

# YEAR-END REPORT 2018

## Q4, 2018

OCTOBER 1 – DECEMBER 31, 2018



**RIPASSO ENERGY**



## RIPASSO ENERGY AB IN BRIEF

Ripasso Energy AB is a Swedish clean tech company founded in 2008 with a mission to develop and commercialise Stirling technology's ability to convert thermal energy to electricity. The company currently produces solutions and products for generating electricity at low cost compared to other renewable and sustainable alternatives. Ripasso has the clean tech market's best Stirling engine, featuring a unique combination of both high power and efficiency. The technology is based on Kockums' world-class Stirling engine for submarines.

The company's latest product – the PWR BLOK 400-F – is a unique, climate-friendly solution for extracting electricity from industrial residual and the flare gases at record-low prices. Manufacturing and assembly take place in Sweden. Ripasso currently has operations and customers in both Europe and Africa. The company's shares are listed in Sweden (on the NGM Nordic MTF), and also trade on the Börse Stuttgart in Germany.

## MATERIAL EVENTS OCTOBER – DECEMBER 2018

- Ripasso Energy AB signed a letter of intent with Glencore for the installation of at least 44 and no more than 136 PWR BLOK units in South Africa. The value runs to between SEK 240 and 740 million (EUR 22-68 million) and reduces carbon dioxide emissions by between 154,000 and 476,000 tonnes/year. The project may become the largest waste-to-energy ("WtE") project ever implemented in Africa.
- The company hired Sven Ljungberg as its Chief Communication Officer. The recruitment is part of our effort to strengthen our own organisation and to adapt the company ahead of its planned listing on a regulated market. Sven most recently worked as a consultant. Before that, he served as director of communications and branding at Skandia for many years.
- The Board of Directors of Ripasso Energy AB resolved to convene an Extraordinary General Assembly on 16 January 2019 with a proposal for the issue of convertible bonds in the amount of at most SEK 79,505,021 with preferential rights for existing shareholders.
- The company filed a patent application for the company's PWR BLOK 400-F product with the European Patent Office (EPO). The application concerns a system for central monitoring and control of the working gas in each Stirling engine within a PWR BLOCK and makes the product more affordable to manufacture while also improving its efficiency.

## MATERIAL EVENTS AFTER THE END OF THE PERIOD

- Ripasso Energy AB shipped the first PWR BLOK 400-F of the seven ordered by South African ferrochrome producer Afarak Mogale. Installation and commissioning will take place in Q1 as planned.
- At the Extraordinary General Assembly on 16 January 2019 it was resolved, at the behest of the Board of Directors, to carry out an issue of convertible bonds in the amount of at most SEK 79,505,021 with preferential rights for the company's shareholders.

## FOURTH QUARTER OF 2018 IN BRIEF

### January 1 - December 31, 2018:

- Revenue for the period amounted to TSEK 58,349 (TSEK 34,034)
- Profit/loss after financial items was TSEK -14,924 TSEK (TSEK -5,137)
- Profit/loss after tax amounted to TSEK -19,142 (-5,539 TSEK)
- Earnings per share totalled SEK -0.24 (SEK -0.09 SEK)
- Cash flow amounted to TSEK -71,874 (TSEK 74,201).
- Capitalised development expenditure at the end of the period totalled TSEK 275,433 (TSEK 218,007).

### Q4, October 1 – December, 31 2018:

- Revenue for Q4 amounted to TSEK 14,495 (TSEK 12,530)
- Profit/loss after financial items was TSEK -5,792 (TSEK -2,003)
- Profit/loss after tax amounted to TSEK -7,929 (TSEK -2,342)
- Earnings per share totalled SEK -0.10 (-0.04 SEK)
- Cash flow amounted to TSEK -11,323 (TSEK 93,554).
- Capitalised development expenditure at the end of the period totalled TSEK 14,697 (TSEK 10,589).



## CEO'S STATEMENT



On 3 January 2019 – just as the fourth quarter had ended – we shipped the first PWR BLOK 400-F from Gothenburg. Destination: Afarak Mogale's ferrochrome production facility in South Africa. This means that we have initiated the delivery of Ripasso Energy's first commercial order of the PWR BLOK 400-F, marking the beginning of a new chapter in the company's development. Installation and commissioning will take place in 1Q 2019. In 2Q 2019 we intend to commercially prove the PWR BLOK 400-F. Once this happens, we will have proven the product's ability to convert industrial waste gases (residual gases) to climate-friendly electricity. This opens the way to customer financing and larger orders.

