltX to win these types of major deals. We do not manufacture the salt material ourselves, and rely instead on strategic suppliers and partners. I

"WE ARE SCALING UP OUR BUSINESS OPERATIONS AND ALLOCATING MORE RESOURCES TO ENERSTORE THAN WAS ORIGINALLY PLANNED."

KARL BOHMAN
CEO

see no difficulty in achieving sufficient capacity within EnerStore, but we need to allocate more resources to work with these partners.

Do you see electrical energy storage such as lithium batteries as a competing solution?
No, we see them as a complement. There is a great, implicit need for customers to store energy for longer periods than just an hour or two and here we believe that SaltX offers the most competitive solution in the market in terms of cost and efficiency.

How is the project going with Ahlstrom-Munksjö for the development of salt on graph-coated paper?
It is going according to plan and the first phase is expected to be completed in the fall. We will then announce the results. It might be worth repeating why this solution has so much commercial potential, which has also got a big company such as Ahlstrom-Munksjö to invest significant resources in the project.

The companies will jointly develop a large-scale manufacturing method for coating paper with the super-material graphene. The graphene paper acts as a carrier of SaltX patented Nano Coated Salt, and increases the thermal conductivity of the SaltX material by up to five times. The solution has the potential to lower costs by up to 80 percent, which increases SaltX's competitiveness further.

It has been very quiet about Goldwind, Impacts Solar and Aalborg CSP — are you still working with them?
Yes, absolutely. We are working closely with all of them to get the initial pilot projects confirmed and funded. This is the kind of work I'm referring to when I said that a lot of things have happened during the quarter to develop our business operations, including our existing business relationships.

How are the HeatBoost projects going?
The first prototypes for the United States have been manufactured and shipped. The work with our customers and partners — Rheem, NEEA and Oakridge — is progressing well. We must accept that it takes time to breaking new ground, as we are doing. In Europe, tests have been started at Fraunhofer. We received just over SEK 9 million in advance from the EU H2020 program, so now we can really increase the work rate in this area.

Is there not a risk you spread yourself thin with too many applicatons, thus risking to lose focus?
Yes, of course, and it is both an opportunity and a challenge in having a technology that can be applied so widely. It is not possible to know in advance what and how quickly different opportunities and requests may materialize in the form of business deals. Which is why me and my senior management team are constantly evaluating a large number of opportunities and re-evaluating different projects.

As a consequence, we are now increasing our investment in En-

"IT IS BOTH AN OPPORTUNITY AND A CHALLENGE IN HAVING A TECHNOLOGY THAT CAN BE APPLIED SO WIDELY."

erStore.

I usually say that SaltX is the equivalent of “Intel inside” — we offer a powerful technology and component, but then other, external, parties need to drive the development of the product around the component and then manufacture and distribute it to the end customer. Just as Intel's components are found in an incredible range of applications, my vision is that SaltX will be found in, if not all, then very many energy storage products.

If large-scale energy storage is now so hot, why are you not focusing exclusively on EnerStore?

Based on new impressions and trends in the market, in our annual strategy work with the Board a strategy we have revised the strategy to focus even more on EnerStore. We need to do this in order to have the opportunity to take advantage of the great commercial value in energy storage and make a mark in the market. This does not mean that we will discontinue other application areas but instead we are re-prioritizing resources and building our organization to maximize the commercial outcome. At the same time, of course, we will ensure that the commercial potential of other applications — SunCool, HeatBoost and VerdAcc — is best utilized.

Where do you see the biggest challenges for SaltX?

Above all, we are a small company in a very large market that presupposes that the market participants are well-funded and have enough resources to enable them to compete. My goal is to turn this into an opportunity by working with large, well-known partners. We have succeeded in this previously and with a strong global patent and a fantastic team, the pre-requisites are in place to be successful.

Stockholm, August 2018
Karl Bohman

”THE GRAPHENE PAPER WORKS AS A CARRIER OF SALTX PATENTED NANO COATED SALT, AND INCREASES THE THERMAL CONDUCTIVITY OF THE SALTX MATERIAL BY UP TO FIVE TIMES.”

Learn more about EnerStore:

ENERSTORE

CHARGING FROM VARIOUS ENERGY SOURCES

It is possible to store energy using nano-coated salts in EnerStore with both electricity from, for example, wind power plants and heat from industries or concentrated solar heat.

SCALABILITY

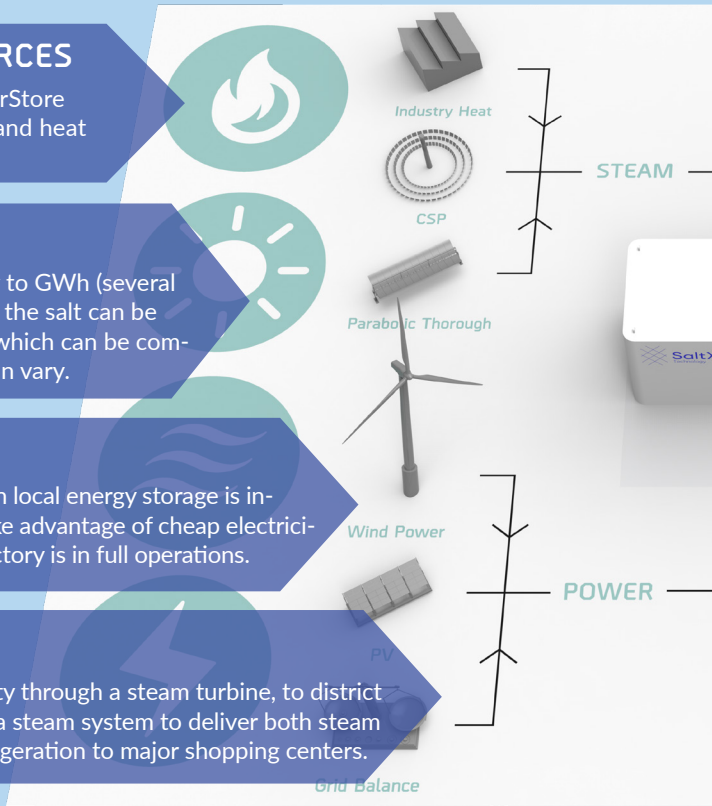
With EnerStore it is possible to scale up the storage capacity to GWh (several thousand cubic meters of salt) at low cost. This is possible as the salt can be stored in tanks and the energy is discharged from a reactor, which can be compared to a diesel generator where the size of the fuel tank can vary.

