



# CLIMEON YEAR-END REPORT

1 January – 31 December 2018

# Q4

## FOURTH QUARTER 2018

Net sales increased sharply during the quarter to SEK 37.8 million (11.1) due to increased deliveries. Net sales for the full year amounted to SEK 58.9 million (11.9). Order intake for the fourth quarter amounted to SEK 40.0 million (12.6). In total, the order backlog amounted to SEK 818.6 million (353.7) by the end of the year. During the quarter many modules have been delivered to customers within Maritime. Within the geothermal segment, focus continues to be on Japan and Iceland, where Varmaorka is now conducting final tests of their first power plant which has begun delivering electricity to the local community.

### OCTOBER – DECEMBER

- Order intake amounted to 40.0 SEK million (12.6)
- Net sales increased to 37.8 SEK million (11.1)
- Operating profit/loss amounted to -32.7 SEK million (-20.1)
- Earnings per share amounted to -0.7 SEK (-0.5)
- Climeon increased the capacity with a new test center for development and testing of Heat Power modules in Kista
- Climeon won the Japanese innovation prize "Top 10 Innovation" at Innovation for Cool Earth Forum (ICEF) in Tokyo, hosted by the Japanese Government
- In December, Climeon received an order from Iwana Power GK within geothermal in Japan worth SEK 40.0 million. Iwana Power GK is part owned by Baseload Power Japan and local entrepreneurs

### JANUARY – DECEMBER

- Order intake amounted to 478.5 SEK million (330.1)
- Order backlog amounted to 818.6 SEK million (353.7)
- Net sales increased to 58.9 SEK million (11.9)
- Operating profit/loss amounted to -101.9 SEK million (-56.7)
- Earnings per share amounted to -2.3 SEK (-1.5)
- Cash and cash equivalents amounted to 90.0 SEK million (204.0)

### IMPORTANT POST-CLOSING EVENTS

- Christoffer Andersson, former COO of Climeon, was appointed CFO and deputy CEO. Olle Tholander was appointed Head of Sales and Marketing
- Due to external factors Borealis GeoPower has experienced major delays, which is why Climeon has decided to remove their order, worth SEK 10 million, from the order backlog as of the first quarter 2019
- As of January 1, 2019, Climeon applies IFRS9 for valuation of financial assets which implies that Baseload Capital will be valued at fair value, SEK 37.7 million, an increase of SEK 0.40 per share

## RECORD NUMBER OF MODULES DELIVERED



Thomas Öström, founder and CEO of Climeon, was named Swedish person of the year within innovation by Fokus magazine in January 2019.

**59**  
NET SALES, SEK MILLION

**819**  
ORDER BACKLOG, SEK MILLION

The fourth quarter 2018 was intensive with a record number of modules delivered. Net sales increased significantly for the quarter as well as the full year and amounted to SEK 37.8 million (11.1) in the fourth quarter. Net sales for the full year amounted to SEK 58.9 million (11.9).

Within the geothermal segment, Japan and Iceland continue to be in focus. The Japanese customers have completed the first drillings and two local Japanese Heat Power Operators are now ready: Hayabusa Power and Iwana Power GK. In Fludir in Iceland, where there one year ago was nothing but a single heat source, there is now a power plant that has begun to produce clean and renewable electricity. Now, final testing of the power plant is under way, including the surrounding components and the heat source, which will supply over 1 100 homes with green electricity.

We are entering 2019 with a large order backlog to be delivered and an on-going global expansion. This has increased the need for operational focus in both management and organization, which is why we have altered the management team and organization somewhat. The new composition gives us the best possible conditions for the rapid growth we have ahead of us, with power plants to be delivered and commissioned in several different parts of the world at the same time.

The new development and testing site in Kista, which we inaugurated in October 2018, is now fully operational. After only a few months in Kista we can see how much more efficient the testing process has become and how the time from production start to delivery could be shortened.

The operational costs have been kept low despite rapid growth. At the same time, we have been preparing the company for continued expansion through our investments in the Kista test site, SEK 8.5 million, where the main part of the costs has been in the fourth quarter. The large number of deliveries within the maritime segment during the fourth quarter, with payments in the first quarter of 2019, also had a certain negative effect on cash flow. This has affected our cash balance which by the end of the year amounted to SEK 90.0 million, in line with the business plan that was communicated in connection to the listing on Nasdaq First North Premier in October 2017.

The sentiment that I share with my colleagues right now is incredible. Our idea of changing societies by providing them with fossil-free electricity 24 hours a day, 7 days a week, regardless of sunshine and wind, has begun to be realized.

Thomas Öström, CEO Climeon

# MARKET DEVELOPMENT

## MARKET DEVELOPMENT

The market factors that primarily affect Climeon are energy situation, electricity prices and cost of capital in the respective markets. These are in turn influenced by factors such as oil prices, political initiatives and regulations, prices for emission rights and access to experienced project developers.

For traditional geothermal heat power, Japan is not mentioned as a future growth market because of the challenging regulations, grid requirements and public opinion regarding large-scale geothermal development. The Japanese government has however made policy changes to support smaller installations, <10MW, by increasing the feed in tariffs and streamlining the permitting and environmental impact assessment processes. Many land owners in rural Japan have struggled to find a commercial use for their land as the spa business has been in decline for several years. The interest in leasing their land out for small scale geothermal power development has therefore increased.

