



## Delivering on order expectations

*PowerCell reported Q2 results in line with our expectations and they were a continuation of Q1, in our view, with a solid increase in marketing activities, requests and orders. After the report, we reiterate our Buy rating and target price of SEK 60.*

### Q2 in line with expectations; high level of marketing activities

As we had expected, the Q2 report was a continuation of the Q1 development with a high level of marketing activities, an increasing number of requests and strong sales growth (more than double the sales of Q2 2017). After the Q2 report, we slightly raise our cost estimates for SG&A and R&D as well as assign lower gross margins to Q3 and Q4 and push back some of the Wuhan Tiger Fuel Cell Vehicle Co. Ltd. sales. In recent months, the company has taken several new orders of S2 and S3 stacks, including, for example, from global Tier 1 automotive suppliers and a suborder from Wuhan Tiger Fuel Cell Vehicle Co. Ltd., to be delivered in Q3 2018.

### Structural trends and potential triggers provide upside

We expect the company's superior-performance fuel cell technology to benefit from structural trends within mainly transportation and energy storage, and PowerCell is now entering into a commercialisation phase with, for example, the order from Wuhan Tiger, the AutoStack Industrie project (with partners such as VW, BMW, Daimler and Ford) and with it being the primary fuel stack supplier to Nikola Motor Company, which could create substantial upside. Post-Q2, we reiterate our Buy rating and target price of SEK 60.

SEKm	2016	2017	2018e	2019e	2020e
Revenues	12	37	72	323	439
EBITDA	(60)	(60)	(63)	19	67
EBIT adj	(66)	(67)	(70)	9	56
EBIT margin adj	-	-	-	2.7%	12.8%
EPS	(1.63)	(1.29)	(1.36)	0.16	1.08
EPS adj	(1.63)	(1.29)	(1.36)	0.16	1.08
DPS	-	-	-	-	-
EV/EBITDA	-	-	-	-	26.6
EV/EBIT adj	-	-	-	-	31.9
P/E adj	-	-	-	-	32.6
P/B	34.35	10.40	15.45	14.41	10.00
ROE (%)	-	-	-	6.9	36.1
Div yield (%)	-	-	-	-	-
Net debt	(21)	(178)	(80)	(22)	(42)

Source: Pareto

Target price (SEK)	60
Share price (SEK)	35

### Forecast changes

%	2018e	2019e	2020e
Revenues	(5)	1	-
EBITDA	(11)	4	(7)
EBIT adj	(11)	13	(8)
EPS reported	(11)	13	(8)
EPS adj	(11)	13	(8)

Source: Pareto

Ticker	PCELL.ST, PCELL.SS
Sector	Industrials
Shares fully diluted (m)	44.8
Market cap (SEKm)	1,580
Net debt (SEKm)	-80
Minority interests (SEKm)	0
Enterprise value 18e (SEKm)	1,750
Free float (%)	

### Performance



Source: Factset

### Analysts

Erik Paulsson  
+46 8 402 5289, erik.paulsson@paretosec.com

Fredrik Moregard  
+46 8 402 5278, fredrik.moregard@paretosec.com

## Disclosed orders taken in 2018 (from press releases)

Date of order	Customer	New/repeat	Delivery date	Value, SEKm	Type of stack
09 Jan 2018	"An established and innovative vehicle company", "passenger cars powered by fuel cells"	New?	Unknown	1.0	S2 (20 kW)
30 Jan 2018	"Wuhan Qingyang Energy Research Institute"	New?	Q1'18-Q2'18	6.5	S2 (35 kW)
11 Apr 2018	"International Tier 1 supplier"	New?	Start May 2018	6.9	S3
17 Apr 2018	"Chinese customer", commercial vehicles	Repeat	Q2'18	2.3	S2
01 Jun 2018	"Global automotive OEM"	New?	Start Q2'18	3.0	S3/MS-100
28 Jun 2018	"Wuhan Tiger to take delivery of an additional 16 PowerCell S2 fuel cell stacks"	Repeat	Q3	8.2	S2
16 Jul 2018	"International Tier 1 supplier" (same customer as 11 April 2018)	Repeat	Q3'18, Q4'18	10.0	S3
<b>Total</b>				<b>37.9</b>	
<b>Total</b>					
S2 stack				18.0	
S3 stack				19.9	

