CLIMEON

2020

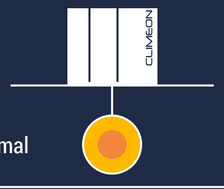
ANNUAL REPORT

CONTENTS

THIS IS CLIMEON

Climeon is a Swedish product company within energy technology, founded with a strong drive to create a sustainable world for the next generations. Climeon's entire business idea revolves around the United Nation's sustainable development goal number seven - "Affordable and clean energy". We contribute with renewable energy for local communities and make existing industries more environmentally friendly. Climeon's technology makes a difference within several areas by producing clean electricity from hot water. The Heat Power technology utilizes heat from within the earth, geothermal energy, to produce renewable energy that works around the clock all year round. It is a cheap and renewable energy source with the potential of replacing much of the energy that today comes from fossil fuels. The same technology is used to produce electricity from waste heat generated by industries and engines. Each of these application areas are sufficient to contribute significantly to the earth's electricity supply.

TODAY, CLIMEON'S CUSTOMERS ARE FOUND WITHIN:



1. Geothermal

2. Industrial

3. Maritime

HEAT TO ELECTRICITY – A HUGE OPPORTUNITY

HEAT POWER IS ONE OF THE WORLD'S LARGEST UNTAPPED ENERGY SOURCES AND IS DIVIDED INTO TWO AREAS:

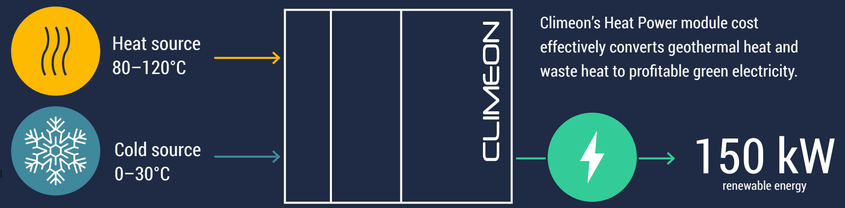
In the interior of the earth, there is enough heat to cover the planet's energy needs several times over.

Geothermal heat power

More than half of the energy produced globally is wasted in the form of heat.

Industrial heat power

CLIMEON TURNS THE HEAT INTO CLEAN ELECTRICITY



Climeon's Heat Power module cost effectively converts geothermal heat and waste heat to profitable green electricity.

150 kW
renewable energy

HIGHLIGHTS 2020

Strengthened balance sheet

Climeon was granted a loan of SEK 79 million by SEK and DNB and subsequently carried out a directed new share issue that provided the company with a net of SEK 245 million.

Awarded by the industry

Climeon won the Industry's Award at Techarenan Challenge 2020.

Collaboration with Landsvirkjun

Climeon entered into a collaboration with the Icelandic state's energy company, Landsvirkjun, with the aim of evaluating a solution that combines mineral extraction with electricity production.

Norwegian cruise ships

Norwegian Havila Voyages chose Climeon for all four new cruise ships.

First order in Taiwan

Climeon won a first order within geothermal in Taiwan.

Subsidiary in Taiwan

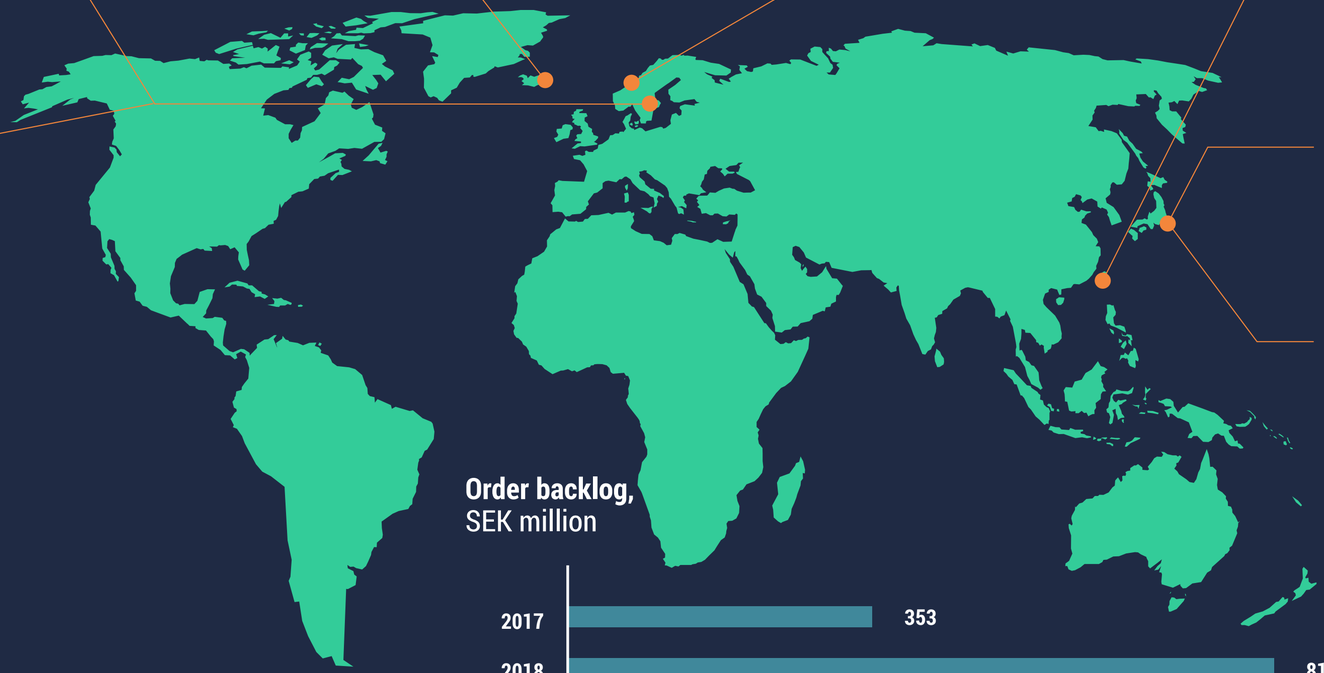
Climeon established a subsidiary in Taiwan and relocated staff.

First installation in Japan

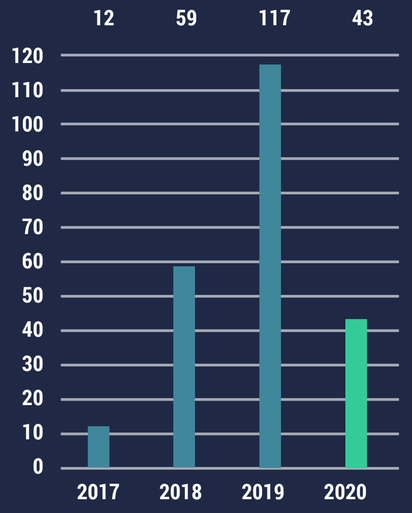
Climeon commissioned its first geothermal installation in Japan, a Heat Power module connected to an existing geothermal power plant.

Spa installation in Japan

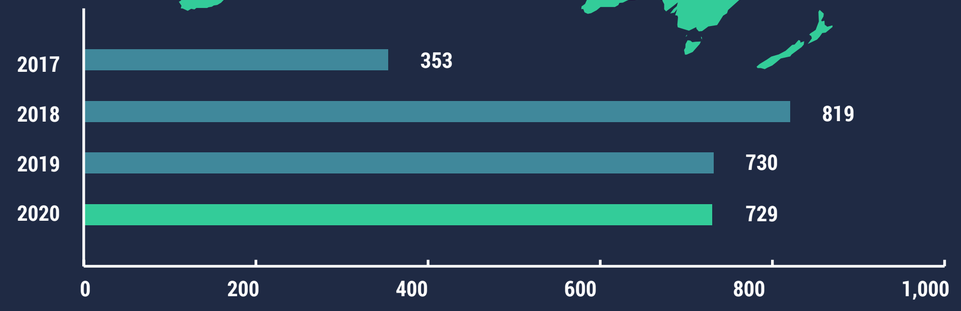
Climeon commissioned its second power plant in Japan, this time adjacent to an onsen, a traditional Japanese spa.



Net sales,
SEK million



Order backlog,
SEK million



MESSAGE FROM THE CEO

CHALLENGES AND NEW OPPORTUNITIES

2020 was an exciting and challenging year for Climeon as a company. Exciting, because we have made several advances and been able to show the potential that exists in our technology and the competence among our employees. Challenging, because in many ways we have had to change and adapt our ways of working. Establishing new technology in new markets takes time and doing so during an ongoing pandemic is extra tough.

The challenges we faced in 2020 consisted mainly of the restrictions on travel and meetings and the lockdowns that were introduced almost all over the world during the spring. For a company like Climeon, where customer meetings, trade fairs and conferences are important sales channels, and where close cooperation with the customer is crucial, the restrictions put a damper on the wheel. At the same time, I am impressed by the problem-solving skills and teamwork that our employees have shown under these conditions.

The practical barriers and general uncertainty reduced customers' willingness to invest, and order intake, revenue and installation rate were negatively affected. For the full year, Climeon's net sales amounted to SEK 43.3 million, compared with SEK 116.8 million for 2019. The operating income amounted to SEK -135,7 million (-117.6). The decrease in operating income was primarily attributable to the decrease in net sales. At the same time, our order intake increased to SEK 56.3 million (44.2). It was not on a par with what we had hoped for going into 2020, but if we look at Climeon's operational progress, not least within geothermal, 2020 was not a lost year, but more a year when we did not move as fast as planned.

"This means that Climeon's business is now more relevant than ever before. The transition is coming and Climeon and Heat Power will be an obvious part of it."

Geothermal

In the spring of 2020, we commissioned two geothermal power plants in Japan. As new to the Japanese market, it is important to showcase our technology together with an established and local player. In April, we were able to commission our first installation with a Heat Power module connected

Jan Bardell was appointed CEO of Climeon on December 15, 2020.

to a geothermal power plant. A couple of months later, we commissioned our second installation, this time in connection to an onsen, a traditional Japanese hot spring. It is a small, but symbolically important installation that shows that the old onsen culture can be combined with geothermal electricity production, something that can lead to a small-scale, but accumulated large, market. With two power plants in operation, we can also, as soon as the restrictions allow for it, show potential customers that Climeon's technology works well also in a Japanese context.

In Iceland, our first power plant has been in operation since 2019, and in 2020 its availability amounted to an impressive 98.3 percent. Shortly after the turn of the year, slightly behind schedule, the next power plant could be put into operation. The power plant in Reykholt was an important milestone for Climeon, not only because it is the first of our power plants to be connected to a local district heating network, but also because it shows that we and our partner Varmaorka can deliver as promised.

At the time of writing, we are approaching the commissioning of four more Heat Power modules in the first power plant in Fludir, where a new pump and a cooling solution will enable an expansion of the power plant. At the same time, work is underway for another power plant in Efri Reykir. The commitment to our projects in Iceland remains great from everyone involved, despite the fact that the roll-out has taken time.

In Taiwan, we have worked closely with our partner Baseload Power Taiwan. During the summer, we established a subsidiary and hired locally. Together with Baseload Power Taiwan, they have, in parallel with the ongoing design and construction work for the first power plant, developed their way of efficiently evaluating and systematizing projects. The customer's drilling work has so far been complicated, but our goal is to install our Heat Power modules in 2021. At the same time as our team supported Baseload Power Taiwan with business development in the geothermal area, we also began sales efforts towards the industry in collaboration with Business Sweden.

Maritime

In the maritime area, the year began with an order from Norwegian Havila Voyages, which in 2021 expects to take four new environmentally friendly cruise ships into operation for its cruises along the Norwegian coast. The installation work on Virgin Voyages' next two vessels continued according to plan, despite the extensive lockdowns in Italy. For Climeon's part, the restrictions meant that we could not complete our planned installations on Maersk's and Viking Line's vessels because we could not board and carry out the work. For the upcoming deliveries to Fincantieri and Havila Voyages during the first and second quarters of 2021, however, we are well in phase.

At the end of 2020, positive news came from the hard-hit industry when the International Maritime Organization proposed new emission regulations that could benefit Climeon going forward. The need to reduce both consumption and emissions is great, and this applies to both older and new vessels. We now see that sustainability issues are given higher and higher priority and that interest in heat recovery solutions is increasing in the same way as for other energy-saving and environmentally friendly solutions.

Industry

On the industrial side, we focus on so-called gensets, power plants based on engines powered by natural gas, for example. The growing share of electricity that comes from energy sources such as solar and wind power means that the need for stable baseload power is increasing. For countries that want to reduce their carbon dioxide emissions, but do not have access to geothermal or hydropower, engine-based power plants are one way to solve the problem. By recovering the waste heat from such engines with the help of Heat Power modules, energy efficiency increases, while the carbon footprint decreases. Here we see good opportunities for future growth. We have chosen to focus on the UK in the first phase, and during the year we were able to deliver our first modules there. During the year, sales staff also moved from Sweden to the UK to build and strengthen the organization locally. We expect to complete the first installation in 2021.

Next generation Heat Power

Innovation and technological development that contribute to a carbon-neutral society are the heart of Climeon's business. Since the company's start, the Heat Power system has been continuously developed, from a first prototype of a few watts to a series-produced 150 kW module. What we learn from our installations and from our dialogues with customers is constantly brought back into the development work. Over time, our methodology has resulted in a number of Heat Power generations. In 2020, work on the next generation has begun. The goal is to create higher energy efficiency and better profitability for the customer and for Climeon. We look forward to delivering a first pilot installation with the next generation system in 2021.

Our world

There is talk around the world about the need for green energy and about the green investments that need to be made when we restart the world after the corona pandemic. Through the European Green Deal, the EU has dedicated EUR 1 trillion to be invested in building a climate-neutral union by 2050, without net greenhouse gas emissions. Achieving the climate goals and the goals for environmental and social sustainability requires large public investments in new and innovative environmentally friendly technology. The EU also strives to mobilize private investment. If public and private actors together switch up their green investments, there are all the prerequisites for a faster transition. This means that Climeon's business is now more relevant than ever before. The transition is coming and Climeon and Heat Power will be an important part of it.

For 2021

The pandemic year 2020 has been challenging for our entire organization and overall, we expect that the pandemic will have a negative impact on both sales and earnings for some time to come. At the same time, I see that we have grown in many areas. We have not been able to meet as usual, instead we have learned to work with digital tools and to, through good cooperation, solve tasks in new innovative ways - also globally. Perhaps most importantly, we have continued to work towards our vision of a more sustainable society. What we have achieved this year clearly shows the great potential that exists in Climeon. I would like to extend an extra big thank you to all employees. You have shown proof of great resourcefulness and perseverance in the challenges we have faced. You can and should be proud of that.

We can also be proud that we won the Industry Award in the entrepreneurship competition Techarenan Challenge 2020 and that at the beginning of 2021 we won first place in the Royal Swedish Academy of Engineering Sciences' corporate competition Smart Industry. Even more important was that we broke the record in how much carbon dioxide emissions our installations have saved. That is exactly why we exist. Together with customers, suppliers, partners and shareholders, we look forward to breaking that record once again in 2021.

Together we create business for a better world.

Jan Bardell
CEO

TRENDS AND DRIVERS FOR RENEWABLE ENERGY AND HEAT POWER

The renewable energy sector has grown rapidly over the last ten years and the understanding of the urgent need for a transition to a fossil-free energy system has become higher. The market factors which mainly affect Climeon are energy situation, electricity prices, cost of capital and companies' willingness or need to reduce their emissions in each market. These are in turn affected by factors such as oil prices, political initiatives and regulations.

International political drivers

The Paris Climate Agreement and a European Green Deal

One of the most significant political events in recent years is the Paris Climate Conference held in 2015. During the conference 195 countries adopted the first ever universal, legally binding global climate deal. The agreement, set out to avoid dangerous climate change, outlines a number of actions that are beneficial for the adoption of renewable energy sources. Political pressure for a realignment of the energy market has since then increased.

The European Union (EU) and its member states are the largest in the world when it comes to public funding to counter climate change with 21.9 billion euros in 2019, an increase of 7.4 percent compared to 2018. In December 2019, the EU presented their new action plan A European Green Deal. The goal is to make the EU climate-neutral by 2050, stimulate the economy using green technology, create sustainable industries and transport and reduce pollution. An important part of this is to phase out fossil fuels in the energy sector. In 2020, the action plan, which covers investments up to EUR 1 trillion, passed the voting. The European green deal also emphasizes the need to mobilize private financial flows and capital flows towards green investments. As part of the deal, it was also announced that the European Commission would present a renewed strategy for sustainable financing that builds on the measures already implemented since the action plan from 2018 was presented.

An important part of that work is that the EU ambassadors have approved a political agreement between the Finnish Presidency and the European Parliament on a classification system, a taxonomy, for the entire EU. The taxonomy will give companies and investors a common language to determine




which economic activities can be considered environmentally sustainable. The taxonomy enables investors to redirect their investments towards more sustainable technology and sustainable companies. This is crucial if the EU is to become climate neutral by 2050 and achieve the Paris Agreement's targets for 2030.

This is expected to lead to both public and private capital being redirected towards sustainable business, which benefits Climeon's position as a technology supplier and investment object.

Carbon emission regulations and renewable energy quotas

Carbon taxation regimes and emissions trading schemes have become increasingly common in recent years, with examples being the EU Emissions Trading System ("ETS"). The price of emission allowances for carbon dioxide at year-end was EUR 32 per tonnes of CO_2, compared with EUR 25 per tonne the previous year.

In addition, regulations requiring minimum renewable energy quotas in the energy mix of electricity suppliers are also becoming increasingly common. In 2019, the EU formally adopted into law a series of measures that included a binding target for 32 percent of electricity production to come from renewables by 2030. During 2020, the EU raised their ambitions to reduce greenhouse gas emissions, from a 40 percent decrease by 2030, to a 55 percent decrease.

The International Energy Agency estimates that 90 percent of the carbon dioxide emission reduction needed to counter climate change can be reached through renewable energy and increased energy efficiency.

Stricter regulations for the maritime industry

A political trend impacting the maritime industry is the 2012 European Union Directive regarding the sulphur content of maritime fuels. In 2016, the International Maritime Organization agreed on a similar cap, limiting sulphuric content in maritime fuels to 0.5 percent, set to be applied globally in 2020. This means, for example that more expensive and environmentally friendly fuel is needed. It is estimated that the agreement will increase shipping costs between 20–85 percent. Climeon believes that this will significantly increase the interest in fuel saving solutions within the maritime industry.

The IMO has an ambition to halve greenhouse gas emissions until 2050 and has a vision to reduce carbon dioxide emissions from shipping and phase them out as soon as possible within this century. At the end of 2020, the IMO decided to strengthen already ratified rules for emissions and energy efficiency. This is done by bringing forward requirements and tightening rules for certain types of vessels, and in addition also including existing vessels to a greater extent. IMO follows a two-step strategy to make shipping carbon neutral and focuses first on a limited set of short-term measures before taking more comprehensive measures in the medium and long term.

"During 2020, the EU raised their ambitions to reduce greenhouse gas emissions, from a 40 percent decrease by 2030, to a 55 percent decrease."

EU directive regulating fluorinated greenhouse gases

The European Union introduced a new F-gas directive that came into effect in January 2015, with the aim of cutting emissions of fluorinated greenhouse gases by two-thirds by 2030. It also regulates the use of fluids containing hydrofluorocarbons. This affects the waste heat recovery market by restricting or banning the use of several of the ORC working fluids commonly used by Climeon's peers. Climeon is not affected by the new regulation, as the Heat Power system does not use fluorinated gases as a working fluid.

Decline of nuclear power

Nuclear energy, which is one of the more common sources of baseload power, is being dismantled or scaled back in several countries, including France, Sweden, and Germany. The reasons for this, among others, include safety concerns, issues surrounding the long-term storage of nuclear waste material, and excessive cost. This trend progresses the demand for additional baseload capacity, which can be provided by waste heat and geothermal heat power.

Trends within renewable energy

While the growth of renewable energy technologies is a positive and needed development in order to limit global emissions of CO_2, certain issues exist, slowing their wide scale adoption. Three fundamental issues are: the non-continuous energy supply from intermittent energy sources; geographical and geological requirements; and the physical size of mainly hydropower, wind and solar power plants.

There is a distinct division within the sector between intermittent, meaning fluctuating, and baseload, continuous, energy sources. Wind and solar power are intermittent energy sources and hydropower, geothermal energy and biomass are baseload energy sources. Continuous baseload electricity, independent of sun, wind and precipitation, is needed to sustain a stable electricity grid.

Climeon is active within a subdivision of the market for the baseload energy sources called heat power, which is comprised of industrial heat power and geothermal heat power. Geothermal heat power utilizes heat from within the earth as an energy source whereas industrial heat power utilizes heat that is generated as a by-product in industrial processes, for example production of steel, but also large engines, for example used onboard ships. Each of these markets is sufficient to contribute to the earth's electricity supply.