We can look back on an eventful quarter that began with the signing, on 1 October 2018, of a letter of intent with Glencore Operations South Africa (Pty) Ltd. Our intention and that of Glencore is to enter into binding agreements by no later than 31 March 2019 for the delivery and installation of at least 44 and no more than 136 PWR BLOK 400-F units, a deal valued at between SEK 240 and 740 million (EUR 22-68 million). It will also be the largest waste-to-energy ("WtE") project of its kind ever implemented in Africa, and will reduce carbon dioxide emissions by between 154,000 and 476,000 tonnes/year.

During the quarter we also intensified series production of Stirling engines and assembly of the PWR BLOK 400-F in Sibbhult for the delivery to Afarak Mogale in 2019. The efforts

have gone well, but we were able to ascertain early on that the manufacture of the container portion of the PWR BLOK was more expensive than forecast. This was attributable partly to the new functionality that needed to be integrated due to South African safety routines and functions, but above all to the rapid production rate required in order to deliver according to plan. Because we chose to finance the deal with Afarak Mogale ourselves and to be paid over a period of 3.5 years, liquidity has diminished faster than planned. On the positive side, the Stirling engines themselves have become 10% cheaper to manufacture than forecast. Now that we have been able to review how future generations of the PWR BLOK 400-F will be manufactured, we have confirmed that a gross margin of 30-40 percent can be expected.

In order to secure the company's future working capital needs, at the end of the quarter the Board of Directors resolved to convene an Extraordinary General Assembly with a proposal for the issue of convertible bonds in the amount of just under SEK 80 million with preferential rights for existing shareholders. The proposal was adopted at the Extraordinary General Assembly of 16 January 2019.

On a closing note, I would like to point out that during Q4, we also performed an internal LCOE analysis (Levelized Cost Of Energy) of the PWR BLOK 400-F. It confirms that the cost of generating electricity using the PWR BLOK is approximately 20 EUR/MWh, which is a considerably lower generation cost than other types of energy are able to offer according to the recognised global studies published in this regard. In 2019 we will be receiving real-life operating data from the installation at Afarak Mogale, which can prove this.

In 2019 we also decided to have independent international verification bodies review, evaluate and certify the environmental impact of our technology.

Our ambition is firm: during the year to come we plan to prove the PWR BLOK-400F, both commercially and technically.

Gunnar Larsson  
CEO  
Ripasso Energy AB (publ)

## INCOME STATEMENT

Amounts in SEK thousand	Fourth quarter		12 months	
	2018	2017	2018	2017
<b>Operating income</b>				
Net sales	-	-	-	-
Capitalised work for own account	14,604	10,440	57,334	31,684
Other operating income	341	2,090	1,015	2,350
<b>Total revenue</b>	<b>14,945</b>	<b>12,530</b>	<b>58,349</b>	<b>34,034</b>
<b>Operating expenses</b>				
Raw materials and consumables	-9,507	-9,105	-43,409	-23,332
Other external expenses	-6,041	-2,754	-15,321	-7,587
Personnel costs	-4,864	-2,648	-13,773	-8,188
Depreciation of tangible assets	-179	-14	-418	-58
Other operating expenses	-146	-12	-352	-7
<b>Total expenses</b>	<b>-20,737</b>	<b>-14,533</b>	<b>-73,273</b>	<b>-39,171</b>
<b>Operating profit/loss</b>	<b>-5,792</b>	<b>-2,003</b>	<b>-14,924</b>	<b>-5,137</b>
<b>Profit/loss from financial items</b>				
Interest income and similar items	-	-	-	-
Interest expenses and similar items	-2,137	-339	-4,218	-402
<b>Profit/loss from financial items</b>	<b>-2,137</b>	<b>-339</b>	<b>-4,218</b>	<b>-402</b>
<b>Profit/loss after financial items</b>	<b>-7,929</b>	<b>-2,342</b>	<b>-19,142</b>	<b>-5,539</b>
Tax on profit/loss for the period	-	-	-	-
<b>Profit/loss for the period</b>	<b>-7,929</b>	<b>-2,342</b>	<b>-19,142</b>	<b>-5,539</b>