Iceland is seeing an increased electricity demand, but wind power has had problems taking off because of resistance from the public, just like new large hydro and geothermal projects. Climeon's customer Varmaorka has, in contrary to this trend, received a lot of positive feedback and interest in small-scale geothermal power plants. Both private land owners and municipalities have shown interest in making better use of their geothermal resources and producing more electricity locally.

Within the maritime segment, oil prices have a direct impact on Climeon's customer repayment period, as the price of electricity on board is determined by the fuel price. At the end of the fourth quarter, the Brent crude oil price was 54 dollars a barrel (67)<sup>1</sup>. The Sulphur directive<sup>2</sup>, which limits the permitted sulfur content in fuel from 2020, continues to be in focus. The directive will imply that more expensive and more environmentally friendly fuels are needed, such as Marine Gasoil (MGO). The average price of MGO decreased during the quarter and amounted to 661.5 dollars per ton (664.5) at year-end.

<sup>3</sup>The climate issue has continued to be discussed in media, putting additional pressure on businesses and communities to invest in renewable energy. At the same time, political pressure on reducing subsidies and tax credits for fossil fuels is also increasing, which in turn makes these investments less attractive. These factors may in the long run be expected to increase demand for applications within both geothermal heat power and waste heat.

There has been a pressure on industry to improve energy efficiency for a while, which now increases as the financial incentives become more noticeable. Carbon dioxide emissions allowances have, until about a year ago, been so cheap that many companies see them as negligible. At the end of the quarter, European Emission Allowances cost about EUR 23 per ton CO<sub>2</sub>, compared to EUR 8 per ton at the end of the fourth quarter 2017.<sup>4</sup> Each Heat Power module saves about 900 tons of carbon dioxide per year, which reduces the need for emission allowances and becomes a significant financial saving for the customer.

## EUROPEAN EMISSION ALLOWANCES<sup>4</sup>



Climeon's customer Baseload Power Japan has started drilling on the first sites.



Varmaorka is conducting final tests of their first geothermal heat power plant, including Climeon's Heat Power modules.

<sup>1</sup> BBC, [bbc.com/news/topics/cmjpj223708t/oil](http://bbc.com/news/topics/cmjpj223708t/oil)

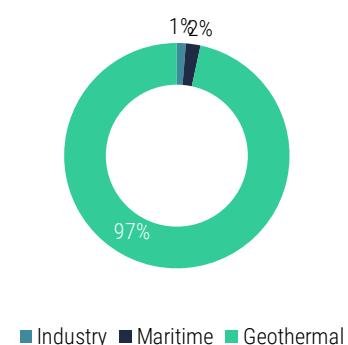
<sup>2</sup> International Maritime Organization, [imo.org/en/MediaCentre/HotTopics/Pages/Sulphur-2020.aspx](http://imo.org/en/MediaCentre/HotTopics/Pages/Sulphur-2020.aspx)

<sup>3</sup> Ship and Bunker, [shipandbunker.com/prices/av/global/av-glb-global-average-bunker-price#MGO](http://shipandbunker.com/prices/av/global/av-glb-global-average-bunker-price#MGO)

<sup>4</sup> Business Insider Markets, [markets.businessinsider.com/commodities/historical-prices/co2-emissionsrechte/euro](http://markets.businessinsider.com/commodities/historical-prices/co2-emissionsrechte/euro)

# ORDER INTAKE, SALES AND DELIVERY

## ORDER BACKLOG PER SEGMENT



■ Industry ■ Maritime ■ Geothermal

## ORDER INTAKE AND ORDER BACKLOG, SEK MILLION



## ORDER INTAKE AND SALES

Order intake during the fourth quarter amounted to 40.0 SEK million (12.6) and order intake during the period January – December amounted to 478.5 SEK million (330.1).

In December, an order worth SEK 40.0 million was obtained from Iwana Power GK, a company partly owned by Baseload Power Japan and local energy entrepreneurs. The Heat Power modules are to be delivered during 2019.

At the end of the period the order backlog amounted to 818.6 SEK million (353.7), corresponding to 236.0 SEK million (124.0) Heat Power modules.

Due to external factors, Borealis GeoPower's geothermal project has experienced major delays. Climeon has therefore chosen to remove their order, three Heat Power modules worth approximately SEK 10 million, from the order backlog as of the first quarter of 2019.

## DELIVERY

During 2018, 21 Heat Power modules were delivered, where of 14 in the fourth quarter. The majority of the deliveries in the fourth quarter were made to customers within the maritime segment. Deliveries continue to be affected by certification projects and the customers' permitting processes, which is why deliveries vary between quarters.

The lead time from order to delivery of a module is normally around 6–9 months and the time from order to launch is typically around 12 months except for orders from ship yards, where the lead time normally is in the order of 24–36 months.

Larger deals, especially within the geothermal segment, are often divided into multiple installation projects over a longer period where the majority of respective sub-projects are recognized as revenue upon delivery. One example is Climeon's deal with Varmaorka where 197 modules are to be delivered in groups of 2–15 units over a period of 36 months.

For further information regarding sales process and revenue recognition refer to the annual report for 2017.