The non-continuous energy supply

Wind and solar power, being the second and third largest renewable energy sources after hydropower, are intermittent. Energy output from these sources is dependent on weather condition, season of the year and hour of the day, which leads to the issue of having variable electricity generation over time. In contrast, electricity consumption is relatively predictable over the course of a day and year.

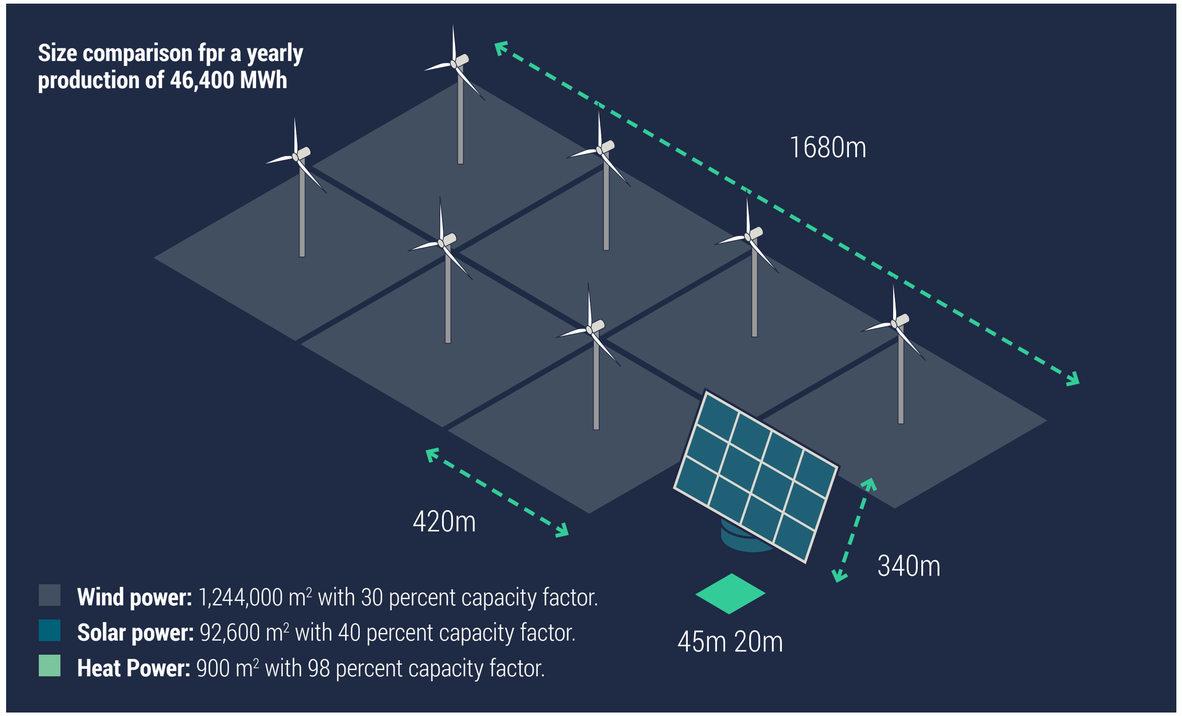
This is an issue as the power grid needs to be balanced at all times between consumption and supply. It can somewhat be mitigated by the use of energy storage solutions e.g. industrial batteries and production of hydrogen gas for fuel cells. This is referred to as peak shaving, where energy from intermittent sources is stored during peak production hours and later used when output decreases. However, none of these technologies are currently competitive for large scale applications. The fact thus remains that the power grid needs a baseload power source to continuously supply electricity. Today, the only widely adopted renewable energy sources that can provide a baseload power supply are geothermal heat power, hydropower and biomass.

Geographical and geological requirements

Several renewable energy technologies also have geographical or geological limitations. Hydropower requires mountainous areas with an available water source and large land areas for reservoirs. Wind power requires large flat landscapes where wind speeds are generally high e.g. along coastal areas. The electricity output of solar power plants is highest in areas with many days of sunshine and a relatively stable amount of daylight hours over a year, making it less suitable in geographies with monsoon seasons or geographies that are closer to the poles, where daylight is scarce during winter. High temperature geothermal power plants need high temperature bedrock, which limits their deployment primarily to areas along the edges of the tectonic plates. In contrast, low temperature geothermal energy can be exploited globally, as the drilling depths required to reach sufficient temperatures are significantly shallower.

Physical size of hydropower, wind and solar power plants

Another issue is that wind, solar and hydropower often need considerable amounts of physical space compared to fossil fuels or geothermal. For example, hydropower requires space for the construction of dams and reservoirs. For intermittent sources, such as wind and solar power, this is even more evident as they have lower so-called capacity factor. The capacity factor is the ratio of actual electricity generated compared to the hypothetical maximum output of the power plant. The capacity factor for wind power typically ranges from 25 to 40 percent depending on the height and location of the wind turbine, while the capacity factor for solar power typically ranges from 15 to 40 percent, mainly depending on geographic location. For comparison, the capacity factor for Climeon's Heat Power system averages around 98 percent for a geothermal installation. The illustration demonstrates that the physical area needed per MWh is considerably lower for a Heat Power system than for a solar or wind park.



VISION, BUSINESS IDEA AND GOALS

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

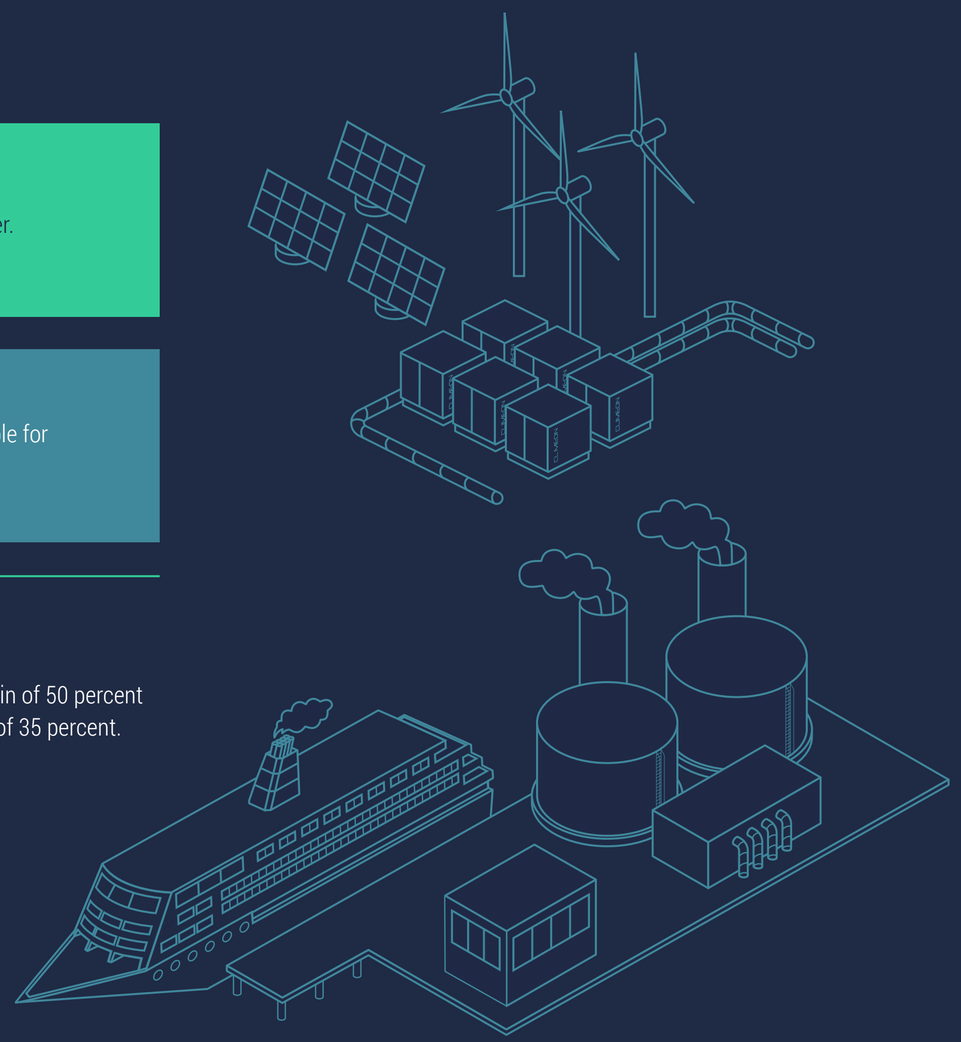
Operational goals

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 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.



GROWTH STRATEGY

Climeon works with the goal that the company's technology should become a standard solution within geothermal as well as maritime and industrial waste heat recovery.

Climeon has an established launch strategy where potential new establishments are systematically evaluated based on market factors that affect Climeon. For example, energy situation, electricity prices, cost of capital and companies' willingness or demands to reduce their emissions in the respective market, political initiatives and regulations as well as conditions to find good reference customers for future expansion. These can be summarized as three areas: application area, customer structure and geographical area.

Application areas with great customer value

Climeon focuses on sales in three main business areas where we can create great customer value:

- Geothermal
- Maritime
- Industrial

The geothermal business area is driven by the global need for a renewable baseload power that is produced locally, where Climeon's low-temperature technology enables distributed geothermal electricity production in larger parts of the world than has previously been possible.

In the maritime area, there is great pressure on emission reductions, while margins are often small, which means that Climeon's offer to reduce both emissions and fuel costs becomes very attractive.

For industrial applications, it is partly about industries' need for emission reductions, but also many countries' need for a balancing power where Climeon's technology makes power plants based on large engines more environmentally friendly and increases energy efficiency.

Direct sales to select reference customers

An important part of Climeon's establishment strategy is to create a thorough understanding of each specific market and then contract a select reference customer. Together with the first customer in each local market, we make a step-by-step establishment through a pilot installation. After that, work towards a broader establishment can begin, creating opportunities for economies of scale. Sales take place mainly without intermediaries, so-called direct sales, which creates strong customer relationships and a good understanding of the business. The market is cultivated systematically to create more reference customers and establish a broad trust in each focus area. As the first order in a new geographic market or within a new business area, Climeon strives for long-term partnerships with potential for more installations.

Focus on selected geographical areas

In the next few years, Climeon will prioritize growth in specific geographies within the focus areas geothermal, maritime and industry. The current geographical focus for low-temperature geothermal heat power with particularly good growth opportunities is Iceland, Japan and Taiwan. Within industrial waste heat, Climeon has begun an establishment in the UK with a focus on power plants based on large engines. After the first pilot installations in each market and when an organization has been established, there are good opportunities to achieve economies of scale by broadening to other business areas. One such example is Japan, where Climeon first established itself within the geothermal business area to then gradually begin cultivating industrial customers once pilot power plants and personnel were in place.

Financing solutions for growth

Just as in the solar and wind power industries, securing investment and loans to acquire heat power technology along with required installation work is essential within geothermal heat power. Growth companies with new technology usually do not have access to such funding, it is reserved for large and established companies. Climeon has therefore, together with LMK Forward AB, Blue AB and Gullspång Invest AB, founded the investment company Baseload Capital. Geothermal customers can apply for loans and investments from Baseload Capital in order to build power plants. Consequently, Climeon can focus on developing, selling and delivering leading products while funding of customer projects is provided by Baseload Capital.

In order to have the best possible conditions for growth and large-scale deployment of Climeon's Heat Power technology, the company intends to cooperate with both Baseload Capital and other financing companies.

"In the next few years, Climeon will prioritize growth in specific geographies within the focus areas geothermal, maritime and industry."

Lower the customer's electricity cost and speed up installation

Being able to offer a commercially competitive product has been Climeon's focus since the very beginning and it is a key to the success of the company. Consequently, the Company aims to offer the lowest possible Levelized Cost of Electricity (LCOE) for Climeon's Heat Power System. LCOE includes both product cost as well as surrounding components and integration costs. That is why Climeon is actively working to simplify the integration and to supply solutions that lower the costs of surrounding components. The company's upcoming Heat Power system is expected to have a significantly lower LCOE for the customer.

"Climeon is actively working to simplify the integration and to supply solutions that lower the costs of surrounding components."

CLIMEON'S BUSINESS

Climeon is an energy technology company headquartered in Kista, Stockholm, with subsidiaries in Japan and Taiwan, and representation in Iceland and the United Kingdom. The company's Heat Power technology harnesses the energy in low temperature geothermal heat and waste heat to generate electricity. The company has reached a stage where it has production capacity for volume deliveries and has received several orders from leading players in their respective industries. The company's technology has now passed several critical stages and proved its commercial viability to a wider rollout.

Business segments and applications

Competitive customer offering

Superior technology with modular design

The Heat Power system is based on Climeon's C3 technology and uses the temperature difference between hot and cold water to convert heat power into clean electricity. Thermal energy is thereby converted into usable electricity. The heat source is typically 80–120°C, and the cold source is 0–35°C. The Heat Power system exists in two main configurations: one for land-based applications and one for maritime applications. The system for maritime applications received approval by Lloyd's Register in March 2017 and has during 2020 received a product certification from American Bureau of Shipping (ABS) as well as a design approval from Det Norske Veritas (DNV).

Climeon's Heat Power system delivers significantly higher efficiency compared to widely adopted ORC systems. The system delivers a net conversion efficiency of at least ten percent, and with optimal temperatures at most 14 percent. Both cases correspond to over 50 percent of the Carnot limit, the theoretical maximum efficiency. Most widely adopted ORC systems only achieve 25–30 percent of this theoretical maximum.

Climeon provides both hardware and software. The company's core offering is the modular and standardized Heat Power system and the system's software Climeon Live, which is a cloud-based monitoring and control system, enabling remote control and monitoring of several power plants simultaneously. In addition, Climeon offers site design and consulting services, as well as support services, for the Heat Power system and the surrounding power plant. These services add customer value and provide the company with recurring income in addition to the hardware sales.

Each Climeon Heat Power module, measuring only 2x2x2 meters, has the capacity to generate 150 kW of electricity and requires only three connections to do so: a hot source, a cold source and a power connection. The modular design makes it easy to scale the system from 150 kW up to several MW by connecting more modules to each other. Regardless of the number of connected modules only three connections are needed, i.e. scale does not add significant intrinsic complexity to the system.

Since the company's start, the Heat Power system has continuously developed, from a first prototype of a few watts to a series-produced 150 kW module. Experiences from the company's first installations and customer dialogues are constantly brought back into a development loop. The insights from the software solution Climeon Live are used to identify potential for improvement and new upgrade opportunities. As the installed base grows and insights increase, we upgrade components and software to ensure optimal electricity production. This has resulted in several generations of Heat

In June, Climeon's delivery and service personnel launched the second installation in Japan.

Power technology and in 2020, work has begun on the next generation of Heat Power systems. The goal is higher energy efficiency and better profitability for both the customer and Climeon.

Short time from investment to cash flow

The modular design of the Heat Power system results in a number of benefits: the system is scalable, allowing for step wise expansion and increased application versatility; a system generating 2 MW is not more complex on a module basis than a system generating 150 kW; and system maintenance can be performed separately for each module, which reduces down-time for the system as a whole. This modularity has proven to be an advantage when customers are to finance their installations. On the one hand, customers can start with a smaller number of modules and start generating revenue in order to then expand with better financing conditions and, on the other hand, modules can be moved between facilities under changed conditions and thus reduce the risk considerably. For Climeon's part, we also see that modularity opens up for economies of scale in production as volumes increase.

Attractive customer payback time

A Climeon Heat Power module has a capacity of 150 kW and can generate up to 1,314,000 kWh of renewable electricity from waste heat per year. With electricity prices of SEK 1.1 per kWh, a module can generate electricity worth about SEK 1.4 million every year. In such a calculation, the module has a payback time of approximately three years. However, the actual payback time depends on a number of factors such as the temperatures of the hot and cold sources, integration costs and electricity price.

Strong patent protection

Climeon's technology and intellectual assets are its most important asset. The company therefore works actively to identify, package and protect these. In intellectual property matters, Climeon has two partners; Bergenstråhle and Partners in Sweden and Haynes Beffel & Wolfeld LLP in the USA. In 2016, Bergenstråhle & Partners performed an Intellectual Asset Mapping of Climeon's operations. The survey identified 49 intellectual assets possessed by Climeon. This list has expanded and now includes over 100 assets. The assets that are possible to protect through registration such as a patent or trademark have been protected and the remaining assets are handled in such a way that the company retains ownership of these. From the start, Climeon has systematically collaborated with patent lawyers to ensure that the company's products and technology do not infringe on existing patents, in order to ensure so-called Freedom to Operate. In total, the company now has nine approved patents.

Revenue model and revenue recognition

Climeon is both a hardware and software provider. The company's core offering is the Heat Power system and the system's software Climeon Live™. In addition, Climeon offers consulting services such as site design and project management, as well as support services for the Heat Power system. This provides recurring revenues over time.

"The insights from the software solution Climeon Live are used to identify potential for improvement and new upgrade opportunities. As the installed base grows and insights increase, we upgrade components and software to ensure optimal electricity production."

As a main principle, the revenue from the sale of Climeon Heat Power modules is recognized when all performance obligations deemed fulfilled and the control of a good or solution has been transferred to the customer, for example when a Heat Power module is delivered to the customer.

The customers normally pay on several occasions; order, production start, delivery and launch of operations. The lead time from order to delivery of a system is normally around six to twelve months. For geothermal and land-based engines, so called gensets, the lead times of installation projects are affected by the customer's negotiations for land leases, completion of the surrounding power plant as well as permit processes.

All permits must be in place before the customer is ready to accept module deliveries, which affects Climeon's delivery rate. The customer is therefore recommended to start the preparatory work in parallel to production start. For orders from shipyards, the lead time is typically in the order of 24–36 months, based on the time it takes to build the ship.

Climeon recognizes the main part of the revenues for the Heat Power system at delivery, while a smaller part of the order value, normally 5-10 percent, is recognized when the modules are put in operation. Larger deals, primarily within geothermal,

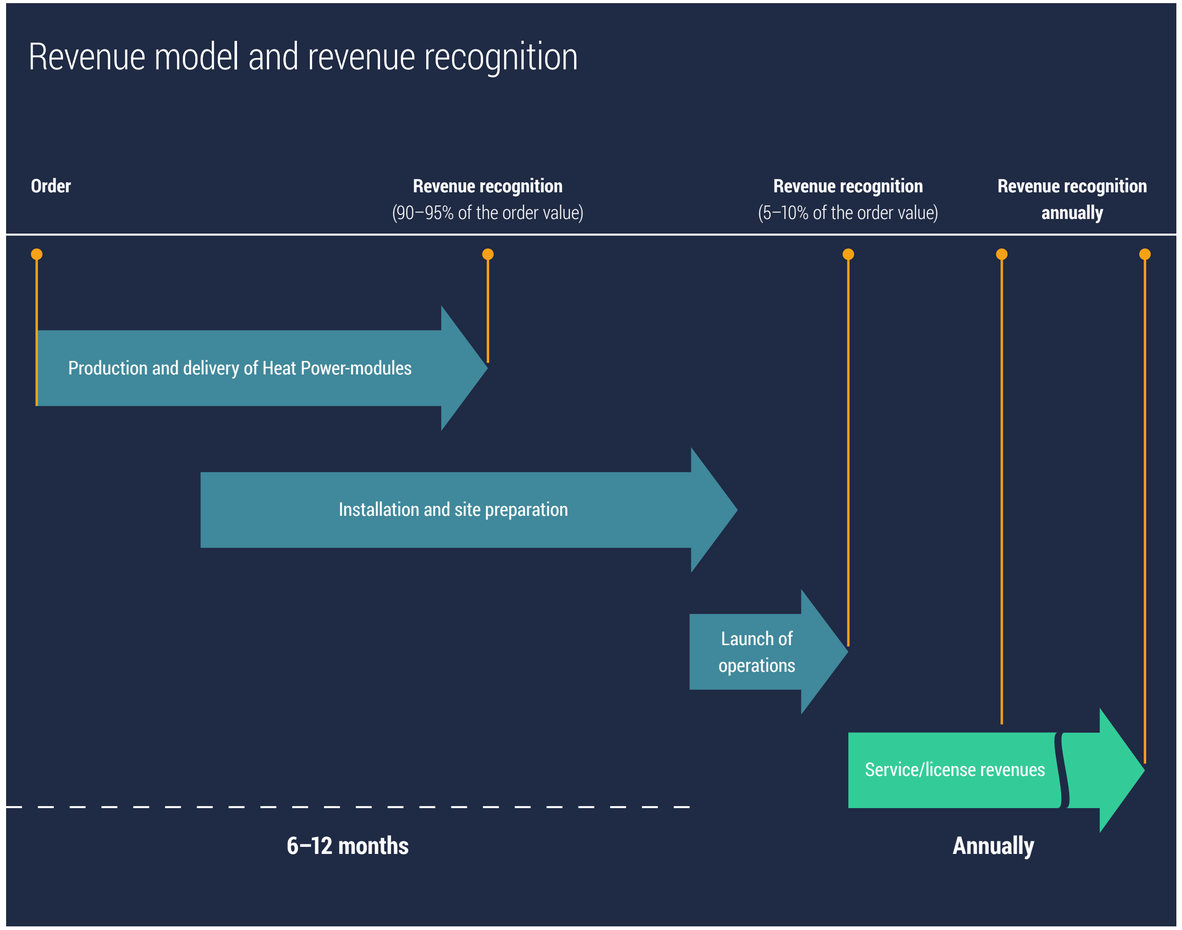
are often divided into multiple installation projects over time where revenue is recognized for respective part delivery. For large orders the delivery rate is also affected by the customer's ability to complete several installation sites simultaneously. Financing of such projects can also prolong the lead time, a risk that is lowered thanks to Baseload Capital.

