



# CLIMEON INTERIM REPORT

January 1 – June 30, 2019

# Q2

## SECOND QUARTER 2019

Net sales increased during the quarter to SEK 23.9 million (12.2), attributable to deliveries within the prioritized customer segments geothermal and maritime. Climeon has expanded globally through the establishment of a subsidiary in Japan. The company sees an increase of interest in Maritime and received an additional order from Fincantieri/Virgin Voyages during the quarter. Operating profit amounted to SEK -33.9 million (-25.8) and profit after financial items amounted to SEK -34.9 million (-25.9). The order backlog totaled SEK 800.8 million (739.7) at the end of the quarter.

### APRIL – JUNE

- Net sales increased to SEK 23.9 million (12.2)
- Order intake amounted to SEK 24.5 million (322.0)
- Operating profit/loss amounted to SEK -33.9 million (-25.8)
- Earnings per share amounted to SEK -0.7 (-0.6)
- Climeon has carried out a directed new share issue of 3,000,000 Class B shares. The share issue was substantially over-subscribed with large interest from institutional investors in the Nordics, Germany, UK and US. Through the directed new share issue, Climeon received proceeds amounting to SEK 249 million, excluding transaction costs
- Climeon has received an additional order from Fincantieri/Virgin Voyages of Heat Power modules worth approximately SEK 15 million
- Climeon has removed an order worth SEK 11.5 million from the order backlog
- Climeon received a first order within geothermal in Hungary, a new geographical market for the company. The order value amounts to approximately SEK 9 million
- Climeon established its first subsidiary in Japan to strengthen and develop the company's business in the country

### JANUARY – JUNE

- Net sales amounted to SEK 46.4 million (12.2)
- Order intake amounted to SEK 24.5 million (373.4)
- Order backlog amounted to SEK 800.8 million (739.7)
- Operating profit/loss amounted to SEK -50.8 million (-45.8)
- Earnings per share amounted to SEK -0.9 (-1.0)
- Total bank funds amounted to SEK 213.9 million (90.0) thereof cash and cash equivalents SEK 178.9 million (90.0)

## HARD WORK TO INCREASE DEPLOYMENT SPEED



Thomas Öström, co-founder and CEO of Climeon.

During the second quarter we have methodically continued building our organization and broadened our customer offering. We have a very good order backlog with call offs as customers' sites are completed and thereby ready to receive deliveries of Heat Power modules. We are working hard to accelerate the customers' projects and thereby increase the delivery rate of ordered modules. In order to make it easier for our customers and to speed up the start-up process, we offer design and consulting services. This has meant that during the quarter we have been able to bring our customers closer to us, which has led to in-depth collaborations and the ability to influence and increase the deployment rate in our immature markets.

Since we opened a representative office in Japan just over one year ago, we have won several orders in the country, delivered the first Heat Power modules and now we are preparing for the first installation to be made within the next six months together with our customer and local partners. During the second quarter we took the next step by establishing Climeon's first subsidiary in Japan to create the best possible conditions to develop our business in the country. We have already seen the first positive result in the form of a METI approved construction design for the first power plant.

Every establishment in a new country demands an array of permits and certifications as well as the right partners and an understanding of the specific challenges in each geographical market. Despite thorough and meticulous preparatory work, each installation brings a number of new learnings, especially the first one in each country. Therefore, it is optimal to start with one or a few power plants when establishing a new geographical market. We now have geothermal orders in five strategically selected countries after winning our first order in Hungary during the second quarter. Together with our customers we are now focusing on putting up the first power plant in each country that can serve as a showcase and catalyst for expansion. From a sales standpoint, nothing beats being able to show potential customers power plants where Climeon's technology supplies clean electricity in their own vicinity.

For the maritime industry the requirements from the 2020 Sulphur Directive are only a few months away and in the beginning of the second quarter we received an additional order from Fincantieri/Virgin Voyages. This sent a clear signal to the industry and we now see an increased interest in Climeon's Heat Power technology. The first Virgin Voyages cruise ship is being prepared for its maiden voyage and on the second ship installation is on-going. By the end of the quarter we also delivered half of the Heat Power modules to the third ship.

During the second quarter we have strengthened the sales organization to meet the increased interest in Climeon's technology. We have recruited highly experienced people who now work dedicated with Maritime and Industry and with developing our offering in each market segment. At the same time, the collaboration with Breakthrough Energy Ventures, which started in March 2019, has really taken off.

In Iceland, we reached an important milestone as we successfully carried out and completed long-term tests of the Heat Power modules together with our client Varmaorka and the local power company. This also marked the start for Varmaorka to begin preparing the next power plant. The long-term tests and continued operation during the summer was a confirmation that our power plants achieve stable electricity production and provide the electricity grid with a reliable and renewable baseload power, which is exactly what our customers demand. Therefore, we are still convinced that geothermal heat power from low temperatures has the potential to be the largest renewable energy source.

