

SaltX Technology Holding AB (publ)

Interim Report Q3 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 November 7, 2018.



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Cover photo: The first stop: "SaltX on Tour" at SaltX office in Stockholm. A demonstration of a mini version of the Berlin project with Vattenfall.

Interim Report Q3 2018

FINANCIAL EVENTS

Third quarter

- ◆ Net sales totaled MSEK 1.5 (1.1)
- ◆ Operating profit/loss (EBIT) amounted to MSEK -11.6 (-8.0)
- ◆ Cash flow from operating activities amounted to MSEK -7.0 (-9.1)
- ◆ Earnings per share before and after dilution were SEK -0.23 (-0.15)

Interim period January – September

- ◆ Net sales increased to MSEK 4.8 (3.1)
- ◆ Operating profit/loss (EBIT) amounted to MSEK -41.3 (-19.9)
- ◆ Cash flow from operating activities amounted to MSEK -36.2 (-18.2)
- ◆ Earnings per share before and after dilution were SEK -0.73 (-0.39)

SIGNIFICANT EVENTS

After the end of the period

- ◆ SaltX has appointed EnerStore partner in Italy
- ◆ SaltX signed agreement with Norwegian Östfold Energi
- ◆ SaltX flagged for uncertainty about the SunCool order in Ghana
- ◆ SaltX increases the pace of investment in large-scale energy storage and carries out a guaranteed new share issue of MSEK 80
- ◆ SaltX has published a Notice of Extraordinary General Meeting on November 14 at 3 pm in its office to approve the proposal by the Board for a rights issue

KEY FIGURES

Group, TSEK	Q 3 2018	Q 3 2017	9 months 2018	9 months 2017	FY 2017
NeNet sales	1,472	1,087	4,793	3,080	5,300
Operating profit/loss (EBIT)	-11,610	-7,955	-41,270	-19,858	-28,515
Earnings per share before and after dilution	-0.23	-0.15	-0.73	-0.39	-0.53
Equity	142,016	167,149	142,016	167,149	161,372
Cash flow from operating activities	-7,017	-9,060	-36,160	-18,230	-28,490
Equity ratio (equity/balance sheet total)	71%	79%	71%	79%	78%

CEO's address

The interest in large-scale energy storage accelerates. When the world switches to renewable energy production, it is necessary to develop and sell other forms of energy storage than those currently available. SaltX offers a solution that is effective both in storage capacity and costs. These are important benefits that make us judge that there is a significant underlying demand for our EnerStore solution.

With this in mind, there are two reasons why SaltX now goes to the stock market and seeks additional capital:

Partly, it has taken longer than we previously estimated to start selling our nano-coated salt, although the underlying interest is high, and we want to take advantage of the time window currently in the market, which means we want to increase the rate further to create as strong a market position as possible. Overall, we see great opportunities to create values for our shareholders, but it requires additional capital to fully exploit our position.

We will focus on two segments within EnerStore: The first priority is the solution we work with in the pilot project with Vattenfall in Berlin, where we store surplus energy from wind power, which can then be used as district heating.

We will take this reference facility and market the solution actively in our three target markets – Germany, the US and China. There we are convinced that there is a great demand for this kind of solutions.

As a second priority, we will further develop this concept to show how EnerStore can store heat and then convert it to steam for heat or to power a turbine that generates electricity.

We see that the largest commercial potential exists in large-scale energy storage. We therefore estimate that our future revenue is mainly from EnerStore.

With major renowned partners, world-centered technology and a strong team, we have good opportunities to successfully take part of the global energy storage market.

Stockholm, November 2018

Karl Bohman

"WE WANT TO INCREASE THE RATE FURTHER TO CREATE AS STRONG A MARKET POSITION AS POSSIBLE."



"WITH MAJOR RENOWNED PARTNERS, WORLD-CENTERED TECHNOLOGY AND A STRONG TEAM, WE HAVE GOOD OPPORTUNITIES TO FULLY TAKE PART OF THE GLOBAL ENERGY STORAGE MARKET."

**KARL BOHMAN
CEO**

Operational status update

SaltX has four application areas, the primary focus of which is on EnerStore. The other applications are moved to SaltX Labs with the increased focus on EnerStore. Here is a description of SaltX application areas and its status.