LOCAL STORAGE

With increased integration of wind and solar power, interest in local energy storage is increasing, for example, in factories or real estate. These can take advantage of cheap electricity prices during the night and discharge the heat when the factory is in full operations.

STEAM PROVIDES FLEXIBILITY

Steam can be used for many things, everything from electricity through a steam turbine, to district heating or cooling. An example is New York City, which uses a steam system to deliver both steam heat to hospitals and dry cleaners, as well as cooling and refrigeration to major shopping centers.



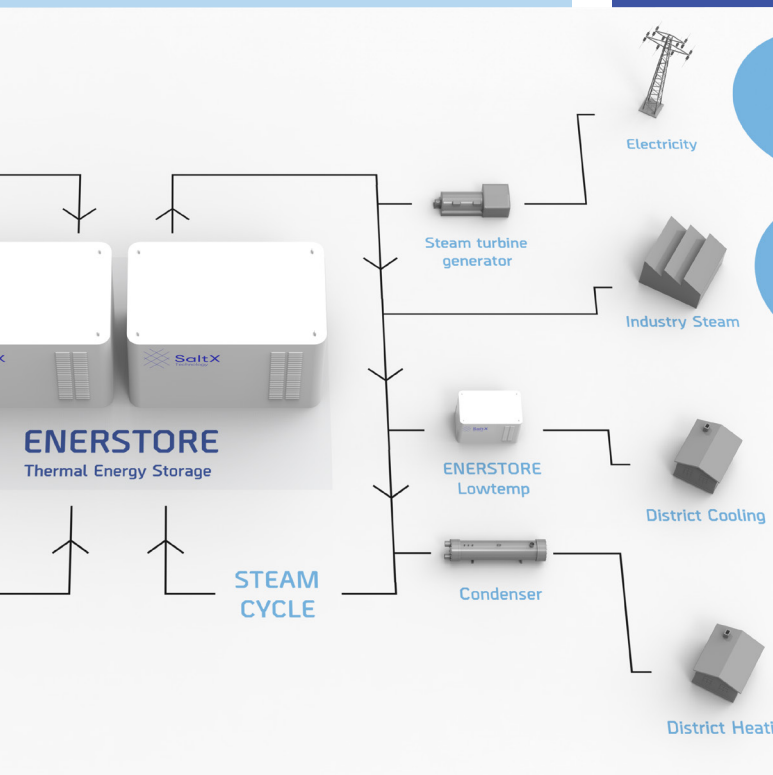
WHY THERMAL STORAGE

Thermal storage is crucial for a successful large scale introduction of renewable energy into the current energy system. To supply continuous, reliable energy throughout the day, energy storage needs to be scaled up at the same rate as renewable energy sources.

In Europe, 50% of energy consumption consists of heating and cooling (see the graph on the right), which corresponds to a proportion that is larger than both the transport and electricity sector together. The global trend to convert to carbon dioxide-free industries such as process heat, manufacturing and greenhouse cultivation is also increasing the demand for thermal energy storage.

WHY SALTX

Thermal storage in salt allows for a very high energy density, in addition, energy can be stored over longer periods without losing performance over time. Previously, it has not been possible to commercialize this technology, as life expectancy in terms of number of charge and discharge cycles is limited by the salt lumping together. SaltX world-patented Nano-Coated Salt (NCS) prevents this, and thus makes thermo-chemical batteries commercially viable.



ADVANTAGES

LONG LIFE

SaltX Nano Coated Salt (NCS) has been charged/discharged over 50,000 times without degradation. When regular salts are tested, they can only be cycled 50 times before degradation occurs.

SUSTAINABLE SOLUTION

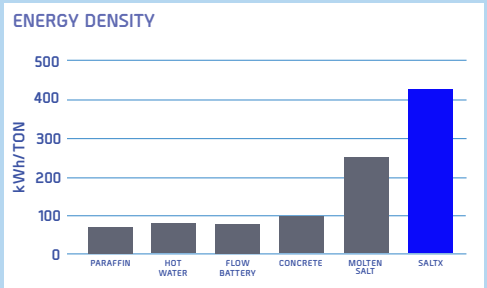
In EnerStore lime stone and water are used — two materials that are naturally available in large quantities which are easy to recover and recycle

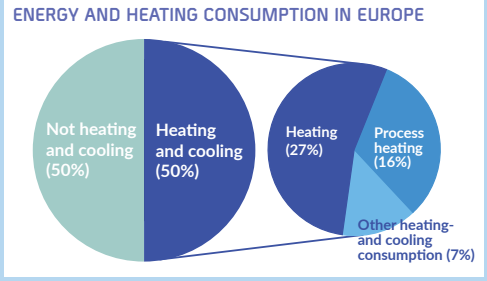
COMPACT

Compared to other thermal energy storage solutions, EnerStore can store a lot of energy on a small surface. In addition, heat is not lost over time, such as when water is heated.