Source: Pareto, company data

## Key figures, yearly (SEKm)

SEKm	2015	2016	2017	2018E	2019E	2020E	2021E
<b>Sales, SEKm</b>	<b>5.1</b>	<b>12.2</b>	<b>36.7</b>	<b>72.2</b>	<b>322.9</b>	<b>438.8</b>	<b>1,678.7</b>
Cost of goods sold	-5.0	-9.3	-25.7	-52.7	-224.8	-285.5	-1,005.4
<b>Gross profit</b>	<b>0.1</b>	<b>2.9</b>	<b>11.0</b>	<b>19.5</b>	<b>98.2</b>	<b>153.3</b>	<b>673.3</b>
SG&A	-0.8	-6.3	-19.5	-31.7	-34.3	-41.1	-47.3
R&D	-73.1	-72.1	-67.9	-69.9	-67.1	-62.4	-59.3
Other operating income	9.0	9.5	9.9	13.5	13.5	8.0	8.0
Other operating costs	0.0	-0.2	-0.3	-1.7	-1.7	-1.7	-1.7
<b>EBIT</b>	<b>-64.8</b>	<b>-66.1</b>	<b>-66.7</b>	<b>-70.3</b>	<b>8.6</b>	<b>56.1</b>	<b>573.0</b>
Net financials	-0.4	0.4	0.0	-0.1	-0.1	-0.1	-0.1
<b>Pre-tax profit</b>	<b>-65.2</b>	<b>-65.7</b>	<b>-66.7</b>	<b>-70.4</b>	<b>8.5</b>	<b>56.0</b>	<b>572.9</b>
Tax	0.0	0.0	0.0	0.0	0.0	0.0	-14.1
<b>Net profit</b>	<b>-65.2</b>	<b>-65.7</b>	<b>-66.7</b>	<b>-70.4</b>	<b>8.5</b>	<b>56.0</b>	<b>558.8</b>
EPS	-1.8	-1.6	-1.3	-1.4	0.2	1.1	10.8
Sales growth	228.6%	138.9%	201.5%	96.5%	347.4%	35.9%	282.6%
Gross margin	2.8%	24.0%	30.0%	27.0%	30.4%	34.9%	40.1%
EBIT margin	na	na	na	na	2.7%	12.8%	34.1%
Actual tax rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.5%

Source: Pareto, company data

## Key figures, quarterly (SEKm)

SEKm	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18E	Q4'18E
<b>Sales, SEKm</b>	<b>3.9</b>	<b>6.0</b>	<b>10.9</b>	<b>15.9</b>	<b>7.8</b>	<b>13.5</b>	<b>21.7</b>	<b>28.9</b>
Cost of goods sold	-2.5	-3.6	-7.5	-12.0	-6.1	-10.1	-15.8	-21.1
<b>Gross profit</b>	<b>1.4</b>	<b>2.4</b>	<b>3.4</b>	<b>3.8</b>	<b>1.7</b>	<b>3.5</b>	<b>5.8</b>	<b>7.8</b>
SG&A	-3.2	-3.7	-4.1	-8.4	-6.5	-8.6	-8.3	-8.3
R&D	-16.5	-19.4	-14.2	-17.8	-16.6	-18.1	-17.6	-17.6
Other operating income	2.4	2.9	2.3	2.4	2.8	4.6	3.0	3.0
Other operating costs	0.0	-0.1	-0.1	-0.1	-0.2	-0.7	-0.4	-0.4
<b>EBIT</b>	<b>-15.9</b>	<b>-18.0</b>	<b>-12.7</b>	<b>-20.1</b>	<b>-18.8</b>	<b>-19.3</b>	<b>-17.4</b>	<b>-15.5</b>
Net financials	0.0	0.0	0.0	0.0	-0.1	-0.2	0.0	0.0
<b>Pre-tax profit</b>	<b>-15.9</b>	<b>-18.0</b>	<b>-12.7</b>	<b>-20.1</b>	<b>-19.0</b>	<b>-19.4</b>	<b>-17.4</b>	<b>-15.5</b>
Tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net profit</b>	<b>-15.9</b>	<b>-18.0</b>	<b>-12.7</b>	<b>-20.1</b>	<b>-19.0</b>	<b>-19.4</b>	<b>-17.4</b>	<b>-15.5</b>
EPS	-0.4	-0.4	-0.2	-0.4	-0.4	-0.4	-0.3	-0.3
Sales growth	78.1%	149.6%	260.2%	249.9%	98.3%	125.3%	98.1%	81.9%
Gross margin	36.0%	39.8%	30.9%	24.2%	21.9%	25.6%	27.0%	27.0%
EBIT margin	na	na	na	na	na	na	na	na
Actual tax rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Pareto, company data