## BALANCE SHEET – ASSETS

Amounts in SEK thousand	31-12-2018	31-12-2017
<b>ASSETS</b>		
<b>Fixed assets</b>		
<b>Intangible assets</b>		
Capitalised expenditure for development	275,433	218,007
<b>Total</b>	<b>275,433</b>	<b>218,007</b>
<b>Tangible assets</b>		
Cost of leasehold improvements	523	-
Equipment, tools, fixtures and fittings	2,619	155
<b>Total</b>	<b>3,142</b>	<b>155</b>
<b>Financial assets</b>		
Shares in subsidiaries	-	-
Other non-current receivables	63	68
<b>Total</b>	<b>63</b>	<b>68</b>
<b>Total fixed assets</b>	<b>278,638</b>	<b>218,230</b>
<b>Current assets</b>		
<b>Inventories, etc.</b>		
Goods in process	32,055	2,933
<b>Total</b>	<b>32,055</b>	<b>2,933</b>
<b>Current receivables</b>		
Receivables from subsidiaries		
Current tax assets	233	233
Other receivables	4,119	5,321
Prepaid expenses	375	135
<b>Total</b>	<b>4,727</b>	<b>5,689</b>
Cash and bank balances	29,666	101,540
<b>Total current assets</b>	<b>66,448</b>	<b>110,162</b>
<b>TOTAL ASSETS</b>	<b>345,086</b>	<b>328,392</b>

## BALANCE SHEET – EQUITY AND LIABILITIES

Amounts in SEK thousand	31-12-2018	31-12-2017
<b>Equity</b>		
Restricted equity	-	-
Share capital	795	795
Development expenditure fund	111,406	53,979
<b>Total</b>	<b>112,201</b>	<b>54,774</b>
<b>Unrestricted equity</b>		
Share premium reserve	299,217	299,217
Retained earnings	-115,883	-52,917
Profit/loss for the period	-19,142	-5,539
<b>Total</b>	<b>164,192</b>	<b>240,761</b>
<b>Total equity</b>	<b>276,393</b>	<b>295,535</b>
<b>Non-current liabilities</b>		
Convertible bonds	25,075	25,291
<b>Total</b>	<b>25,075</b>	<b>25,291</b>
<b>Current liabilities</b>		
Prepayments from customers	305	305
Trade payables	12,914	4,658
Other current liabilities	26,805	154
Accrued expenses and deferred income	3,594	2,449
<b>Total</b>	<b>43,618</b>	<b>7,566</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>345,086</b>	<b>328,392</b>

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## CASH FLOW STATEMENT

Amounts in SEK thousand	01-10-2018 31-12-2018	01-10-2017 31-12-2017	01-01-2018 31-12-2018	01-01-2017 31-12-2017
<b>Operating activities</b>				
Profit/loss after financial items	-7,929	-2,342	-19,142	-5,539
Adjustments for non-cash items	179	14	418	58
<b>Total</b>	<b>-7,750</b>	<b>-2,328</b>	<b>-18,724</b>	<b>-5,481</b>
Paid income tax	-	-	-	-
<b>Cash flow from operating activities before changes in working capital</b>	<b>-7,750</b>	<b>-2,328</b>	<b>-18,724</b>	<b>-5,481</b>
<b>Cash flow from changes in working capital</b>				
Increase (-) / decrease (+) in inventories	-18,062	223	-29,122	-1,468
Increase (-) / decrease (+) in operating receivables	-106	-2,916	967	-4,735
Increase (+) / decrease (-) in operating liabilities	30,464	-7,353	35,836	1,361
<b>Cash flow from operating activities</b>	<b>4,546</b>	<b>-12,374</b>	<b>-11,043</b>	<b>-10,323</b>
<b>Investing activities</b>				
Acquisition of intangible assets	-14,697	-10,589	-57,427	-31,813
Acquisition of tangible assets	-1,172	-	-3,404	-112
Acquisition of financial assets	-	-	-	-68
<b>Cash flow from investing activities</b>	<b>-15,869</b>	<b>-10,589</b>	<b>-60,831</b>	<b>-31,993</b>
<b>Financing activities</b>				
New share issue	-	91,226	-	91,226
Shareholders' contributions	-	-	-	-
New loans	-	25,291	-	25,291
Repayment of loans	-	-	-	-
<b>Cash flow from financing activities</b>	<b>-</b>	<b>116,517</b>	<b>-</b>	<b>116,517</b>
<b>Cash flow for the period</b>	<b>-11,323</b>	<b>93,554</b>	<b>-71,874</b>	<b>74,201</b>
<b>CASH AT THE BEGINNING OF THE PERIOD</b>	<b>40,989</b>	<b>8,202</b>	<b>101,540</b>	<b>27,339</b>
<b>CASH AT THE END OF THE PERIOD</b>	<b>29,666</b>	<b>101,540</b>	<b>29,666</b>	<b>101,540</b>