APPLICATION AREA	HISTORY	PARTNERS	STATUS IN THE PROJECTS
SunCool Thermal solar collectors with integral heating and cooling for buildings	<ul style="list-style-type: none"> 2011 – 2013, several prototypes are being built and tested to verify the concept. 2014, a full-scale pilot plant is built at Löfbergs in Karlstad. 2015, a license for China is sold to NSECT. 2016, a full-scale pilot plant is being built in Ankara, Turkey. 2017, a full-scale pilot plant is being built in Wuhu, China. At the beginning of 2018, the NSECT launches the SunCool factory and starts production. Commercialization begins. 	<ul style="list-style-type: none"> NSECT (China) SunAct (Ghana) 	<p>NSECT: In the first quarter of 2018, the first 100 solar collectors were manufactured. Several have been delivered to SaltX customers outside of China and further pilot projects are being planned. A number of demonstration systems are also planned in China, which is expected to lead to future sales volumes. NSECT is now looking for various partners in China that have distribution channels for similar products. In the second quarter, SaltX placed a purchase order of 1,000 units for NSECT. The order has been paused while waiting for confirmation from SunAct.</p> <p>SunAct: In the second quarter of 2018, SaltX received a larger order of 8,000 solar collectors from SunAct. The order was conditional on financing (via bank guarantee), which has not yet been secured. SunAct plans to build a demonstration facility with SunCool.</p>
HeatBoost Gas-driven pumps for hot water and domestic	<ul style="list-style-type: none"> 2013 – 2015, many prototypes are being built and tested to verify the concept. 2016, a development agreement is signed with Rheem and Oakridge National Lab in the United States. 2017, Rheem tests a functional prototype. Funding from the NEEA Energy Company in the United States is obtained. 2017, a license for China is sold to TUS Stjernberg. EU funding for continued development is obtained. 	<ul style="list-style-type: none"> Rheem (USA) NEEA (USA) Oakridge (USA) Ledande OEM (Europe) Öresundskraft (Europe) Fraunhofer (Europe) TUS Stjernberg (China) 	<p>NEEA/Rheem: In the second quarter 2018, SaltX delivered via Stjernberg the first units. The tests were carried out by Fraunhofer and the results were satisfactory in terms of stability and performance (seasonal efficiency: 102 percent). A second delivery has taken place and tests are planned to be carried out in the fourth quarter of 2018.</p> <p>Oakridge/Rheem: In quarter 2 2018, SaltX delivered via Stjernberg the first units. Tests have been completed and evaluation is ongoing.</p> <p>Öresundskraft / leading OEM: The H2020 project was officially launched in the third quarter of 2018. Stjernberg now manufactures the first units of the Field Test in Sweden together with a leading OEM.</p> <p>TUS Stjernberg: SaltX has ordered the first 100 units for field trials in the United States and Europe. TUS conducts dialogues with various OEM customers in China.</p>
VerdAcc Heat-driven cooling in heavy duty vehicles and vessels	<ul style="list-style-type: none"> 2014, a development agreement with Alfa Laval for vessels is signed. Funding from the Swedish Energy Agency is obtained in two installments. 2015, a development agreement is signed with Mobile Climate Control (MCC) for heavy duty vehicles. Funding from the Swedish Energy Agency is obtained. 2016, a global license is sold to the MCC for heavy vehicles. 2016-2017, Alfa Laval and MCC build several functional prototypes. 2018, completed prototype tests for both ships and heavy vehicles. 	<ul style="list-style-type: none"> MCC (heavy duty vehicles) Alfa Laval (vessels) 	<p>MCC: In the fourth quarter of 2017, SaltX delivered its nano-coated salt which MCC integrated into a prototype system. MCC completed the tests in the third quarter of 2018 which were positive and showed that nano-coating increased performance by 30 percent compared to conventional absorbent material (from 3 to 4 kW), as was demonstrated. MCC now plans to build a full-scale prototype for trucks.</p> <p>Alfa Laval: In the second quarter of 2018, Alfa Laval completed the Energy Agency project. The project reached the set performance target for power density of 1 kW / m².</p> <p>Furthermore, Alfa Laval performed similar tests for HeatBoost with the same heat exchanger. These also achieved the performance of 1.2 kW / m².</p>
EnerStore Storage of renewable energy (wind and sun)	<ul style="list-style-type: none"> 2012 – 2016 tests are being carried out at Stockholm University, which verifies the concept. 2017 a functional prototype is tested by Deutsches Luft und Raumfahrt (DLR). 2017 signed a letter of intent with Vattenfall, Energiforsk and other energy companies to conduct a pilot project. Funding from the Swedish Energy Agency is obtained. Other agreements and agreements are signed with partners such as Aalborg CSP, Impacts Solar and Goldwind. 2018 starts the production of the pilot plant with Vattenfall. 	<ul style="list-style-type: none"> Vattenfall Göteborg energi Öresundskraft Energiforsk Aalborg CSP Impacts Solar Goldwind Östfold Energi DLR Stockholm University 	<p>Vattenfall: Tests have been carried out in a functional system during the second quarter of 2018 with positive results. The pilot plant in Berlin is constructed and most of the components have been manufactured. It will be delivered and installed in the fourth quarter of 2018. Thereafter it will be commissioned, the first results being readable. Vattenfall then expects to run and evaluate the plant together with other project partners during the first half of 2019.</p> <p>Aalborg and Impact's Solar: Initial prototype tests have been carried out. Discussions are ongoing with these partners / customers regarding pilot projects.</p> <p>Goldwind: The preliminary study was completed in late 2017. A demonstration plant is being planned and Goldwind is now waiting for external funding to be approved.</p> <p>Östfold: In the third quarter of 2018, full-scale tests were carried out. Östfold will build a pilot plant at one of its customers in 2019. The project is funded by the Norwegian energy agency Enova</p>