For each module, the customer also needs a subscription for the Climeon Live™ software, which the customers pay for annually in advance. The license revenue is recognized when control and right of use is handed over to the customer, typically at delivery of the license. Support services are also paid annually in advance and the revenues are annualized over time.

Globally recognized and award-winning technology

Climeon has been recognized by a number of independent organizations. The World Wildlife Fund (WWF) recognized the Company as a Climate Solver 2016 and the same year the industry expert firm Frost & Sullivan claimed the system to be the best in the world in its category. The system is furthermore the winner of the renewable energy category of Veckans Affärer's E-Prize 2016, and has been called "The greatest energy invention in 100 years" by the Swedish Energy Agency. In 2018 Climeon was named a "Bloomberg New Energy Pioneer" and in 2019 a "Top 10 Innovation" at the Innovation for Cool Earth Forum hosted by the Japanese government. In 2020, Climeon won the Industry's Award at the entrepreneurship competition Techarenan Challenge.

"In 2020, Climeon won the Industry's Award at the entrepreneurship competition Techarenan Challenge."



GEOTHERMAL

In geothermal, the heat radiating from the earth's core is used to produce electricity. Geothermal electricity production at high temperatures, about 200-300 degrees Celsius, is an established technology, but electricity production at low temperatures, the area Climeon focuses on, is a relatively new phenomenon. In 2019, the installed capacity of geothermal energy in the world amounted to 13.9 GW according to the International Renewable Energy Agency. However, the potential for geothermal energy in the world is much greater than that. Only with today's technology and low-temperature heat, the potential is 110 GW. With continued technological development in the field, the potential is large enough to meet the world's need for energy.

Example of customers:

• Varmaorka • Baseload Power Taiwan •
• Baseload Power Japan •

Delivered modules 2020:

7

Share of order backlog:

95%

Geothermal waste heat can also be obtained from the oil and gas industry, where extracted oil and gas generally is mixed with hot water. The water content of this oil-water mix can reach as high as 98 percent in older wells, and this water has to be separated, treated and disposed of, which incurs significant costs for the industry, and is a potential business opportunity for Climeon.

Climeon's focus

Climeon focuses on installations in new geothermal power plants at unused geothermal reservoirs, on replacing the technology in active but unprofitable geothermal power plants as well as on recovering waste heat from high temperature geothermal power plants. Climeon primarily focuses on the geographical areas where the path to profitability for the customer and Climeon is the shortest. That means areas with easily accessible geothermal heat sources, a favorable energy situation and high electricity prices.

At present, Climeon has chosen to focus on a number of geographic markets where Japan, Iceland and Taiwan have the highest priority in order to achieve volume roll-out. Other countries with large potential for Climeon, where the company has or intends to take strategic entry orders, are the United States, Germany, Hungary, Canada and New Zealand.

"At present, Climeon has chosen to focus on a number of geographic markets where Japan, Iceland and Taiwan have the highest priority."

Development 2020

In April 2020, Climeon commissioned its first geothermal installation in Japan. The first installation is located in Kyushu, where Climeon's Heat Power module has been connected to an existing geothermal power plant and recovers the geothermal waste heat. In June, Climeon commissioned another power plant in Japan. The second power plant is located in Okuhida Onsengo Kansaka and is the first installation connected to an existing onsen, a traditional Japanese spa.

The coronavirus pandemic has affected the opportunities to travel within and between countries, as well as the opportunities to meet physically. In Japan, where the physical meeting

Remote cooperation starting up the power plants in Japan

Just as the installation of Climeon's first two geothermal power plants in Japan were to begin, the coronavirus pandemic paralyzed large parts of the world. Country borders closed, and travel restrictions changed from one day to the next. For Climeon's project team, the conditions changed overnight.

The installation in Kyushu was not only the company's first installation in Japan, but also the first where Climeon's Heat Power module has been connected to an existing power plant and recovers the geothermal waste heat, which meant more extensive integration work than for an independent power plant. At the same time, the second geothermal installation was underway in another part of the country.

– We were lucky that we had a small team in place in Japan before the border was closed. But we would not have been able to put two projects into operation in different parts of the country without the team in Sweden, says Martin Larsson, Delivery project manager in Japan.

Without the opportunity to travel to the power plants, the software team in Sweden was able to make full use of the Climeon Live cloud platform. Distributed in their home offices around Stockholm, they were able to help control, commission and optimize the power plants on the other side of the world.

– These projects show that it is possible to achieve a lot remotely. I think we will work more like this in the future, which is good for the environment, Martin Larsson continues.

Climeon's cloud-based platform Climeon Live enables remote monitoring, control and optimization of power plants. In February 2021, the platform was praised by the Royal Swedish Academy of Engineering Sciences "for using the opportunities for digitalisation to develop both product and business with great sustainability gains".

ABOUT
Customer: Baseload Power Japan
Application: Geothermal
Location: Japan

The geothermal power plant in Fludir had an availability of 98,3 percent in 2020.

culture is very strong, it has affected our ability to meet potential customers as well as our customers' ability to meet landowners, which is why the pace of development during the second half of the year was lower.

The installation work in Iceland has also been affected by the coronavirus pandemic and time schedules have been shifted, so no new power plants were put into operation in Iceland in 2020. Together with the customer Varmaorka, we have worked on the second and third power plants in 2020. The power plants are to be put into operation in 2021. During the summer of 2020, the first power plant in Fludir was upgraded with a new geothermal pump and later also a new cooling solution. This enables increased electricity production, which is why four more modules will be installed in Fludir in 2021. For the full year 2020, Climeon's Heat Power modules in the Fludir power plant had an availability of 98.3 percent, well above target.

In 2020, Climeon won its first order within geothermal in Taiwan and shortly thereafter established a subsidiary in the country. In addition to Climeon's Heat Power system, the order also includes control software, design, consulting and purchasing services linked to the construction of the entire power plant, a conscious strategy from Climeon to expand the company's offering and accelerate the rollout process. By providing the customer with a more complete power plant and optimizing the design for each part of the power plant, Climeon creates greater value for its customers, while the company receives additional sources of income.

Future prospects

The interest in renewable energy and investments towards it have increased sharply in 2020 and major initiatives are being launched globally to increase the share of renewables. The large expansion of solar and wind power has further increased the need for renewable baseload power, which is why the conditions within geothermal are considered to be good. With three commissioned power plants, very high availability at the first installations and additional power plants to be commissioned in 2021, Climeon is well positioned going forward.

"With three commissioned power plants, very high availability at the first installations and additional power plants to be commissioned in 2021, Climeon is well positioned going forward."

INDUSTRIAL

More than 50 percent of the energy consumed globally is lost as waste heat. In both industrial processes and in power plants based on engines, large amounts of waste heat are generated, waste heat that can be used for electricity production. In the industrial sector up to 59 percent of the waste heat is within a temperature range which can be recycled, and 42 percent of this is below 100°C.

Example of customers:

• SSAB • Cooper Östlund •

Delivered modules 2020:

4

Share of order backlog:

1%

One such example is the steel industry, which is an energy intense industry that generates large amounts of waste heat. Of the total energy used in steel manufacturing, an average of circa 50 percent is wasted as heat. Waste heat is generated from various sources within a steel mill, including the blast furnace, the LD converter, casting and exhaust gases.

Another is power plants based on reciprocating engines, so-called gensets. Gensets are biomass, biogas, natural gas or diesel-fueled power generators, with only the purpose of generating electricity. A generator has a specific so-called fuel conversion where 30-40 percent of the energy in the fuel is converted to electricity, while the remaining part is consumed as waste heat via cooling circuit and flue gases. Climeon uses the energy in the cooling circuit and converts parts of that energy into electricity, which increases the overall efficiency and thus reduces the need for fuel as well as reduces carbon dioxide emissions. Generators are available in different sizes and for every 2 MW of generators installed, Climeon estimates that one Heat Power module can be installed.

"As a first step, Climeon has chosen to establish itself within gensets in the UK, where the need and demand for a more environmentally friendly balancing power is great."

Climeon's focus

Each industry has processes that are unique and in order to create added value, Climeon has decided to initially focus on a few application areas where the company sees a combination of simple integration and great potential. To further create focus, Climeon has chosen to build up this competence in markets near Sweden, as well as in Japan, where Climeon already has an established organization.

One of Climeon's selected application areas is power plants based on internal combustion engines, so-called generators or gensets. These generators fulfill a function of producing base-load power in several countries. In countries with a large share of intermittent solar and wind power, there is a great need to balance this with stable electricity production. In these markets Climeon can help operators increase power output and reduce emissions, thereby creating a greener balancing power. As a first step, Climeon has chosen to establish itself within gensets in the UK, where the need and demand for a more environmentally friendly balancing power is great.

Virtual factory tests outperformed the original

In 2019, Climeon won its first order within power plants based on large engines, so called gensets. In September 2020, in the midst of the ongoing pandemic, it was time to deliver the Heat Power modules to the customer in the UK. Ahead of each delivery a Factory Acceptance Test (FAT) is performed at Climeon's facilities in Kista where both the customer and certification bodies attend.

The coronavirus pandemic and associated travel restrictions forced us to think differently this time. Climeon's delivery project manager had to come up with a new way to arrange the FAT in a safe and efficient way. That's why, for the first time in Climeon's history, we arranged a virtual FAT.

Machine documentation, photos and video clips of the equipment were shared with the customer in advance, ahead of the virtual inspection. Next, machine testing and safety tests were arranged as a virtual meeting where we shared the operator panel as well as filmed the engineer performing the tests.

The tests went well and both the customer and Climeon were satisfied. After completed tests, the customer summarized the experience: "The machines performed very well, and the testing was planned and executed perfectly. In 35 years, it was my first virtual FAT and it was better than normal testing that I have witnessed with the big guys out there".

The approval of the first delivery for power plants based on large engines is an important milestone for Climeon's operations within industrial waste heat recovery. The positive reception of the virtual solution means that in the future we can have a much more flexible and efficient delivery process.

ABOUT
Customer: Energy Circle och Cooper Östlund
Application: Industrial waste heat recovery
Location: United Kingdom

Another prioritized area for Climeon is the steel industry, where Climeon has had an installation running since 2015. One of the areas in the steel process Climeon has chosen to focus on is the reheating funace. All steel produced needs to be heated in a reheating furnace to be formed into a steel product which can then be delivered to the customer.

Between 10 and 17 percent of the primary energy supplied to a reheating furnace is lost to a cooling circuit consisting of water. This heat source represents the largest potential for recycling of waste heat in a steel mill. A reheating oven that has the capacity of heating 150 tons of steel per hour has the potential to produce up to 1.1 MW of electricity from the waste heat in the cooling water circuit. Based on an annual steel production of about 1.6 billion tonnes in 2016, the reheating furnaces provides a potential for Climeon to produce up to approximately 1,125 MW electricity. Converted to installations of Climeon's Heat Power module the market amounts to between 7,000 and 10,000 modules.

Development 2020

In 2020, Climeon has moved the sales organization closer to the various markets. During the year, Climeon established itself in the United Kingdom to focus on land-based waste heat recovery, both in power plants based on generators and in the manufacturing industry. During the year, Climeon delivered the first Heat Power modules to a customer within power plants based on generators. The current pandemic has caused some delays in operations as in many cases it has been difficult to gain access to the industrial facilities where there is waste heat.

Future prospects

The genset market is growing significantly due to the large growth of solar and wind power plants in recent years, especially in island countries that lack a sustainable baseload power. Climeon's modules recover waste heat from the power plants and thus increase their efficiency and reduce carbon dioxide emissions. In addition to environmental benefits, this also creates significant cost benefits for the power plant operators, which makes the business case very attractive. Climeon sees that the industrial and genset market will account for a significant part of the company's growth in the coming years. Climeon sees a growing interest from governments and authorities to support the development of green energy solutions. We see this in countries such as Sweden, the EU and Japan, where the authorities are increasing their subsidies for innovative energy solutions and believe that this will provide good opportunities for growth in the future.

MARITIME

Merchant shipping is a key component of the world economy. The marine industry is a global industry with a well-established infrastructure with various actors such as shipowners, shipyards, designers, charterers, etc. The ships are usually powered directly by large diesel engines or by diesel generators that produce electricity for electric motors. The engines' energy losses are emitted in cooling water and exhaust gases, becoming waste heat that for the most part is emitted into the environment. A total of about 60 percent of the energy used in the maritime industry is lost as heat within temperature ranges that can be used for heat recovery. When this heat is converted into electricity, carbon dioxide emissions and fuel consumption are reduced, which is both preferrable for the environment and improves fuel economy. Shipping companies are always looking for a way to minimize operating costs, as the profitability of the industry is based on a very small margin and bunker costs are a large part of the total costs of owning and operating vessels.

Example of customers:

• Virgin Voyages • Viking Line • Maersk • Havila Voyages

Share of order backlog:

4%

Climeon's focus

Climeon has found that owners and operators of passenger ships have historically been more receptive to heat recovery solutions due to a higher brand awareness than many cargo ship owners. However, this has changed in recent years and the marine industry is currently experiencing an unprecedented environmental focus with a clear goal of minimizing environmental impact and energy consumption. Climeon now sees an increased interest in heat recovery solutions in all shipping segments.

Production volumes for new vessels vary over time and vessels vary in size and technical specifications. Climeon focuses on vessels in the size of 3,000 gross tons, of which an average of about 1,600 are built per year. Just over 30 percent of these are estimated to have capacity for Climeon's heat recovery solutions. Climeon also estimates that approximately 15,000–30,000 of the world's approximately 85,000 existing vessels are compatible with low-temperature waste heat recovery systems.

Development 2020

The year began in a positive manner with an order from Havila Voyages, which in 2021 will take four new environmentally friendly cruise ships into operation to cruise along the Norwegian coast. The vessels are part of Havila Voyages' contract with the Norwegian Ministry of Transport for travel between Bergen and Kirkenes.

Shortly thereafter, the coronavirus pandemic spread, which hit the cruise industry hard and many cruises were canceled, including Virgin Voyage's ship Scarlet Lady's first cruise. Travel restrictions and lockdowns caused a temporary halt in the installations on board Virgin Voyages and Fincantieri's next two vessels. In June, the work could be resumed, and it is now progressing well, even though sea trials for the second ship, Valiant Lady, were postponed.

The installation on Maersk's vessel was delayed due to the coronavirus pandemic and Climeon has not been able to go on board for the whole of 2020. Installation and commissioning are expected to be completed in 2021, provided that the pandemic subsides. Installation and commissioning of Viking Line's Viking Glory has also been postponed as the ships are being built in China, which was the first country to be affected by the coronavirus pandemic and subsequently had very strict entry rules.

"Climeon experienced increased interest from customers in the maritime industry during the second half of the year."

Strategic projects to establish Climeon as a standard solution

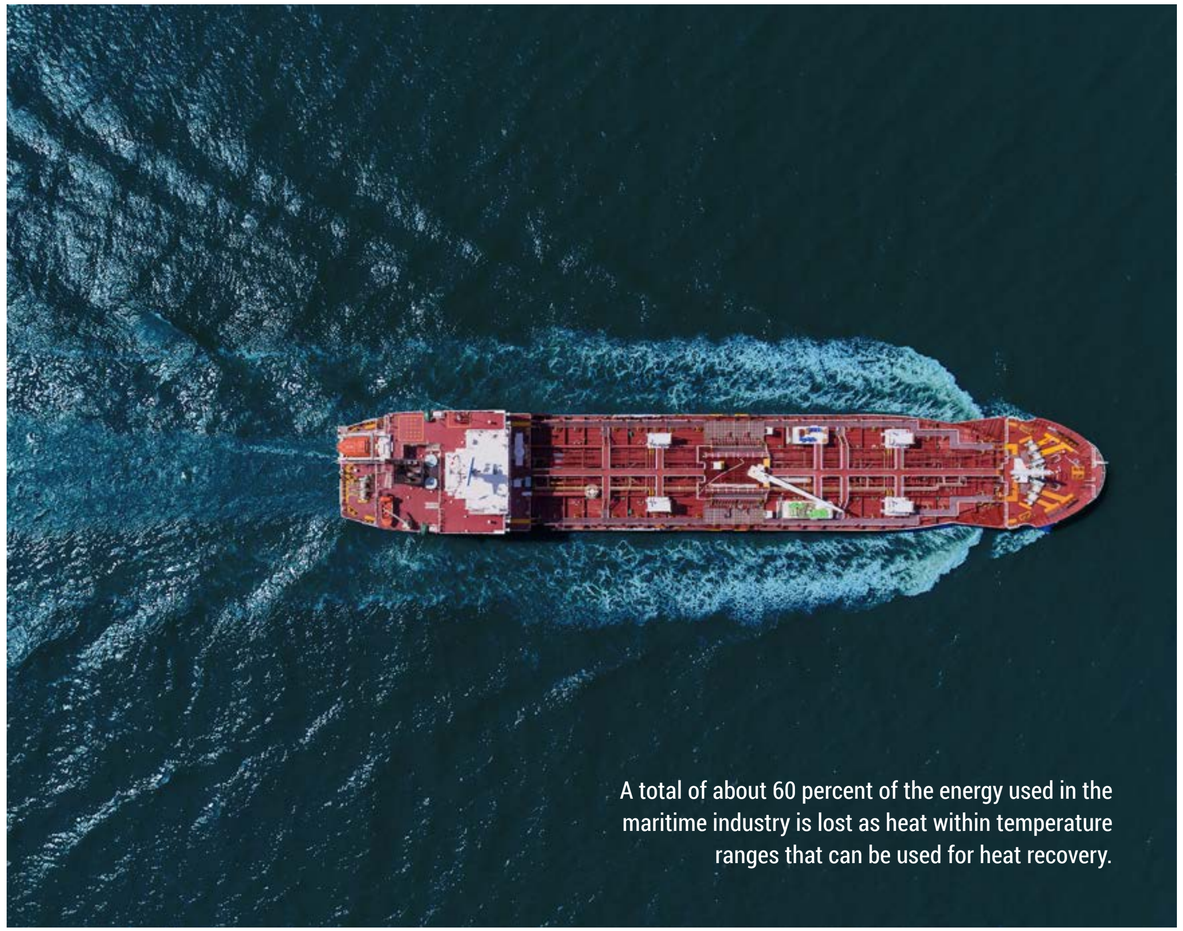
The maritime industry is in many ways a conservative industry with large companies that have been active for a long time. Climeon strives to become a global partner in the shipping industry and to achieve this, it is important to be part of strategic projects that benefit Climeon as a company and reduce emissions in the shipping industry. One such project is the EU-funded Horizon 2020 research project CHEK, which aims to achieve zero emissions in shipping by changing the way ships are designed and operated.

The shipping industry is under heavy pressure to reduce its carbon dioxide emissions, but there is no single technology that on its own can make shipping emission-free. Instead, we must combine technologies and forces in order to achieve the goals.

Therefore, the University of Vaasa, The World Maritime University, Wärtsilä, Cargill, MSC Cruises, Lloyds Register, Silverstream Technologies, Hasytec, Deltamarin, BAR Technologies and Climeon have joined forces in the CHEK research project to achieve emission-free shipping by changing the way ships are designed and operated. The project will develop two ship designs - a wind power-optimized bulk carrier and a hydrogen-powered cruise ship - equipped with a combination of innovative technologies such as Climeon's waste heat recovery technology, hull air lubrication, anti-fouling technology and digital operational improvements. The goal is to reduce greenhouse gas emissions by 99 percent, achieve at least 50 percent energy savings and reduce black carbon emissions by over 95 percent.

"By being part of CHEK, we get the opportunity to influence the ships of the future and work together with some of the industry's most reputable companies. The project will also make our contribution to the maritime industry's efficiency index (EEDI) known", says Fredrik Thorén, Head of Maritime Sales.

ABOUT
What: EU-financed project
Participants: Wärtsilä, Cargill, MSC Cruises, Lloyds Register, Silverstream Technologies, Hasytec, Deltamarin, BAR Technologies and Climeon
Start: June 2021



A total of about 60 percent of the energy used in the maritime industry is lost as heat within temperature ranges that can be used for heat recovery.