# FINANCIAL DEVELOPMENT

## OCTOBER - DECEMBER

### NET SALES AND RESULT

Net sales amounted to 37.8 SEK million (11.1) . The increase is attributable to partial deliveries to customers within the maritime segment and the geothermal segment.

Operating profit/loss amounted to -32.7 SEK million (-20.1) . Net financial income/expense amounted to -0.6 SEK million (-0.1) . Profit/loss after financial items amounted to -33.4 SEK million (-20.3) .

The decrease in profit compared with previous year is mainly attributable to increased expenses, as scheduled, primarily related to the build-up of the development, quality, delivery and service organization which is reflected in increased personnel costs and other external costs.

During the quarter, depreciations amounted to -5.2 SEK million (-1.3) . The amount includes a write-down of patents of 0.0 SEK million (0.0) .

### CASH FLOW

Cash flow from operating activities amounted to -58.8 SEK million (-22.1) . Cash flow from investing activities amounted to -10.2 SEK million (-11.1) , mainly due to continued capitalization of internally generated development expenses and patents -4.3 SEK million (-8.1) . The company has also made continued strategic investments towards increasing capacity for serial production with a new test center in Kista (5,3 MSEK), which will also be used for development. Cash flow from financing activities amounted to 15.4 SEK million (203.5) as a result of new issues in connection with redemption of warrants. Cash flow for the quarter thus amounted to -53.7 SEK million (170.3) .

### LONG-TERM FINANCIAL GOALS

Climeon's long-term financial goal is that the gross margin should amount to 50 percent and the EBITDA margin to 35 percent.

The work towards a gross margin of 50 percent continues according to plan, but for deliveries within the maritime segment, it will take longer to reach the target. Within geothermal, and especially in Japan, the conditions are considerably better.

Climeon also works continuously to keep the cost base low as part of the effort towards profitability and the EBITDA target.

## JANUARY - DECEMBER

### NET SALES AND RESULT

Net sales for the period January - December amounted to 58.9 SEK million (11.9) , a significant increase compared to the previous year.

Operating profit/loss for the period January - December amounted to -101.9 SEK million (-56.7) . Net financial income/expense amounted to -1.4 SEK million (-0.8) . Profit/loss after financial items amounted to -103.3 SEK million (-57.5) . Also accumulated earnings for the whole year to date was affected by the increase in expenses, which is mainly related to a successive build-up of the organization.

### CASH FLOW

Cash flow from operating activities for the period January - December amounted to -89.2 SEK million (-58.6) . Cash flow from investing activities amounted to -48.1 SEK million (-26.7) , mainly attributable to investments in Baseload Capital of -19,9 MSEK (0,0) and continued capitalization of development expenses, patents and new test center in Kista. Cash flow from financing activities amounted to 23.2 SEK million (238.0) . Cash flow for the period thus amounted to -114.0 SEK million (152.7) .

### CASH POSITION

Cash and cash equivalents decreased to 90.0 SEK million (204.0) at year-end, in line with the previously communicated business plan. The equity ratio, at the same time, declined to 0.6 percent (0.8) and the net debt/equity ratio amounted to -0.4 times (-0.8) . Shareholder's equity amounted to 141.8 SEK million (221.8) or 3.1 SEK (5.1) per share.

### INVESTMENTS

The company's investments during the period January - December amounted to 48.1 SEK million (26.7) . These investments mainly consisted of acquisition of intangible assets 18.1 SEK million (20.2) , mainly related to continuous development of Climeon Heat Power and patents, as well as investments in new test center 8,5 MSEK (0,0) . The company has also made an investment in Baseload Capital of 19,9 MSEK (0,0)

### DEFERRED TAX ASSET

The company has unutilized loss carryforwards amounting to 220.4 MSEK (117.4), of which the tax effect has not been recognized as a deferred tax asset in the balance sheet.

# OTHER INFORMATION

## FINANCIAL CALENDAR

Annual report 2018,  
April 2019

Interim report first quarter 2019,  
9 May 2019

AGM,  
16 May 2019

Interim report second quarter 2019,  
28 August 2019

Interim report third quarter 2019,  
5 November 2019

## PERSONNEL AND ORGANIZATION

The average number of employees during the period January - December amounted to 62 (35), of which 25 percent women and 75 percent men. At year-end the number of employees amounted to 67 (42).

## WARRANT PROGRAMS

As of December 31, 2018, the company has outstanding warrants, which entitle the holders to subscribe for 1,768,529 class B shares.

For further information regarding the warrants, please refer to the company's website, <http://www.climeon.com/warrantprograms>.

## MATERIAL RISKS AND FACTORS OF UNCERTAINTY

Material financial risks and uncertainties of the company include market risks related to agreements with customers and suppliers, liquidity and financing risks and credit and counterparty risks. A detailed presentation of the company's material financial risks is found in the directors' report in the annual report for 2017.

## REVIEW

This interim report has not been reviewed by the auditors of the company.

This report has been published in a Swedish and an English version. The Swedish version shall prevail in the event of differences between the two.

## CONTACT INFORMATION

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After publication the report is kept  
available at the company's website,  
[www.climeon.com](http://www.climeon.com).