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

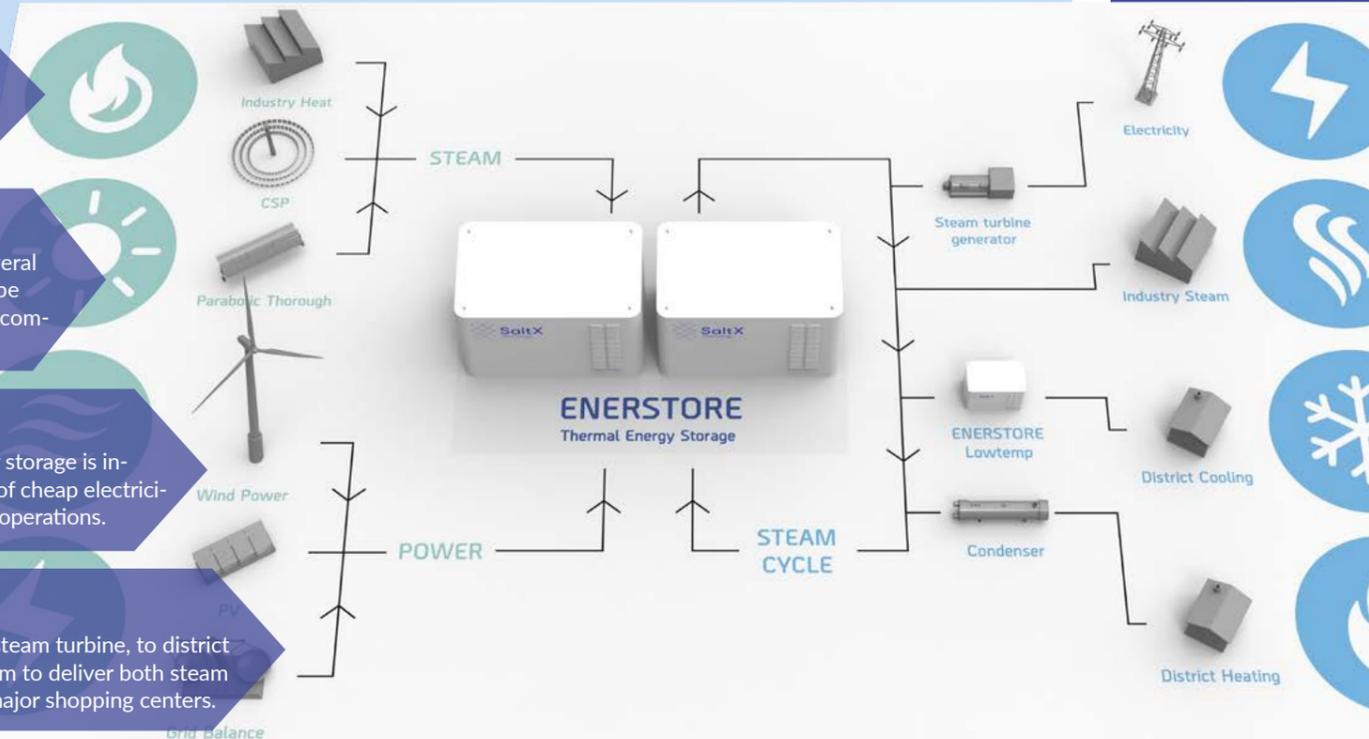
With EnerStore it is possible to scale up the storage capacity to GWh (several thousand cubic meters of salt) at low cost. This is possible as the salt can be stored in tanks and the energy is discharged from a reactor, which can be compared to a diesel generator where the size of the fuel tank can vary.