Despite the corona pandemic, Climeon experienced increased interest from customers in the maritime industry during the second half of the year.

Future prospects

At the end of 2020, the International Maritime Organization decided to strengthen already ratified rules for emissions and energy efficiency. This is done by bringing forward requirements and tightening regulations for certain types of vessels, and in addition also including existing vessels to a greater extent. In the coming years, shipowners will have to adapt existing ships to match the operating efficiency of newly built ships or alternatively limit their engine power, which favors heat recovery solutions. The role of shipping in the continued growing global trade in combination with increased ambitions for energy efficiency and reduced environmental impact means that Climeon assesses that the company's prospects in sector are very good.

"Increased ambitions for energy efficiency and reduced environmental impact means that Climeon assesses that the company's prospects in sector are very good."

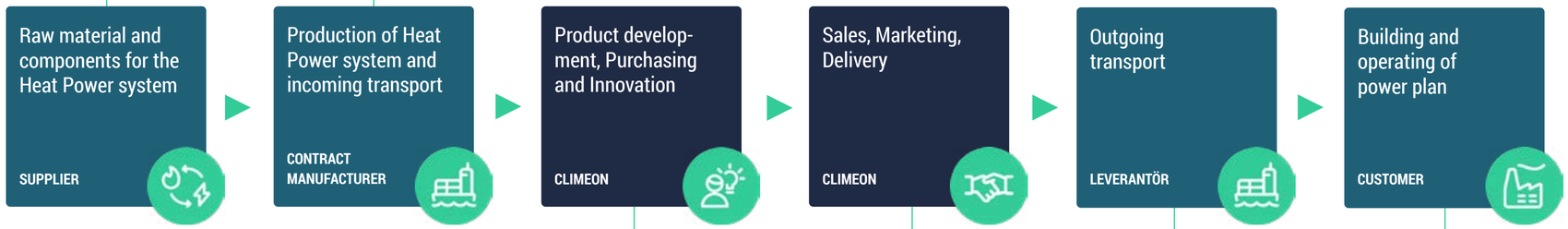
VALUE CHAIN

The production of Climeon's Heat Power system is outsourced to third parties, whereas all research and development is done in-house, with all unique product designs being owned by Climeon. The value chain shows how Climeon's unique solution is sourced, produced and distributed around the world.

REPUTABLE SUPPLIERS WITH INTERNATIONAL REACH

Climeon has 20 direct suppliers to the Heat Power module, including the company's steam turbine, which enables a close dialogue with suppliers. To decrease the reliance on the specific suppliers Climeon always strives for dual sourcing for all components. Also, Climeon owns the design for all critical, non-standard, components, which further mitigates the company's reliance on specific suppliers.

Still, Climeon strives for long term partnerships with its suppliers, and prefers to work with renowned companies with an international footprint, which simplifies the handling of spare parts for Climeon's international customer base. Working with well-renowned suppliers gives Climeon access to their high-quality production and proven methods for product development.



READY FOR VOLUME PRODUCTION

The production of Climeon's Heat Power system is done by Mastec, a renowned contract manufacturer working with several large industrial customers. Climeon and Mastec have had a partnership since early 2016, and all production is done in Mastec's factory in Vaggeryd, Sweden. Mastec's factory has the capacity to produce 400 Heat Power modules per year. However, the production facility is highly flexible and within a short amount of time the production capacity can be expanded by another 400 modules per year if Climeon requests it. With the current factory, the production capacity can be expanded to a maximum of 2,500 modules annually.

Mastec handles the majority of the logistics process of the production, from the ordering of components to the delivery of the complete module to Climeon.

Following the delivery from Mastec, all machines are tested by Climeon's staff at the company's testing and development site in Kista. In the long term, the Heat Power modules will be delivered directly from the contract manufacturer to the customer and the facility in Kista will be used for development and testing of new product releases.

INNOVATION AND CONSTANT IMPROVEMENTS

Climeon's two first pilot installations were made in 2015. Since then, the company has been collecting data from the field and analyzing it to further improve the Heat Power system. Climeon's Research & Development team works closely with Supply Chain Management as they focus on decreasing cost of the product, designing for easy maintenance and other improvements that create customer value.

New designs and new suppliers are then sent back to Mastec to be incorporated in production.

With the learnings from the first couple of customers within each segment, Climeon has also found more business opportunities. Among others, a pilot for a steam turbine solution, which has been specially developed for cruise ship operator Viking Line. The solution was built around Viking Line's desire to further increase the energy recovery on board their ships. For geothermal customers, Climeon has developed solutions for the surrounding power plant that will speed up the power plant project while decreasing costs for customers. In 2020, Climeon has begun the development of the next generation Heat Power technology with a target of higher energy efficiency and better profitability for both the customer and Climeon.

The Heat Power solutions are then marketed and sold by Climeon. Part of the sales team is also a Delivery Project Manager, who will facilitate the project from start to finish, ensuring an efficient customer journey. Thereafter, the installation is handed over to our service and support team.

EFFICIENT TRANSPORTS

Climeon uses a few carefully selected suppliers for transporting the Heat Power systems. The small footprint and modular solution make it easy to ship the systems in containers. Depending on the customer's location, freight options will vary but typically a combination of trucks and ships are used. However, ensuring an environmentally friendly transport is prioritized.

GLOBAL CUSTOMER BASE

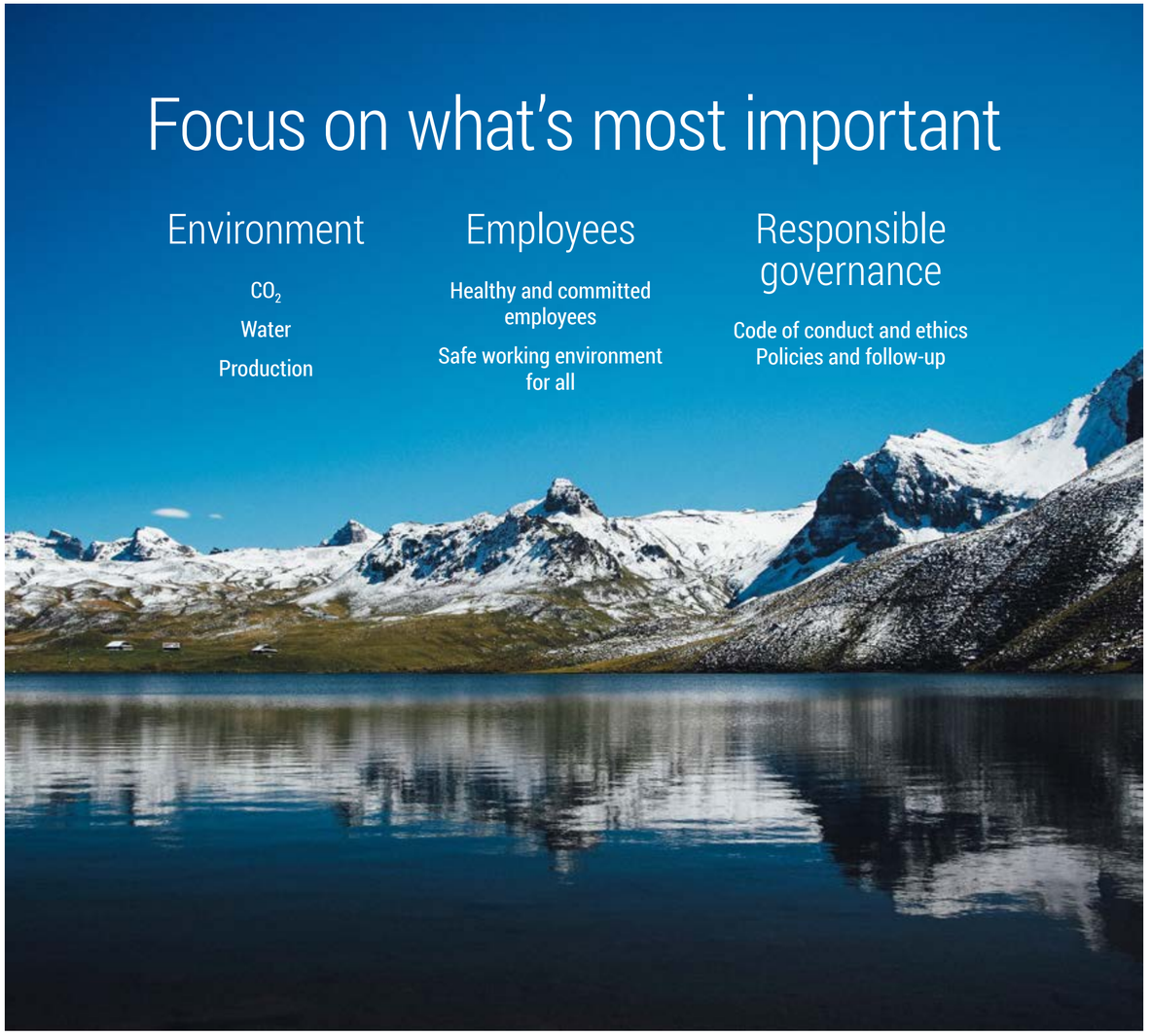
Climeon's customers are found in various parts of the world and in different industries. Power plant design, construction and operation are typically the customer's responsibility. However, Climeon offers consulting and design services for those who wish to buy a more complete power plant. Once the commissioning of the Heat Power system is completed, operation is handed over to the customer but Climeon's service and support team is always available.

BUSINESS FOR A BETTER WORLD

Climeon was founded from a strong drive to create a sustainable world for the next generations. Climeon's entire business idea revolves around the United Nation's sustainable development goal number seven "Affordable and clean energy". Therefore, Climeon also strives for sustainability to permeate the entire company's operations.

Dialogue with our stakeholders

Stakeholder engagement is part of our commitment to creating a better world. An ongoing dialogue involves sharing our progress with stakeholder groups and understanding how their interests relate to our company and our business. Our stakeholders comprise of shareholders, employees, customers, the management team and board members. The stakeholder dialogue has been conducted through meetings and interviews with a selection from each stakeholder group, as well as discussions in management and board meetings. Based on our dialogue Climeon has identified a number of prioritized sustainability issues within three main areas: Environment, Employees and Responsible governance. Key figures or activities within these areas are reported to the Board of Directors. We strive to develop our sustainability work continuously and further improve our ways of measuring targets related to our material focus areas within sustainability. During 2020, Climeon has evaluated and discussed its sustainability work with shareholders, as well as employees and board members.



ENVIRONMENT

Environmental impact lies at the heart of our operations. In this area, Climeon has identified three material issues: CO_2 emissions, water and production. Work relating to the environment is regulated in Climeon's environmental policy, which has been developed over the years to reflect the organizations' growth and increased business. Climeon is also certified according to ISO 14001 and 9001, which guarantees that Climeon is constantly improving with the customer and the environment in mind.

Reducing emissions while growing the company

Climeon's Heat Power-system turns waste heat and geothermal heat into green electricity and thereby enables less emissions of carbon dioxide, contributing to a greener environment. Since the beginning, the company's number one KPI has been tons of CO_2 reduced, a target which is reported annually to the Board of Directors. Depending on the energy mix, and run time, one Heat Power module can save up to 900 tons of CO_2 per year. As the large majority of the electricity generated by Climeon Heat Power modules in 2020 was generated in Iceland, where the electricity consumed already comes from renewables, the CO_2 emissions saved amounted to approximately 550 tons CO_2 in 2020. As a comparison, calculating CO_2 savings using a world average of 0.67 tons CO_2/MWh electricity the savings would amount to approximately 2,880 tons CO_2.

The company strives to only make business critical trips and has a travel policy in place stipulating that domestic travel should be made by train and that trips to/from airports should be made in the most environmentally friendly way possible. The company's car policy also requires all leased cars to be electrical or hybrids. During 2020, we have together with our landlord procured and installed electrical charging stations for visitors and employees. We have actively worked with our landlord to facilitate environmentally friendly travel options to and from work such as cycling. The choice of a combined office and test facility as well as the closure of previous test facilities in favor of central management in Kista has reduced business travel and our environmental impact. Climeon currently has no company cars.

All Climeon employees use a travel agency for domestic and international trips. As a consequence of the coronavirus pandemic, Climeon's travels, and thus also emissions, decreased in 2020. The registered travels corresponded to CO_2 emissions of about 213 tons (230).

Another focus area for Climeon when it comes to CO_2 emissions is transports. A key priority when Climeon evaluates partners within logistics is sustainability and environmentally friendly transports. Given the size and weight of the Heat Power modules and location of the customers, ships and trucks are typically used and we work actively with groupage to minimize transport. In 2020, carbon dioxide emissions from transport amounted to 64 tons (62). The increase is due to the fact that the coronavirus pandemic has had a negative effect on transport chains with fewer departures and increased competition for transport, which means that Climeon has been referred to shipping alternatives that are worse from an environmental point of view for long-distance shipping. Emissions in the transport and supply chain are based on Eco TransIT - world's calculation model for "calculation of energy consumption and emission data of a worldwide transport chain" which is today the industry standard.

In addition to travel and transport, Climeon's largest source of CO_2 emissions is electricity consumption and heating of the company's offices and test facility in Kista. For 2020, emissions linked to electricity and heat amounted to 115.6 tons of CO_2. The electricity is bought from our landlord and we have ensured that the electricity we buy only comes from renewable energy.

Emission category	2020 (ton CO_2)
Scope 1 – production	55*
Scope 2 – electricity and heat consumption	116
Scope 3 – business travel and transport	276
Scope 4 – carbon dioxide reduced by Heat Power modules	550

* Estimate based on 40,000 kWh, nordic electricity mix, per delivered Heat Power module.

Climeon strives for low environmental impact throughout the product life cycle

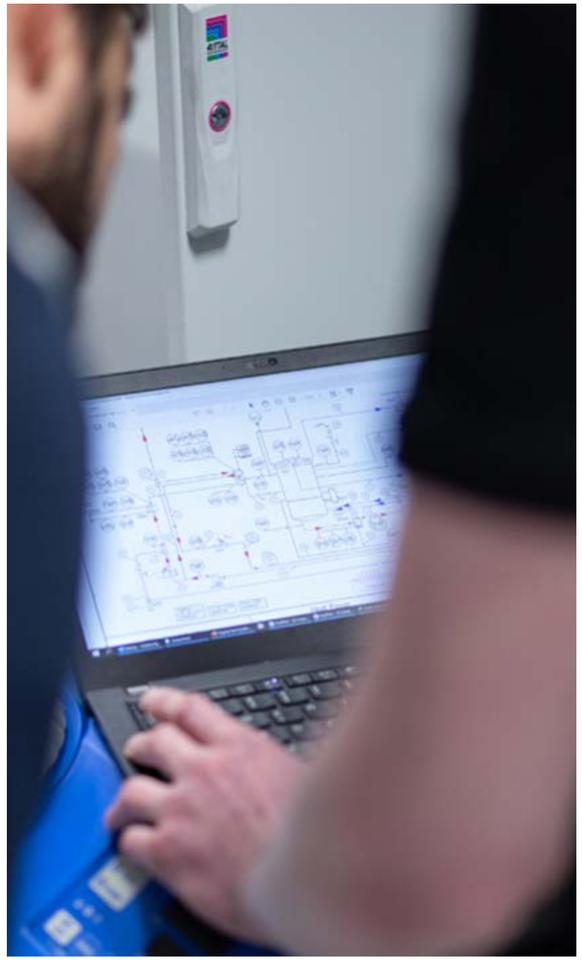
Methods and materials

Climeon aims to maximize the net impact on the environment. This means that decisions regarding what methods and materials to use, are made ensuring both high quality and low environmental impact throughout the whole product life cycle.

All renewable energy technology impacts the environment negatively during manufacturing. For example, large amounts of steel and energy are used to manufacture a wind farm. The power plant needs to be in operation a certain amount of time to compensate for the negative impact the manufacturing has had on the environment – this is known as environmental payback time.

Environmental payback time

For renewable energy technologies such as wind and solar power, the environmental payback time is around six and 18 months, respectively. Adding storage with batteries to smoothen the production will significantly increase the payback time. The production of a Climeon Heat Power system requires approximately 40,000 kWh of energy. Hence, the module needs up to 15 days to compensate for the amount of energy used in the production, resulting in an environmental payback time of just over two weeks.



Our production - considering the whole value chain

When it comes to choosing suppliers, low environmental impact is a high priority. Our target is that all suppliers should be ISO 14000 certified or work according to those principles. For components where the production process is energy intensive, Climeon evaluates where the electricity comes from. Climeon currently has 20 direct suppliers to the Heat Power module, including the company's steam turbine, which enables a close dialogue with suppliers. Our goal is that all suppliers must be ISO 14000 certified or work according to these principles and that they must have signed the company's code of conduct. About 80 percent of the direct suppliers are ISO certified and 75 percent have signed the company's code of conduct. In addition to the direct suppliers to the product, there are 180 suppliers of services, consultants, materials, offices, etc. that were active during 2020. During the annual supplier audits, Climeon focuses on quality, work environment and sustainability. In 2020, it was difficult to perform our regular supplier audits, as the coronavirus pandemic prevented us from visiting our suppliers. The work will be resumed according to plan as soon as the restrictions are reduced. Open points from previous audits have been followed up remotely.

Handling the geothermal water

When building small scale distributed geothermal power plants, the main resource utilized is water. Within the geothermal business, Climeon takes into account and complies with coming and already established EU Taxonomy requirements regarding emission targets, risks related to earthquakes, water contamination, and CO2 dissolved in the water.

The geothermal industry is well-established, as is drilling technology. All drilling is preceded by thorough seismological studies to eliminate the risk of earthquakes. This risk is also reduced by the fact that Climeon utilizes low temperature geothermal heat and can thus be further away from areas with very high seismologic activity. The geothermal water Climeon uses for electricity production is typically found at depths well below groundwater. As there is no hydraulic connection between the water used in the power plant and the groundwater, the risk of contaminating drinking water is eliminated. As Climeon's internal working media is in a closed loop, the hot and cold water used in the machines can be re-used in the process or pumped back into the ground.

"About 80 percent of the direct suppliers are ISO certified and 75 percent have signed the company's code of conduct."

EMPLOYEES

Sustainable work environment

From an employee perspective Climeon has high ambitions within sustainability and has a clear goal that the work environment should be characterized by long-term sustainable performance. This includes both the mental and physical working environment. Sustainable governance is something that permeates the current value base and the way we work to set goals, activities to reach the goals, roles and responsibilities. When it comes to employees, Climeon has identified two material risks: Safety and Health.

A safe working environment for all

Number one priority for Climeon is the safety of our employees and we have a target of zero accidents. Our employees handle high voltages, hot liquids and gases, which poses significant risks unless handled correctly. These risks are present not only at our own test site, but also at customer sites.

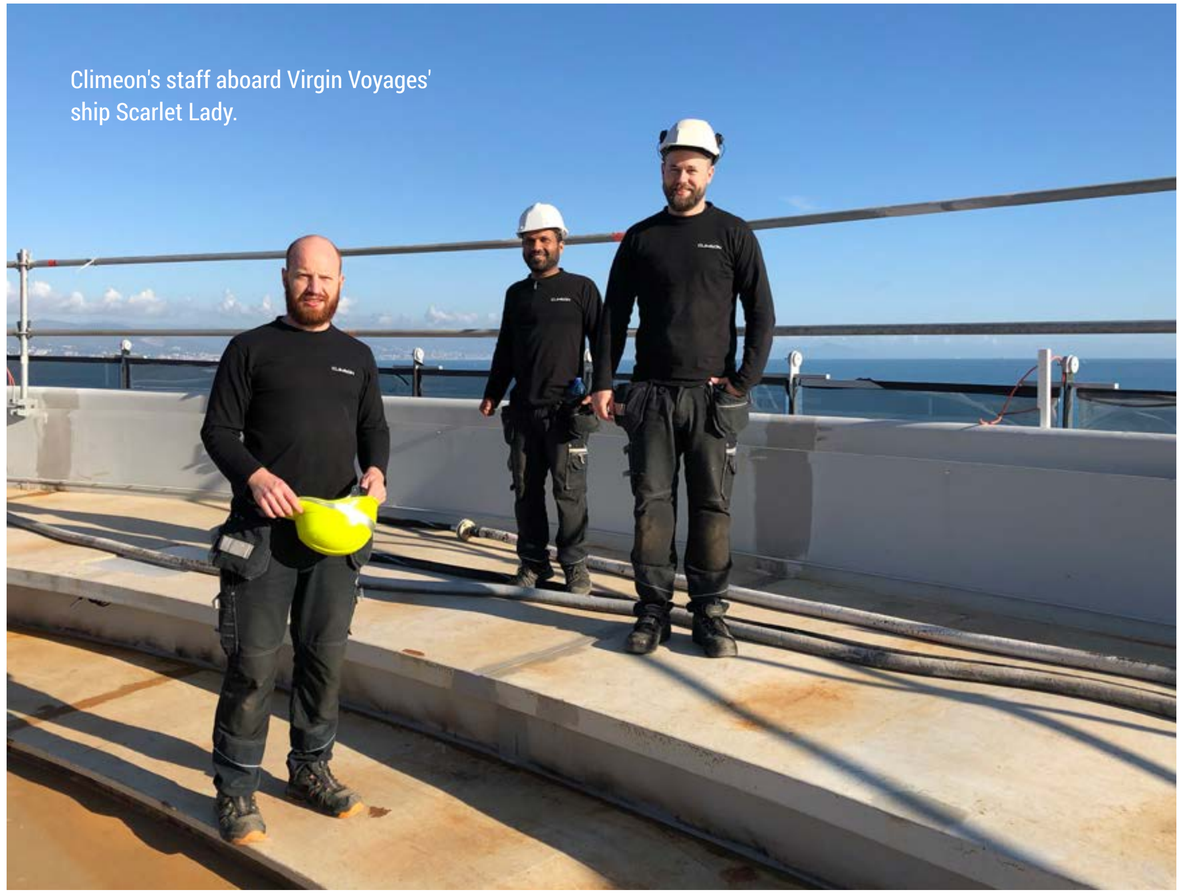
As part of the onboarding process, all employees must go through the safety guidelines and record the completion of this with HR. There are also regular safety trainings and updates for all employees working in the test site and/or on customer sites. Everyone working independently in the test or customer sites must have completed the trainings for general safety, electrical safety (ESA19), injury prevention "Heta Arbeten" and working media safety. The safety team regularly follows up the safety at our premises and customer sites with focus on identifying and rectifying any deficiencies promptly. Incidents are also followed up by the management team, as well as relevant functions within the company. In case of serious incidents, they are also reported to the Board.