**Thomas Öström, CEO Climeon**

24

NET SALES, SEK MILLION

801

ORDER BACKLOG, SEK MILLION

# 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.

Although the Japanese government has made policy changes to support installations below 10 MW, the permitting processes still take several months. Many landowners 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.

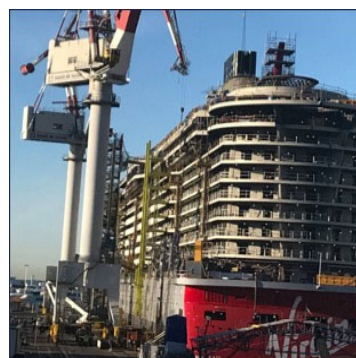
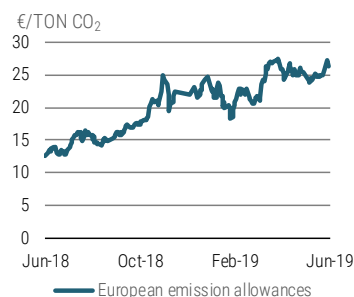
In Iceland the electricity demand is strong, but wind power has had problems taking off because of resistance from the public, just like new large hydro and geothermal projects. Climeon's customer Varmaorka has, in contrary to this trend, received a lot of positive feedback and interest in small-scale geothermal power plants. Both private landowners 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 second quarter, the Brent crude oil price was 64 dollars a barrel (77), corresponding to around 402 dollars per ton (484).<sup>1</sup> The Sulphur directive<sup>2</sup>, which limits the permitted sulfur content in fuel from 2020, is now only a few months away. The directive will imply that more expensive and more environmentally friendly fuels are needed, such as Marine Gasoil (MGO). The average price of MGO amounted to 693 dollars per ton (735) by the end of the quarter.<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.

The price of Carbon dioxide emissions allowances continues to rise. At the end of the second quarter, European Emission Allowances cost about EUR 27 per ton CO<sub>2</sub>, compared to EUR 15 per ton at the end of the second quarter 2018.<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>



Deliveries to and installation on Virgin Voyages and Fincantieri's first three vessels are progressing according to plan.



On May 16, Climeon held its Annual General Meeting and gave the shareholders an update regarding the company's development and strategies going forward.

<sup>1</sup> BBC, [bbc.com/news/topics/cmjjj223708t/oil](https://www.bbc.com/news/topics/cmjjj223708t/oil)

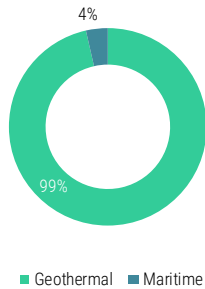
<sup>2</sup> International Maritime Organization, [imo.org/en/MediaCentre/HotTopics/Pages/Sulphur-2020.aspx](https://www.imo.org/en/MediaCentre/HotTopics/Pages/Sulphur-2020.aspx)

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

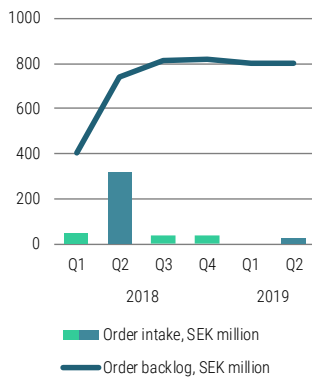
<sup>4</sup> Business Insider Markets, [markets.businessinsider.com/commodities/co2-european-emission-allowances](https://markets.businessinsider.com/commodities/co2-european-emission-allowances)

# ORDER INTAKE, SALES AND DELIVERY

## ORDER BACKLOG PER SEGMENT



## ORDER INTAKE AND ORDER BACKLOG, SEK MILLION



### ORDER INTAKE AND SALES

Order intake during the first quarter amounted to SEK 24.5 million (322.0).

Climeon won a first order in geothermal in Hungary, a new geographical market for the company. The modules were purchased by Baseload Capital Sweden and the order value was SEK 9 million.

Climeon also received a repeat order from Fincantieri / Virgin Voyages worth approximately SEK 15 million.

After long delays on the customer's side, Climeon has chosen to terminate the contract with the Japanese biomass producer, which in 2017 placed an order on Heat Power modules. The order was valued at SEK 11.5 million and has been removed from the order backlog.

At the end of the period the order backlog amounted to SEK 800.8 million (739.7), corresponding to 227 (236) Heat Power modules.

### DELIVERY AND CERTIFICATION PROCESSES

During the second quarter seven Heat Power modules were delivered. Additional modules are in production for delivery this year, which is reflected in the balance sheet item Inventories.

The lead time from order to delivery of a module is expected to stabilize around 6–9 months and the time from order to launch around 12 months.

At the moment, the lead times from order to delivery are generally longer, affected by the customers' land agreement negotiations, site-readiness and permitting processes. Among other things, building permits, drilling permits, electrical grid connection permits and environmental impact assessment are permits that can take several months for customers to get in place. All permits need to be in place before the customer is ready to accept delivery, which is why lead times vary between projects. This affects the rate of which Climeon can deliver modules. In Japan, this work has progressed during the quarter and we received positive feedback regarding site design for the first power plant.