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.



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

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.

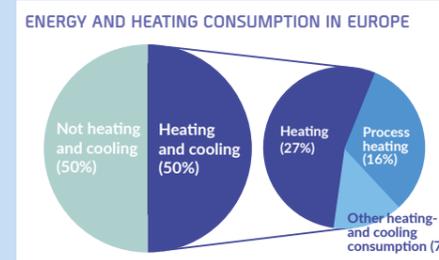
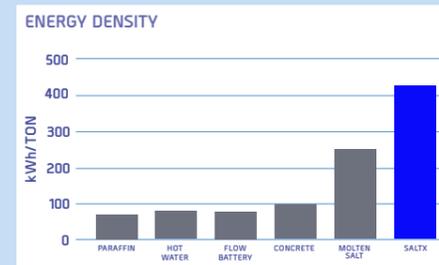
In Europe, 50 per cent of energy consumption consists of heating and cooling (see the graph on the right), which corresponds to

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 SALT X

Thermal storage in salt allows for a very high energy density, in addition, energy

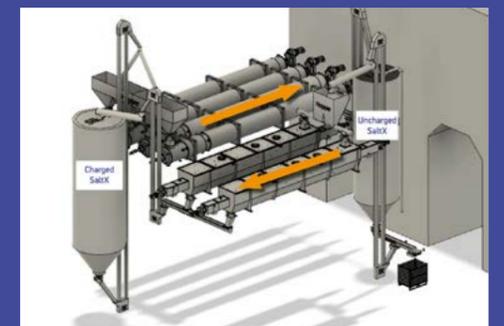
can be stored over longer periods without losing performance over time. Previously, it has not been possible to commercialize this technology, as life expectancy in terms of number of charge and discharge cycles is limited by the salt lumping together. SaltX world-patented Nano-Coated Salt (NCS) prevents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



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

...AFTER THE END OF THE PERIOD

SaltX has appointed EnerStore partner in Italy

SaltX Technology and NOKA – a leading Italian renewable product and solution company – have signed a sales and distribution agreement where NOKA will act as SaltX partner for EnerStore on the Italian market. The agreement includes an initial commitment from NOKA to acquire EnerStore systems and projects worth at least MSEK 5 during 2019.

SaltX signed agreement with Norwegian Östfold Energi

SaltX Technology and the Norwegian energy company Östfold Energi AS have signed an agreement regarding certain market- and distribution rights for EnerStore. At the same time, Norwegian Energy Agency – Enova – has approved a MSEK 2 grant to conduct a pilot project. The pilot plant is planned to be installed at one of Östfold Energi's customers during 2019.

SaltX flagged for uncertainty about the SunCool order in Ghana

SaltX Technology received an order from SunAct in Ghana earlier this year worth MSEK 55. The order is subject to the condition the buyer SunAct receives funding based on a bank guarantee, which has not yet materialized. As the funding is still not in place, SaltX chose to communicate uncertainty about the order.

SaltX increases the pace of investment in large-scale energy storage and carries out a guaranteed new share issue of MSEK 80

The market for large-scale energy storage is accelerating rapidly. SaltX Technology therefore increases its efforts in the EnerStore application area, based on the Vattenfall project. The Board therefore proposes a rights issue of up to MSEK 80.6, which is fully guaranteed through subscriptions by the main owners Industrifonden and Skirner AB and by a guarantee consortium.