In 2020, we had 0 fatalities (0) and 0 serious injuries (0).

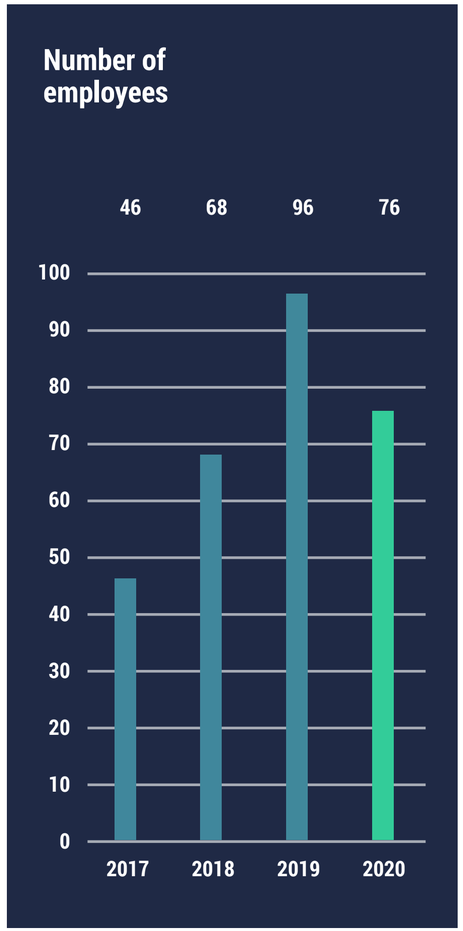
As Climeon's Heat Power units are produced by contract manufacturer Mastec, they are responsible for the safety in the production. However, Climeon has a close relationship with Mastec and has regular visits and contact with employees on all levels in the organization. As a part of the yearly supplier audit, Climeon evaluates the working environment and safety procedures at Mastec, as well as sub suppliers. Many of our suppliers are working in hazardous industries, which is why we actively choose those that are ISO certified, has a sustainability policy that is in line with Climeon's, or a more comprehensive one, and meets EU guidelines.

Healthy and committed employees

To achieve the company's goals of reducing CO_2 emissions and enabling a fossil free future, it is crucial that Climeon's employees are healthy, feel committed and are engaged in the work we do. We recruit employees who believe in the same values that we do: Do Good, Always Deliver and Be Amazing. These core values should guide all employees in everything we do



Climeon's staff aboard Virgin Voyages' ship Scarlet Lady.



and we strive to always be the good company. Climeon strives to create as much commitment, influence and participation as possible in initiatives such as goal setting, vision and value-based work. This means that all employees are involved in developing ways of working and setting up targets. Employee engagement, workload, influence, participation and Employee Net Promotor Score (ENPS) are followed up through the Winningtemp tool. Every other week, questions are sent to all employees via Winningtemp, which enables employees and managers to follow the company's development continuously during the year and quickly identify strengths and development opportunities. ENPS and key indicators from Winningtemp are reported to the Board of Directors monthly. In 2020, the majority of the company's employees worked from home as a result of the coronavirus pandemic, which is why we introduced more frequent online meetings between manager and employees and had an ongoing dialogue with the employees about ergonomics and physical and mental well-being.

During 2020, Climeon implemented a new model for performance development dialogues (PDD). The goal of the PDD is to engage employees in their own development and have them work together with their manager to set targets and plans for the upcoming year. With ambitious and engaged employees in a fast-growing company, there is a clear risk of high stress. Climeon therefore works proactively with stress management. For example, all employees have the opportunity to receive professional support and help to prioritize and structure their working hours and life as a whole. In the case

"An important part of doing good is of course to make sure that Climeon is a diverse workplace where women and men, regardless of age or background, meet each other with respect."

that an employee needs to go on stress related sick leave, Climeon has a rehabilitation policy and clear procedures for how to help the employee recover.

Another important aspect of building an efficient organization is internal communication to keep everybody informed about the status of the company and maintain the culture we take pride in. The company has grown significantly and to ensure transparent communication and maintained team spirit, monthly All Employee Meetings followed by a social activity have been initiated. In the meetings the leadership team explains the strategy forward, follows up on targets and give all employees the opportunity to ask questions and have a dialogue about the work to be done. Twice a year, the company also gathers for at least a full day of team building and workshops during what we call “Climeon Camp”. This is a way to utilize the collective intelligence of the organization while nurturing the company culture and having fun as a team. Due to the coronavirus pandemic team activities have had to be held in very small groups outdoors or completely digital.

To support company growth, Climeon’s talent management team continuously develops our recruiting, onboarding and offboarding processes. The onboarding package together with the employee handbook and online courses tailored for the different company functions helps new employees quickly get up to speed.

An important part of doing good is of course to make sure that Climeon is a diverse workplace where women and men, regardless of age or background, meet each other with respect. With an international and diverse workforce, the Company language is English. At the end of the year, the share of women in the company was 19 percent (24), a share that Climeon is actively working to increase. During the year, Climeon has increased the share of women in the executive management which amounted to 29 percent at year-end. At Board level the share of women amounts to 43 percent. Climeon has joined the ”Equal by 30” initiative, which aims to make the renewable energy industry equal by 2030, and has also established an equality board. Climeon is actively working on designing recruitment ads and external material in an inclusive manner to increase the proportion of female applicants.

RESPONSIBLE GOVERNANCE

Climeons values are based on three core values: Always deliver, be amazing and do good. A critical part of this is to behave in an ethical and sustainable way. The key risks identified within responsible governance are related to how Climeon, our suppliers and our customers act.

Code of Conduct and ethics

Climeon has one Code of Conduct for all employees and one Code of Conduct for suppliers and partners. The Code of Conduct covers areas such as ethics, human rights, collective bargaining agreements, right to union membership, employee health and safety, equality, discrimination, corruption, environment and whistle blowing. At both Climeon, and our suppliers, all employees are to be afforded equal opportunities for development, regardless of gender, age, ethnic origin, religion, political views, sexual orientation, disability or other distinguishing characteristics. We defend human rights, and require that all of our suppliers, as a minimum, comply with the minimum requirements under national legislation with regard to labor law. We have zero tolerance regarding forced labor and work actively to prevent regulatory violations within our operations or value chain.

All suppliers are informed about our Code of Conduct (CoC) and 75 percent of the suppliers that deliver components to our Heat Power systems have also signed it. The target is to have all suppliers delivering components to the systems signing the CoC. The suppliers' adherence to the Climeon CoC is evaluated every year, in supplier meetings as well as audits made by Climeon's Quality Manager. Those who do not meet our requirements are asked to present an action plan showing how they will close the gaps identified.

The Code of Conduct and Climeon's view on ethics is also presented to our customers and attached to sales agreements.

Policies and follow-up

As complements to the Code of Conduct, Climeon has also implemented a policy for work environment, a quality and environmental policy, transport policy, safety guidelines and a rehabilitation policy. Policies related to the working environment and personnel are followed up by the Talent Management team, quality and environmental issues are followed up by the Quality Manager, and the safety guidelines are followed up by the safety team at regular meetings. The findings are then reported to the leadership team, and critical issues are reported to the board of directors. In 2020, Climeon implemented a whistleblower function on the company's website that was marketed in the organization in early 2021. The whistleblower function enables employees, suppliers and other stakeholders to anonymously report any irregularities and problems. Reported matters are received by the company's lawyer and HR function, and are then referred to either the CEO or the Chairman of the Board, depending on the nature of the matter.

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Date of most recent report	2020-04-21
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External assurance	Sustainability data not externally assured

CORPORATE GOVERNANCE REPORT

The Climeon Group consists of three companies. The Parent Company is the Swedish public limited company, Climeon AB (publ), based in Stockholm, whose B share is listed on the Nasdaq Stockholm First North Premier Growth Market.

Good corporate governance is an essential component of Climeon's efforts to create value for its shareholders. We endeavour at all times to:

- Generate optimum conditions for active and responsible corporate governance
- Achieve a well-balanced division of responsibility between owners, the Board of Directors, and the company management
- Maintain a high level of transparency in relationships with owners, the capital market, employees, and society at large

Compliance with the Swedish Code of Corporate Governance ("the Code")

Climeon has applied the Code since July 1st 2019 and has undertaken to follow best practice, wherever possible, regarding corporate governance. The company has not deviated from any of the provisions of the Code in 2020.

Decision-making at shareholders' meetings

Climeon's shareholders exercise their right of decision at the Annual General Meeting and any Extraordinary General Meetings. See page 93 for information on Climeon's share and shareholders.

AGM

Shareholders exercise their control over the company at the AGM or, where applicable, at an Extraordinary General Meeting (EGM). Minutes from and information regarding Climeon's previous General Meetings can be found on the Climeon website.

2020 Annual General Meeting

The Annual General Meeting was held on May 19, 2020. In all, 17 (79) shareholders attended, either in person or through proxies, representing 82,5% (84,7) of the votes. Sven Rasmussen, Attorney at Law, was elected Chairman of the Meeting. As a result of the spread of covid-19, the CEO's speech at the Annual General Meeting was emanated. The speech is available on Climeon's website.

Matters resolved by the AGM:

- Re-election of Board Members Thomas Öström, Jan Svensson, Per Olofsson, Olle Bergström, Vivianne Holm and Therese Lundstedt, and new election of Charlotte Strand. Per Olofsson was re-elected to serve as Chairperson of the Board and, to vice chairman, Jan Svensson
- Re-election of the registered auditing company Deloitte AB
- The auditor's fee for the period until the next Annual General Meeting shall be paid in accordance with a reasonable invoice approved by the company
- Remuneration guidelines to senior executives
- Procedures for the appointment of the Nomination Committee and its work
- Resolution authorizing the Board to decide on new issues of up to 5,000,000 Class B shares. The issues shall be able to be implemented with or without preferential rights for the company's shareholders

Annual General Meeting 2021

Climeon's Annual General Meeting 2021 will be held on May 19. Due to the ongoing pandemic situation, the company has chosen to proceed with exclusively postal voting in connection with the Annual General Meeting and the physical meeting is thus cancelled. Shareholders who wish to contact the Nomination Committee can do so via email: nomination.committee@climeon.com , or by post to Nomination Committee Climeon AB, Torshamnsgatan 44, 164 40 Kista.

Nomination Committee

Under the Nomination Committee procedure adopted at the 2020 AGM, the Chairman of the Board shall contact the four largest shareholders, in terms of the number of votes, by the end of the month of August, and offer them opportunity to each appoint a representative to the Nomination Committee. If any of these shareholders should waive their right to appoint a representative, the right shall pass to the shareholder with the next largest shareholding after these shareholders. The Chairman of the Nomination Committee shall, unless the members agree otherwise, be the member who represents the largest shareholder in terms of the number of votes. According to the procedure, the Chairman of the Board must also be member of the Nomination Committee.

Nomination Committee Duties

The Nomination Committee shall prepare proposals in the following matters to be submitted to the Annual General Meeting for decision:

- proposal for Chairman of the AGM
- proposal for the Board
- proposal for Chairman of the Board
- proposals for fees and other remuneration for board assignments to each of the board members as well as remuneration for committee work
- where applicable, proposals for fees to the auditor and election of auditor
- to the extent deemed necessary, proposals for amendments to these instructions for the Nomination Committee

- Q3 report (audited)
- Budget and business plan decisions
- Evaluation of internal control and risk management
- Nomination committee input
- Board evaluation
- Insurance evaluation

FOCUS AREA D

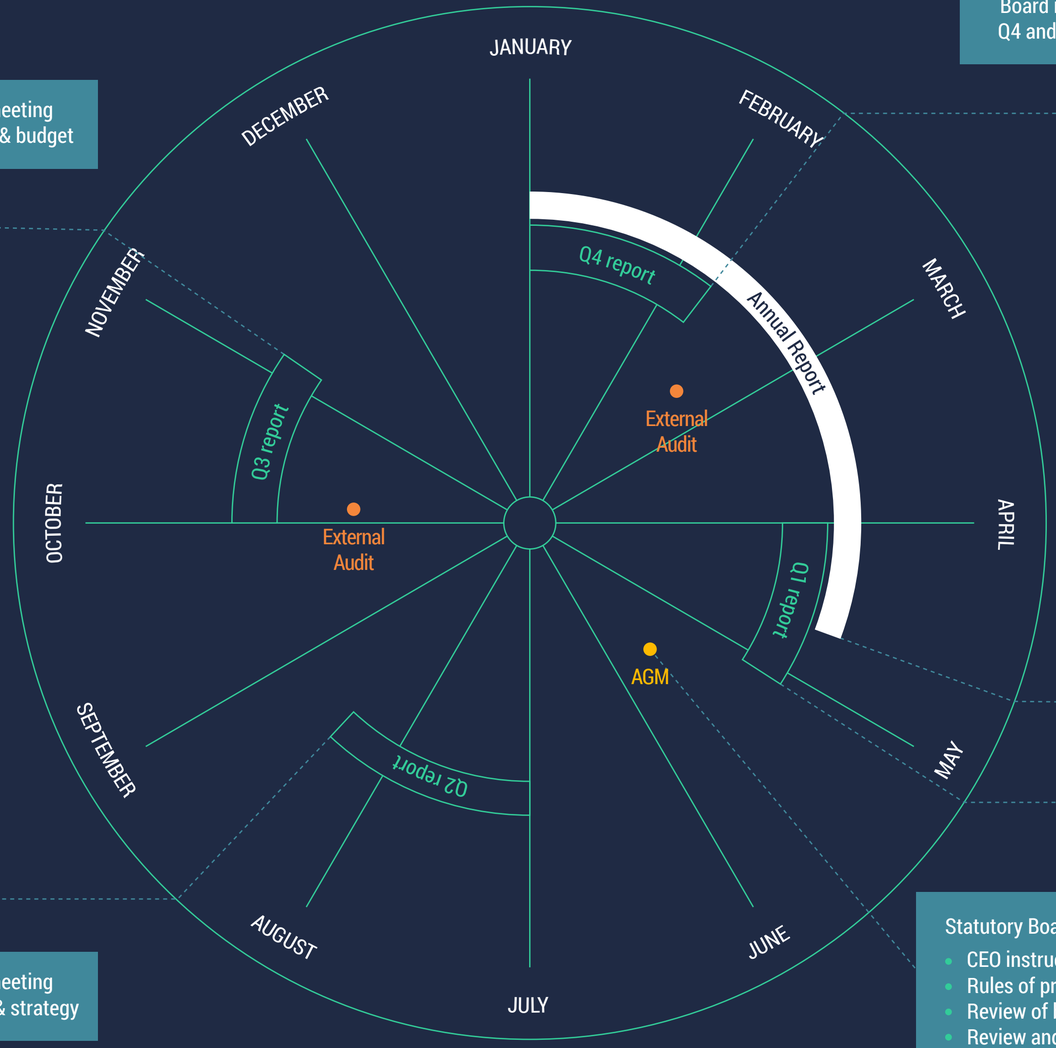
Board meeting
Q3 report & budget

Board meeting
Q4 and full year

- Q4 and full year report
- Annual report and AGM planning
- Annual evaluation of CEO
- Remuneration committee focus
- Safety and Health report

FOCUS AREA A

- Annual General Meeting
- External Audit
- Board Meeting and publishing of quarterly report
- Annual Report
- Quarterly Report



Board meeting
Annual Report
- Approval of Annual report
- Approval of AGM notice

FOCUS AREAS

- Product & technology
- Sales and customers
- In-service performance
- Competittion and market outlook
- Customer Financing
- Production & Sourcing
- Innovation
- M&A
- Intellectual property
- Risks and vulnerabilities

Board meeting
Q1 report

- Q1 report
- AGM preparation
- Company financing
- Annual review of company policies

FOCUS AREA B

Statutory Board Meeting
- CEO instruction and mandate
- Rules of procedure
- Review of board insurance
- Review and decisions on committees

- Q2 report
- Strategy and business plan workshop
- Budget input and guidelines
- Leadership, workplace and people

FOCUS AREA C

Board meeting
Q2 report & strategy

In connection with its assignment, the Nomination Committee shall otherwise fulfil the tasks that according to the Corporate Governance Code fall on the Nomination Committee, which also includes forwarding certain information to the company so that the company can fulfil its information obligation according to the Code. No remuneration shall be paid for the members' work in the Nomination Committee other than direct expenses incurred by the members of the Nomination Committee in connection with the performance of their duties.

Members of the Nomination Committee

The Nomination Committee, ahead of the 2021 AGM (appointed by the biggest shareholders in terms of the number of votes, held on August 31, 2020)

Name	Representing	Proportion of votes in percent, 2020-08-31
Helen Öström	Thomas Öström	51.7
Anne Holm Rannaleet (chairperson)	Joachim Karthäuser	27.2
Niklas Johansson	Handelsbanken Fonder	1.4
Caroline Sjösten	Swedbank Robur	0.5
Per Olofsson	Climeon's Chairman of the Board (convenor)	0.3
Total		**81.1**

The work of the Nomination Committee ahead of the 2021 AGM

The work of the Nomination Committee begins with a review of a checklist detailing all the duties of the Committee as prescribed by the Swedish Code of Corporate Governance and by the Nomination Committee's Rules of Procedure as adopted by the AGM, including a timetable for the work. A good understanding of Climeon's operations is vital in enabling the members of the Committee to carry out their duties.

The Chairman of the Board is responsible for the annual appraisal of the work of the Board, including the efforts of the individual Members of the Board.

The Nomination Committee has read the results of the evaluations for 2020, including an evaluation of the Chairman of the Board. Based on this information, the Nomination Committee can assess the competence and experience is required of the Board members. In addition, the Nomination Committee has taken note of the Group's and the Audit Committee's assessments of the quality and efficiency of the auditor's work, including recommendations on auditors and auditor fees.

Ahead of the 2021 Annual General Meeting, the Nomination Committee held three minuted meetings. The Nomination Committee's complete proposal for the Annual General Meeting is presented in the notice convening the meeting and on the website.

Duties and work of the Board of Directors

The primary duty of the Board is to manage the Group's operations on behalf of the owners in such a way that the interests of the owners, in terms of a long-term healthy return on capital invested, are optimally protected. The Board manages and decides on Group-wide issues such as:

- Strategies, goals, and action plans
- Appropriate organization and that the company is managed in a satisfactory manner
- Appropriate systems for follow-up, internal control, and risk management
- Establish and evaluate essential policies and guidelines
- Information is characterized by openness and is correct, relevant, and reliable
- Review and follow up plans, budgets and the like and to take a position on reports on the company's liquidity, capital requirements and orders received
- Appoint and, if applicable, dismiss the company's CEO

Composition of the Board of Directors

In accordance with the Articles of Association, the Board of Directors shall consist of at least three and at most ten members. Members serve from the close of the Annual General Meeting at which they are elected until the close of the ensuing Annual General Meeting.

There is no limit to the number of periods for which a member can sit on the Board of Directors consecutively. The 2020 Annual General Meeting re-elected the Board members Thomas Öström, Jan Svensson, Per Olofsson, Olle Bergström, Vivianne Holm and Therese Lundstedt and re-elected Charlotte Strand. Per Olofsson was re-elected Chairman of the Board and Jan Svensson Deputy Chairman.