## CHANGES IN EQUITY

Amounts in SEK thousand	Restricted equity			Unrestricted equity		
	Share capital	Development expenditure fund	Share capital not yet registered	Share premium reserve	Retained earnings	Profit/loss for the period
<b>Equity 01/01/2018</b>	<b>612</b>	<b>53,979</b>	<b>183</b>	<b>299,217</b>	<b>-52,917</b>	<b>-5,539</b>
Transfer of previous year's earnings	-	-	-	-	-5,539	5,539
New share issue in the process of registration	183	-	-183	-	-	-
Shareholder's contribution	-	-	-	-	-	-
Increase in development expenditure fund	-	57,427	-	-	-57,427	-
Profit/loss for the year	-	-	-	-	-	-19,142
<b>Equity at the end of the period</b>	<b>795</b>	<b>111,406</b>	<b>-</b>	<b>299,217</b>	<b>-115,883</b>	<b>-19,142</b>

Amounts in SEK thousand	Restricted equity			Unrestricted equity		
	Share capital	Development expenditure fund	Share capital not yet registered	Share premium reserve	Retained earnings	Profit/loss for the period
<b>Equity 01/01/2017</b>	<b>612</b>	<b>20,601</b>	<b>-</b>	<b>208,175</b>	<b>-11,362</b>	<b>-8,177</b>
Transfer of previous year's earnings	-	-	-	-	-8,177	8,177
New share issue	-	-	183	91,042	-	-
Shareholder's contribution	-	-	-	-	-	-
Increase in development expenditure fund	-	33,378	-	-	-33,378	-
Profit/loss for the year	-	-	-	-	-	-5,539
<b>Equity at the end of the period</b>	<b>612</b>	<b>53,979</b>	<b>183</b>	<b>299,217</b>	<b>-52,917</b>	<b>-5,539</b>



## KEY RATIOS

Amounts in SEK thousand	01-10-2018	01-10-2017	01-01-2018	01-01-2017
	31-12-2018	31-12-2017	31-12-2018	31-12-2017
<b>Profitability</b>				
Operating income	14,945	12,530	58,349	34,034
Operating profit	-5,792	-2,003	-14,924	-5137
Operating profit, after tax	-7,929	-2,342	-19,142	-5539
Return on equity	-3%	-1%	-7%	-0,02
<b>Capital structure</b>				
Equity/asset ratio	80%	90%	80%	90%
Quick ratio	79%	1417%	79%	1476%
Weighted average outstanding shares	79,505,02	61,157,70	79,505,02	61,157,70
Potential shares attributable to outstanding warrants (*)	1	9	1	9
New issue in progress	-	18,347,31	-	18,347,31
Bond issues/convertible bonds (**)	-	2	-	2
Number of shareholders (*)	5,862	5,350	5,862	5,350
Earnings per share	-0.10 SEK	-0.04 SEK	-0.24 SEK	-0.09 SEK
Diluted earnings per share	-0.09 SEK	-0.03 SEK	-0.21 SEK	-0.06 SEK
Dividend per share	-	-	-	-
<b>Personnel</b>				
Average number of employees	16	8	12	8
Personnel costs	4,864	2,648	13,773	8,188

(\*) At the balance sheet date

(\*\*) Estimated number based on a conversion rate of SEK 4.50 per share

## COMMENTS ON THE INCOME STATEMENT AND BALANCE SHEET

### Financial position and earnings

The company's revenue for the twelve-month period totalled TSEK 58,349 (TSEK 34,034), and primarily comprises capitalised work for own account. Loss after financial items was TSEK 19,142 (TSEK 5,539). The loss is largely attributable to other external expenses and personnel costs. Of the personnel costs, TSEK 8,830 (TSEK 5,499) has been capitalised as work for own account during the first nine months of the year. Capitalised development expenditure at the end of the period totalled TSEK 275,433 (TSEK 218,007).

### Cash flow and financial position

The cash flow for the first nine months of the year amounted to TSEK -71,874 (TSEK 74,201). Cash and cash equivalents at the balance sheet date totalled TSEK 29,666 (TSEK 101,540). The negative cash flow in 2018 is largely attributable to product development costs, which have been capitalised.