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, Öresundskraft 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. Up until quarter 3 focus has been on four areas of application:

- ◆ Thermal solar collectors with integral heating and cooling for buildings (SunCool),
- ◆ Gas-driven pumps for hot water and domestic heating (Heat-Boost),
- ◆ Heat-driven cooling in heavy duty vehicles and vessels (VerdAcc).
- ◆ Storage of renewable energy (EnerStore),

With SaltX taking the decision to focus on EnerStore, the work with SunCool, HeatBoost and VerdAcc will be handled in SaltX Labs.

SaltX Labs is a platform in which we support partner companies such as NSECT (SunCool), Rheem (HeatBoost) and MCC (VerdAcc) in their product development, but the responsibility to drive development lies with them.

A detailed update of the status of these areas can be found under Operative Status Update on pages 6–7.

Our Business (Cont.)

VISION

SaltX vision is that SaltX is nano-coated salt technology becomes like "Intel inside" for energy storage.

MISSION

SaltX energy storage technology is one important puzzle piece in the global energy conversion for renewable energy. SaltX Mission is to provide its patented nano-coated salt and the knowledge of it to companies that strive to offer energy storage solutions that are scalable, sustainable and cost effective.



Financial overview

JULY-SEPTEMBER – Q3

REVENUE, EXPENSES AND EARNINGS

Operating income

Net sales for the quarter totaled TSEK 1,472 (1,087). During the third quarter an energy company has paid for a study to evaluate SaltX' technology with a positive result. This has contributed with TSEK 516 in the quarter.

Expenses

Expenses during the quarter totaled TSEK -17,600 (-11,692) broken down as cost of goods for resale TSEK -126 (-), other external expenses TSEK -9,749 (-5,232), personnel costs TSEK -6,648 (-6,249) and depreciation and impairment of fixed assets of TSEK -1,077 (-211). 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 -11,610 (-7,955).

Financial items

Profit/loss from financial items amounted to TSEK -1,278 (-252). A cost item is included of MSEK 1.0 regarding a write-off of an option premium for an investment opportunity that the company has decided not to pursue.

Profit/loss

Earnings before tax amounted to TSEK -12,888 (-8,207). Earnings per share before and after dilution were SEK -0.23 (-0.15).

CASH FLOW, INVESTMENTS AND FINANCIAL POSITION

Cash flow and liquidity

Cash flow from operating activities in the quarter was TSEK -7,017 (-9,060) and has been positively affected in the quarter through an advance payment to a supplier amounting to TSEK 9,050 has been reclassified to an ongoing new fixed asset and is accounted for as cash flow from investment (see below).

Group cash and cash equivalents at the end of the quarter totaled TSEK 23,077.

Long-term liabilities

Long-term liabilities totaled TSEK 30,488 and consisted of loans from the Swedish Energy Agency of TSEK 25,000, less current part of the loan, and Almi Företagspartner of TSEK 6,000. Previously reported deferred tax liabilities have been netted against a corresponding deferred tax asset. In respect of loans from the Swedish Energy Agency, amortization will commence in November 2018, based on the criteria for commercialization being met through revenue 2017.

Investments

Investments made that affected cash flow during the quarter amounted to TSEK -12,690 (-3,808), which was mainly capitalized development but also ongoing construction of a pilot plant at Vattenfall in Berlin.

Equity

Equity at the end of the quarter totaled TSEK 142,016, or SEK 2.53 per share. The equity ratio on the same date was 71 percent.

JANUARY – SEPTEMBER – INTERIM PERIOD

REVENUE, EXPENSES AND EARNINGS

Operating incomer

Net sales for the period totaled TSEK 4,793 (3,080). The increase is due to license revenues from Ahlstrom-Munksjö in the first quarter.

Expenses

Expenses during the period totaled TSEK -61,036 (-33,604) broken down as cost of goods for resale TSEK -674 (-), other external expenses TSEK -32,528 (-15,535), personnel costs TSEK -24,704 (-17,415) and depreciation and impairment of fixed assets of TSEK -3,130 (-654).

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 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 -41,270 (-19,858).

Financial items

Profit/loss from financial items amounted to TSEK -1,643 (592). A cost item is included of MSEK 1.0 regarding a write-off of an option premium for an investment opportunity that the company has decided not to pursue.