Presentation of the Board members can be found in the annual report under the section Board and on the website.

In preparing its proposal for the Board, the Nomination Committee applied clause 4.1 of the Code as a diversity policy and hereby has considered that the board, with regard to the company's operations, development stage and other conditions, shall have an appropriate composition characterized by versatility and breadth in terms of competence, experience, and background. An equal gender distribution shall be sought. On the company's board the proportion of women is 43 (29) percent.

Independence of the Board of Directors

Several different types of independence requirements apply to the Board of Directors and its committees. Prior to the Annual General Meeting, the Nomination Committee assesses the Board's independence. The Board has been deemed to meet the requirement that at least two of the Board members who are independent of the company must also be independent of major shareholders.

Climeon has, according to agreements entered into to a limited extent, hired board members for operational assignments in 2020. Until the 2021 Annual General Meeting, Climeon will further reduce the use of board members for operational assignments to increase independence from the board.

Rules of procedure

Each year, the Board of Directors adopts written rules of procedure for the work of the Board in accordance with the Swedish Companies Act. The rules of procedure determine the distribution of work between the Board members, includ-

ing the Board's committees, the number of regular Board meetings, matters to be dealt with at regular Board meetings and the duties of the Chairman of the Board. The Board of Directors has also issued written instructions stating how financial reports are to be presented to the Board of Directors and how efforts are to be distributed between the Board of Directors and the CEO. The Rules of Procedure require an inaugural Board Meeting to be held immediately after the AGM. The Board normally also holds a minimum of five additional meetings each year. Four of these meetings are held in conjunction with the publication of the Group's annual and interim reports.

Each meeting addresses the company's project portfolio and business development. In addition, at least one meeting addresses specific long term strategy issues. The budget and economic outlook are addressed at the final meeting of each calendar year. Additional meetings, incl. telephone conferences, are held as required.

The work of the Board of Directors in 2020

The number of Board meetings during the financial year amounted to 13, of which 4 before the 2020 Annual General Meeting. The attendance of the Board members is shown in the following table.

All meetings followed an approved agenda which, together with the documentation for every item, was provided to the Members before the relevant meeting. An ordinary Board Meeting usually lasts for half a day in order to ensure sufficient time for presentations and discussions. The CEO and CFO participate in the Board Meetings. However, these do not attend matters where a conflict of interest may arise or where it is otherwise not appropriate for them to attend, such as in the evaluation of the CEO's work. Most often, a member of the Group's management team also reviews a current strategic matter.

In connection with the Board's adoption of the annual accounts for 2020, the Board has reviewed and received a report from the company's external auditors. On this occasion, the Board also had a review with the auditors without the presence of the CEO or others in the company management.

During the year, the Board's work has largely focused on:

- Business situation regarding sales, market, and order situation
- Product development
- The Group's earnings and financial position, capital raising, liquidity and prospects for the rest of the year
- Future prospects and investments
- Organization and personnel situation
- Collaborations, partnerships and any disputes or risks of loss
- Interim reports, year-end report, and annual report

Board members' presence in 2020 and fees according to the 2021 Annual General Meeting [1)]

			ATTENDANCE NUMBER OF MEETINGS			INDEPENDENCE		
Member	Elected	Born	Board Meetings	Remuneration Committee	Audit Committee	In relation to the company	In relation to major shareholders	Established compensation, in SEK
Per Olofsson	2012	1972	13 (13)	1 (1)	7 (7)	Yes	Yes	460,000
Olle Bergström [2)]	2015	1972	13 (13)			No	Yes	200,000
Stefan Brendgren [3)]	2015	1964	4 (4)		3 (3)	Yes	Yes	200,000
Vivianne Holm	2017	1965	13 (13)		7 (7)	Yes	Yes	240,000
Therese Lundstedt	2017	1981	13 (13)	1 (1)		Yes	Yes	240,000
Charlotte Strand [4)]	2020	1961	9 (9)		4 (4)	Yes	Yes	280,000
Jan Svensson	2019	1956	13 (13)			Yes	Yes	200,000
Thomas Öström [5)]	2011	1973	13 (13)			No	No	–

1) The table refers to fees to the Board for the period May 2020 – April 2021. The fees to the members of the Board elected by the Annual General Meeting are decided by the Annual General Meeting on a proposal from the Nomination Committee. For 2020, fees have been paid according to the table above, where travel allowance is excluded. Differences occur between the maximum decided by the Annual General Meeting the fee and the actual paid, as the actual payment during the calendar year is a combination of the fees between the last two general meetings. For amounts actually paid, see note 8 on pages 78-80
2) In addition to board fees, consulting fees according to previous agreements were paid to B Garden AB (Olle Bergström) of SEK 909,000
3) Resigned at the 2020 Annual General Meeting
4) Admission at the 2020 Annual General Meeting
5) Fees are not paid to a member who is employed by Climeon

Duties of the Chairman of the Board

The Chairman of the Board is responsible for ensuring that Board work is well organised, conducted efficiently and that the Board of Directors meets its obligations. The Chairman of the Board monitors operations in dialogue with the CEO. The Chairman of the Board is also responsible for ensuring that other Board members are provided the introduction, information, and documentation necessary for maintaining a high level of quality in discussions and decisions, and checks that decisions made by the Board of Directors are executed. The responsibility also includes an annual evaluation of the Board's work and that the Nomination Committee receives part of the assessments.

Assessment of the work of the Board of Directors

The Chairman of the Board shall, in accordance with the Board's rules of procedure, initiate an evaluation of the Board's work once a year. In 2020, an evaluation of the Board's work was carried out. When a couple of the board members were new and the pandemic made physical board meetings difficult to conduct, it was decided to, instead of a survey, conduct personal interviews. The Nomination Committee therefore held individual meetings with all members. The Chairman of the Board did not attend those meetings, in order to ensure objectivity. In addition, the Chairman of the Board has conducted individual evaluation discussions with all members and compiled a competence matrix that has been presented to the Nomination Committee. The answers were compiled and analyzed.

The purpose of the evaluation was to get an idea of what the board members think about how the Board work is conducted and what measures can be taken to streamline the Board work. The intention is also to get an idea of what type of issues the Board believes should be given more space and in which areas additional competence in the Board may be required.

Remuneration Committee

The Remuneration Committee, appointed by the Board of Directors, consists of Therese Lundstedt (Chairperson) and Per Olofsson. Usually, an additional employee also reviews a current case. The committee's work has largely focused on:

- Prepare the Board's decisions in matters of remuneration principles, remuneration and other terms of employment for senior executives,
- Monitor and evaluate ongoing and during the year completed programs for variable remuneration for company management, and
- Monitor and evaluate the application of the guidelines for remuneration to senior executives that the Annual General Meeting shall decide on, as well as current remuneration structures and remuneration levels in the Group

The Remuneration Committee held one minuted meeting in 2020, see table on page 38.

Audit Committee

The Audit Committee appointed by the Board consists of Board members Charlotte Strand (Chairman), Vivianne Holm and Per Olofsson, with CFO Christina Kassberg as rapporteur. Usually, an additional employee also reviews a current case. The Audit Committee also meets with the auditor once a year to report observations without the presence of anyone from Group management. The work in the committee has largely focused on:

- Monitor the company's financial reporting
- With regard to financial reporting monitor the efficiency of the company's internal control and risk management
- Stay informed about the audit
- Review and monitor the auditor's impartiality and independence, paying particular attention to whether the auditor provides the company with services other than auditing services
- Assist in the preparation of proposals for the AGM's decision on the election of auditors
- Assist in the monitoring of the enforcement of the legal and regulatory requirements that have a material impact on the financial statements
- Assist in the monitoring of related party transactions
- Assist in the monitoring and evaluation of selected projects

The Audit Committee held seven minuted meetings in 2020 where the auditor and all members were present, see table on page 38.

Auditor

In accordance with the Articles of Association, Climeon shall have one or two auditors with or without deputy auditors. The auditor is appointed by the Annual General Meeting for a period of one year. The 2020 Annual General Meeting re-elected Deloitte AB as auditor for the period up to the end of the Annual General Meeting 2021. Authorized Public Accountant Johan Telander is primarily responsible for the audit of the company and the Group.

The company's chief auditor also participates in the Annual General Meeting and describes and comments there on the audit work. The company's auditor works according to an audit plan and reports his observations to the audit committee and to Climeon's board, partly during the audit, partly in connection with the adoption of the annual accounts. The company's auditor continuously tests his independence in relation to the company and each year submits a written declaration to the board that the auditing company is independent in relation to Climeon. During the past year, the auditors have had advisory assignments regarding primarily accounting issues. During the 2020 financial year, Climeon's nine-month report was reviewed by the company's external auditors.

- Elected auditor: Deloitte AB
- Principal auditor: Authorized Public Accountant Johan Telander
- since 2015 and also works as the principal auditor in Sinch AB (publ), Clas Ohlson AB (publ) and Fastpartner AB (publ)
- Shareholding in Climeon AB: 0 shares

The auditor's independence in relation to the company is ensured by that the elected auditor only to a limited extent may perform services other than auditing.

Group management

The Board appoints the CEO and, where necessary, the Deputy CEO. The CEO leads the work of Group management and is responsible, together with Group management, for ensuring that the operating activities are conducted in accordance with the provisions of the Swedish Companies Act, other legislation and regulations, applicable regulations for listed companies, the Articles of Association, and the CEO's Instructions.

The CEO of Climeon at the beginning of 2020 was Thomas Öström. On November 11, the Board announced that it had decided to recruit a new CEO, and on December 15, the Board appointed Jan Bardell as Acting CEO. Jan Bardell has long and solid experience as CEO and leader in the energy industry.

At the end of the year, the Group Management consisted of CEO Jan Bardell, CFO Christina Kassberg, Head of Sales and Marketing Olle Tholander, Head of Globalization Christina Bäck, Head of Research and Development Jonas Måhlén, Head of Production and Sourcing Carl Frykfeldt and Head of Service Robin Goodoree. The management team has a broad composition and the required expertise in business development, sales, technology, strategic purchasing, finance, and communication.

The role of Group management is to:

- Set operational goals, allocate resources, and monitor the company's results and development
- Develop information and documentation as a basis for the board to be able to make well-founded decisions
- Based on the annual strategic work, implement the strategy established by the Board
- Follow-up of established goals is an essential tool for conducting the operational work

A more detailed presentation of the Group's management team can be found in the annual report under the Management section and on the website.

Code of conduct

Being the "good company" and behaving in an ethical way is important to Climeon. Climeon has two codes of conduct, one for suppliers and one for employees, which state how we should conduct business and behave. Climeon's Code of conduct is available on the website.

Guidelines for remuneration to senior executives

Principles for remuneration to senior executives in Climeon are established by the Annual General Meeting. The proposed guidelines for 2021 mainly comply with the guidelines that have been applied so far but have been adapted as a result of certain amendments to the Swedish Companies Act and the Code.

Senior executives refer to the President and other members of Group Management. The guidelines apply to agreements entered after the AGM's decision and in the event that changes are made to existing agreements after this time. It is of fundamental importance to the company and its shareholders that these guidelines, in a short- and long-term perspective, create good conditions for attracting and retaining skilled employees.

The purpose of the guidelines is to create increased transparency in remuneration issues and through relevant remuneration structures, create incentives for senior executives, to execute strategic plans and deliver good operational results to support the company's business strategy and long-term interests, including sustainability.

Remuneration to senior executives shall be market-based, and competitive and consist of a fixed salary, pension benefit and other benefits. At present, no variable remuneration is paid. Fixed salary must be individually determined based on position, competence, experience, and performance. Revision of the fixed salary takes place annually. Pension terms must be defined-contribution and amount to a maximum of 15 percent of the fixed compensation. The retirement age for senior executives is 65 years. Other benefits shall constitute a smaller part of the total compensation and correspond to what is customary in the market.

The notice period for senior executives is three months.

None of senior executives is entitled to severance pay. The Board may decide to temporarily deviate from the guidelines in whole or in part, if in an individual case there are special reasons for this and a deviation is necessary to meet the company's long-term interests, its sustainability or to ensure the company's financial viability.

For a further account of remuneration to senior executives, see note 8, pages 78-80.

Evaluation of principles for remuneration to senior executives

The principles approved by the AGM for remuneration to senior executives were followed during 2020.

Share-based incentive programs

The purpose of share-based incentive programs is to strengthen the long-term aspect in decision-making and goal fulfilment. The Board may, if applicable, propose to the Annual General Meeting to decide on a share-based incentive program. At the end of the financial year, Climeon had three outstanding warrant programs with a total of 915,165 B shares.

For further information regarding outstanding incentive programs, see note 8, see pages 78-80 and on the website.

The Board of Directors' Internal Controls Report

Internal control

The following presentation comprises the Board of Directors' report on Internal Controls. The purpose of internal controls is to shed light on Climeon's systems for monitoring and controlling operational risks in relation both to strategy and operational practice and to compliance with legislative and regulatory requirements. It shall also provide reasonable assurance of the reliability of the external financial reporting. The internal controls include, amongst other things, a control environment, risk assessment, control activities, information, communication, and monitoring.

Control environment

Climeon's internal control environment is based on the division of work between the board, the CEO, and the rest of the company management. The control environment sets the tone in an organization and affects the control awareness among employees. It is the basis of all other components of internal control, which provide discipline and structure.

It contains factors such as organizational culture, integrity, ethical values, competence, management philosophy, organizational structure, responsibilities, and authorities, as well as policies and routines.

Climeon's control environment is based on:

- Steering documents, such as the Board's Rules of Procedure and the CEO's Instructions, quality systems, policies, and guidelines
- Climeon's core values and Code of Conduct
- The company's organization and the way in which it conducts its operations, with clearly defined roles and areas of responsibility, and delegation of authority
- The company's quality management system according to ISO 9001 and ISO 14001 and its guidelines governing compliance with the permits issued
- Group-wide planning processes such as the budget process and employee interviews

In addition to external laws and regulations, the internal control environment includes policies and guidelines. These internal control documents are updated regularly to adapt to changes in both internal and external requirements. Internal governing documents include:

- Articles of Association
- The Board's rules of procedure with CEO instructions
- Guidelines for remuneration to senior executives
- Code of conduct
- Insider and information policy
- Placement policy
- IT policy
- Finance and personnel manual
- Quality and environmental policy

Operational and financial reports are drawn up on a monthly and quarterly basis for the Group, the Parent company, the subsidiary companies, operating units, and projects. The process includes specific controls that shall be carried out in order to ensure that the reports are of a high quality.

Climeon policies and guidelines are available on the Climeon employee intranet. The documents are updated as necessary to reflect applicable laws and regulations and changes in processes that have been implemented. During the year, Climeon worked to develop the internal control and monitoring of compliance with important processes.

Risk assessment

An effective risk assessment reconciles Climeon's business opportunities and results with the requirements of shareholders and other stakeholders for stable, long-term value growth and control. Climeon works in a structured way with risk assessment to enable risk identification in significant processes, which affect the internal control regarding financial reporting. The following control objectives regarding financial reporting have been identified: Existence, presence, completeness, valuation and ownership of assets, liabilities, and business transactions. The risk assessment is updated regularly and communicated to the Board.

Control activities

To prevent, detect and correct errors and deviations control activities have been established in relation to the control objectives. They help to ensure that the necessary steps are taken to manage risks to achieve the company's goals. Examples of control activities that the company conducts are:

- Verify that there is an approval of business transactions in accordance with the certification rules
- Verification that the accounting process, including year-end report, complies with applicable laws, regulations, and requirements for listed companies
- Control of significant, irregular business transactions
- Check that the valuation of assets and liabilities includes a reasonableness assessment

Information and communication

Climeon has information and communication pathways that are designed to promote the completeness and accuracy of the external communication. The Board of Directors approves the consolidated annual accounts and the year-end financial statement, and entrusts to the CEO with presenting quarterly reports in accordance with the Board's Rules of Procedure. All financial reports are published in accordance with applicable regulations. External information is communicated through channels such as the Climeon website, where quarterly reports, year-end financial statements, annual reports, press releases, and news are published. The Board of Directors and management receive ongoing reports on the Group's position, profit performance, and operational development in terms of the status, both of research projects and other business-critical areas. The most important communication channels within the company include the intranet, where quality systems, policies, guidelines, and information are

published, and regular information meetings for all members of staff.

Monitoring

The Board of Directors regularly reviews the Group's development projects and business development strategy, as well as all financial reporting and liquidity.

The Board of Directors' follow up of internal control is mainly carried out by Climeon's auditors, who review operations in accordance with a set audit plan and follow up annually on selected aspects of the internal controls, within the framework of the statutory audit. Once an audit is completed, observations are reported back to the Board on a rolling basis. The auditor-in-Charge also attends at least one Board meeting per year and reports the observations made during the audit for the year and the operational routines. The practice on these occasions is to set time aside for specific discussions not attended by the CEO or other employees.

Internal audit

In light of the risk assessment described above and the design of control activities, the Board has chosen not to have a special function for internal audit.

Board of Directors

Climeon's Board of Directors is composed of seven members elected by the shareholders, including the chair of the Board of Directors, all of whom are elected for the period to the end of the Annual General Meeting 2020. According to Climeon's Articles of Association, the Board of Directors shall be composed of three to ten members with no more than three deputy members. Holdings in the company are presented per 31 March 2021.

PER OLOFSSON (BORN IN 1972)

Member of the Board of Directors since 2012 (Chair since 2015)

Member of the audit committee and the remuneration committee

Education/background: Per Olofsson holds a Master of Science degree in Industrial economics from the Institute of Technology at Linköping University and has taken courses at Universitat Politècnica de València, Harvard Business School, and Styrelseakademin.
Per Olofsson is an international entrepreneur mainly dedicated to business development, funding and sales of companies in sustainable technologies. He previously worked as a management consultant and was CEO for ClimateWell for almost ten years. Per is the Executive Director of Girindus Investments AB, member of the investment committee of Almi Invest Greentech Fund, deputy Chair of the board for Paracel S.A., member of the Board of SilviPar AB & SilviLao AB and Chair of the Board of CleanFlow Black AB. Per is an Academy Fellow in the Royal Swedish Academy of Engineering Sciences.

Holdings in the Company: Per Olofsson owns, privately or through companies, 610,000 class B shares in the Company.

Independent in relation to the Company, management and the Company's major shareholders.

OLLE BERGSTRÖM (BORN IN 1972)

Member of the Board of Directors since 2015

Education/background: Olle Bergström holds a Master of science degree in engineering physics from Chalmers Institute of Technology, an MBA from University of Warwick, England and he has attended courses at Styrelseakademin. Olle Bergström has experience of board work and senior positions in both large and small companies such as Modvion, Telia, YouBed AB and Skanova. His experience covers everything from project management, product development, business development to the design of business strategies and corporate finance.

Holdings in the Company: Olle Bergström owns, privately and through companies, 1,282,700 class B shares in the Company.

Dependent in relation to the Company and management, independent in relation to the Company's major shareholders.

VIVIANNE HOLM (BORN IN 1965)

Member of the Board of Directors since 2017

Member of the audit committee

Education/background: Vivianne Holm holds a MSc in Finance and Marketing from the Stockholm School of Economics, Sweden. Vivianne Holm is an active cleantech investor and board professional with a strong dedication to battle climate change through enabling companies with impact technologies.
Vivianne Holm has extensive experience from the financial markets within financial research, corporate finance, as an advisor focusing on business development, funding, investor relations and has also co-founded two companies.
Vivianne Holm is a Board Member of Advanced Soltech AB, Climeon AB, Hexicon AB, Inzile AB, Meva Energy AB, Rocker AB and Volta Greentech AB.

Holdings in the Company: Vivianne Holm owns 100,991 class B shares, has warrants that entitle her to subscribe for 7,882 class B shares and call options that entitle her to purchase 15,000 class B shares in the company.

Independent in relation to the Company, management and the Company's major shareholders.

THERESE LUNDSTEDT (BORN IN 1981)

Member of the Board of Directors since 2017

Member of the remuneration committee

Education/background: Therese Lundstedt has a Master's Degree in marketing and management from Uppsala University and University of Calgary and has also taken courses at Styrelseakademin.
Therese Lundstedt has experience from primarily the finance and IT sector, but also from large companies, startups and non-profit organizations. She has held leading positions with focus on business development, sustainability, sales, digital marketing and communication at SEB, Aktiespararna, Unomaly and Redeye. Therese was formerly the CEO of Aktieinvest FK AB and is now the CEO of Urbangreen AB.

Holdings in the Company: Therese Lundstedt owns 500 class B shares, holds warrants that entitle her to subscribe for 7,882 class B shares and call options that entitle her to purchase 10,000 class Bshares in the Company..

Independent in relation to the Company, management and the Company's major shareholders.