<b>PROFIT &amp; LOSS (fiscal year) (SEKm)</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018e</b>	<b>2019e</b>	<b>2020e</b>
<b>Revenues</b>	<b>2</b>	<b>2</b>	<b>5</b>	<b>12</b>	<b>37</b>	<b>72</b>	<b>323</b>	<b>439</b>
Growth Revenues		-	228.6%	138.9%	201.5%	96.5%	347.4%	35.9%
<b>EBITDA</b>	<b>(50)</b>	<b>(50)</b>	<b>(59)</b>	<b>(60)</b>	<b>(60)</b>	<b>(63)</b>	<b>19</b>	<b>67</b>
Depreciation & amortisation	-	-	(6)	(6)	(6)	(7)	(10)	(11)
<b>EBIT</b>	<b>(50)</b>	<b>(50)</b>	<b>(65)</b>	<b>(66)</b>	<b>(67)</b>	<b>(70)</b>	<b>9</b>	<b>56</b>
EBIT adjusted	(40)	(50)	(65)	(66)	(67)	(70)	9	56
Net interest	-	-	(0)	0	(0)	(0)	(0)	(0)
Other financial items	-	-	-	-	-	-	-	-
<b>Profit before taxes</b>	<b>(50)</b>	<b>(50)</b>	<b>(65)</b>	<b>(66)</b>	<b>(67)</b>	<b>(70)</b>	<b>9</b>	<b>56</b>
Taxes	-	-	-	-	-	-	-	-
Minority interest	-	-	-	-	-	-	-	-
<b>Net profit</b>	<b>(50)</b>	<b>(50)</b>	<b>(65)</b>	<b>(66)</b>	<b>(67)</b>	<b>(70)</b>	<b>9</b>	<b>56</b>
EPS reported			(1.83)	(1.63)	(1.29)	(1.36)	0.16	1.08
<b>EPS adjusted</b>			<b>(1.83)</b>	<b>(1.63)</b>	<b>(1.29)</b>	<b>(1.36)</b>	<b>0.16</b>	<b>1.08</b>
Growth EPS adjusted				+chg	+chg	-chg	+chg	558.5%
DPS	-	-	-	-	-	-	-	-
<b>BALANCE SHEET (SEKm)</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018e</b>	<b>2019e</b>	<b>2020e</b>
Tangible non current assets	-	-	22	18	21	41	50	54
Other non-current assets	-	-	0	1	3	3	3	3
Other current assets	-	-	13	16	33	44	161	197
Cash & equivalents	-	-	41	61	218	130	72	92
<b>Total assets</b>	<b>-</b>	<b>-</b>	<b>76</b>	<b>96</b>	<b>274</b>	<b>217</b>	<b>287</b>	<b>346</b>
Total equity	-	-	11	37	189	118	127	183
Interest-bearing non-current debt	-	-	40	40	40	50	50	50
Interest-bearing current debt	-	-	-	-	-	-	-	-
Other Debt	-	-	25	20	45	51	113	118
<b>Total liabilities &amp; equity</b>	<b>-</b>	<b>-</b>	<b>76</b>	<b>96</b>	<b>274</b>	<b>219</b>	<b>290</b>	<b>351</b>
<b>CASH FLOW (SEKm)</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018e</b>	<b>2019e</b>	<b>2020e</b>
Cash earnings			(60)	(61)	(61)	(64)	19	67
Change in working capital			(5)	(7)	10	(6)	(55)	(31)
Cash flow from investments			(2)	(3)	(9)	(27)	(20)	(15)
Cash flow from financing			2	91	219	8	(2)	(2)
Net cash flow			(65)	20	157	(88)	(58)	20
<b>CAPITALIZATION &amp; VALUATION (SEKm)</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018e</b>	<b>2019e</b>	<b>2020e</b>
<b>Share price (SEK end)</b>		<b>6.5</b>	<b>39.1</b>	<b>28.0</b>	<b>38.0</b>	<b>35.3</b>	<b>35.3</b>	<b>35.3</b>
Number of shares end period	-	23	36	45	52	52	52	52
Net interest bearing debt	-	-	(1)	(21)	(178)	(80)	(22)	(42)
<b>Enterprise value</b>		<b>149</b>	<b>1,395</b>	<b>1,233</b>	<b>1,786</b>	<b>1,750</b>	<b>1,808</b>	<b>1,788</b>
EV/Sales		-	-	-	48.6	24.2	5.6	4.1
<b>EV/EBITDA</b>		-	-	-	-	-	-	<b>26.6</b>
EV/EBIT		-	-	-	-	-	-	31.9
EV/EBIT adjusted		-	-	-	-	-	-	31.9
P/E reported		-	-	-	-	-	-	32.6
<b>P/E adjusted</b>		-	-	-	-	-	-	<b>32.6</b>
P/B		-	-	34.4	10.4	15.4	14.4	10.0
<b>FINANCIAL ANALYSIS &amp; CREDIT METRICS</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018e</b>	<b>2019e</b>	<b>2020e</b>
ROE adjusted (%)		-	-	-	-	-	6.9	36.1
Dividend yield (%)		-	-	-	-	-	-	-
EBITDA margin (%)		-	-	-	-	-	5.8	15.3
EBIT margin (%)		-	-	-	-	-	2.7	12.8
EBIT margin adj(%)		-	-	-	-	-	2.7	12.8
NIBD/EBITDA		-	0.02	0.35	2.94	1.26	(1.18)	(0.63)
EBITDA/Net interest		-	-	-	-	-	-	-