Profit/loss

Earnings before tax amounted to TSEK -42,913 (-19,266).

Earnings per share before and after dilution were SEK -0.73 (-0.39).

CASH FLOW, INVESTMENTS AND FINANCIAL POSITION

Cash flow and liquidity

Cash flow from operating activities in the period was TSEK -36,160 (-18,230).

An advance of TSEK 9,321 from the European Union's funding for

DEVELOPMENT PER QUARTER

Key figures, The Group, per quarter

TSEK	Q 3 2017	Q 4 2017	Q 1 2018	Q 2 2018	Q 3 2018
Net sales	1,087	2,220	1,527	1,794	1,472
Operating profit/loss (EBIT)	-7,955	-8,657	-13,797	-15,863	-11,610
Cash flow from operating activities	-9,060	-10,260	-12,232	-16,911	-7,017
Basic earnings per share, SEK	-0.15	-0.14	-0.25	-0.25	-0.23

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	36 813.28	4,492,952.96	460,166	56,161,912
Issue for non-cash consideration	51.12	4,493,004.08	639	56,162,551

development in the Horizon 2020 program was received in June. The amount is reported as an inflow from financial operations and is accounted for as a short term liability.

Investments

Investments made that affected cash flow during the period amounted to TSEK -24,028 (-13,142), which was mainly capitalized development but also ongoing construction of a pilot plant at Vattenfall in Berlin.

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.

Operating expenses have increased in the parent company as two persons in management are employed by it for all of 2018.

Profit/loss before tax amounted to TSEK -6,168 (-950). The parent company's available liquid funds at the end of the period totaled TSEK 11,923.

SHARE CAPITAL

Parent company

SaltX Technology Holding

Share capital at the end of the period totaled SEK 4,493,004.08 consisting of 56,162,551 shares at a nominal value of SEK 0.08.

During the quarter, conversion of warrants to shares took place, with 422,703 shares being issued giving the Company TSEK 1,995 in new capital. In addition, additional minority shares in the subsidiary SaltX Technology AB have been acquired, with 639 shares being issued in exchange and another TSEK 9 were added.

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 October 31, 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 September 30, holders of warrants corresponding to 1,676,899 shares in total had requested the conversion of warrants to shares, and these shares have been issued. SaltX has been provided with MSEK 7.9 (net after deduction of transaction costs). The remaining warrants constitute a 4.4 percent dilution.

After the end of the period holders of warrants corresponding to an additional about 1,621,435 shares have requested the conversion of warrants to shares, and these shares will be issued. SaltX has been provided with MSEK 7.7. The remaining warrants have expired.

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. The company has decided not to complete the issue of these warrants due to existing other warrants (TO 2) which expired October 31, 2018 and the current issue, both requiring investment in new shares of holders / senior executives. Thus, these warrants will not result in any dilution.

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 warrant 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 and the company has reacquired 150,000, net 475,000, all transaction at market value. With full exercise of the warrants, the Company will receive MSEK 23.2. These shares correspond to a potential dilution of 0.8 per cent.

The Annual General Meeting 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 -0.23 (-0.15) based on an average figure of 55,986,868 (54,191,290) 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 September 30, 2018, 81 shares from the merger between the Company and SaltX Technology had not yet been subscribed for, which is why a liability amounting to TSEK 20 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 3 2018	Q 3 2017	9 months 2018	9 months 2017	FY 2017
Net sales	1,472	1,087	4,793	3,080	5,300
Work performed by the Company for its own use and capitalized	4,518	2,629	13,777	10,589	17,229
Other operating income	-	21	1,196	77	272
TOTAL	5,990	3,737	19,766	13,746	22,801
Cost of products sold	-126	-	-674	-	-
Other external costs	-9,749	-5,232	-32,528	-15,535	-25,419
Personnel costs	-6,648	-6,249	-24,704	-17,415	-24,995
Depreciation and impairment of fixed assets	-1,077	-211	-3,130	-654	-902
TOTAL OPERATING COSTS	-17,600	-11,692	-61,036	-33,604	-51,316
OPERATING PROFIT/LOSS	-11,610	-7,955	-41,270	-19,858	-28,515
Financial income	-1,007	-251	-1,105	613	1,760
Financial expenses	-271	-1	-538	-21	-24
FINANCIAL ITEMS - NET	-1,278	-252	-1,643	592	1,736
PROFIT/LOSS BEFORE INCOME TAX	-12,888	-8,207	-42,913	-19,266	-26,779
Income tax expense	127	-17	2 163	-47	-64
PROFIT/LOSS FOR THE PERIOD	-12,761	-8,224	-40,750	-19,313	-26,843
Earnings per share calculated on earnings attributable to parent company shareholders, SEK					
Basic earnings per share	-0.23	-0.15	-0.73	-0.39	-0.53
Earnings per share after dilution	-0.23	-0.15	-0.73	-0.39	-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