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 large orders the deployment speed is also affected by the customers' ability to complete several installation sites in parallel.

For orders from shipyards, the lead times are in the order of 24–36 months.

In the maritime area, deliveries can be affected by product certifications by the major classification bodies. Climeon has previously been certified by Lloyds Register. Work with the certification body ABS has progressed during the quarter and there is now a clear plan to install a Heat Power module on Maersk's vessel during the end of the year.

For further information regarding sales process and revenue recognition refer to the annual report for 2018.

# FINANCIAL DEVELOPMENT

## APRIL - JUNE

### NET SALES AND RESULT

Net sales amounted to SEK 23.9 million (12.2) . Net sales are attributable to delivery to customers within geothermal in Japan, customers within maritime commissioning of Heat Power systems on Iceland.

Operating profit/loss amounted to SEK -33.9 million (-25.8) . Net financial income/expense amounted to SEK -1.0 million (-0.2) . Profit/loss after financial items amounted to SEK -34.9 million (-25.9) .

The profit/loss was also affected by increased expenses during the quarter, primarily related to continued build-up of the organization, which is reflected in increased personnel costs and other external costs.

During the quarter, depreciations amounted to SEK -2.7 million (-2.7) .

### CASH FLOW

Cash flow from operating activities amounted to SEK -81.9 million (-3.0) . The change is attributable to operating-related changes in inventories, accounts receivable and accounts payable. Due to delays in site readiness at Varmaorka and Baseload Power as well as the conditions in Baseload Capital's green bond requiring a first power plant operational in Japan, Climeon has temporarily adjusted the payment terms, which had a negative impact on cash flow this quarter. Cash flow from investing activities amounted to SEK -49.3 million (-6.3) , mainly due to placement of liquidity in current investments SEK -35.0 million (0.0), continued capitalization of internally generated development expenses and patents SEK -7.6 million (-5.7) and issuance of personnel loans SEK -6.4 million (0.0). Cash flow from financing activities amounted to SEK 238.3 million (0.8) attributable to directed new share issue, amortization of loans SEK -13.9 million and premiums paid for warrants SEK 10.0 million. Cash flow for the quarter thus amounted to SEK 107.0 million (-8.6) .

### 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 - JUNE

### NET SALES AND RESULT

Net sales amounted to SEK 46.4 million (12.2) , a significant increase compared to the previous year.

Operating profit/loss for the period amounted to SEK -50.8 million (-45.8) . Net financial income/expense amounted to SEK 8.6 million (-0.5) , positively affected by the increased value of the holding in Baseload Capital. Profit/loss after financial items amounted to SEK -42.2 million (-46.4) . 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.

Depreciations amounted to SEK -5.4 million (-5.3) during the period.

### CASH FLOW

Cash flow from operating activities for the period amounted to SEK -103.8 million (-19.4) and is attributable to operating-related changes in inventories, accounts receivable and accounts payable. Cash flow from investing activities amounted to SEK -57.1 million (-31.2) , mainly attributable to placement of liquidity in current investments, continued capitalization of development expenses, patents and new test center in Kista. Cash flow from financing activities amounted to SEK 249.9 million (7.9) . Cash flow for the period thus amounted to SEK 88.9 million (-42.7) .

### CASH POSITION

Cash and cash equivalents increased to SEK 178.9 million (90.0) at period-end. The equity ratio, at the same time, increased to 84.4 percent (58.8) and the net debt/equity ratio amounted to -0.4 times (-0.4) . Shareholder's equity amounted to SEK 381.3 million (159.6) or SEK 7.7 (3.1) per share. Warrants have been issued partly through credit to key personnel within the company. The loan of SEK 6.4 million runs at market rate.

### INVESTMENTS

The company's investments during January–June amounted to SEK 57.1 million (31.2) . These investments mainly consisted of current investment at a fixed interest rate and acquisition of intangible assets SEK 11.9 million (10.2) , primarily related to continuous development of Climeon Heat Power and patents.

### DEFERRED TAX ASSET

The company has unutilized loss carryforwards amounting to SEK 271.8 million (219.9), of which the tax effect has not been recognized as a deferred tax asset in the balance sheet.

## OTHER INFORMATION

### FINANCIAL CALENDAR

Interim report third quarter 2019  
November 5, 2019

Year-End report 2019  
February 12, 2020

Interim report first quarter 2020  
May 6, 2020

Interim report second quarter 2020  
July 17, 2020

Interim report third quarter 2020  
November 4, 2020

### 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).

### PERSONNEL AND ORGANIZATION

The average number of employees during the period January to June amounted to 76 (56), of which 25 percent women and 75 percent men. At period-end the number of employees amounted to 82 (64).