# FINANCIAL REPORTS IN BRIEF

## INCOME STATEMENT

SEK, thousand	Note	Oct-Dec		Jan-Dec	Jan-Dec
		2018	2017	2018	2017
Net sales	2	37,819	11,135	58,906	11,856
Capitalized work for own account		3,946	6,195	16,827	18,329
Other operating income		824	1,482	3,351	1,499
<b>Operating expenses</b>					
Raw material and consumables 5)		-40,746	-17,905	-67,690	-26,140
Other external expenses		-10,723	-6,840	-32,313	-18,515
Personnel expenses		-18,647	-12,888	-66,193	-39,760
Depreciation and amortization of tangible and intangible assets		-5,213	-1,318	-13,396	-3,933
Other operating expenses		-	-0	-1,388	-3
<b>Operating profit/loss</b>		<b>-32,740</b>	<b>-20,140</b>	<b>-101,896</b>	<b>-56,667</b>
<b>Profit from financial items</b>					
Interest income and other financial items		153	101	240	101
Interest expenses and other financial items		-792	-305	-1,617	-885
<b>Profit/loss after financial items</b>		<b>-33,379</b>	<b>-20,344</b>	<b>-103,274</b>	<b>-57,451</b>
Tax		-	-	-	-
<b>Profit/loss for the period 6)</b>		<b>-33,379</b>	<b>-20,344</b>	<b>-103,274</b>	<b>-57,451</b>
<b>Earnings per share, SEK</b>					
Before dilution		-0.74	-0.48	-2.30	-1.54
After dilution		-0.74	-0.48	-2.30	-1.54

5) Includes costs for warranty, service and capitalized work for own account

6) Other comprehensive income for the period correspond to net result for the period

**BALANCE SHEET**

SEK, thousand	Note	31 Dec 2018	31 Dec 2017
<b>Assets</b>			
Intangible non-current assets	3	42,056	34,228
Tangible non-current assets	4	17,524	10,560
Financial assets	5	19,902	-
<b>Total non-current assets</b>		<b>79,482</b>	<b>44,788</b>
Inventories		29,755	5,570
Accounts receivable		28,061	9,978
Other current receivables		13,862	5,273
Cash and cash equivalents		89,959	203,977
<b>Total current assets</b>		<b>161,637</b>	<b>224,798</b>
<b>Total Assets</b>		<b>241,119</b>	<b>269,586</b>
<b>Equity and liabilities</b>			
Share capital		676	651
Paid up, non-registered share capital		11,582	-
Reserve for development costs		36,011	26,874
Share premium reserve		347,366	336,491
Retained earnings		-253,827	-142,175
<b>Total shareholder's equity</b>		<b>141,808</b>	<b>221,841</b>
Other provisions		7,416	1,524
<b>Total provisions</b>		<b>7,416</b>	<b>1,524</b>
Other non-current liabilities	6	28,081	28,081
<b>Total non-current liabilities</b>		<b>28,081</b>	<b>28,081</b>
Advance payments from customers		24,030	1,984
Accounts payable		24,572	9,557
Other current liabilities		15,213	6,599
<b>Total current liabilities</b>		<b>63,814</b>	<b>18,140</b>
<b>Total equity and liabilities</b>		<b>241,119</b>	<b>269,586</b>

## STATEMENT OF CHANGES IN TOTAL EQUITY IN BRIEF

Statement of changes in total equity	Restricted equity		Unrestricted equity		
	Share capital	Reserve for development costs	Premium reserve	Retained earnings	Total equity
Opening balance equity 2017-01-01	356	10,200	111,878	-69,092	53,342
Profit/loss for the period	-	-	-	-57,451	-57,451
Capitalization and utilization as a result of the period's depreciation of development costs	-	16,852	-	-16,852	-
Other comprehensive income	-	-	-	-	-
<b>Total comprehensive income/loss</b>	-	<b>16,852</b>	-	<b>-74,303</b>	<b>-57,451</b>
<i>Transactions with shareholders:</i>					
New issue	116	-	223,884	-	224,000
Bonus issue	178	-178	-	-	-
Premiums paid for warrants	-	-	-	1,220	1,220
Exercise of warrants	1	-	730	-	731
Paid up, non-registered share capital	-	-	-	-	-
<b>Total transactions with shareholders</b>	<b>295</b>	<b>-178</b>	<b>224,614</b>	<b>1,220</b>	<b>225,951</b>
<b>Closing balance equity 2017-12-31</b>	<b>651</b>	<b>26,874</b>	<b>336,491</b>	<b>-142,175</b>	<b>221,841</b>
 <b>Opening balance equity 2018-01-01</b>	 <b>651</b>	 <b>26,874</b>	 <b>336,491</b>	 <b>-142,175</b>	 <b>221,841</b>
Profit/loss for the period 7)	-	-	-	-103,273	-103,273
Capitalization and utilization as a result of the period's depreciation of development costs	-	9,137	-	-9,137	-
Other comprehensive income	-	-	-	-	-
<b>Total comprehensive income/loss</b>	-	<b>9,137</b>	-	<b>-112,410</b>	<b>-103,273</b>
<i>Transactions with shareholders:</i>					
Premiums paid for warrants	-	-	-	759	759
Exercise of warrants	25	-	10,874	-	10,899
Paid up, non-registered share capital	-	11,582	-	-	11,582
<b>Total transactions with shareholders</b>	<b>25</b>	<b>11,582</b>	<b>10,874</b>	<b>759</b>	<b>23,240</b>
<b>Closing balance equity 2018-12-31</b>	<b>676</b>	<b>47,592</b>	<b>347,366</b>	<b>-253,827</b>	<b>141,808</b>