Tkr	Not	30 sep 2018	30 sep 2017	31 dec 2017
ASSETS				
Fixed assets				
Intangible assets				
Capitalized expenditure on development work		103,392	85,663	91,300
IPR SunCool	5	41,868	-	-
Patents and trademarks		2,486	1,633	2,038
		147,746	87,296	93,338
Tangible assets				
Equipment, tools, and installations		2,114	1,273	1,711
Ongoing new fixed assets		9 050	-	-
		11,164	1,273	1,711
Financial fixed assets				
Shares	5	7,511	-	-
Other long-term receivables	5	-	29,761	30,210
		7,511	29,761	30,210
Total fixed assets		166,421	118,330	125,259
Current assets				
Inventory		1,348	-	-
Advance payments to suppliers		1,318	-	95
Accounts receivable		1,708	265	4,315
Other current assets		2,068	2,404	2,226
Prepaid expenses and accrued income		3,767	3,445	4,364
Cash and cash equivalents		23,077	87,521	71,837
Total current assets		33,286	93,635	82,837
TOTAL ASSETS		199,707	211,965	208,096
EQUITY AND LIABILITIES				
Equity				
Share capital		4,493	4,374	4,397
Other contributed capital		511,592	488,564	490,294
Accumulated profit or loss including profit/loss for the year		-374,069	-325,789	-333,319
Total equity		142,016	167,149	161,372
Long-term liabilities				
Other liabilities		30,488	31,000	31,000
Deferred tax liability		-	76	93
Total long-term liabilities		30,488	31,076	31,093
Current liabilities				
Liabilities to minority		20	29	29
Accounts payable		5,245	2,451	4,163
Other liabilities		10,641	437	804
Accrued expensed and deferred income		11,297	10,823	10,635
Total current liabilities		27,203	13,740	15,631
TOTAL EQUITY AND LIABILITIES		199,707	211,965	208,096

Consolidated Statement of Changes in Equity

TSEK	Attributable to Parent Company shareholders			
	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	-	-	-19,313	-19,313
Total comprehensive result	-	-	-19,313	-19,313
Transactions with shareholders in their capacity as owners:				
Capital stock issue	717	92,341	-	93,058
Issue expenses	-	-25	2	-23
Closing balance Jun 30, 2017	4,296	483,594	-325,787	162,103
The period Jul-Dec, 2017				
Income/loss Jul-Dec, 2017 equal to total comprehensive income	-	-	-7,530	-7,530
Total comprehensive result	-	-	-7,530	-7,530
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	-	-	-40,750	-40,750
Total comprehensive result	-	-	-40,750	-40,750
Transactions with shareholders in their capacity as owners:				
Capital stock issues	96	21,458	-	21,554
Issue expenses	-	-748	-	-748
Warrants sold	-	588	-	588
Closing balance Sep 30, 2018	4,493	511,592	-374,069	142,016