### WARRANT PROGRAMS

As of June 30, 2019, the company has outstanding warrants, which entitle the holders to subscribe for 570,929 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 2018.

### 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.

### COMPARATIVE FIGURES

Comparative figures for income statement items refer to the corresponding period next to the previous financial year. Comparative figures for balance sheet items refer to the end of the previous fiscal year.

# FINANCIAL REPORTS IN BRIEF

## INCOME STATEMENT

SEK, thousand	Note	Apr-Jun		Jan-Jun		Jan-Dec
		2019	2018	2019	2018	2018
Net sales	2	23,861	12,164	46,350	12,177	58,906
Capitalized work for own account		7,278	5,087	11,349	9,163	16,831
Other operating income		166	58	163	899	3,351
<b>Operating expenses</b>						
Raw material and consumables 5)		-26,870	-14,443	-42,621	-15,868	-67,690
Other external expenses		-13,779	-7,088	-21,900	-13,881	-32,336
Personnel expenses 5)		-21,841	-18,872	-38,755	-32,991	-66,193
Depreciation and amortization of tangible and intangible assets		-2,712	-2,667	-5,378	-5,337	-13,377
Other operating expenses		-	-	-	-2	-1,388
<b>Operating profit/loss</b>		<b>-33,898</b>	<b>-25,762</b>	<b>-50,793</b>	<b>-45,839</b>	<b>-101,896</b>
<b>Profit from financial items</b>						
Interest income and other financial items		155	58	10,555	58	18,038
Interest expenses and other financial items		-1,168	-224	-1,981	-599	-1,617
<b>Profit/loss after financial items</b>		<b>-34,911</b>	<b>-25,927</b>	<b>-42,219</b>	<b>-46,380</b>	<b>-85,475</b>
Tax		-	-	-	-	-
<b>Profit/loss for the period 6)</b>		<b>-34,911</b>	<b>-25,927</b>	<b>-42,219</b>	<b>-46,380</b>	<b>-85,475</b>
<b>Earnings per share, SEK</b>						
Before dilution		-0.72	-0.58	-0.90	-1.04	-2.30
After dilution		-0.72	-0.58	-0.90	-1.04	-2.30

5) Includes costs for capitalized work for own account, item Raw material and consumables also includes costs for warranty and service

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

**BALANCE SHEET**

SEK, thousand	Note	30 Jun 2019	30 Jun 2018	31 Dec 2018
<b>Assets</b>				
Intangible non-current assets	3	50,279	40,402	42,057
Tangible non-current assets	4	19,183	10,360	17,524
Financial assets	5	54,980	19,902	37,700
<b>Total non-current assets</b>		<b>124,442</b>	<b>70,664</b>	<b>97,281</b>
Inventories		63,227	19,729	29,755
Accounts receivable		34,274	4,866	28,061
Other current receivables		16,188	13,300	13,862
Current investments		35,000	-	-
Cash and cash equivalents		178,907	161,230	89,959
<b>Total current assets</b>		<b>327,596</b>	<b>199,125</b>	<b>161,637</b>
<b>Total Assets</b>		<b>452,038</b>	<b>269,789</b>	<b>258,918</b>
<b>Equity and liabilities</b>				
Share capital		739	673	676
Paid up, non-registered share capital		-	-	11,582
Reserve for development costs		43,053	33,650	34,653
Share premium reserve		612,852	343,587	347,366
Retained earnings		-275,322	-194,572	-234,671
<b>Total shareholder's equity</b>		<b>381,323</b>	<b>183,338</b>	<b>159,606</b>
Other provisions		9,560	2,634	7,416
<b>Total provisions</b>		<b>9,560</b>	<b>2,634</b>	<b>7,416</b>
Other non-current liabilities		-	28,081	12,381
<b>Total non-current liabilities</b>		<b>-</b>	<b>28,081</b>	<b>12,381</b>
Advance payments from customers		17,599	22,021	24,030
Accounts payable		8,633	14,442	24,572
Other current liabilities		34,923	19,272	30,913
<b>Total current liabilities</b>		<b>61,155</b>	<b>55,736</b>	<b>79,515</b>
<b>Total equity and liabilities</b>		<b>452,038</b>	<b>269,789</b>	<b>258,918</b>