## Disclaimer and legal disclosures

### Origin of the publication or report

This publication or report originates from Pareto Securities AS ("Pareto Securities"), reg. no. 956 632 374 (Norway), Pareto Securities AB, reg. no. 556206-8956 (Sweden) or Pareto Securities Limited, reg. no. 3994976, (United Kingdom) (together the Group Companies or the "Pareto Securities Group") acting through their common unit Pareto Securities Research. The Group Companies are supervised by the Financial Supervisory Authority of their respective home countries.

### Content of the publication or report

This publication or report has been prepared solely by Pareto Securities Research.

Opinions or suggestions from Pareto Securities Research may deviate from recommendations or opinions presented by other departments or companies in the Pareto Securities Group. The reason may typically be the result of differing time horizons, methodologies, contexts or other factors.

### Basis and methods for assessment

Opinions and price targets are based on one or more methods of valuation, for instance cash flow analysis, use of multiples, behavioral technical analyses of underlying market movements in combination with considerations of the market situation and the time horizon. Key assumptions of forecasts, price targets and projections in research cited or reproduced appear in the research material from the named sources. The date of publication appears from the research material cited or reproduced. Opinions and estimates may be updated in subsequent versions of the publication or report, provided that the relevant company/issuer is treated anew in such later versions of the publication or report.

Pareto Securities Research may provide credit research with more specific price targets based on different valuation methods, including the analysis of key credit ratios and other factors describing the securities creditworthiness, peer group analysis of securities with similar creditworthiness and different DCF-valuations. All descriptions of loan agreement structures and loan agreement features are obtained from sources which Pareto Securities Research believes to be reliable, but Pareto Securities Research does not represent or warrant their accuracy. Be aware that investors should go through the specific complete loan agreement before investing in any bonds and not base an investment decision based solely on information contained in this publication or report.

Pareto Securities Research has no fixed schedule for updating publications or reports.

Unless otherwise stated on the first page, the publication or report has not been reviewed by the issuer before dissemination. In instances where all or part of a report is presented to the issuer prior to publication, the purpose is to ensure that facts are correct.

### Validity of the publication or report

All opinions and estimates in this publication or report are, regardless of source, given in good faith and may only be valid as of the stated date of this publication or report and are subject to change without notice.

### No individual investment or tax advice

The publication or report is intended only to provide general and preliminary information to investors and shall not be construed as the basis for any investment decision. This publication or report has been prepared by Pareto Securities Research as general information for private use of investors to whom the publication or report has been distributed, but it is not intended as a personal recommendation of particular financial instruments or strategies and thus it does not provide individually tailored investment advice, and does not take into account the individual investor's particular financial situation, existing holdings or liabilities, investment knowledge and experience, investment objective and horizon or risk profile and preferences. The investor must particularly ensure the suitability of an investment as regards his/her financial and fiscal situation and investment objectives. The investor bears the risk of losses in connection with an investment.

Before acting on any information in this publication or report, we recommend consulting your financial advisor.

The information contained in this publication or report does not constitute advice on the tax consequences of making any particular investment decision. Each investor shall make his/her own appraisal of the tax and other financial merits of his/her investment.

### Sources

This publication or report may be based on or contain information, such as opinions, recommendations, estimates, price targets and valuations which emanate from Pareto Securities Research' analysts or representatives, publicly available information, information from other units or companies in the Group Companies, or other named sources.

To the extent this publication or report is based on or contains information emanating from other sources ("Other Sources") than Pareto Securities Research ("External Information"), Pareto Securities Research has deemed the Other Sources to be reliable but neither the companies in the Pareto Securities Group, others associated or affiliated with said companies nor any other person, guarantee the accuracy, adequacy or completeness of the External Information.