7) Other comprehensive income for the period correspond to net result for the period

## CASH FLOW STATEMENT IN BRIEF

SEK, thousand	Oct-Dec		Jan-Dec	Jan-Dec
	2018	2017	2018	2017
<b>Operating activities</b>				
Operating profit	-32,740	-20,220	-101,896	-56,667
Adjustments for items not included in cash flow	9,137	2,859	19,288	5,457
Financial items	-639	-141	-1,377	-784
<b>Cash flow from operating activities before changes in working capital</b>	<b>-24,242</b>	<b>-17,502</b>	<b>-83,985</b>	<b>-51,994</b>
Changes in working capital	-34,573	-4,646	-5,183	-6,611
<b>Cash flow from operating activities</b>	<b>-58,815</b>	<b>-22,148</b>	<b>-89,168</b>	<b>-58,605</b>
<b>Investing activities</b>				
Investments in intangible assets	-4,325	-8,113	-18,145	-20,250
Investments in tangible assets	-5,907	-2,981	-10,042	-6,438
Investments in financial assets	-	-	-19,902	-
<b>Cash flow from investing activities</b>	<b>-10,232</b>	<b>-11,094</b>	<b>-48,089</b>	<b>-26,688</b>
<b>Cash flow after investing activities</b>	<b>-69,047</b>	<b>-33,242</b>	<b>-137,257</b>	<b>-85,293</b>
<b>Financing activities</b>				
Raise of short-term debt	-	-20,900	-	-
Raise of long-term debt	-	-	-	12,000
New issue	3,782	224,000	10,899	224,730
Premiums paid for warrants	-	424	759	1,220
Paid up, non-registered share capital	11,582	-	11,582	-
<b>Cash flow from financing activities</b>	<b>15,363</b>	<b>203,524</b>	<b>23,240</b>	<b>237,950</b>
<b>Cash flow for the period</b>	<b>-53,684</b>	<b>170,282</b>	<b>-114,017</b>	<b>152,657</b>
Cash and cash equivalents at the beginning of the period	143,643	33,695	203,977	51,320
<b>Cash and cash equivalents at the end of the period</b>	<b>89,959</b>	<b>203,977</b>	<b>89,959</b>	<b>203,977</b>

# THE CLIMEON SHARE

## LARGEST SHAREHOLDERS, DECEMBER 31, 2018

Shareholders	Number of shares			Number of votes	Voting right, %
	Series A	Series B	Capital, %		
Thomas Öström	9,500,000	155,900	21.4	95,155,900	54.9
Joachim Karthäuser	4,750,000	218,300	11.0	47,718,300	27.5
Försäkringsbolaget, Avanza Pension	-	1,356,808	3.0	1,356,808	0.8
Stefan Brendgen	-	1,300,000	2.9	1,300,000	0.7
Handelsbanken Hållbar Energi	-	1,169,667	2.6	1,169,667	0.7
Olle Bergström	-	935,000	2.1	935,000	0.5
Nordnet Pensionsförsäkringar AB	-	898,661	2.0	898,661	0.5
Frontcore Logic AB	-	649,677	1.4	649,677	0.4
Mathias Carnemark	-	644,977	1.4	644,977	0.4
Andreas Billström	-	598,225	1.3	598,225	0.3
Per Olofsson	-	580,000	1.3	580,000	0.3
LMK-Stiftelsen	-	547,741	1.2	547,741	0.3
Klas Händel	-	546,930	1.2	546,930	0.3
Skandinaviska Enskilda Banken S.A., W8IMY	-	470,456	1.0	470,456	0.3
Ålandsbanken i ägares ställe	-	464,176	1.0	464,176	0.3
Others	-	20,311,061	45.0	20,311,061	11.7
<b>Total</b>	<b>14,250,000</b>	<b>30,847,579</b>	<b>100.0</b>	<b>173,347,579</b>	<b>100.0</b>

### SHARE INFORMATION<sup>8</sup>

The number of shares in Climeon amounts to 45,097,579 with quota value of SEK 0.015, of which 14,250,000 are class A shares, 10 votes/share, and 30,847,579 are class B shares, 1 vote/share.

Climeon's B share is listed on Nasdaq First North Premier since October 13, 2017. The share price amounted to SEK 51.00 at the end of the period.

### SHARE PRICE DEVELOPMENT



	Oct-Dec		Jan-Dec	Jan-Dec
	2018	2017	2018	2017
Total number of issued shares at period end	45,097,579	43,419,379	45,097,579	43,419,379
Average number of shares outstanding	44,949,312	42,774,218	44,850,379	37,416,863
Earnings per share, before dilution, SEK	-0.74	-0.48	-2.30	-1.54
Earnings per share, after dilution, SEK	-0.74	-0.48	-2.30	-1.54
Equity per share, SEK	3.14	5.11	3.14	5.11

8) Split 1:100 was executed during second quarter 2017, comparative data has been translated

# NOTES

## NOTE 1 ACCOUNTING PRINCIPLES

This interim report is prepared in accordance with IAS 34 Interim report considering the exceptions and addition to IFRS stated in the Swedish Financial Reporting Board, RFR 2 Accounting for legal entities. The same accounting principles and calculation methods have been used in the interim report as in the latest annual report, but from January 1, 2018, the company applies IFRS 9 Financial Instruments and IFRS 15 Revenue from contracts with customers.