CHARLOTTE STRAND (BORN IN 1961)

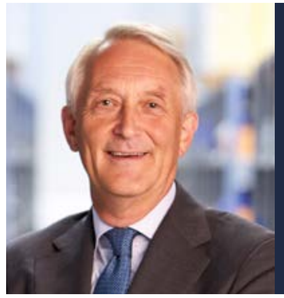
Member of the Board of Directors since 2020

Member of the audit committee

Education/background: Charlotte Strand has a Master of Science (Cand. Oecon) from Aarhus University in Denmark. Charlotte Strand has several years of experience within the Danish energy group Dong Energy (now Ørsted), also as Senior Vice President/CFO of the subsidiary Dong Energy Wind Power. Charlotte Strand has several years of experience from board work and is presently a board member of PostNord AB, Flügger A/S, Per Aarsleff A/S and of Evida A/S (Chairman). She also has experience from being the Chairman of the audit committees in two of these companies.

Holdings in the Company: Charlotte Strand has no holding in the company.

Independent in relation to the Company, management and the Company's major shareholders.



JAN SVENSSON (BORN IN 1956)

Member of the Board of Directors since 2019

Education/background: Jan Svensson is a mechanical engineer and holds a Master of Science in Business and Economics from Stockholm School of Economics. Jan Svensson has extensive experience in managing companies, most recently as President and CEO of Investment AB Latour 2003-2019 and previously as CEO of Sigfrid Stenberg 1986-2002.
Jan Svensson also has significant experience as a board member and chairman of listed companies. He is currently active as Chairman of the Board of AB Fagerhult and Tomra Systems ASA, Member if the Board in Assa Abloy AB, Nobia AB, Loomis AB, BillerudKorsnäs AB, Stena Metall AB and Herenco AB.

Holdings in the Company: Jan Svensson owns, privately or through related parties, 12,000 class B shares in the company, as well as call options corresponding to 75,000 B shares in the Company.

Independent in relation to the Company and management, as well as the Company's major shareholders.

THOMAS ÖSTRÖM (BORN IN 1973)

Co-founder and Member of the Board of Directors since 2011

Education/background: Thomas Öström has a Master of Science degree in computer science and control engineering from Luleå University of Technology, and he completed the leadership and finance programs at Svenska Managementgruppen. He has also taken courses at Styrelseakademin. Thomas has received an honorary doctorate degree by Luleå University of Technology. Thomas Öström is an entrepreneur and a joint founder of Climeon. Thomas Öström previously worked for over ten years at Micronic AB (publ), and was vice president for technology development, for example. Micronic is a Swedish high-tech company in the electronics industry and is listed on Nasdaq Stockholm.

Holdings in the Company: Thomas Öström owns 8,900,000 class A shares and 130,900 class B shares in the Company.

Dependent in relation to the Company and management, as well as the Company's major shareholders

MANAGEMENT

Climeon's senior executives and their holdings in the company are presented per march 31, 2021.

JAN BARDELL (BORN IN 1957)

CEO since 2020

Education/background: Uppsala University, Gävle University and IFL (Institute for Business Management). Jan Bardell has long and solid experience as CEO and leader in the energy industry, including as CEO of One Nordic AB and, before that, as CEO of Vattenfall Services and Vattenfall Business Services. Most recently, Jan was CEO of Argynnis Group AB.

Holdings in the Company: Jan Bardell has no holding in the company.

CHRISTINA KASSBERG (BORN IN 1968)

CFO since 2020

Education/background: Christina Kassberg holds a BSc in Business Administration. Christina has a strong financial background with long experience from both listed and unlisted companies. Christina has worked as CFO in both growth companies and mature companies with global sales, and she has extensive experience in both strategy and transformation work at group level. Most recently, Christina comes from the role of Interim CFO for Resurs Holding AB. Prior to that, Christina Kassberg has been CFO of Addtech AB, CFO of Stim, EVP Finance and Administration for Medivir and holds an auditor background.

Holdings in the Company: Christina Kassberg holds call options corresponding to 80,000 B shares in the Company.

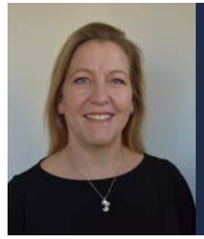
MIKAEL AUGUSTINSON (BORN IN 1963)

Head of Operations[1] since 2021

Education/background: Mikael Augustinson has a MScin industrial economics from Luleå University of Technology. Mikael has extensive experience from various senior positions from national and international work environments. Strong focus on change management and leading in complex environments with long experience of transformations. Experience of managerial roles in product and service development, outsourcing and partner development. Mikael most recently came from Fujitsu and HCL.

Holdings in the Company: Mikael Augustinson has no holding in the company.

[1] Mikael Augustinson took over as Head of Operations on March 8, 2021, a result of a reorganization a result of a reorganization which thus entered into force.



CHRISTINA BÄCK (BORN IN 1970)

Head of Sales and Markets[2] since 2021

Education/background: Christina Bäck has a degree in marketing economics from IHM Business School. Christina has extensive experience from various senior positions in business development, product management, marketing, and sales both within Sweden and internationally. Christina has solid experience of starting new companies and businesses, driving them to globally profitable businesses in complex ecosystems. Christina most recently came from the role as CEO of an IT company and has before that held various leading positions within Ericsson, Tele2 and Kuwait Petroleum.

Holdings in the Company: Christina Bäck owns 549 class B shares in the Company.

[2] Christina Bäck took over as Head of Sales and Markets on January 22, 2021, after the end of the financial year. Head of Sales and Markets in 2020 was Olle Tholander.

JONAS MÅHLÉN (BORN IN 1968)

Head of Research and Development since 2018

Education/background: Jonas Måhlén has a degree in electrical engineering from Lund University. Jonas has long experience of managerial roles in project, program and product development and has as the installation manager delivered to world-leading semiconductor companies. Jonas Måhlén has international experience from Japan to the US and comes most recently from Tobii and Mycronic AB.

Holdings in the Company: Jonas Måhlén owns 23,862 class B shares and holds warrants that entitle him to subscribe for 23,366 class B shares in the Company.

AUDITOR

Climeon's auditor is Deloitte AB, with Johan Telander (born in 1978) as the auditor with primary responsibility since the shareholders' meeting in 2015.

Johan Telander is a Certified Public Accountant and member of FAR. Johan Telanders' office address is Rehnsgatan 11, 113 79, Stockholm.

AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE STATEMENT

To the general meeting of the shareholders in Climeon AB (publ.), corporate identity number 556846-1643

Engagement and responsibility

It is the board of directors who is responsible for the corporate governance statement for the financial year 2020-01-01 - 2020-12-31 on pages 35-42 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinions

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm April 21 2021

Deloitte AB

Johan Telander
Authorized public accountant

BOARD OF DIRECTOR'S REPORT

The Board of Directors and CEO of Climeon AB (publ), corporate registration number 556846-1643, with its registered office in Stockholm, hereby issue the annual report regarding the operations of the Group and the Parent Company Climeon AB (publ) for the financial year 2020. All figures refer to the Group for the financial year 2020, unless otherwise stated. Comparisons are made with the financial year 2019, unless otherwise stated. The Climeon Group consists of the parent company Climeon AB and two subsidiaries. The Parent Company's Class B shares are listed on Nasdaq First North Premier Growth Market. For more information, see www.climeon.com.

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.

Focus of the business

Climeon is a Swedish technology company, founded in 2011, that mainly offers one product, the Climeon Heat Power system, which utilizes the energy in waste heat and lowtemperature geothermal heat to generate electricity.

The Company received its first order in 2015 and is currently targeting three areas: maritime, industrial and geothermal. Within maritime and industrial the usage of the Heat Power system lies within waste heat recovery, whereas within the geothermal market the system is either used for waste heat recovery in existing high temperature geothermal power plants, or as the main system in low temperature geothermal power plants.

Climeon operates in global markets with customers mainly in Europe and Asia. Climeon's vision is to become the world's foremost climate saver and enable a fossil-free world using thermal power. At the same time, profitable business is made possible for both Climeon's customers and the company.

Important events during the Financial year

The market

The renewable energy sector has grown rapidly over the last decade, a development that is likely to continue as technology within the sector improves and political pressure increases.

There is a distinct division within the sector between intermittent (non-continuous, fluctuating) and baseload (continuous) energy sources, where wind and solar power are intermittent energy sources and hydropower, geothermal energy and biomass are baseload energy sources. Continuous baseload electricity, independent of sun, wind and precipitation, is needed to sustain a stable electricity grid.

Climeon is active within a subdivision of the market for the baseload energy sources called heat power, which is comprised of waste heat recovery and geothermal energy. Geothermal energy utilises heat from within the earth as an energy source whereas waste heat energy utilises heat that is generated as a by-product in industrial processes, for example production of cement, steel and transportation. Heat power has a vast potential and is today largely untapped due to technological shortcomings. However, traditional technologies used within the heat power segment has seen strong growth despite its technological limitations, such as the Organic Rankine Cycle (“ORC”) that utilises heat at temperatures between circa 120 and 300 °C.

Climeon’s Heat Power system, the Company’s main product, improves the ORC technology by making it more efficient and cheaper when converting heat energy into electricity. This makes it economically viable to generate electricity from low temperature heat (herein defined as below 120°C), which effectively forms a greenfield market within that specific temperature segment.

The market that Climeon is currently focusing on are low temperature geothermal energy as well as waste heat from maritime transportation (ships) and steel manufacturing. Within the geothermal market, Climeon can also utilise waste heat from existing high temperature geothermal power plants operating at temperatures exceeding 150°C.

Order intake and order backlog

During the fiscal year, Climeon AB has signed several important customer agreements. Order intake for the full year 2020 amounted to SEK 56.3 million (44.2). The number of Heat Power modules delivered was 11 (31) pcs.

At the end of the period, the order backlog amounted to SEK 728.5 million (729.7), corresponding to 215 (214) Heat Power modules.

During the first quarter, Climeon received a new order in maritime transport from Norwegian cruise company Havila Voyages. The order worth SEK 15.4 million involves the installation of Heat Power systems on their four new cruise ships.

During the second quarter, Climeon received an initial geothermal order in Taiwan worth SEK 40.9 million. In addition to Climeon's Heat Power system, the order also includes design and consulting services for the surrounding power plant.

Development in 2020

In the first quarter, Climeon made great progress on the geothermal side. In Japan, the installation of the very first power plant was completed. In Iceland, Reykholt, Climeon's prototype for standardized and pre-produced pipelines, Backbone, was installed to make customer installations faster and easier. The quarter was also marked by the pandemic with travel bans and quarantine rules and deliveries of components took longer than normal.

In the second quarter, Climeon continued to expand geographically through an initial geothermal order in Taiwan. Taiwan is a focus market with good geothermal conditions. In Japan, both the first and second geothermal power plant were commissioned. This quarter was also affected by the pandemic. In Iceland, installation work was delayed by the two power plants scheduled to be commissioned during the summer. In the marine industry, cruise ships remained in port, but in June the installation team was able to board Virgin Voyages ships in Italy. Work on Maersk's ship remained delayed.

During the third quarter, Heat Power modules were delivered to our first customer in land-based engines in the UK and a local presence was established in the country. A subsidiary was established in Taiwan and, in cooperation with Baseload Capital, conditions are created for the construction of power plants. The quarter was also characterized by work with financing, which resulted in a grant of SEK 78.9 million from Svensk Exportkredit and DNB, followed by a directed share issue that provided the company with SEK 244.9 million.

During the fourth quarter, the cash position was strengthened through the directed share issue and payment of the loan, which enables increased local presence in our focus markets, accelerated development of the next generation heat power system and a broader customer offering. The fourth quarter has also been characterized by the corona pandemic, which has affected both order intake as well as revenue and installation rates. At the end of the fourth quarter, Jan Bardell was appointed CEO of Climeon.

Effects of the COVID-19 pandemic

The covid-19 pandemic is affecting people and businesses around the world. Climeon is closely monitoring the development and effects of the pandemic and is prepared to act and adjust operations if necessary.

During the year, the pandemic has had a negative impact on Climeon's market, as well as order intake as well as revenues and installation rates. In Japan, where the physical meeting culture is strong, restrictions have affected opportunities to further develop new business and power plant projects. In maritime, we remain constrained by the pandemic as we have not been able to board Maersk's ships or complete the installations at Viking Glory in China.

The COVID-19 outbreak poses a huge challenge to people's lives and health worldwide. Climeon's top priority is to ensure the health and safety of employees while maintaining and developing the company's operations. Climeon has implemented the COVID-19-related security measures prescribed by the authorities in all parts of its operations. This means, among other things, that the company to a large extent conducts its business in a virtual work environment with working from home and digital meetings. We use our Climeon Live technical solution to trim and control power plants remotely, thereby avoiding travel while maintaining our commitments to customers.

During the year, Climeon took advantage of the tax and fee reliefs offered by authorities without an application. Climeon is continuously exploring the additional opportunities available for financial support and financial easing.

The company's organization

On February 2, it was announced that Climeon had recruited Jack (Masao) Watanabe as President and Representative Director of Climeon Japan K.K. He will lead and develop Climeon's operations in Japan and he took office on April 1.

At Climeon's Annual General Meeting on May 19, Charlotte Strand was elected as a new board member. She also became chairman of the Audit Committee. Stefan Brendgen had declined re-election.

On May 29, it was announced that Christina Kassberg had been recruited as the new CFO of Climeon and she started on June 8.

During the second quarter, staff were relocated to Taiwan and the service organization in Japan was strengthened. To finance this, the head office in Kista was reduced by twelve people.

During the third quarter, a subsidiary was established in Taiwan and a local presence was established in the UK.

On November 11, climeon was announced to start recruiting a new CEO. On December 15, it was announced that Climeon's Board of Directors has appointed Jan Bardell as acting CEO of Climeon until the recruitment of a permanent CEO has been completed. Jan Bardell has long and solid experience as CEO and leader in the energy industry.

At year end Group management consisted of CEO Jan Bardell, CFO Christina Kassberg, Head of Sales and Marketing Olle Tholander, Head of Globalization Christina Bäck, Head of Research and Development Jonas Måhlén, Head of Production and Sourcing Carl Frykfeldt och Head of Service Robin Goodoree.

Development/comments of business, position and profit/loss

TSEK	2020	2019	2018	2017	2016
Net sales	43,334	116,758	58,906	36	80
Operating profit/loss	-135,651	-117,569	-101,897	-18,379	-2,675
Profit/loss before tax	-139,884	-112,670	-85,475	-18,346	-2,578
Total assets	636,319	420,510	258,918	48,559	17,314
Equity ratio (1)	66.7%	75.8%	61.6%	67.3%	64.7%
Return on equity (2)	neg	neg	neg	neg	neg
Return on assets (3)	neg	neg	neg	neg	neg
Average number of employees	85	84	62	12	6

(1) Adjusted equity / Total assets. Adjusted equity refers to equity + untaxed reserves less deferred tax liability.

(2) Profit/loss for the year / Average adjusted Equity

(3) (Profit/loss after financial income and expenses + interest expense) / Average total assets

Net sales

Net sales amounted to SEK 43,334 thousand (116,758). The turnover is mainly attributable to hardware deliveries in geothermal in Japan and Iceland as well as in gensets, power plants based on internal combustion engines. Net sales are negatively impacted by travel restrictions, lockdowns and lower willingness to invest among customers, which means fewer deliveries and installations compared to the previous year.

Capitalised work for own account

Activated work for own account amounted to SEK 26,350 thousand (36,680). The increase in activated work on own account was mainly attributable to the further development of the Heat Power system in the form of own time spent and material acquisition.

Operating profit/loss

Operating profit/loss amounted to SEK -135,651 thousand (-117,569). The decrease in operating income was primarily attributable to the decrease in net sales.

Tax

The Company did not have any tax expenses during the compared periods as the Company did not show any taxable profits during the periods.

The company has unutilised loss carried forward amounting to SEK 459,3 million (337,7), of which the tax effect has not been recognised as a deferred tax asset in the balance sheet.

Earnings after tax

Profit/loss for the period amounted to SEK -139,807 thousand (-112,498) and the change was attributable to the changes described under "Net sales" and "Operating profit". Net financial items amounted to SEK -4 233 thousand (4 899), which includes interest on short-term and long-term borrowing and revaluation of the investment in Baseload Capital Sweden AB. The investment in the shares is recognized as an Investment Entity and is valued at fair value in the income statement. This year's change in valuation, based on the long-term cash flow forecasts, amounts to SEK -360 thousand (8 100).

Cash flow

Cash flow from operating activities

Operating profit amounted to SEK -107,637 thousand (-154,117). The change comparing to previous year mainly derives from prepayment from customers.

Cash flow from investing activities

Cash flow from investing activities amounted to SEK -19,886 thousand (-76,891). The change was mainly attributable to sale of financial assets.

Cash flow from financing activities

Cash flow from financing activities increased to SEK 318,976 thousand (248,911). The inflow was primarily attributable to the paid-in new share issue and the change in long-term loans.

Liquidity and financial position

On December 31, 2020, shareholders' equity amounted to SEK 424,464 thousand (318,729). The increase of SEK 105,735 thousand, 33 percent, was mainly due to the directed new share issue of SEK 260,000 thousand, excluding transaction costs, that was carried out during the first part of year. Cash and other cash equivalents amounted to SEK 299,217 thousand compared to SEK 107,862 thousand in the previous year. The increase is attributable to the changes described under "Cash Flow" above.

Employees

The average number of employees in the company during the year was 85 (84), whereof 19 (24) percent women and 81 (76) percent men. At the end of the period the number of employees was 76 (96).

Proposal by the Board of Directors for guidelines for the remuneration of senior executives

The Board proposes that the Annual General Meeting (AGM) on 19 May 2021 passes a resolution on the following guidelines for setting the salary and other remuneration of Board members, the company's CEO and other senior executives of the group management. The guidelines are mainly based on the guidelines approved by the AGM 2020 but adjusted in some parts due to among all changed regulations.

These guidelines are applicable to agreements executed after the AGM's decision or in case of amendments made in present agreements after the AGM. This proposal on guidelines is not applicable to Board fees decided by the general meeting or issues and transfers that are subject to decisions in accordance with Chapter 16 of the Swedish Companies Act.

The guidelines promotion of the company's business strategy

Climeon's business strategy is to contribute to the future of sustainable energy with innovative thermal power solutions that are profitable for customers – Business for a better world. Additional information of Climeon's business strategy please see https://climeon.com/the-company/.

It is important for the company and its shareholders that these guidelines, in a short- and long-term perspective, can secure good possibilities to recruit and keep qualified employees. The objectives with the guidelines are to create increased transparency in remuneration issues and through relevant remuneration structure create incentives for senior executives to implement strategic plans and deliver good operating outcome that supports the company's business strategy and long term interests, including sustainability. In order to achieve this, it is important to be able secure market-based and competitive terms for senior executives.

Remuneration and types of remuneration

The remuneration to senior executives should be in line with market terms and competitive and consist of a fixed salary, pension benefit and other benefits. Currently, no variable remuneration is offered. During the year, the company intends to evaluate the possibilities to variable remuneration. The Board will consider this based on the company's long-term interests, sustainability or to ensure the company's financial strength in line with the guidelines.

Fixed salary

The basis for the remuneration of senior executives is that remuneration will be paid in the form of a fixed market rate salary, which should be set individually on the basis of position, competence, experience and achieved results. The fixed salary is to be revised annually.

Share-based incentive programs

In order to create further incentive and strengthen long term decision makings, the Board may propose the general meeting to decide on share-based incentive programs.

For more information of outstanding incentive programs please see the company's Annual Report Note8 on the company's web site www.climeon.com.

Pension benefits

The pension conditions for senior executives should be in line with market conditions generally applicable for equivalent executives in the market and be individually adapted on the basis of the respective senior executive's specific competence and the company's costs. Pension benefits, including health insurance, shall be on a defined contribution basis. The defined pension premium is capped at 35% of the fixed salary. Retirement age for senior executives is 65 years. For further information of the pension terms please the company's Annual Report Note 8.

Other benefits

In addition to salary and pension benefits, other benefits such as medical insurance and in some cases car benefits, are provided to the senior executives. These combined amount of such benefits in relation to the total remuneration shall constitute only a limited value of the total remuneration and correspond to the benefits normally arising in the market.

Termination terms

Notice period for senior executives is up to six months. None of the senior executives is entitled to severance pay.

Salary and employment conditions for other employees

In the preparation of the Board of Directors' proposal for these remuneration guidelines, salary and employment conditions for employees of the company have been taken into account by including information on the employees' total income, the components of the remuneration and increase and growth rate over time, in the Board of Directors' basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable.