### Ratings

Equity ratings:	"Buy"	Pareto Securities Research expects this financial instrument's total return to exceed 10% over the next 12 months
	"Hold"	Pareto Securities Research expects this financial instrument's total return to be between -10% and 10% over the next 12 months
	"Sell"	Pareto Securities Research expects this financial instrument's total return to be negative by more than 10% over the next 12 months

### Analysts Certification

The research analyst(s) whose name(s) appear on research reports prepared by Pareto Securities Research certify that: (i) all of the views expressed in the research report accurately reflect their personal views about the subject security or issuer, and (ii) no part of the research analysts' compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analysts in research reports that are prepared by Pareto Securities Research.

The research analysts whose names appears on research reports prepared by Pareto Securities Research received compensation that is based upon various factors including Pareto Securities' total revenues, a portion of which are generated by Pareto Securities' investment banking activities.

### Limitation of liability

Pareto Securities Group or other associated and affiliated companies assume no liability as regards to any investment, divestment or retention decision taken by the investor on the basis of this publication or report. In no event will entities of the Pareto Securities Group or other associated and affiliated companies be liable for direct, indirect or incidental, special or consequential damages resulting from the information in this publication or report.

Neither the information nor any opinion which may be expressed herein constitutes a solicitation by Pareto Securities Research of purchase or sale of any securities nor does it constitute a solicitation to any person in any jurisdiction where solicitation would be unlawful. All information contained in this research report has been compiled from sources believed to be reliable. However, no representation or warranty, express or implied, is made with respect to the completeness or accuracy of its contents, and it is not to be relied upon as authoritative.

**Risk information**

The risk of investing in certain financial instruments, including those mentioned in this document, is generally high, as their market value is exposed to a lot of different factors such as the operational and financial conditions of the relevant company, growth prospects, change in interest rates, the economic and political environment, foreign exchange rates, shifts in market sentiments etc. Where an investment or security is denominated in a different currency to the investor's currency of reference, changes in rates of exchange may have an adverse effect on the value, price or income of or from that investment to the investor. Past performance is not a guide to future performance. Estimates of future performance are based on assumptions that may not be realized. When investing in individual shares, the investor may lose all or part of the investments.

**Conflicts of interest**

Companies in the Pareto Securities Group, affiliates or staff of companies in the Pareto Securities Group, may perform services for, solidify business from, make a market in, hold long or short positions in, or otherwise be interested in the investments (including derivatives) of any company mentioned in the publication or report. In addition Pareto Securities Group, or affiliates, may from time to time have a broking, advisory or other relationship with a company which is the subject of or referred to in the relevant Research, including acting as that company's official or sponsoring broker and providing corporate finance or other financial services. It is the policy of Pareto to seek to act as corporate adviser or broker to some of the companies which are covered by Pareto Securities Research. Accordingly companies covered in any Research may be the subject of marketing initiatives by the Corporate Finance Department.

To limit possible conflicts of interest and counter the abuse of inside knowledge, the analysts of Pareto Securities Research are subject to internal rules on sound ethical conduct, the management of inside information, handling of unpublished research material, contact with other units of the Group Companies and personal account dealing. The internal rules have been prepared in accordance with applicable legislation and relevant industry standards. The object of the internal rules is for example to ensure that no analyst will abuse or cause others to abuse confidential information. It is the policy of Pareto Securities Research that no link exists between revenues from capital markets activities and individual analyst remuneration. The Group Companies are members of national stockbrokers' associations in each of the countries in which the Group Companies have their head offices. Internal rules have been developed in accordance with recommendations issued by the stockbrokers associations. This material has been prepared following the Pareto Securities Conflict of Interest Policy.

The guidelines in the policy include rules and measures aimed at achieving a sufficient degree of independence between various departments, business areas and sub-business areas within the Pareto Securities Group in order to, as far as possible, avoid conflicts of interest from arising between such departments, business areas and sub-business areas as well as their customers. One purpose of such measures is to restrict the flow of information between certain business areas and sub-business areas within the Pareto Securities Group, where conflicts of interest may arise and to safeguard the impartialness of the employees. For example, the Corporate Finance departments and certain other departments included in the Pareto Securities Group are surrounded by arrangements, so-called Chinese Walls, to restrict the flows of sensitive information from such departments. The internal guidelines also include, without limitation, rules aimed at securing the impartialness of, e.g., analysts working in the Pareto Securities Research departments, restrictions with regard to the remuneration paid to such analysts, requirements with respect to the independence of analysts from other departments within the Pareto Securities Group rules concerning contacts with covered companies and rules concerning personal account trading carried out by analysts.