## NEW IFRS STANDARDS

IFRS 9 handles classification, valuation and accounting of financial assets and liabilities. Climeon applies the exempt from applying IFRS 9 to a legal entity and values its financial instruments based on the acquisition value. The company has no financial assets recognized as non-current assets, except shares in Baseload Capital, and therefore the impairment rules in RFR 2 (IFRS 9) are not applicable. The company does not apply hedge accounting. The changes in RFR 2 (IFRS 9) have not had a material impact on the financial report.

As of January 1, 2019, Climeon AB no longer applies the exempt from applying IFRS 9 to a legal entity. This implies that the holdings in Baseload Capital Sweden AB are valued based on fair value instead of the acquisition value. If the exempts from IFRS 9 in RFR 2 would not have been applied during the financial year 2018 the fair value of the holdings in Baseload Capital would amount to SEK 37.7 million per 2018-12-31 with a net financial effect of SEK 17.9 million for the financial year. Other than that, there would be no significant effects on the financial reports of 2018.

IFRS 15 is new a model for revenue recognition (five-step model) based on when the control of goods or services are transferred to a customer. Climeon provides hardware and software (Heat Power system and system software Climeon Live™). In addition, Climeon offers consulting and support services for the Heat Power system. Revenues are recognized to an amount corresponding to the compensation that the company is expected to be entitled to in exchange for these products and services. Revenue relating to Heat Power modules is recognized when the significant risks and benefits associated with the modules have been transferred to the customer, normally at delivery. Operating revenues are reported when the units have been put into operation. The license revenue is recognized when control and right of use is handed over to the customer, typically at delivery of the license. Revenues from consulting and support services are

reported in connection with these services. For support services, revenue is reported on a straight-line basis throughout the contract period. The changes in RFR 2 (IFRS 15) have not had a material impact on the financial report.

As of January 1, 2019, IFRS 16 Leasing starts to apply. Climeon will apply the exempt from applying IFRS 16 to a legal entity and will classify its leasing agreements according to the guidelines for operational leasing.

The company sells and markets a small number of products which are for the most part packaged and sold to the same customers. The company's operational organization and management are organized by function and the company's internal monitoring is currently at the aggregated level only. Monitoring of geographic areas is only done for sales in respective countries or regions. Considering the above, the company recognizes no operating segments in the financial statements.

## NOTE 2 DISTRIBUTION OF NET SALES

SEK, thousand	Oct-Dec		Jan-Dec	
	2018	2017	2018	2017
Revenue type				
Hardware	37,804	11,038	58,846	11,598
Consulting and support services	15	97	73	258
Total	37,819	11,135	58,919	11,856
Geographic market				
Sweden	2	-	52	55
Europe	19,920	11,047	35,033	11,623
North America	6,114	-	12,051	-
Asia	11,783	88	11,783	178
Total	37,819	11,135	58,919	11,856

## NOTE 3 INTANGIBLE ASSETS

Intangible assets comprise capitalized expenditure on development SEK 37.7 million (29.6) and patents SEK 4.4 million (4.6). In the third quarter of 2018, a write-down of patents was made of SEK 0.3 million. Decisions regarding write-downs of patents has been based on the fact that they relate to products or business areas that are no longer used in

the product or are in focus for the company's operations. In the third quarter of 2018 depreciations amounted to SEK 2.0 million. Depreciations year to date amounted to SEK 6.0 million.

#### **NOTE 4 TANGIBLE ASSETS**

Tangible assets comprise leasehold improvements SEK 5.3 million (2.5), equipment SEK 0.9 million (0.6), technical equipment SEK 3.6 million (2.7), and systems located at customer premises and where the customers pay for the electricity generated ("As-a-Service") SEK 2.1 million (4.8). In the third quarter of 2018 depreciations amounted to SEK 0.9 million. Depreciations year to date amounted to SEK 2.2 million.

#### **NOTE 5 FINANCIAL ASSETS**

Financial assets consist of investments in the finance company Baseload Capital Sweden AB of SEK 19.9 million (0.0), corresponding to 19.8 percent ownership in the company, of which the company has contributed SEK 18.9 million (0.0) in form of conditional shareholder contributions, which increased the financial assets. The amounts are reported at acquisition cost.

#### **NOTE 6 BORROWINGS**

Long-term liabilities comprise a conditional loan from the Swedish Energy Agency for the development of Climeon Heat Power SEK 14.1 million (14.1), Almi Företagspartner of SEK 2.0 million (2.0) and loan for order financing from Almi Företagspartner of SEK 12.0 million (12.0).

#### **NOTE 7 PLEDGED ASSETS AND CONTINGENT LIABILITIES**

Pledged assets and contingent liabilities amount to SEK 22.9 million (22.8) and comprise a floating charge to Almi Företagspartner of SEK 20.8 million (20.8), and pledged bank deposits of SEK 2.1 million (2.0) for prepayment guarantees to suppliers and customers.