LOW COST

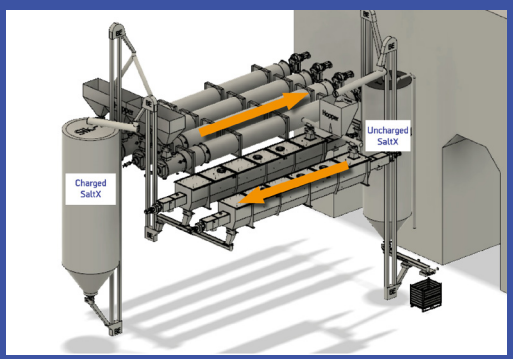
SaltX patented Nano Coated Salt (NCS) provides corrosion protection, which means that cost-effective materials can be used throughout the product





SOURCES: SEE LAST PAGE

THAT'S HAPPENING IN BERLIN



In May 2017, SaltX presented a new collaboration with Vattenfall, a joint pilot project in which large-scale energy storage is being tested in Berlin's district heating network. Following small-scale testing systems in Sweden, a large-scale storage facility and system is currently being installed in Berlin. In the image to the right you can see a 3D image of the finished design. The storage facility will accommodate 10MWh, be charged with 1MW and discharged with 3MW. The storage system is designed to be charged for ten hours and then to be quickly discharged at peak demands during the morning and evening hours.

Significant events

...DURING Q2

SaltX won the Bloomberg New Energy Pioneer Award

SaltX won the New Energy Pioneers 2018 award, which was awarded by Bloomberg New Energy Finance. Innovative companies from all over the world were selected based on their cleantech progress and how powerful their solution is in terms of influencing their respective industries. Bloomberg primarily chooses the companies that distinguish themselves in their ability to revolutionize the energy, transport and technology industries. The 2018 New Energy Pioneer winners were presented in April in New York at Bloomberg's "The Future of Energy" conference.

SaltX received a breakthrough order for SunCool – The company will deliver 8,000 solar collectors to Ghana in a three-year period – order value MSEK 55

SaltX Technology received a breakthrough order of 8,000 SunCool solar collectors from the SunAct energy company in Ghana. Solar collectors will be installed at thousands of sanitary stations around Ghana, most of them in rural areas, outside the mains electricity grid. SunAct is a turnkey supplier of all energy including electricity, hot water and cooling to Thermodul Systems, which is contracted to build the stations for Ghana's residents who often lack access to toilet, shower and laundry facilities. The order is worth approximately MSEK 55 and is conditional on SunAct receiving funding based on a bank guarantee. Deliveries are scheduled to commence at the end of 2018/beginning of 2019.

Our Business

SaltX Technology is a Swedish innovation company that develops and sells a patented energy storage technology, which is marketed under the SaltX™ brand name. Customers are primarily major global OEM companies such as Alfa Laval, Mobile Climate Control and Rheem, and energy companies such as Vattenfall, Öresundkraft and Goldwind.

The technology makes it possible to store energy in salt in order to subsequently recover it in the form of heat and/or cold. The technology thereby enables a more efficient use of energy and considerable energy savings, with lower costs and reduced emissions as a result. The technology also allows a more flexible use of energy from renewable sources where the challenge previously has been precisely in the possibility of storage. As the use of renewable energy sources increases, it becomes increasingly important to be able to store the energy in a cost-effective way and then be able to use it.

BUSINESS MODEL

SaltX's business model consists of sales in three parts; SaltX material, licenses and support. The biggest future source of revenue is the patented SaltX material, and the license to use this.

MAJOR SAVINGS

Customers are primarily major global OEM companies, component manufacturers and energy companies. By integrating SaltX energy storage technology in the various product groups such as large-scale thermal energy storage and heating and cooling products (thermal solar collectors, heat pumps and air conditioning systems), major energy and cost savings are made possible.

FOCUS ON FOUR AREAS

SaltX Technology's technology can be applied in a wide range of application areas. Focus is currently on four areas of application:

- Storage of renewable energy (**EnerStore**),
- Thermal solar collectors with integral heating and cooling for buildings (**SunCool**),
- Gas-driven pumps for hot water and domestic heating (**HeatBoost**),
- Heat-driven cooling in trucks and heavy (**VerdAcc**).

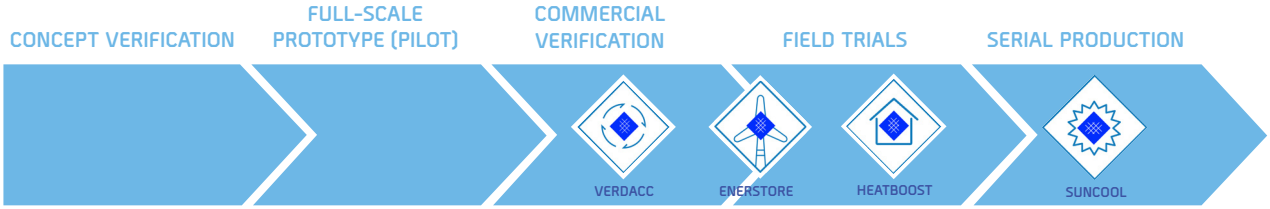
For the EnerStore application area, commercial verification is in progress and the first large-scale pilot plant is being implemented.

In regard to thermal solar collectors, SunCool, production and commercial launches have been started. SaltX is providing technical support and knowledge transfer.

The focus for Heat Boost is on preparing and carrying out field trials, industrialization and commercialization. The VerdAcc application is being tested and commercially verified.

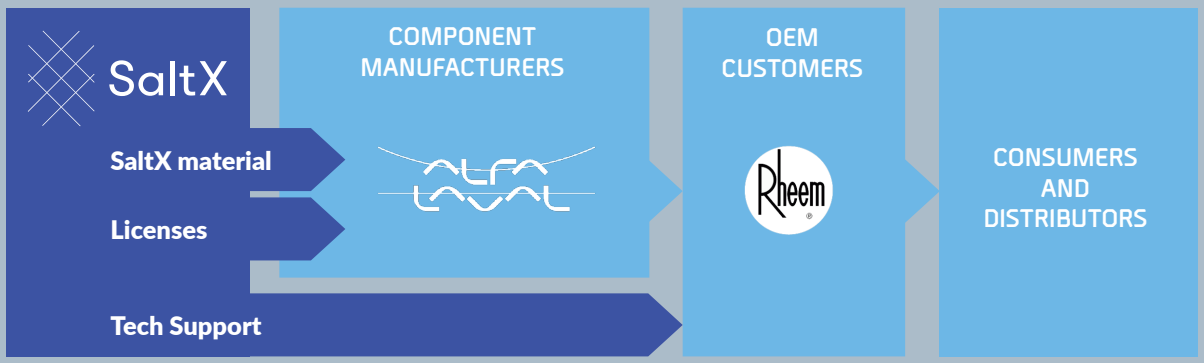
Our Business
(Cont.)