**Distribution restriction**

The securities referred to in this publication or report may not be eligible for sale in some jurisdictions and persons into whose possession this document comes should inform themselves about and observe any such restrictions. This publication or report is not intended for and must not be distributed to private customers in the US, or retail clients in the United Kingdom, as defined by the Financial Conduct Authority (FCA).

This research is only intended for and may only be distributed to institutional investors in the United States and U.S. entities seeking more information about any of the issuers or securities discussed in this report should contact Pareto Securities Inc. at 150 East 52nd Street, New York, NY 10022, Tel. 212 829 4200.

Pareto Securities Inc. is a broker-dealer registered with the U.S. Securities and Exchange Commission and is a member of FINRA & SPC. U.S. To the extent required by applicable U.S. laws and regulations, Pareto Securities Inc. accepts responsibility for the contents of this publication. Investment products provided by or through Pareto Securities Inc. or Pareto Securities Research are not FDIC insured, may lose value and are not guaranteed by Pareto Securities Inc. or Pareto Securities Research. Investing in non-U.S. securities may entail certain risks. This document does not constitute or form part of any offer for sale or subscription, nor shall it or any part of it form the basis of or be relied on in connection with any contract or commitment whatsoever. The securities of non-U.S. issuers may not be registered with or subject to SEC reporting and other requirements. The information available about non-U.S. companies may be limited, and non-U.S. companies are generally not subject to the same uniform auditing and reporting standards as U.S. companies. Market rules, conventions and practices may differ from U.S. markets, adding to transaction costs or causing delays in the purchase or sale of securities. Securities of some non-U.S. companies may not be as liquid as securities of comparable U.S. companies. Fluctuations in the values of national currencies, as well as the potential for governmental restrictions on currency movements, can significantly erode principal and investment returns.

Pareto Securities Research may have material conflicts of interest related to the production or distribution of this research report which, with regard to Pareto Securities Research, are disclosed herein.

**Distribution in Singapore**

Pareto Securities Pte Ltd holds a Capital Markets Services License is an exempt financial adviser under Financial Advisers Act, Chapter 110 ("FAA") of Singapore and a subsidiary of Pareto Securities AS.

This report is directed solely to persons who qualify as "accredited investors", "expert investors" and "institutional investors" as defined in section 4A(1) Securities and Futures Act, Chapter 289 ("SFA") of Singapore. This report is intended for general circulation amongst such investors and does not take into account the specific investment objectives, financial situation or particular needs of any particular person. You should seek advice from a financial adviser regarding the suitability of any product referred to in this report, taking into account your specific financial objectives, financial situation or particular needs before making a commitment to purchase any such product. Please contact Pareto Securities Pte Ltd, 16 Collyer Quay, # 2 7-02 Income at Raffles, Singapore 049318, at +65 6408 9800 in matters arising from, or in connection with this report.

**Additional provisions on Recommendations distributed in the Canada**

Canadian recipients of this research report are advised that this research report is not, and under no circumstances is it to be construed as an offer to sell or a solicitation of or an offer to buy any securities that may be described herein. This research report is not, and under no circumstances is it to be construed as, a prospectus, offering memorandum, advertisement or a public offering in Canada of such securities. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed upon this research report or the merits of any securities described or discussed herein and any representation to the contrary is an offence. Any securities described or discussed within this research report may only be distributed in Canada in accordance with applicable provincial and territorial securities laws. Any offer or sale in Canada of the securities described or discussed herein will be made only under an exemption from the requirements to file a prospectus with the relevant Canadian securities regulators and only by a dealer properly registered under applicable securities laws or, alternatively, pursuant to an exemption from the dealer registration requirement in the relevant province or territory of Canada in which such offer or sale is made. Under no circumstances is the information contained herein to be construed as investment advice in any province or territory of Canada nor should it be construed as being tailored to the needs of the recipient. Canadian recipients are advised that Pareto Securities AS, its affiliates and its authorized agents are not responsible for, nor do they accept, any liability whatsoever for any direct or consequential loss arising from any use of this research report or the information contained herein.

**Distribution in United Kingdom**

This publication is produced in accordance with COBS 12.3 as Non-Independent Research and approved under part IV article 19 of The Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "FPO") by Pareto Securities limited for communication in the United Kingdom only to investment professionals as that term is defined in article 19(5) of the FPO. This publication is issued for the benefit of persons who qualify as eligible counterparties or professional clients and should be made available only to such persons and is exempt from the restriction on financial promotion in s21 of the Financial Services and Markets Act 2000 in reliance on provision in the FPO.