## STATEMENT OF CHANGES IN TOTAL EQUITY IN BRIEF

Statement of changes in total equity	Restricted equity		Unrestricted equity			Total equity
	Share capital	Paid up, non-registered share capital	Reserve for development costs	Premium reserve	Retained earnings	
Opening balance equity 2018-01-01	651	-	26,874	336,491	-142,175	221,841
Profit/loss for the period	-	-	-	-	-46,380	-46,380
Capitalization and utilization as a result of the period's depreciation and amortization of development costs	-	-	6,776	-	-6,776	-
Other comprehensive income	-	-	-	-	-	-
<b>Total comprehensive income/loss</b>	-	-	<b>6,776</b>	-	<b>-53,155</b>	<b>-46,380</b>
<i>Transactions with shareholders</i>						
Exercise of warrants	22	-	-	7,096	-	7,118
<b>Total transactions with shareholders</b>	<b>22</b>	-	-	<b>7,096</b>	<b>759</b>	<b>7,876</b>
<b>Closing balance equity 2018-06-30</b>	<b>673</b>	-	<b>33,650</b>	<b>343,587</b>	<b>-194,572</b>	<b>183,338</b>
<b>Opening balance equity 2019-01-01</b>	<b>676</b>	<b>11,582</b>	<b>34,653</b>	<b>347,366</b>	<b>-234,671</b>	<b>159,606</b>
Profit/loss for the period 7)	-	-	-	-	-42,219	-42,219
Capitalization and utilization as a result of the period's depreciation and amortization of development costs	-	-	8,400	-	-8,400	-
Other comprehensive income	-	-	-	-	-	-
<b>Total comprehensive income/loss</b>	-	-	<b>8,400</b>	-	<b>-50,619</b>	<b>-42,219</b>
<i>Transactions with shareholders</i>						
New issue	45	-	-	238,388	-	238,433
Premiums paid for warrants	-	-	-	-	9,968	9,968
Exercise of warrants	18	-	-	27,099	-	27,116
Paid up, non-registered share capital	-	-11,582	-	-	-	-11,582
<b>Total transactions with shareholders</b>	<b>63</b>	<b>-11,582</b>	-	<b>265,487</b>	<b>9,968</b>	<b>263,935</b>
<b>Closing balance equity 2019-06-30</b>	<b>739</b>	-	<b>43,053</b>	<b>612,852</b>	<b>-275,322</b>	<b>381,323</b>

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

**CASH FLOW STATEMENT IN BRIEF**

SEK, thousand	Apr-Jun		Jan-Jun		Jan-Dec
	2019	2018	2019	2018	2018
<b>Operating activities</b>					
Operating profit	-33,898	-25,762	-50,793	-45,839	-101,896
Adjustments for items not included in cash flow	4,857	3,777	7,522	6,446	19,267
Financial items	-1,012	-165	-1,825	-540	-1,377
<b>Cash flow from operating activities before changes in working capital</b>	<b>-30,054</b>	<b>-22,150</b>	<b>-45,097</b>	<b>-39,934</b>	<b>-84,006</b>
Changes in working capital	-51,836	19,121	-58,752	20,522	-5,164
<b>Cash flow from operating activities</b>	<b>-81,890</b>	<b>-3,030</b>	<b>-103,849</b>	<b>-19,411</b>	<b>-89,170</b>
<b>Investing activities</b>					
Investments in intangible assets	-7,601	-5,745	-11,913	-10,170	-18,145
Investments in tangible assets	137	-557	-3,346	-1,141	-10,042
Investments in financial assets	-41,880	-	-41,880	-19,902	-19,902
<b>Cash flow from investing activities</b>	<b>-49,344</b>	<b>-6,302</b>	<b>-57,139</b>	<b>-31,212</b>	<b>-48,089</b>
<b>Cash flow after investing activities</b>	<b>-131,235</b>	<b>-9,332</b>	<b>-160,988</b>	<b>-50,624</b>	<b>-137,259</b>
<b>Financing activities</b>					
Raise of long-term debt	-13,875	-	-14,000	-	-
New issue	243,167	-	253,968	7,118	10,900
Premiums paid for warrants	9,968	759	9,968	759	759
Paid up, non-registered share capital	-975	-	-	-	11,582
<b>Cash flow from financing activities</b>	<b>238,284</b>	<b>759</b>	<b>249,935</b>	<b>7,877</b>	<b>23,242</b>
<b>Cash flow for the period</b>	<b>107,049</b>	<b>-8,573</b>	<b>88,947</b>	<b>-42,747</b>	<b>-114,017</b>
Cash and cash equivalents at the beginning of the period	71,858	169,803	89,959	203,977	203,977
<b>Cash and cash equivalents at the end of the period</b>	<b>178,907</b>	<b>161,230</b>	<b>178,907</b>	<b>161,230</b>	<b>89,959</b>