DEVELOPMENT STEPS



AREA OF APPLICATION	IMPLEMENTATION	STATUS
EnerStore	Storage of renewable energy.	Commercial verification completed. Construction of pilot plant completed. Field trials will start in the second half of 2018.
SunCool	Thermal solar collectors with integral heating and cooling for buildings.	Production started. Commercial launch in China and the rest of the world.
HeatBoost	Gas-driven pumps for hot water and domestic heating.	Commercial verification completed. Field trials in the US and Europe will start in the second half of 2018.
VerdAcc	Heat-driven cooling in trucks and heavy vehicles.	Commercial verification in progress. Field trials in the USA will start at the end of 2018.

BUSINESS MODEL



SaltX's Business Model consists of sales in three parts; SaltX material, licenses and tech support. The biggest future source of revenue is the patented material SaltX, and the license to use this.

Financial overview

APRIL–JUNE – Q2

REVENUE, EXPENSES AND EARNINGS

Operating income
Net sales for the quarter totaled TSEK 1,794 (1,416).

Other revenues amounted to TSEK 1,151 (11) and consisted largely of additional contributions from the European Union for costs in previous periods for the development of a reference facility.

Expenses
Expenses during the quarter totaled TSEK -23,136 (-10,908) broken down as cost of goods for resale TSEK -548 (-), other external expenses TSEK -11,771 (-4,852), personnel costs TSEK -9,751 (-5,881) and depreciation and impairment of fixed assets of TSEK -1,066 (-175). The costs have increased in order to take advantage of increasing opportunities in the market. It is mainly costs for consultants, within development and business development that have increased. Depreciation/amortization has increased with the impairment of the intangible assets acquired through the merger of SunCool AB.

Operating profit/loss (EBIT)
The operating profit/loss was TSEK -15,863 (-5,951).

Financial items
Profit/loss from financial items amounted to TSEK -41 (422).

Profit/loss
Earnings before tax amounted to TSEK -15,904 (-5,529).

Positive income tax consists of dissolved tax reserves from the merger of SunCool.

Earnings per share before and after dilution were SEK -0.25 (-0.12).

CASH FLOW, INVESTMENTS AND FINANCIAL POSITION

Cash flow and liquidity
Cash flow from operating activities in the quarter was TSEK -16,911 (-3,317). An advance of TSEK 9,321 from the European Union's funding for development in the Horizon 2020 program was received in June. The amount is reported as an inflow from financial operations. Group cash and cash equivalents at the end of the quarter totaled TSEK 40,780.

Long-term liabilities
Long-term liabilities totaled TSEK 31,127 and consisted of loans from the Swedish Energy Agency of TSEK 25,000 and Almi Företagspartner of TSEK 6,000, and deferred tax liabilities. In regard to loans from the Swedish Energy Agency, the Company's assessment is that amortization will commence in September 2018, based on that the fulfillment of the criteria for commercialization through certain license revenues in 2017. A

follow-up of the final report for the project is being carried out by the agency. The matter concerns potential early recovery of the loan in connection with the transfer of intangible assets to SunCool AB, a company which is now merged with SaltX. The Company assesses the risk of early repayment as low.

Investments
Investments made that affected cash flow during the quarter amounted to TSEK -4,601 (-4,370), which was mainly capitalized development.

Equity
Equity at the end of the quarter totaled TSEK 152,773, or SEK 2.74 per share. The equity ratio on the same date was 72 percent.

JANUARY–JUNE – INTERIM PERIOD

REVENUE, EXPENSES AND EARNINGS

Operating income
Net sales for the period totaled TSEK 3,321 (1,993). The increase is due to license revenues from Ahlstrom-Munksjö.

Expenses
Expenses during the quarter totaled TSEK -43,436 (-21,912) broken down as cost of goods for resale TSEK -548 (-), other external expenses TSEK -22,779 (-10,303), personnel costs TSEK -18,056 (-11,166) and depreciation and impairment of fixed assets of TSEK -2,053 (-443). Depreciation has increased with the impairment of the intangible assets acquired through the merger from SunCool AB.

Operating profit/loss (EBIT)
The operating profit/loss was TSEK -29,660 (-11,903).

Financial items
Profit/loss from financial items amounted to TSEK -365 (844).

Profit/loss
Earnings before tax amounted to TSEK -30,025 (-11,059).

Positive income tax consists of dissolved tax reserves from the merger of SunCool.

Earnings per share before and after dilution were SEK -0.50 (-0.24).

CASH FLOW, INVESTMENTS AND FINANCIAL POSITION

Cash flow and liquidity
Cash flow from operating activities in the period was TSEK -29,143 (-9,170).

Investments
Investments made that affect-

DEVELOPMENT PER QUARTER

Key figures, Group, Quarter

TSEK	Q 2 2017	Q 3 2017	Q 4 2017	Q 1 2018	Q 2 2018
Net revenue	1,416	1,087	2,220	1,527	1,794
Operating profit/loss (EBIT)	-5,951	-7,955	-8,657	-13,797	-15,863
Cash flow from operating activities	-3,317	-9,060	-10,260	-12,232	-16,911
Earnings per share, SEK	-0.12	-0.15	-0.14	-0.25	-0.25

CHANGE IN SHARE CAPITAL IN 2018

	Change in share capital	Accumulated share capital	Change in no. of shares	Accumulated no. of shares
Opening balance 2018		4,397,484.24		54,968,553
Non-cash issue for merger 2018	58,655.44	4,456,139.68	733,193	55,701,746
Capital issue through warrants TO2	2,997.04	4,459,136.72	37,463	55,739,209

ed cash flow during the quarter amounted to TSEK -11,338 (- 9,334), which was mainly capitalized development.