## KEY NUMBERS

	Oct-Dec		Jan-Dec	Jan-Dec
	2018	2017	2018	2017
Order intake, SEK million	40.0	12.6	478.5	330.1
Order backlog, SEK million	818.6	353.7	818.6	353.7
Equity ratio (%)	0.6	0.8	0.6	0.8
Debt ratio (times)	0.8	0.2	0.8	0.2
Net debt ratio (times)	-0.4	-0.8	-0.4	-0.8
Earnings per share, before dilution, SEK	-0.74	-0.48	-2.30	-1.54
Earnings per share, after dilution, SEK	-0.74	-0.48	-2.30	-1.54
Equity per share, SEK	3.14	5.11	3.14	5.11
Cash and cash equivalents, SEK Million	90.0	204.0	90.0	204.0
Share price at period end, CLIME B, SEK	51.00	53.00	51.00	53.00

Climeon presents certain financial measures in the interim report that are not defined according to IFRS, so called alternative performance measures. Climeon believes that these measures provide valuable supplemental information to investors and the Company's management as they allow for evaluation of trends and the Company's performance. Since all companies do not calculate financial measures in the same way, they are not always comparable to measures used by other companies. For definitions of the performance measures that Climeon uses, please see below.

## DEFINITIONS

<b>Order intake</b>	Total signed customer orders received during the period.
<b>Order backlog</b>	The value at the end of the period of all received and signed customer orders not invoice to customer at the end of the period.
<b>Equity ratio</b>	Shareholders' equity as a percentage of total assets.
<b>Debt ratio</b>	Liabilities including deferred tax liabilities and provisions divided by shareholders' equity (times).
<b>Net debt ratio</b>	Interest-bearing net debt including cash and cash equivalents divided by shareholders' equity (times). Negative net debt ratio means that current liabilities exceed interest-bearing liabilities.
<b>Earnings per share, before dilution</b>	Profit/loss for the period divided by the weighted average number of outstanding shares during the period.
<b>Earnings per share, after dilution</b>	Earnings per share adjusted by the number of outstanding warrants.
<b>Equity per share</b>	Shareholders' equity divided by the number of outstanding shares at end of the period.

# QUARTERLY FIGURES

## INCOME STATEMENT

SEK, million	2018					2017				
	Q4	Q3	Q2	Q1	Full-year	Q4	Q3	Q2	Q1	Full-year
Net sales	37.8	8.9	12.2	0.0	58.9	11.1	0.0	0.1	0.6	11.9
Capitalized work for own account	3.9	3.7	5.1	4.1	16.8	6.2	5.4	4.3	2.4	18.3
Other operating income	0.8	1.6	0.1	0.8	3.4	1.4	-	-	0.1	1.5
<b>Operating expenses</b>				-	-					
Raw material and consumables	-40.7	-11.1	-14.4	-1.4	-67.7	-17.9	-4.8	-3.3	-0.1	-26.1
Other external expenses	-10.7	-7.7	-7.1	-6.8	-32.3	-6.8	-3.3	-4.1	-4.3	-18.5
Personnel expenses	-18.6	-14.6	-18.9	-14.1	-66.2	-12.9	-9.4	-9.5	-8.0	-39.8
Depreciation and amortization of tangible and intangible assets	-5.2	-2.8	-2.7	-2.7	-13.4	-1.3	-0.9	-0.9	-0.9	-3.9
Other operating expenses	-	-1.4	-	-0.0	-1.4	-0.0	-0.0	-0.0	-0.0	-0.0
<b>Operating profit/loss</b>	-32.7	-23.3	-25.8	-20.1	-101.9	-20.2	-13.0	-13.3	-10.2	-56.7
Net financial income	-0.6	-0.2	-0.2	-0.4	-1.4	-0.1	-0.6	-0.1	-0.0	-0.8
<b>Profit/loss after financial items</b>	-33.4	-23.5	-25.9	-20.5	-103.3	-20.3	-13.5	-13.3	-10.2	-57.5
Tax	-	-	-	-	-	-	-	-	-	-
<b>Profit/loss for the period</b>	-33.4	-23.5	-25.9	-20.5	-103.3	-20.3	-13.5	-13.3	-10.2	-57.5
Earnings per share, before dilution, SEK	-0.74	-0.52	-0.58	-0.46	-2.30	-0.48	-0.38	-0.37	-0.29	-1.54
Earnings per share, after dilution, SEK	-0.74	-0.52	-0.58	-0.46	-2.30	-0.48	-0.38	-0.37	-0.29	-1.54