# THE CLIMEON SHARE

## LARGEST SHAREHOLDERS, JUNE 30, 2019

Shareholders	Number of shares			Number of votes	Voting rights, %
	Series A	Series B	Capital, %		
Thomas Öström	9,500,000	155,900	19.6	95,155,900	53.6
Joachim Karthäuser	4,690,000	4,300	9.5	46,904,300	26.4
Försäkringsbolaget, Avanza Pension	-	1,589,376	3.2	1,589,376	0.9
Stefan Brendgen	-	1,050,000	2.1	1,050,000	0.6
Olle Bergström	-	1,020,000	2.1	1,020,000	0.6
Nordnet Pensionsförsäkring AB	-	1,003,588	2.0	1,003,588	0.6
LMK stiftelsen	-	1,000,000	2.0	1,000,000	0.6
Handelsbanken Hållbar Energi	-	879,988	1.8	879,988	0.5
Mathias Carnemark	-	748,151	1.5	748,151	0.4
Skandia Sverige Hållbar	-	699,649	1.4	699,649	0.4
Catella Fondförvaltning	-	647,989	1.3	647,989	0.4
Per Olofsson	-	610,000	1.2	610,000	0.3
Andreas Billström	-	575,225	1.2	575,225	0.3
Klas Händel	-	545,316	1.1	545,316	0.3
Ålandsbanken i ägares ställe	-	529,026	1.1	529,026	0.3
Others	60,000	23,986,671	48.8	24,586,671	13.8
<b>Total</b>	<b>14,250,000</b>	<b>35,045,179</b>	<b>100.0</b>	<b>177,545,179</b>	<b>100.0</b>

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

The number of shares in Climeon amounts to 49,295,179 with quota value of SEK 0.015, of which 14,250,000 are Class A shares, 10 votes/share, and 35,045,179 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 87.50 at the end of the period.

### SHARE PRICE DEVELOPMENT



	Apr-Jun		Jan-Jun	
	2019	2018	2019	2018
Total number of issued shares at period end	49,295,179	44,875,179	49,295,179	45,097,579
Average number of shares outstanding	48,258,892	44,875,179	47,078,752	44,850,379
Earnings per share, before dilution, SEK	-0.72	-0.58	-0.90	-2.30
Earnings per share, after dilution, SEK	-0.72	-0.58	-0.90	-2.30
Equity per share, SEK	7.74	4.09	7.74	3.14

<sup>8)</sup> 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, with the exception of IFRS 9, which is described below.

## IFRS 9 FINANCIAL INSTRUMENTS

As per January 1, 2019, Climeon AB no longer applies the exempt from applying IFRS 9 to a legal entity. This implies, in all essentials, that the holdings in Baseload Capital Sweden AB are valued based on fair value instead of the acquisition value. In this report, the holding in Baseload Capital has been reported retrospectively at a fair value in accordance with IAS 8. As of June 30, 2019, it is estimated that the value of the holding amounted to SEK 48.1 million. As of December 31, 2018, the value amounted to SEK 37.7 million, with an effect on net financial items of SEK 17.9 million for 2018.

Other than that, there have been no significant effects on the financial reports.

## FINANCIAL INSTRUMENTS

A financial asset or financial liability is recognized in the balance sheet when the company becomes a party to the instrument's contractual terms. A financial asset is derecognized from the balance sheet when the contractual right to the cash flow from the asset ceases, is transferred to a third party or when the company loses control of the asset. A financial liability, or part of a financial liability, is derecognized from the balance sheet when the contractual obligation is fulfilled or otherwise terminated.

Financial assets are classified based on the business model in which the asset is managed and the asset's cash flow character. Cash flow character determines whether the asset's cash flow is contractual, i.e. only consists of repayment of principal amount and interest where the interest consists of compensation for the time value of money and credit risk.

If the financial asset is held in a business model with the goal of collecting contractual cash flows (hold to collect), the asset is reported at amortized cost.

For business models where the purpose is speculation, holdings for trading or where the cash flow character excludes other business models, the assets are reported at fair value through the income statement.

Financial liabilities are valued at fair value through the income statement if they are held for trading or if they are initially identified as liabilities at fair value through the income statement. Other liabilities are valued at amortized cost.

The holding of the shares in Baseload Capital is reported at fair value through the income statement.

Climeon applies the simplified method for calculating expected loan losses. The method means that loss history and other known information about the customer's credit status are used as a basis for calculating historical credit losses. The calculation is then adjusted for changes in current and prospective factors.

## THE FAIR VALUE OF THE FINANCIAL INSTRUMENT

The fair value of financial instruments is determined by various methods that are divided into a hierarchy that is governed by the degree to which input data is observable. The fair value of financial assets and liabilities traded on an active market is determined by reference to the listed market price, level 1 in the hierarchy. The fair value of other financial assets and liabilities is determined according to generally accepted valuation models such as discounting future cash flows and using information derived from current market transactions, level 2 in the hierarchy or by methods based on own assumptions, level 3 in the hierarchy.

The holding of the shares in Baseload Capital is reported as an Investment Entity and is since January 1, 2019, valued at fair value through the income statement. Baseload Capital has prepared a model for assessing fair value that is made quarterly as follows:

- Calculation of the annual cash flow
- The present value is the fair value of the holding

For all financial assets and liabilities that are not continuously valued at fair value, the carrying amount is deemed to be a good approximation of its fair value, unless otherwise specified.

## AMORTIZED COST

Amortized cost refers to the amount to which the asset or liability was initially recognized, less deductions for amortization, additions or deductions for accumulated accrual according to the effective interest method of the initial difference between the received/paid amount and the amount to be paid/received on the due date and with deductions for impairment.

The effective interest rate is the interest rate that, when discounting all future expected cash flows over the expected maturity, results in the initially recognized value of the financial asset or financial liability.

#### CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and disposable balances with banks and other credit institutions and other short-term liquid investments that can easily be converted into cash and are subject to insignificant risk of value fluctuations. In order to be classified as cash and cash equivalents, the term may not exceed three months from the date of the acquisition.

#### IFRS 16 LEASING

As per January 1, 2019, IFRS 16 Leasing applies. Climeon applies the exempt from applying IFRS 16 to a legal entity and classifies its leasing agreements according to the guidelines for operational leasing.

#### IFRS 8 OPERATING SEGMENTS

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	Apr-Jun		Jan-Jun
	2019	2018	2018
<b>Revenue type</b>			
Hardware	23,822	12,142	58,833
Consulting and support services	39	22	73
<b>Total</b>	<b>23,861</b>	<b>12,164</b>	<b>58,906</b>
<b>Geographic market</b>			
Sweden	52	22	52
Europe	4,370	12,142	35,020
North America	-	-	12,051
Asia	19,439	-	11,783
<b>Total</b>	<b>23,861</b>	<b>12,164</b>	<b>58,906</b>

#### NOTE 3 INTANGIBLE ASSETS

Intangible assets comprise capitalized expenditure on development SEK 45.3 million (37.4) and patents SEK 5.0 million (4.7). In the second quarter of 2019, write-down of patents was made of SEK 0.0 million (1.2) and capitalization of development expenses of SEK 0.1 million (2.5). 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 second quarter of 2019 depreciations amounted to SEK 1.8 million (1.6). During the first half of the year 2019 depreciations amounted to SEK 3.6 million (3.1).

#### NOTE 4 TANGIBLE ASSETS

Tangible assets comprise leasehold improvements SEK 12.6 million (10.5), equipment SEK 1.2 million (0.9), technical equipment SEK 2.9 million (3.5), and systems located at customer premises and where the customers pay for the electricity generated ("As-a-Service") SEK 2.5 million (2.6). In the first quarter of 2019 depreciations amounted to SEK 0.8 million (0.6). During the first half of the year 2019 depreciations amounted to SEK 1.7 million (1.3).

#### NOTE 5 FINANCIAL ASSETS

Financial assets consist of investments in the finance company Baseload Capital Sweden AB of SEK 48.1 million (37.7), corresponding to 15.7 (19.8) percent ownership in the company. The amounts are reported at fair value. In addition, shares in wholly owned subsidiaries amount to SEK 0.4 million (0.0) and personnel loans to SEK 6.4 million (0.0).

#### NOTE 6 PLEDGED ASSETS AND CONTINGENT LIABILITIES

Pledged assets and contingent liabilities amount to SEK 0.8 million (2.1) for prepayment guarantees to suppliers and customers.

## KEY NUMBERS

	Apr-Jun		Jan-Jun		Jan-Dec
	2019	2018	2019	2018	2018
Order intake, SEK million	24.5	322.0	24.5	373.4	478.5
Order backlog, SEK million	800.8	739.7	800.8	739.7	818.6
Equity ratio (%)	84.4	68.0	84.4	68.0	58.8
Debt ratio (times)	0.2	0.5	0.2	0.5	0.8
Net debt ratio (times)	-0.4	-0.7	-0.4	-0.7	-0.4
Earnings per share, before dilution, SEK	-0.72	-0.58	-0.90	-1.04	-2.30
Earnings per share, after dilution, SEK	-0.72	-0.58	-0.90	-1.04	-2.30
Equity per share, SEK	7.74	4.09	7.74	4.09	3.14
Cash and cash equivalents, SEK Million	178.9	161.2	178.9	161.2	90.0
Share price at period end, CLIME B, SEK	87.50	61.77	87.50	61.77	51.00

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 invoiced 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 cash and cash equivalents 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	2019		2018				
	Q2	Q1	Q4	Q3	Q2	Q1	Full-year
Net sales	23.9	22.5	37.8	8.9	12.2	0.0	58.9
Capitalized work for own account	7.3	4.1	4.0	3.7	5.1	4.1	16.8
Other operating income	0.2	-0.0	0.9	1.6	0.1	0.8	3.4
<b>Operating expenses</b>		-					
Raw material and consumables	-26.9	-15.8	-40.7	-11.1	-14.4	-1.4	-67.7
Other external expenses	-13.8	-8.1	-10.7	-7.7	-7.1	-6.8	-32.3
Personnel expenses	-21.8	-16.9	-18.6	-14.6	-18.9	-14.1	-66.2
Depreciation and amortization of tangible and intangible assets	-2.7	-2.7	-5.2	-2.8	-2.7	-2.7	-13.4
Other operating expenses	-	-	-	-1.4	-	-0.0	-1.4
<b>Operating profit/loss</b>	<b>-33.9</b>	<b>-16.9</b>	<b>-32.7</b>	<b>-23.3</b>	<b>-25.8</b>	<b>-20.1</b>	<b>-101.9</b>
Net financial income	-1.0	9.6	17.2	-0.2	-0.2	-0.4	16.4
<b>Profit/loss after financial items</b>	<b>-34.9</b>	<b>-7.3</b>	<b>-15.6</b>	<b>-23.5</b>	<b>-25.9</b>	<b>-20.5</b>	<b>-85.5</b>
Tax	-	-	-	-	-	-	-
<b>Profit/loss for the period</b>	<b>-34.9</b>	<b>-7.3</b>	<b>-15.6</b>	<b>-23.5</b>	<b>-25.9</b>	<b>-20.5</b>	<b>-85.5</b>
Earnings per share, before dilution, SEK	-0.72	-0.16	-0.74	-0.52	-0.58	-0.46	-2.30
Earnings per share, after dilution, SEK	-0.72	-0.16	-0.74	-0.52	-0.58	-0.46	-2.30