PARENT COMPANY

The operations of the parent company, SaltX Technology Holding AB, consist of company-wide services and management of its SaltX Technology AB subsidiary and in maintaining the Company's listing on Nasdaq First North Premier.

Profit/loss before tax amounted to TSEK -4,291 (-2,004). The parent company's available liquid funds at the end of the period totaled TSEK 27,605.

SHARE CAPITAL

Parent company
SaltX Technology Holding

Share capital at the end of the period totaled SEK 4,459,136.72 consisting of 55,739,209 shares at a nominal value of SEK 0.08.

During the year, conversion of warrants to shares took place, with 16,681 shares being issued giving the Company TSEK 78 in new capital.

SHARES

Shares in SaltX are listed on Nasdaq First North Premier.

Share warrants

In connection with capital issues in 2016, warrants were also issued where shares and warrants were issued as "units". In total, just over 16 million share warrants have been issued that with full subscription would bring in around MSEK 20 by 31 October 2018 at the latest, through the subscription of 4,297,153 shares where each warrant entitles the holder to 0.2651 shares. The strike price is SEK 4.72 per share after adjustments have been made to the rights issue in May 2017.

As at 30 June, holders of warrants corresponding to 1,304,267 shares in total had requested the conversion of warrants to shares, and these shares have been issued. SaltX has been provided with MSEK 6.1 (net after deduction of transaction costs). The remaining warrants constitute a 5.2 percent dilution.

Warrants TO 2	Number of warrants	Number of shares
Number issued	16,210,500	4,297,404
Exercised accumulated	-4,919,652	-1,304,267
Remaining	11,290,848	2,993,137

Incentive programs

The Annual General Meeting in April 2018 decided to authorize the Board to issue 1,500,000 warrants to be offered to management, other staff and other key persons in the Group. One option equates to one (1) share, the sub-

scription period is in June 2021, and the strike price is set on the day of issue as 150 per cent of the current share price. The authorization has not yet been used.

The Annual General Meeting in April 2017 decided to authorize the Board to issue 750,000 warrants to be offered to management and other staff, primarily new employees, in the Group. This program was launched in September 2017. One option equates to one (1) share, the subscription period is in June 2020, and the strike price will be set on the day of issue as 150 per cent of the current share price, which was SEK 48.8. Employees have acquired 625,000 warrants, at market value. With full exercise of the warrants, the Company will receive MSEK 30.5. These shares correspond to a potential dilution of 1.0 per cent.

The AGM in April 2016 decided to issue 1,500,000 warrants to be offered to senior management and all employees in the Group, partly to replace existing programs. In May 2017, a rights issue was implemented which affected the terms of the share warrants. One warrant equates to 1.06 shares, the subscription period is in June 2019, and the strike price is SEK 4.72 per share. Employees have acquired 483,000 warrants, at market value. With full exercise of the warrants, the Company will receive MSEK 2.3. These shares correspond to a potential dilution of 0.9 per cent.

Earnings per share

Earnings per share for the quarter were SEK -0.25 (-0.12) based on an average figure of 55,736,429 (47,745,031) shares. The number of shares has been based on the number of shares from the acquisition of SaltX Technology (formerly ClimateWell), the additional shares that existed in SaltX on the date of acquisition, and additional shares that have been added through cash issues. When calculating the number of shares after full dilution, the additional outstanding shares from warrant programs issued have been taken into account, although this has not had any effect because the result is negative.

As of 30 June 2018, 720 shares from the merger between the Company and SaltX Technology (formerly ClimateWell) had not yet been subscribed for, which is why a liability amounting to TSEK 29 is recognized in relation to the ongoing redemption process.

Significant risks and uncertainties

All business activity and share ownership is associated with risk. Risks that are managed well can entail opportunities and value creation, while the opposite can lead to damage and losses. The risks can be divided into market-related, operations-related and financial risks. See also the Company's annual report on the website.

Accounting policies

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, RFR 1 Supplementary accounting regulations for groups, and the Swedish Annual Accounts Act. The

interim report has been prepared in accordance with IAS 34 Interim Financial Reporting. The same accounting and valuation policies have been applied as in the most recent annual report, with the exception of the introduction of IFRS 9 and IFRS 15. However, the transition to IFRS 9 and

IFRS 15 has not had any effect on the Group's earnings and financial position.

The parent company financial statements have been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. The application of RFR 2 means that the parent company in the interim report for the legal entity as far as possible applies all of the IFRS and statements adopted by the EU within the framework of the Swedish Annual Accounts Act, the Swedish Pension Obligations Vesting Act and with consideration to the inter-relation between accounting and taxation. The interim report for the parent company has been prepared in accordance with the Swedish Annual Accounts Act. From January 1, 2018, the parent company also applies IFRS 9 and IFRS 15 as specified in RFR 2. The transition has not entailed any effect on the parent company's earnings and financial position.

AS OF JANUARY 1, 2018, THE GROUP APPLIES THE FOLLOWING STANDARDS:

IFRS 9

IFRS 9 Financial Instruments concerns the classification, valuation and reporting of financial assets and liabilities and introduces new rules for hedge accounting. It replaces the parts of IAS 39 that deal with the classification and valuation of financial instruments and introduces a new impairment model. In accordance with the transitional rules of the standard, the comparative figures for 2017 are not recalculated.

SaltX does not apply hedge accounting at present and thus the new rules for hedge accounting have not had any effect on the Group's financial position.

Furthermore, it has been found that the new impairment model based on expected loan losses instead of credit losses has no significant impact on the Group's loan losses, as the loan losses, based on remaining maturity, are very low in SaltX. The introduction of IFRS 9 thus has had no impact on the Group's earnings and financial position.