Consolidated Cash Flow Statement

TSEK	Q 3 2018	Q 3 2017	9 months 2018	9 months 2017	FY 2017
Cash flow from operating activities					
Profit/loss after financial items	-12,888	-8,207	-42,913	-19,266	-26,779
Adjustments for non-cash items etc.	2,077	211	4,419	654	902
	-10,811	-7,996	-38,494	-18,612	-25,877
Increase/decrease in operating receivables	5,883	-1,029	1,448	-2,301	-7,187
Increase/decrease in operating liabilities	-2,089	-35	886	2,683	4,574
Cash flow from change of working capital	3,794	-1,064	2,334	382	-2,613
Cash flow from operating activities	-7,017	-9,060	-36,160	-18,230	-28,490
Cash flow from investing activities					
Acquisition of intangible assets	-3,548	-2,638	-13,055	-10,845	-17,073
Acquisition of tangible assets	-9,142	-728	-9,771	-991	-1,491
Acquisition of financial assets	-	-	-1,000	-	-
Merger by SunCool AB	-	-	803	-	-
Increase/decrease in long-term receivables	-	-442	-1,005	-1,306	-1,755
Cash flow from investing activities	-12,690	-3,808	-24,028	-13,142	-20,319
Cash flow from financing activities					
New capital issue	2,004	1,446	2,107	98,081	99,834
Borrowings	-	-	-	2,000	2,000
Financing for development from European Union	-	-	9,321	-	-
Cash flow from financing activities	2,004	1,446	11,428	100,081	101,834
Cash flow for the period	-17,703	11,422	-48,760	68,709	53,025
Cash equivalents at beginning of period	40,780	98,943	71,837	18,812	18,812
Cash equivalents at end of period	23,077	87,521	23,077	87,521	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 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 3 2018	Q 3 2017	9 months 2018	9 months 2017	FY 2017
Revenue from agreements with customers	1,472	1,087	4,793	3,080	5,300
Other revenue	-	21	1,196	77	272
Total revenue	1,472	1,108	5,989	3,157	5,572

The Group has revenues as specified below:

	Q 3 2018	Q 3 2017	9 months 2018	9 months 2017	FY 2017
Product sale	89	-	500	-	-
License and royalty revenue	53	-	1,067	-	1,149
Development work	746	1,001	1,473	2,911	3,252
Consultancy services (technology)	584	86	1,753	169	899
Total revenue from customers	1,472	1,087	4,793	3,080	5,300

Product sales refer to the continued deliveries of solar collectors to customers for reference installations. Royalty revenue refers to first commission on sales from the partner in China. Revenue from development cooperation amounts to TSEK 746 (1 001).

Revenue from sales of consulting and management services amounting to TSEK 584 (86) relates to technical support to partners (NSECT and Stjernberg).

NOTE 3 FINANCIAL INSTRUMENTS

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

Stock market listed shares	Sep 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.

	Sep 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) - (-) 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	9 months 2018	9 months 2017	FY 2017
NET SALES	2,804	1,800	2,400
Cost of goods sold	-133	-	-
Other external costs	-5,894	-2,935	-4,530
Personnel costs	-4,649	-951	-1,716
TOTAL OPERATING EXPENSES	-10,676	-3,886	-6,246
Financial income	2,080	1,136	1,827
Financial expenses	-376	-	-
FINANCIAL ITEMS - NET	1,704	1,136	1,827
PROFIT BEFORE TAX	-6,168	-950	-2,019
Income tax	2,070	-	-
PROFIT/LOSS FOR THE PERIOD	-4,098	-950	-2,019

Parent Company Balance sheet

TSEK	Sep 30, 2018	Sep 30, 2017	Dec 31, 2017
ASSETS			
Financial assets			
Participations in subsidiaries	97,270	97,261	97,261
Shares	7,511	-	-
Total fixed assets	104,781	97,261	97,261
Current assets			
Current receivables			
Accounts receivable	1,439	1,158	1,005
Other receivables	89	-	-
Accounts receivable from Group companies	123,695	39,848	55,734
Prepaid expenses and accrued income	284	206	604
Cash and bank deposits	11,923	84,760	70,250
Total current assets	137,430	125,972	127,593
TOTAL ASSETS	242,211	223,233	224,854
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital	4,493	4,374	4,397
	4,493	4,374	4,397
Non-restricted equity			
Share premium reserve	292,954	270,931	272,272
Retained earnings	-54,507	-52,488	-52,488
Profit/loss for the year	-4,098	-950	-2,019
	234,349	217,493	217,765
Total equity	238,842	221,867	222,162
Current liabilities			
Accounts payable	373	446	704
Other liabilities	192	-37	379
Accrued expenses and deferred income	2,804	883	1,609
Total current liabilities	3,369	1,366	2,692
TOTAL EQUITY AND LIABILITIES	242,211	223,233	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 November 7, 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

Year-end report 2018
Annual Report 2018
Interim report Q1 2019

February 21, 2019
March 2019
April/May 2019

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SOURCES DIAGRAM PAGE 9:

Upper diagram: [click here](#).

Low diagram [click here](#).