## BALANCE SHEET

SEK, million	2019		2018				
	Q2	Q1	Q4	Q3	Q2	Q1	Full-year
Intangible non-current assets	50.3	44.6	42.1	42.1	40.4	36.5	42.1
Tangible non-current assets	19.2	20.2	17.5	11.9	10.4	10.6	17.5
Financial assets	55.0	48.1	37.7	19.9	19.9	19.9	37.7
<b>Total non-current assets</b>	<b>124.4</b>	<b>112.8</b>	<b>97.3</b>	<b>73.9</b>	<b>70.7</b>	<b>67.0</b>	<b>97.3</b>
Inventories	63.2	53.9	29.8	40.6	19.7	8.1	29.8
Current receivables	50.5	31.8	41.9	9.8	18.2	11.4	41.9
Current investments	35.0	-	-	-	-	-	-
Cash and cash equivalents	178.9	71.9	90.0	143.6	161.2	169.8	90.0
<b>Total current assets</b>	<b>327.6</b>	<b>157.5</b>	<b>161.6</b>	<b>194.0</b>	<b>199.1</b>	<b>189.3</b>	<b>161.6</b>
<b>Total assets</b>	<b>452.0</b>	<b>270.4</b>	<b>258.9</b>	<b>267.9</b>	<b>269.8</b>	<b>256.3</b>	<b>258.9</b>
Shareholder's equity	381.3	164.1	159.6	159.8	183.3	208.5	159.6
Non-current liabilities and other provisions	9.6	19.2	19.8	31.6	30.7	29.6	19.8
Current liabilities	61.2	87.1	79.5	76.5	55.7	18.2	79.5
<b>Total equity and liabilities</b>	<b>452.0</b>	<b>270.4</b>	<b>258.9</b>	<b>267.9</b>	<b>269.8</b>	<b>256.3</b>	<b>258.9</b>

**CASH FLOW STATEMENT**

SEK, million	2019		2018				
	Q2	Q1	Q4	Q3	Q2	Q1	Full-year
Cash flow from operating activities before changes in working capital	-30.1	-15.0	-24.3	-19.8	-22.2	-17.8	-84.0
Changes in working capital	-51.8	-6.9	-34.6	8.9	19.1	1.4	-5.2
<b>Cash flow from operating activities</b>	<b>-81.9</b>	<b>-22.0</b>	<b>-58.8</b>	<b>-10.9</b>	<b>-3.0</b>	<b>-16.4</b>	<b>-89.2</b>
Investing activities	-49.3	-7.8	-10.2	-6.6	-6.3	-24.9	-48.1
<b>Cash flow after investing activities</b>	<b>-131.2</b>	<b>-29.8</b>	<b>-69.0</b>	<b>-17.6</b>	<b>-9.3</b>	<b>-41.3</b>	<b>-137.3</b>
Financing activities	238.3	11.7	15.4	-	0.8	7.1	23.2
<b>Cash flow for the period</b>	<b>107.0</b>	<b>-18.1</b>	<b>-53.7</b>	<b>-17.6</b>	<b>-8.6</b>	<b>-34.2</b>	<b>-114.0</b>
Cash and cash equivalents at the beginning of the period	71.9	90.0	143.6	161.2	169.8	204.0	204.0
<b>Cash and cash equivalents at the end of the period</b>	<b>178.9</b>	<b>71.9</b>	<b>90.0</b>	<b>143.6</b>	<b>161.2</b>	<b>169.8</b>	<b>90.0</b>



# THIS IS CLIMEON

Climeon is a Swedish product company within energy technology. The company's unique technology for geothermal heat power - Heat Power - makes a large untapped energy resource available and provides sustainable electricity around the clock all year round. Heat Power is a cheap and renewable energy source with the potential of replacing much of the energy that comes from coal, nuclear, oil and gas, today. Climeon aims to become a global leader and the world's number one climate solver. The B share is listed on Nasdaq First North Premier. Certified Adviser is FNCA Sweden AB, +46(0)8-528 00 399, [info@fnca.se](mailto:info@fnca.se).

## 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