IFRS 15

IFRS 15 Revenue from contracts with customers regulates how revenue shall be recognized. IFRS 15 supersedes IAS 18 Revenue and IAS 11 Construction Contracts and the associated SIC and IFRIC. The principles on which IFRS 15 is based shall give users of financial statements more usable information about the company's revenues. The expanded disclosure requirements mean that information must be provided about the type of revenue, the date of settlement, uncertainties related to revenue recognition and cash flow attributable to the company's customer

contracts. According to IFRS 15, a revenue shall be recognized when the customer obtains control over the sold goods or services and has the opportunity to use and receive the benefits of the product or service.

The final assessment after carrying out the evaluation and analysis of the Group's contracts with customers is that IFRS 15 does not have any material impact on the Group's earnings and financial position.

SUPPLEMENTARY ACCOUNTING POLICIES

LICENSING

The Group licenses IP rights (technology, manufacturing and exclusive licenses) for parts of the SaltX technology to enable the manufacture of components and materials that the Group then purchases from the licensee. In addition to the license, the amount payable includes, to varying extents, consulting services, technology transfer and know-how linked to the SaltX technology. The amount payable by the customer for the license (the transaction price) is usually broken down into a part paid at the conclusion of the agreement and the remaining parts of the transaction price depend on future events such as achieving a target or ordering a certain quantity of goods from the licensee. These future payments which are dependent on future events are treated in the income statement as variable and are only expensed when SaltX considers that it is highly probable that the payments will be received and the performances for receiving the benefits will be made.

The Group assesses whether the license is distinct from the consultancy services to be performed and thus constitutes a separate performance commitment in the contract. The license is deemed to be a separate performance commitment in circumstances where the license can be used without additional consulting services from SaltX. If the license is regarded as distinct, this means that the agreement contains two commitments: the license and the consulting services. These are then reported separately.

The transaction price is allocated to the license and the consulting services, respectively, at an amount that reflects the amount payable that the Group expects to be entitled to in exchange for the transfer of the license and the consultancy services respectively to the customer. The transaction price allocated to a commitment is recognized as income either at a particular time or over time.

Licenses identified as separate performance commitments are categorized as either right of access or right of use. A right of access license means the right to access SaltX IP rights in their existing state during the license period, i.e. the IP right is changed and SaltX carries on activities that significantly affect the value of the intangible asset to which the customer is entitled. A right of use license means the right to use SaltX IP rights in their current state at the time the license is granted. Right to access licenses are recognized over time, i.e. over the time

the customer is entitled to use the license, while the right to use licenses are recognized at a given time, i.e. at the time when the customer gains control of the license. Control of an asset is the ability to control the use of, and obtain virtually all remaining benefits from, the asset. Control includes the ability to prevent other companies from controlling the use of, and obtaining the benefits from, an asset. The benefits of an asset are the potential cash flows that can be obtained, directly or indirectly.

If consultancy services are regarded as a separate distinct commitment, the services are recognized as income over time in accordance with the accounting policies contained in the 2017 Annual Report.

If the license is not distinct from the consultancy services that the customer shall receive, the license and consulting services are combined as one performance commitment. An assessment is made if revenue for the combined performance commitment is to be recognized at a particular time or over time, depending on when control of both the license and the consulting services is transferred to the customer.

SALES-BASED ROYALTIES

Revenue for sales-based royalties agreed in exchange for a license for intellectual property is recognized only when the latter of the following occurs:

- Subsequent sales are made
- The performance commitment to which the sales-based royalty has been allocated is met

Consolidated statement of comprehensive result – summary

TSEK	Q 2 2018	Q 2 2017	6 months 2018	6 months 2017	FY 2017
Net sales	1,794	1,416	3,321	1,993	5,300
Work performed by the Company for its own use and capitalized	4,328	3,530	9,259	7,960	17,229
Other operating income	1,151	11	1,196	56	272
TOTAL	**7,273**	**4,957**	**13,776**	**10,009**	**22,801**
Cost of products sold	-548	–	-548	–	–
Other external costs	-11,771	-4,852	-22,779	-10,303	-25,419
Personnel costs	-9,751	-5,881	-18,056	-11,166	-24,995
Depreciation and impairement of fixed assets	-1,066	-175	-2,053	-443	-902
TOTAL OPERATING COSTS	**-23,136**	**-10,908**	**-43,436**	**-21,912**	**-51,316**
OPERATING PROFIT/LOSS	**-15,863**	**-5,951**	**-29,660**	**-11,903**	**-28,515**
Financial income	68	435	-98	864	1,760
Financial expenses	-109	-13	-267	-20	-24
FINANCIAL ITEMS – NET	**-41**	**422**	**-365**	**844**	**1,736**
PROFIT/LOSS BEFORE INCOME TAX	**-15,904**	**-5,529**	**-30,025**	**-11,059**	**-26,779**
Income tax expense	2,053	-17	2,036	-30	-64
PROFIT/LOSS FOR THE PERIOD	**-13,851**	**-5,546**	**-27,989**	**-11,089**	**-26,843**

Earnings per share calculated on earnings attributable to parent company shareholders, SEK					
Basic earnings per share	-0.25	-0.12	-0.50	-0.24	-0.53
Earnings per share after dilution	-0.25	-0.12	-0.50	-0.24	-0.53

In the Group there are no items reported in other comprehensive income, so total comprehensive income is consistent with the year's profit. The profit for the year and total comprehensive income are entirely attributable to the parent company's shareholders.