**Copyright**

This publication or report may not be mechanically duplicated, photocopied or otherwise reproduced, in full or in part, under applicable copyright laws. Any infringement of Pareto Securities Research's copyright can be pursued legally whereby the infringer will be held liable for any and all losses and expenses incurred by the infringement.

## Appendix A

Disclosure requirements pursuant to the Norwegian Securities Trading Regulations section 3-10 (2) and section 3-11 (1), letters a-b

The below list shows companies where Pareto Securities AS - together with affiliated companies and/or persons – own a portion of the shares exceeding 5 % of the total share capital in any company where a recommendation has been produced or distributed by Pareto Securities AS.

Companies	No. of shares	Holdings in %	Companies	No. of shares	Holdings in %
Helgeland Sparebank	1,986,092	9.52 %	SpareBank 1Østfold Akersl	1,129,560	9.12 %
Pareto Bank ASA	10,081,382	17.20 %	Sparebanken Vest	4,416,079	7.48 %

Pareto Securities AS or its affiliates own as determined in accordance with Section 13(d) of the US Exchange Act, 1 % or more of the equity securities of:

Companies	No. of shares	Holdings in %	Companies	No. of shares	Holdings in %
Helgeland Sparebank	1,986,092	9.52 %	SpareBank 1SMN	1,911,792	1.47 %
NHST Media Group AS	21,475	1.85 %	SpareBank 1Østfold Akersl	1,129,560	9.12 %
Pareto Bank ASA	10,081,382	17.20 %	Sparebanken Møre	311,739	3.15 %
Selvaag Bolig ASA	2,147,852	2.29 %	Sparebanken Sør	460,889	2.94 %
SpareBank 1BV	1,555,368	2.47 %	Sparebanken Vest	4,416,079	7.48 %

Pareto Securities AS may hold financial instruments in companies where a recommendation has been produced or distributed by Pareto Securities AS in connection with rendering investment services, including Market Making.

Please find below an overview of material interests in shares held by employees in Pareto Securities AS, in companies where a recommendation has been produced or distributed by Pareto Securities AS. "By material interest" means holdings exceeding a value of NOK 50 000.

Company	Analyst holdings*	Total holdings	Company	Analyst holdings*	Total holdings	Company	Analyst holdings*	Total holdings
AF Gruppen	0	1,683	Frontline	0	29,414	Petroleum Geo-Services	0	67,234
Aker	0	521	Gjensidige Forsikring	0	8,691	Prosafe	0	5,984
Aker BP	0	825	Golden Ocean Group	0	4,824	Protector Forsikring	0	14,085
Aker Solutions	0	2,085	Helgeland Sparebank	0	1,700	REC Silicon	0	161,192
AKVA Group	0	1,500	Höegh LNG	0	12,418	SailMar	0	130
American Shipping Compar	0	3,105	Høland og Setskog Spareb	0	972	Sandnes Sparebank	0	18,032
Archer	0	73,520	Ice Group AS	0	55,500	Scatec Solar	0	37,800
Arcus	0	1,673	Jæren Sparebank	0	500	Selvaag Bolig	0	10,300
Atea	0	450	Komplett Bank	0	97,100	SpareBank 1BV	0	10,000
Austevoll Seafood	0	5,780	Kongsberg Gruppen	0	3,700	SpareBank 1Nord-Norge	0	30,000
Avance Gas	0	32,701	Lerøy Seafood	0	43,572	SpareBank 1SMN	0	16,590
Axactor	0	21,686	Marine Harvest	0	1,805	SpareBank 1SR-Bank	0	38,666
B2Holding	0	7,200	Mono bank	0	1,355,000	SpareBank 1Østlandet	0	2,891
Bonheur	0	44,509	NEXT Biometrics	0	1,686	Sparebanken Møre	0	6,550
BWLPG	0	4,392	Nordic Semiconductor	0	4,000	Sparebanken Sør	0	43,580
DNB	0	34,910	Norsk Hydro	0	111,852	Sparebanken Øst	0	3,000
DNO	0	18,983	Norwegian Air Shuttle	0	3,779	Storebrand	0	4,838
DOF	0	138,498	Norwegian Property	0	162,000	Subsea 7	0	7,052
Entra	0	14,362	Ocean Yield	0	31,842	Telenor	0	2,272
Equinor	0	9,298	Odfjell Drilling	0	8,731	TGS-NOPEC	0	2,000
Europris	0	9,360	Orkla	0	23,526	XXL	0	7,220
Faroe Petroleum	9,600	9,600	Panoro Energy	0	18,020	Yara International	0	18,689
Flex LNG	0	10,000	Pareto Bank	0	959,509	Zenterio	0	78,865

This overview is updated monthly (last updated 15.08.2018).