### Changes in equity

The company's equity at the balance sheet date amounted to TSEK 276,393 (TSEK 295,535). In 2018, the company's equity decreased by a total of TSEK 19,142 (TSEK 5,539), i.e. by the amount of the profit/loss for the period. At the balance sheet date, there were 79,505,021 outstanding shares with a quota value of SEK 0.01. (SEK 0.01). On January 19th 2018 the number of shares was increased by 18,347,312.

### Corporate group

The company's subsidiary Ripasso South Africa was founded in 2018 but has not yet had any external revenue. The subsidiary's share capital was 100 Rands, which corresponds to its carrying amount in the parent company's accounts. The subsidiary has been funded by invoicing costs to and taking out loans

from the parent company. Consolidated financial statements have not been prepared because the subsidiary does not have material significance (Chapter 7 Section 3a Swedish Annual Accounts Act).

## PROPOSED APPROPRIATION OF PROFITS

The annual general meeting has, considering the net income in the amount of SEK -19,141,695, funds amounting to SEK 164,192,471 at its disposal. The board of directors proposes that this unrestricted capital be carried forward.

## GENERAL MEETING AND ANNUAL REPORT

The general meeting of 2019 will be taking place on April 26 in Gothenburg. More information will be published at the Company's website. The annual and audit report will be published at the Company's website on March 26, 2019, and will also be available at the offices' of Ripasso Energy in Västra Frölunda.

## FINANCIAL CALENDAR

- The annual report for 2018 will be published on March 26, 2019
- The Annual General Meeting will be held on April 26, 2019
- Results for 1Q 2019 will be published on May 7, 2019
- The half-year report for the first half of 2019 will be published on August 13, 2019

- Results for 3Q 2019 will be published on November 12, 2019

## ACCOUNTING POLICIES

The year-end report has been prepared in accordance with the Swedish Annual Accounts Act and the general provisions of the Swedish Accounting Standards Board, BFNAR 2012:1 Annual Accounts and Consolidated Accounts (K3 regulations). For more detailed policies, please refer to the company's annual report for the 2017 financial year. Consolidated financial statements have not been prepared because the subsidiary does not have material significance (Chapter 7 Section 3a Swedish Annual Accounts Act).

## RISKS

The company's business consists mainly of developing and commercialising new technology. The company's outlook is thus associated with technical, financial and regulatory risks. Additional information regarding risks will be included in the prospectus that will be published on or around February 6, 2019.

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Gothenburg, February 4, 2019

Sven Sahle  
Chairman of the Board

Andreas Ahlström  
Board Member

Johan Ekessiö  
Board Member

Ulf Gundemark  
Board Member

Benedict Morgan  
Board Member

Gunilla Spongh  
Board Member

Gunnar Larsson  
CEO

## KEY RATIO DEFINITIONS

<b>Operating income</b>	All revenue, including capitalised work for own account.
<b>Operating profit</b>	Profit/loss after amortisation and depreciation.
<b>Operating profit, after tax</b>	Profit after tax.
<b>Return on equity</b>	Profit after tax divided by equity.
<b>Equity/asset ratio</b>	Adjusted equity as a percentage of total assets. Adjusted equity is defined as the taxed equity, plus untaxed reserves less deferred tax liabilities.
<b>Quick ratio</b>	Current assets, excluding inventories, divided by current liabilities incl. proposed dividends.
<b>Weighted average outstanding shares</b>	Outstanding shares at the beginning of the period adjusted for newly issued shares during the period, multiplied by a time-weighting factor.
<b>Potential shares attributable to outstanding warrants</b>	Outstanding warrants at the end of the period converted into potential shares.
<b>Earnings per share</b>	The profit/loss for the period divided by the weighted average of outstanding shares.
<b>Diluted earnings per share</b>	The profit/loss for the period divided by the weighted average of outstanding shares and potential shares attributable to outstanding warrants and convertibles.
<b>Dividend per share</b>	Established dividend per eligible share.
<b>Average number of employees</b>	Average number of employees during the period.
<b>Personnel costs</b>	Personnel costs during the period, including wages, salaries, other benefits and social welfare costs.

## CONTACTS

**Gunnar Larsson, CEO**, [gunnar.larsson@ripassoenergy.com](mailto:gunnar.larsson@ripassoenergy.com)

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Ripasso Energy AB is required to disclose this information in accordance with the EU Market Abuse Regulation. The information was submitted for publication at the initiative of the above contact person on February 4, 2019.

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**RIPASSO ENERGY**