Consolidated Balance Sheet – summary

TSEK	Note	Jun 30, 2018	Jun 30, 2017	Dec 31, 2017
ASSETS				
Fixed assets				
Intangible assets				
Capitalized expenditure on development work		99,903	83,070	91,300
IPR SunCool	5	42,602	–	–
Patents and trademarks		2,548	1,756	2,038
		145,053	**84,826**	**93,338**
Tangible assets				
Equipment, tools, and installations		2,151	589	1,711
		2,151	**589**	**1,711**
Financial fixed assets				
Shares	5	7,511	–	–
Other long-term receivables	5	1,000	29,319	30,210
		8,511	**29,319**	**30,210**
Total fixed assets		**155,715**	**114,734**	**125,259**
Current assets				
Inventory		164	–	–
Advance payments to suppliers		5,983	–	95
Accounts receivable		1,877	71	4,315
Other current assets		2,498	2,154	2,226
Prepaid expenses and accrued income		5,773	2,859	4,364
Cash and cash equivalents		40,780	98,943	71,837
Total current assets		**57,075**	**104,027**	**82,837**
TOTAL ASSETS		**212,790**	**218,761**	**208,096**
EQUITY AND LIABILITIES				
Equity				
Share capital		4,459	4,296	4,397
Other contributed capital		509,622	483,594	490,294
Accumulated profit or loss including profit/loss for the year		-361,308	-317,563	-333,319
Total equity		**152,773**	**170,327**	**161,372**
Long-term liabilities				
Other liabilities		31,000	31,000	31,000
Deferred tax liability		127	59	93
Total long-term liabilities		**31,127**	**31,059**	**31,093**
Current liabilities				
Liabilities to minority		29	29	29
Accounts payable		5,520	5,339	4,163
Other liabilities		11,203	428	804
Accrued expensed and deferred income		12,138	11,579	10,635
Total current liabilities		**28,890**	**17,375**	**15,631**
TOTAL EQUITY AND LIABILITIES		**212,790**	**218,761**	**208,096**

Consolidated Statement of Changes in Equity

	Attributable to Parent Company shareholders			
TSEK	**Share capital**	**Other contributed capital**	**Accumulated profit or loss including profit/ loss for the year**	**Total equity**
Closing balance Dec 31, 2016	**3,579**	**391,278**	**-306,476**	**88,381**
Net income/loss for the year equal to total comprehensive income	–	–	-11,089	-11,089
Total comprehensive result	**–**	**–**	**-11,089**	**-11,089**
Transactions with shareholders in their capacity as owners:				
Capital stock issue	717	92,341	–	93,058
Issue expenses	–	-25	2	-23
Closing balance June 30, 2017	**4,296**	**483,594**	**-317,563**	**170,327**
The period Jul-Dec, 2017				
Income/loss Jul-Dec, 2017 equal to total comprehensive income	–	–	-15,754	-15,754
Total comprehensive result	**–**	**–**	**-15,754**	**-15,754**
Transactions with shareholders in their capacity as owners:				
Capital stock issues	101	5,853	–	5,954
Issue expenses	–	-237	-2	-239
Warrants sold	–	1,084	–	1,084
Closing balance Dec 31, 2017	**4,397**	**490,294**	**-333,319**	**161,372**
Net income/loss for the year equal to total comprehensive income	–	–	-27,989	-27,989
Total comprehensive result	**–**	**–**	**-27,989**	**-27,989**
Transactions with shareholders in their capacity as owners:				
Capital stock issues	62	19,488	–	19,550
Issue expenses	–	-748	–	-748
Warrants sold	–	588	–	588
Closing balance Mar 31, 2018	**4,459**	**509,622**	**-361,308**	**152,773**

Consolidated Cash Flow Statement

TSEK	Q 2 2018	Q 2 2017	6 months 2018	6 months 2017	FY 2017
Cash flow from operating activities					
Profit/loss after financial items	-15,904	-5,529	-30,025	-11,059	-26,779
Adjustments for non-cash items etc.	3,136	175	4,412	443	902
	-12,768	**-5,354**	**-25,613**	**-10,616**	**-25,877**
Increase/decrease in operating receivables	4,214	-608	-4,435	-1,272	-7,187
Increase/decrease in operating liabilities	-8,357	2,645	905	2,718	4,574
Cash flow from change of working capital	**-4,143**	**2,037**	**-3,530**	**1,446**	**-2,613**
Cash flow from operating activities	**-16,911**	**-3,317**	**-29,143**	**-9,170**	**-28,490**
Cash flow from investing activities					
Acquisition of intangible assets	-4,435	-3,884	-9,507	-8,207	-17,073
Acquisition of tangible assets	-166	-51	-629	-263	-1,491
Acquisition of financial assets	–	–	-1,000	–	–
Merger by SunCool AB	–	–	803	–	–
Increase/decrease in long-term receivables	–	-435	-1,005	-864	-1,755
Cash flow from investing activities	**-4,601**	**-4,370**	**-11,338**	**-9,334**	**-20,319**
Cash flow from financing activities					
New capital issue	78	96,660	103	96,635	99,834
Borrowings	–	–	–	2,000	2,000
Financing for development from European Union	9,321	–	9,321	–	–
Cash flow from financing activities	**9,399**	**96,660**	**9,424**	**98,635**	**101,834**
Cash flow for the period	**-12,113**	**88,973**	**-31,057**	**80,131**	**53,025**
Cash equivalents at beginning of period	52,893	9,970	71,837	18,812	18,812
Cash equivalents at end of period	40,780	98,943	40,780	98,943	71,837

Notes

NOTE 1 SIGNIFICANT ESTIMATES AND JUDGMENTS FOR ACCOUNTING PURPOSES

The estimates and assumptions that entail a significant risk of material adjustments to the carrying amounts of assets and liabilities are:

- **Intangible assets:** The merger of SunCool provided a significant intangible asset, SunCool technology for the Chinese market, valued at time of merger at MSEK 44. An impairment test of this asset is based on an estimate and assessment of what the Company's technology may lead to in terms of future income and cash flows.
- **License revenue:** During Q1 2018, revenues were reported amounting to TSEK 1 014 attributable to licensing for IP rights. Part of the license is invoiced in connection with the signing of the agreement while the remaining payments are expected to occur in 2018 and 2019 in connection with the ordering of components. In order for the remaining payments to be received, the Group shall order components from the company that has been granted the license. The Group has made the assessment that the price of the sale of the license is entirely independent of the obligation to also order components from the licensee. Furthermore, it is the Group's assessment that it is very likely that components will be ordered from the licensee.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