## BALANCE SHEET

SEK, million	2018					2017				
	Q4	Q3	Q2	Q1	Full-year	Q4	Q3	Q2	Q1	Full-year
Intangible non-current assets	42.1	42.1	40.4	36.5	42.1	34.2	27.0	23.0	19.3	34.2
Tangible non-current assets	17.5	11.9	10.4	10.6	17.5	10.6	8.0	5.6	6.0	10.6
Financial assets	19.9	19.9	19.9	19.9	19.9	-	-	-	-	-
<b>Total non-current assets</b>	<b>79.5</b>	<b>73.9</b>	<b>70.7</b>	<b>67.0</b>	<b>79.5</b>	<b>44.8</b>	<b>35.0</b>	<b>28.6</b>	<b>25.3</b>	<b>44.8</b>
Inventories	29.8	40.6	19.7	8.1	29.8	5.6	12.9	9.1	8.5	5.6
Current receivables	41.9	9.8	18.2	11.4	41.9	15.3	6.5	2.7	3.9	15.3
Cash and cash equivalents	90.0	143.6	161.2	169.8	90.0	204.0	33.7	27.2	32.6	204.0
<b>Total current assets</b>	<b>161.6</b>	<b>194.0</b>	<b>199.1</b>	<b>189.3</b>	<b>161.6</b>	<b>224.8</b>	<b>53.1</b>	<b>39.0</b>	<b>45.0</b>	<b>224.8</b>
<b>Total assets</b>	<b>241.1</b>	<b>267.9</b>	<b>269.8</b>	<b>256.3</b>	<b>241.1</b>	<b>269.6</b>	<b>88.1</b>	<b>67.6</b>	<b>70.3</b>	<b>269.6</b>
Shareholder's equity	141.8	159.8	183.3	208.5	141.8	221.8	17.8	30.7	43.6	221.8
Non-current liabilities and other provisions	35.5	31.6	30.7	29.6	35.5	29.6	28.1	16.1	16.1	29.6
Current liabilities	63.8	76.5	55.7	18.2	63.8	18.1	42.3	20.8	10.6	18.1
<b>Total equity and liabilities</b>	<b>241.1</b>	<b>267.9</b>	<b>269.8</b>	<b>256.3</b>	<b>241.1</b>	<b>269.6</b>	<b>88.1</b>	<b>67.6</b>	<b>70.3</b>	<b>269.6</b>

**CASH FLOW STATEMENT**

SEK, million	2018					2017				
	Q4	Q3	Q2	Q1	Full-year	Q4	Q3	Q2	Q1	Full-year
Cash flow from operating activities before changes in working capital	-24.2	-19.8	-22.2	-17.8	-84.0	-17.5	-12.7	-12.5	-9.4	-52.0
Cash flow from changes in working capital	-34.6	8.9	19.1	1.4	-5.2	-4.6	2.6	2.0	-5.7	-6.6
<b>Cash flow from operating activities</b>	<b>-58.8</b>	<b>-10.9</b>	<b>-3.0</b>	<b>-16.4</b>	<b>-89.2</b>	<b>-22.1</b>	<b>-10.1</b>	<b>-10.5</b>	<b>-15.1</b>	<b>-58.6</b>
Investing activities	-10.2	-6.6	-6.3	-24.9	-48.1	-11.1	-7.3	-5.0	-4.1	-26.7
<b>Cash flow after investing activities</b>	<b>-69.0</b>	<b>-17.6</b>	<b>-9.3</b>	<b>-41.3</b>	<b>-137.3</b>	<b>-33.2</b>	<b>-17.4</b>	<b>-15.5</b>	<b>-19.2</b>	<b>-85.3</b>
Financing activities	15.4	-	0.8	7.1	23.2	203.5	23.9	10.1	0.5	238.0
<b>Cash flow for the period</b>	<b>-53.7</b>	<b>-17.6</b>	<b>-8.6</b>	<b>-34.2</b>	<b>-114.0</b>	<b>170.3</b>	<b>6.5</b>	<b>-5.4</b>	<b>-18.7</b>	<b>152.7</b>
Cash and cash equivalents at the beginning of the period	143.6	161.2	169.8	204.0	204.0	33.7	27.2	32.6	51.3	51.3
<b>Cash and cash equivalents at the end of the period</b>	<b>90.0</b>	<b>143.6</b>	<b>161.2</b>	<b>169.8</b>	<b>90.0</b>	<b>204.0</b>	<b>33.7</b>	<b>27.2</b>	<b>32.6</b>	<b>204.0</b>

# THIS IS CLIMEON

Climeon is a Swedish product company within energy technology. The company's unique technology for heat power - Heat Power - provides sustainable electricity around the clock all year round, in abundance and cheaper than the alternatives, and thus outperforms other types of energy. Climeon aims to become a global leader and the world's number one climate solver. The B share is listed on Nasdaq Stockholm First North Premier. Certified Adviser is FNCA Sweden AB.

## VISION

Climeon's vision is to become the number one climate solver, empowering a fossil-free world with heat power.

## BUSINESS IDEA

Climeon contributes to the future of renewable energy with innovative heat power solutions that are profitable for customers – Business for a better world.

## LONG-TERM GOALS

### OPERATIONAL GOALS

Climeon aims to become the leading provider of low temperature heat power solutions by offering competitive products with the lowest possible levelized cost of energy (LCOE) for customers. In order to do this, Climeon will focus on:

- Becoming the low temperature de facto standard in chosen segments
- Maintaining the Heat Power system's market leading conversion efficiency
- Optimize the C3 technology and surrounding systems to give users of the Heat Power system a lower electricity cost (LCOE)

### FINANCIAL GOALS

A long-term gross margin of 50 percent and an EBITDA margin of 35 percent.

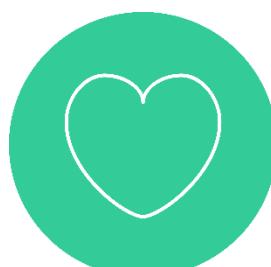
## CORE VALUES



BE AMAZING



ALWAYS DELIVER



DO GOOD

**CLIMEON**