\*Analyst holdings refer to positions held by the Pareto Securities AS analyst covering the company.

## Appendix B

Disclosure requirements pursuant to the Norwegian Securities Trading ST Regulation § 3-11, letters d-f, ref the Securities Trading Act Section 3-10

Overview over issuers of financial instruments where Pareto Securities AS have prepared or distributed investment recommendation, where Pareto Securities AS have been lead manager/co-lead manager or have rendered publicly known not immaterial investment banking services over the previous 12 months:

Africa Energy	Genel Energy	PetroMatad Limited
Akva Group	Gulf Keystone Petroleum	Petrotal LLC
Arnarlix	HI BidCo AS	Pilbara Minerals
Atlantic Sapphire AS	Hospitality Invest AS	Pioneer Public Properties Finland Oy
Avida Holding AB	Hunter Group	Point Resources AS
Bankers Petroleum Ltd	Ice Group	Quant AB
BKK	Idavang A/S	Questerre Energy Corporation
Borealis Finance	Instabank	Rødovre Port Holding A/S
Borr Drilling Limited	Komplett Bank	Sakti Global Auto Holdings
Brado AB	McDermott International	Sand Hill Petroleum
Brødboksen	MMA Offshore	SAS
Camanchaca	Monobank ASA	Scatec Solar
DNO ASA	Nemaska Lithium	Scorpio Tankers
DOFASA	Northern Drilling	Shamaran
Echo Energy	Norwegian Air Shuttle	Siccar Point Energy
Eco Atlantic Oil and Gas	Ocean Yield	SL Bidco
Eidesvik Offshore	Odfjell Drilling	SpareBank1 Buskerud-Vestfold
Eland Oil & Gas	Okea AS	Sparebanken 1 Østlandet
Embarcadero Maritime II LLC	Ovako AB	Sparebanken Vest
Faroe Petroleum	Pandion Energy	Veo B.V.
Filo Mining Corp	Pareto Bank	Zwipe AS
Fortum		

*This overview is updated monthly (this overview is for the period 31.07.2017 – 31.07.2018).*

## Appendix C

Disclosure requirements pursuant to the Norwegian Securities Trading ST Regulation § 3-11(4)

### Distribution of recommendations

Recommendation	% distribution
Buy	69 %
Hold	26 %
Sell	4 %

### Distribution of recommendations (transactions\*)

Recommendation	% distribution
Buy	91 %
Hold	9 %
Sell	0 %

\* Companies under coverage with which Pareto Securities Group has on-going or completed public investment banking services in the previous 12 months

This overview is updated monthly (last updated 15.08.2018).

## Appendix D

This section applies to research reports prepared by Pareto Securities AB.

### Disclosure of positions in financial instruments

The beneficial holding of the Pareto Group is 1 % or more of the total share capital of the following companies included in Pareto Securities AB's research coverage universe: None

The Pareto Group has material holdings of other financial instruments than shares issued by the following companies included in Pareto Securities AB's research coverage universe: None

### Disclosure of assignments and mandates

Overview over issuers of financial instruments where Pareto Securities AB has prepared or distributed investment recommendation, where Pareto Securities AB has been lead manager or co-lead manager or has rendered publicly known not immaterial investment banking services over the previous twelve months:

Aspire	Green Landscaping Holding	Powercell	Sedana Medical
Cibus Nordic Real Estate	Lehto Group	Magnolia Bostad	Vostok New Ventures
Climeon	Organoclick	Scibase	

Members of the Pareto Group provide market making or other liquidity providing services to the following companies included in Pareto Securities AB's research coverage universes:

Africa Oil	Cavotec	Isofol Medical	Shamran Petroleum
BlackPearl Resources Inc	Cibus Nordic Real Estate	Saltängen Property Invest	Tethys Oil
Byggmästare Anders J Ahlström	Delarka Holding	SciBase Holding	Vostok Emerging Finance
Byggpartner i Dalarna	International Petroleum Corporation	Sedana Medical	

Members of the Pareto Group have entered into agreements concerning the inclusion of the company in question in Pareto Securities AB's research coverage universe with the following companies: None  
*This overview is updated monthly (last updated 15.08.2018).*