NOTE 2 REVENUE

The Group has reported the following amounts in the income statement attributable to revenue in the tables below:

REVENUE

	Q 2 2018	Q 2 2017	6 months 2018	6 months 2017	FY 2017
Revenue from agreements with customers	1,794	1,416	3,321	1,993	5,300
Other revenue	1,151	11	1,196	56	272
Total revenue	**2,945**	**1,427**	**4,517**	**2,049**	**5,572**

The Group has revenues from customers as specified below:

	Q 2 2018	Q 2 2017	6 months 2018	6 months 2017	FY 2017
Product sale	403	–	403	–	–
License revenue	–	–	1,014	–	1,149
Development cooperation	740	1,330	733	1,824	3,252
Consultancy services (technology)	651	86	1,171	169	899
Total customer revenue	**1,794**	**1,416**	**3,321**	**1,993**	**5,300**

Product sales refer to the first delivery of solar collectors to SunAct in Ghana. Revenue from development cooperation amounts to TSEK 740 (1 330).

Revenue from sales of consulting and management services amounting to TSEK 651 (86) relates to technical support for partners (NSECT and Stjernberg).

NOTE 3 FINANCIAL INSTRUMENTS

Financial assets valued at accrued -fair value via the income statement

Stock market listed shares	June 30, 2018
Zhong Fa Zhan Holdings Ltd	7,511

For the Group's borrowing from Almi Företagspartner, the carrying amount of the loan corresponds to its fair value as the interest rate on this loan is in parity with current market interest rates. Significant differences have been identified, however, in regard to the loan from the Swedish Energy Agency.

	June 30, 2018		Dec 31, 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
State Energy Agency	25,000	22,973	25,000	21,673

In regard to the fair value of current financial assets and liabilities, fair value is deemed to correspond to the carrying amount, as the discount effect is not material.

NOTE 4 TRANSACTIONS WITH AFFILIATES

During Q2 2018, the following transactions with affiliates have occurred:

Purchase of services from an affiliate (Post Agency Stockholm AB) TSEK 130 (-) and accumulated TSEK 347 (-), in regard to marketing.

NOTE 5 MERGER OF SUNCOOL AB

The merger of SunCool AB was completed in January 2018. The merger constitutes an asset acquisition. Net assets of almost SEK 20m were acquired, consisting of intangible assets, the SunCool rights in China that were sold to SunCool in 2015, which amounted to SEK 43m, shares in Zhong Fa Zhan Holdings Ltd (NSECT's parent company) and a debt to SaltX. The debt amounted to SEK 31m and an elimination was made against the corresponding receivable in SaltX. SaltX issued 733 193 shares as the merger payment, representing a 1.3 percent dilution, to the former shareholders of SunCool in compensation for the company's net assets. SunCool had a royalty agreement with Chinese NSECT and the merger means that the entire commission accrues to SaltX at the same time as amortization of the rights is borne by SaltX. IP rights and the royalty agreement with NSECT have been transferred to the subsidiary SaltX Technology AB at market value.

Parent Company Income Statement

TSEK	6 months 2018	6 months 2017	FY 2017
Net Sales	1,870	–	2,400
Cost of goods sold	-86	–	–
Other external costs	-4,107	-2,253	-4,530
Peronnel costs	-3,389	-386	-1,716
TOTAL OPERATING EXPENSES	**-7,582**	**-2,639**	**-6,246**
Financial income	1,668	635	1,827
Financial expenses	-247	–	–
FINANCIAL ITEMS — NET	**1,421**	**635**	**1,827**
PROFIT BEFORE TAX	**-4,291**	**-2,004**	**-2,019**
Income tax	2,070	–	–
PROFIT/LOSS FOR THE PERIOD	**-2,221**	**-2,004**	**-2,019**

Parent Company Balance sheet

TSEK	Jun 30, 2018	Jun 30, 2017	Dec 31, 2017
ASSETS			
Financial assets			
Participations in subsidiaries	97,261	97,261	97,261
Shares	7,511	–	–
Other long term financial assets	1,000	–	–
Total fixed assets	**105,772**	**97,261**	**97,261**
Current assets			
Current receivables			
Accounts receivable	1,451	943	1 005
Other receivables	787	–	–
Accounts receivable from Group companies	105,201	28,847	55,734
Prepaid expenses and accrued income	365	96	604
Cash and bank deposits	27,605	95,762	70,250
Total current assets	**135,409**	**125,648**	**127,593**
TOTAL ASSETS	**241,181**	**222,909**	**224,854**
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital	4,459	4,296	4,397
	4,459	**4 ,296**	**4,397**
Non-restricted equity			
Share premium reserve	290,984	266,656	272,272
Retained earnings	-54,507	-52,488	-52,488
Profit/loss for the year	-2,221	-2,004	-2,019
	234,256	**212,164**	**217,765**
Total equity	**238,715**	**216 ,460**	**222,162**
Current liabilities			
Accounts payable	59	2,372	704
Other liabilities	141	–	379
Accrued expenses and deferred income	2,266	4,077	1,609
Total current liabilities	**2,466**	**6,449**	**2,692**
TOTAL EQUITY AND LIABILITIES	**241,181**	**222,909**	**224,854**

AFFIRMATION BY THE BOARD OF DIRECTORS AND THE CEO

The Board of Directors and CEO affirm that this interim report provides a true and fair view of the Parent Company and the Group's operations, financial position and results for the period concerned.

Stockholm August 23, 2018
The Board of Directors

Åke Sund *chairman*	Tony Grimaldi *member*	Elin Lydahl *member*
Tommy Nilsson *member*	Johan Nordström *member*	Indra Åsander *member*

Karl Bohman
CEO

This interim report has not been audited by the company's auditors.

Other information

CALENDAR

Interim report Q3 2018	7 November
Year-end report 2018	21 February 2019

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SOURCES DIAGRAM PAGE 9:

Upper diagram: click here.
Low diagram click here.