Decision making process to determine, review and implement the guidelines

The Board has constituted a remuneration committee for the preparation of remuneration matters for senior executives etc. The remuneration committee shall observe and review variable remuneration programs (if any) for senior executives, the implementation of the remuneration guidelines, as well as applicable remuneration structures and remuneration levels in the company. The remuneration committee shall review the guidelines for remuneration of senior executives and if applicable propose updates of the guidelines to the Board.

The Board is responsible to make proposals of new guidelines at least every fourth year and submit it to the general meeting. The guidelines shall be in force until new guidelines are adopted by the general meeting.

The CEO and other senior executives do not participate in the Board processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters. In all decisions, conflicts of interest are counteracted and all interest of conflicts are treated in accordance with the company's interest of conflict policy adopted by the Board with the aim to secure professional and distinct guidance in such matters.

Remuneration to Board members
The Board members appointed by the general meeting may in special cases receive fees and other remunerations for the work performed on behalf of the company besides the Board work. Any fees for such services shall be on market terms and approved by the Board.

Derogation from the guidelines
The Board of Directors may temporarily resolve to derogate from the guidelines, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve the company's long-term interests, including its sustainability, or to ensure the company's financial viability

Others
The total remuneration and other benefits to senior executes under 2020 are reported under Note 8 in the Annual Report for 2020.

Expected future development

It is still difficult to comment with greater certainty on the effects of the ongoing pandemic in future periods. The situation has stabilised and is starting to normalise in several countries, but several countries have also recorded a second or third wave of the pandemic. Climeon has taken a number of measures to protect the company's operations and reduce costs. However, marketing activities have been limited for a long period of time, which means that it may be some time before full effect is regained.

Overall, the company expects that the pandemic will have a negative impact on the company's sales and earnings for some time, mainly due to the fact that orders may be delayed. Due to the uncertainty about how long the COVID-19 pandemic will be and how far-reaching the economic effects will be, Climeon will remain focused on nurturing the company's cash flow and liquidity.

If we take our eyes off the operational, we see that the growing interest in green energy and green investments continues. The trend in the macroeconomy remains very favourable for renewable energy, while fossil sources are facing increasing resistance. Around the world, plans are being made for how to get out of the pandemic in a green way and in the EU alone EUR 1000 billion has been earmarked in the European Green Deal to make the Union climate neutral. With the great interest in sustainable technology in the world and a strong balance sheet behind us, we continue to develop the Heat Power market, step by step towards a greener world.

The Company's order backlog at the end of the year amounted to SEK 728.5 million (729.7), corresponding to 215 (214) Heat Power modules.

Research and Development

Climeon's research and development takes place internally and all unique product design is owned by Climeon. Since the company's inception, the Heat Power system has been continuously developed. Experiences from the company's first installations and customer dialogues are constantly brought back into a development loop. The insights from the Climeon Live software solution are used to identify improvement potential and new upgrade opportunities. As the installed base grows and insights increase, components and software are upgraded to ensure optimal electricity production. This has resulted in several generations of Heat Power technology and in 2020 work on the next generation heat power system has begun. The goal is a higher energy efficiency and better profitability for both the customer and Climeon.

Seasonal effects

At present, we do not see a significant seasonal variation in Climeon's sales of Heat Power systems.

The Climeon share

As of December 31, 20120, the registered share capital comprised 12,450,000 A shares and 41,990,679 B shares. The Company's B-share was listed on Nasdaq First North Premier on 13th of October 2017 under the short name ""CLIME B"".

The shares have a quota value of SEK 0.015. The A shares are entitled to ten votes and the B shares to one vote each. At year-end, the number of shareholders in Climeon was 13,224 (12,464) and as the largest shareholders, Thomas Öström with 17 (20) percent of the capital and 54 (54) percent of the votes, and Joachim Karthäuser with 7 (10) percent of the capital and 21 (26) percent of the votes. No other single shareholder owns more than 10 percent of the votes. The ten largest shareholders together accounted for 42 (49) percent of the capital and 81 (84) percent of the votes.

At December 31, 2020 the company has outstanding warrants, which entitles the holder to subscribe for 905,165 class B shares. More information in note 8.

Risk and risk management

A business is always associated with risk and technology development is to a large extent a risky and capital-intensive process. Climeon's results and financial position as well as the strategic position are affected by a number of internal factors that Climeon controls as well as a number of external factors where the ability to influence the course of events is limited. An effective risk assessment unites Climeon's business opportunities and results with shareholders' and other stakeholders' demands for stable and long-term value development and control. In assessing Climeon's future development, it is therefore important to consider various risks in the business in addition to opportunities for positive development. All risk factors cannot, for natural reasons, be described in this section, so a comprehensive evaluation must also include other information in the annual report as well as a general external assessment. Climeon works with risk management on both a strategic and operational level. Risk management is about identifying, measuring and preventing risks from being realised, as well as continuously making improvements to reduce future risks.

Climeon has policies and instructions to identify deviations that could develop into risks. The level of risk in the business is systematically monitored in board meetings and monthly reports where deviations or risks are identified and addressed.

If competing products take market share, are more effective and reach the market faster, the future value of Climeon's product may be lower than originally expected. Crucial to Climeon's future is the ability to conduct technological development, enter into partnerships, and successfully develop and drive market launch and sales. For a description of Climeon's financial risks, see further Note 4.

Risk	Risk management
Macroeconomics Demand for Climeon's product is largely affected by macroeconomic factors beyond Climeon's control, such as the manufacturing industry's development and willingness to invest, the state of the economy in general and global capital market conditions, or, as in 2020, outbreaks of pandemics affecting business climate. A weakening of these factors in the markets in which Climeon operates may have negative effects on its financial position and results.	With a focus on different niche markets as well as additional sales of technical service, support and consumables, Climeon may be less sensitive to economic fluctuations in isolated industries, branches or geographical areas. The company thoroughly examines each potential new geographic market and strives to build a local understanding before making investment decisions. Cost adjustments are made regularly. Climeon strives to have positive relationships with relevant government agencies in selected countries as well as close contact with investors.
Financial risks Through its operations, Climeon is exposed to various types of financial risks, including market risk, liquidity risk and credit risk. The most important market risks are interest rate risk and currency risk. The financial risks are further described in note 4.	Climeon strives for a structured and efficient management of the financial risks that arise in the business in accordance with the policy and guidelines established by the Board. These express the ambition to identify, minimize and control the financial risks and how the responsibility for managing these risks is to be distributed within the organization. The goal is to minimize the results effects of the financial risks. A more detailed description of the financial risks can be found in note 4.

Risk	Risk management
Technique As a relatively young company with a limited number of Heat Power systems in operation, a technical risk remains. The company's first Heat Power system has been in operation for five years and has thus not reached its full lifespan yet, which constitutes a certain uncertainty in terms of component lifespan and service requirements.	Climeon continuously tests the Heat Power systems and constantly upgrades the technology based on feedback from the machines in operation. All Heat Power systems have a large number of sensors, which allows Climeon to monitor the systems around the clock and collect large amounts of data for analysis. Through this, Climeon can easily detect problems that have occurred or are likely to occur. Climeon works closely with the first customers in each application area to evaluate and, if necessary, improve the technology. Climeon's Heat Power system has also been approved by Lloyd's Register and the American Bureau of Shipping, which is a quality label for the products and their lifespan.
Competition Climeon is not alone in the Heat Power market. Competitors may develop, market and sell Heat Power products that are more efficient, safer and cheaper than those developed by Climeon. Competitors may also have higher production and distribution capacity as well as sales and marketing opportunities than Climeon. Increased competition or a reduced ability to meet new market needs can have a negative impact on Climeon's financial position and results.	Climeon strives to offer products where price is not the single deciding factor. By working closely both with suppliers and customers, our knowledge and our competitiveness are continuously developed. We add value in the form of extensive technical knowledge, delivery capacity, service and availability, which limits the risk that the customer reduces their demand.

Risk	Risk management
Coworkers Climeon's continued success depends on being able to retain experienced employees with specific skills and recruit new knowledgeable people. There are key people among both senior executives and among the Group's employees in general. There is a risk that one or more senior executives or other key personnel will leave the Group at short notice, for example due to stress, unfavorable work environment or lack of development opportunities. In the event that Climeon fails to recruit suitable replacements for them, or new competent key personnel in the future, this may have a negative impact on Climeon's financial position and results.	Climeon's priority is to create good conditions for personell to develop and thrive within the Group. Climeon works continuously with security, in the company's own premises as well as on customer sites. All employees working with the Heat Power-systems regularly attend safety training. Regular employee surveys aim to find out how employees view employers, work situation and have an ongoing dialogue about what can be improved and developed. On a regular basis, acquisitions of warrants are offered as a way to bring the interests of shareholders and employees thogether.
Customers Climeon's technology is new on the market, which means that it is also new to the customers. This poses a risk as Climeon is dependent on the customer's ability to complete the necessary installation preparations before Climeon can deliver the Heat Power systems and thereby report revenue.	Climeon works closely with its customers to educate them about the technology and help speed up the Heat Power system installations. Climeon has started selling services such as consulting, installation design and support, to facilitate the customer's projects. Climeon has also developed technical solutions that speed up the installation process and make the company's power plant solution more complete.
Suppliers Climeon relies on a contract manufacturer and subcontractors to produce and deliver the Heat Power solutions. Lack of quality, ethical compliance, environmental impact or an inability to meet production requirements are typical risks related to this.	Climeon regularly evaluates all suppliers and strives to have dual suppliers for all important components. All suppliers should also follow Climeon's Code of Conduct to ensure that the company's requirements regarding ethical business, environmental impact and quality are met. Climeon performs regular audits of suppliers and if any discrepancies are identified, action must be taken.

Risk	Risk management
Environment All technology for renewable energy has a negative impact on the environment during production. In addition to the production of the technology, there are also environmental risks related to building power plants and using water for electricity production.	Environment is the core of our business. Decisions about which suppliers, methods and materials are to be used are made to ensure both high quality and low environmental impact throughout the product life cycle. Climeon takes into account and meets EU's existing and forthcoming taxonomy requirements for geothermal electricity production regarding emission targets, risks related to earthquakes, water pollution and carbon dioxide dissolved in the water.
Pandemic The global outbreak of Covid-19 entails increased uncertainties and risks of negative economic impact. How large the financial and macroeconomic effects may be in the future depends on how extensive and protracted the course of the pandemic will be.	Climeon continuously monitors and analyzes the course of events with regards to both operational and financial impact with the intention of ensuring the company's continued development. As an example, continued travel restrictions within and between countries lead to increased uncertainty regarding the development and delivery of Climeon's projects. Priority is given to caring for employees' health, and the majority of the company's employees have worked from home. We use our technical solution Climeon Live to remotely tune and control the power plants, and thereby avoid travel while maintaining our commitments to the customers. Climeon has, during 2020, taken advantage of reliefs offered by the authorities, without application, regarding taxes and fees. Climeon is constantly exploring the additional opportunities available for financial support and relief.

Non-financial information

Environment

Climeon is certified according to ISO 9001 and ISO 14001. Quality assurance is a natural part of the Company's business model and characterises all internal routines. The two ISO certificates ensure that Climeon is always improved with the customer and the environment in mind.

Proposed appropriation of earnings

At the disposal of the annual general meeting

Share premium reserve	875,319,786
Loss carried forward	-393,747,074
Net loss for the year	-130,829,164
	350,743,548

The board of directors propose that the available funds of SEK 350,743,548 are carried forward.

Regarding the Company's profit/loss and financial position, please refer to the following income statement, balance sheet, cash flow statement and notes to the financial statements. All amounts are expressed in thousands of Swedish kronor where nothing else is stated.

FINANCIAL REPORTS

CONSOLIDATED INCOME STATEMENT

TSEK	Note	2020	2019
Net sales	5	43,334	116,758
Capitalised work for own account		36,680	26,350
Other operating income	6	2,230	3,904
Operating expenses			
Raw materials and consumables		-61,909	-109,623
Other external expenses	7	-41,591	-42,685
Personnel expenses	8	-94,857	-90,354
Depreciation, amortisation and impairment losses of tangible and intangible assets		-19,351	-21,918
Other operating expenses		-186	–
Operating profit/loss		**-135,651**	**-117,569**
Profit/loss from financial items			
Interest income and other financial items	9	3,997	9,451
Interest expenses and other financial items	10	-8,230	-4,552
Profit/loss before tax		**-139,884**	**-112,670**
Tax of the year	11	77	172
PROFIT/LOSS FOR THE YEAR		**-139,807**	**-112,498**
Earnings per share, SEK	12		
Before dilution		-2.76	-2.33
After dilution		-2.76	-2.33

Consolidated statement of comprehensive income

TSEK	2020	2019
Profit/loss for the year	-139,807	-112,498
Comprehensive income for the year		
Items that can be subsequently reclassified to the income statement:		
Translation differences	677	-26
Comprehensive profit/loss for the year	**677**	**-26**
COMPREHENSIVE INCOME FOR THE YEAR	**-139,130**	**-112,524**
Net profit/loss for the year attributable to:		
Shareholders of the Parent Company	-139,130	-112,524
COMPREHENSIVE INCOME FOR THE YEAR	**-139,130**	**-112,524**

CONSOLIDATED BALANCE SHEET

TSEK	Note	12/31/2020	12/31/2019
ASSETS			
Non current assets			
Intangible non-current assets			
Capitalised expenditures on development work	13	83,816	55,831
Patents, licenses, trademarks, and similar rights	14	7,064	5,852
		90,880	**61,683**
Tangible non-current assets			
Leasehold improvements	15	8,228	10,436
Plant and machinery	16	5,046	5,788
Right to use assets	17	27,844	35,307
Equipment, tools and installations	18	854	1,292
		41,972	**52,823**
Financial non-current assets			
Other long-term receivables		18,236	6,693
Long term financial assets	19	45,440	45,800
		63,676	**52,493**
Total non-current assets		**196,528**	**166,999**

TSEK	Note	12/31/2020	12/31/2019
Current assets			
Inventories	20		
Work in progress		12,865	8,402
Finished goods and goods for resale		42,573	45,147
		55,438	**53,549**
Current receivables			
Accounts receivable	21	27,194	24,626
Other receivables		20,555	15,452
Prepaid expenses and accrued income	22	21,687	17,022
		69,436	**57,100**
Current investments			
Current investments		15,700	35,000
		15,700	**35,000**
Cash and cash equivalents	28	299,217	107,862
Total current assets		**439,791**	**253,511**
TOTAL ASSETS		**636,319**	**420,510**

CONSOLIDATED BALANCE SHEET CONT.

TSEK	Note	12/31/2020	12/31/2019
EQUITY AND LIABILITIES			
Shareholders equity			
Share capital	23	817	740
Other contributed capital		929,764	684,976
Reserves		651	-26
Retained earnings/loss		-366,962	-254,464
Profit/loss for the year		-139,807	-112,498
Shareholders equity		**424,463**	**318,728**
Other liabilities			
Other provisions	24	18,337	14,363
		18,337	**14,363**
Non-current liabilities			
Other long-term liabilities	25	101,607	42,022
		101,607	**42,022**

TSEK	Note	12/31/2020	12/31/2019
Current liabilities			
Advance payments from customers		31,195	4,387
Accounts payable		15,116	7,861
Current tax liabilities		1,747	1,170
Other current liabilities	26	17,382	10,713
Accruals and deferred income	27	26,472	21,266
		91,912	**45,397**
TOTAL EQUITY AND LIABILITIES		**636,319**	**420,510**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

TSEK	Share capital	Other contributed capital	Reserves	Retained earnings including profit/ loss of the year	Total equity
Opening balance, 1 January 2019	**676**	**413,394**	–	**-255,222**	**158,848**
Profit/loss for the year	**–**	**–**	**–**	-112,498	-112,498
Other comprehensive income	**–**	**–**	-26	–	-26
Total comprehensive income/loss	**–**	**–**	**-26**	**-112,498**	**-112,524**
Transactions with owners:					
New issues	45	238,388	–	**–**	238,433
Premiums paid for warrants	**–**	9,968	–	758	10,726
Exercise of warrants	19	16,327	–	**–**	16,346
Ongoing issue		6,899	–	**–**	6,899
Total transactions with shareholders	**64**	**271,582**	–	**758**	**272,404**
Closing balance, 31 December 2019	**740**	**684,976**	**-26**	**-366,962**	**318,728**

TSEK	Share capital	Other contributed capital	Reserves	Retained earnings including profit/ loss of the year	Total equity
Opening balance, 1 January 2020	**740**	**684,976**	**-26**	**-366,962**	**318,728**
Profit/loss for the year	**–**	**–**	**–**	-139,807	-139,807
Other comprehensive income	**–**	**–**	677	–	677
Total comprehensive income/loss	–	–	**677**	**-139,807**	**-139,130**
Transactions with owners:					
New issues	75	244,790	–	**–**	244,865
Exercise of warrants	2	-2	–	**–**	–
Total transactions with shareholders	**77**	**244,788**	–	–	**244,865**
Closing balance, 31 December 2020	**817**	**929,764**	**651**	**-506,769**	**424,463**

CONSOLIDATED CASH FLOW STATEMENT

TSEK	Note	2020	2019
Operating activities			
Operating profit/loss		-135,651	-117,569
Adjustment for items not included in cash flow:			
Depreciation/amortisation		19,351	21,918
Unrealised fair value differences		359	–
Provisions for guarantees		3,974	6,480
Interest paid		54	1,342
Interest received		-7,873	-4,376
Tax paid		73	90
Cash from operating activities before changes in working capital		**-119,713**	**-92,115**
Cash flow from changes in working capital			
Decrease (+)/increase(-) in inventories		-1,889	-23,795
Decrease (+)/increase(-) in accounts receivables		-14,292	3,436
Decrease (+)/increase(-) in current receivables		-9,768	-19,369
Decrease (-)/increase(+) in accounts payable		7,255	-16,721
Decrease (-)/increase(+) in other current liabilities		30,770	-5,554
Cash flow from operating activities		**-107,637**	**-154,117**
Investing activities			
Investment in intangible assets		-38,046	-27,712
Investment in tangible assets		-1,311	-7,486
Change in financial assets		19,471	-41,693
Cash flow from investment activities		**-19,886**	**-76,891**

TSEK	Note	2020	2019
Financing activities			
New issues		244,863	238,433
Exercise of warrants		–	16,346
Loans raised		79,568	–
Amortisation of loans	25	-5,455	-22,738
Premiums paid for warrants		–	9,968
Paid in, non-registered share capital		–	6,902
Cash flow from financing activities		**318,976**	**248,911**
CASH FLOW FOR THE YEAR		**191,453**	**17,903**
Cash and cash equivalents at beginning of the year		**107,862**	**89,959**
Exchange rate differences in cash and cash equivalents		**-98**	–
Cash and cash equivalents at year-end	28	**299,217**	**107,862**

PARENT COMPANY INCOME STATEMENT

TSEK	Not	2020	2019
Net sales	5	43,209	116,758
Capitalised work for own account		36,680	26,350
Other operating income	6	2,230	3,904
Operating expenses			
Raw materials and consumables		-61,584	-109,623
Other external expenses	7	-44,437	-49,154
Personnel expenses	8	-90,580	-90,245
Depreciation, amortisation and impairment losses of tangible and intangible assets		-13,547	-15,580
Other operating expenses		-186	–
Operating profit/loss		**-128,216**	**-117,591**
Profit/loss from financial items			
Interest income and other financial items	9	3,997	9,451
Interest expenses and other financial items	10	-6,610	-2,810
Profit/loss before tax		**-130,829**	**-110,950**
PROFIT/LOSS FOR THE YEAR [1]		**-130,829**	**-110,950**

[1] Total profit/loss for the period correspond to Profit/loss for the period.

PARENT COMPANY BALANCE SHEET

TSEK	Note	12/31/2020	12/31/2019
ASSETS			
Non current assets			
Intangible non-current assets			
Capitalised expenditures on development work	13	83,816	55,831
Patents, licenses, trademarks, and similar rights	14	7,064	5,852
		90,880	**61,683**
Tangible non-current assets			
Leasehold improvements	15	8,228	10,436
Plant and machinery	16	5,046	5,788
Equipment, tools and installations	18	839	1,292
		14,113	**17,516**
Financial non-current assets			
Shares in Group companies		1,918	439
Other long-term receivables		25,908	6,387
Long term financial assets	19	45,440	45,800
		73,266	**52,626**
Total non-current assets		**178,259**	**131,825**

TSEK	Note	12/31/2020	12/31/2019
Current assets			
Inventories	20		
Work in progress		12,865	8,402
Finished goods and goods for resale		42,573	45,148
		55,438	**53,550**
Current receivables			
Accounts receivable	21	27,194	24,625
Other receivables		20,849	16,340
Prepaid expenses and accrued income	22	21,594	16,891
		69,637	**57,856**
Current investments			
Current investments		15,700	35,000
		15,700	**35,000**
Cash and cash equivalents	28	297,532	107,657
Total current assets		**438,307**	**254,063**
TOTAL ASSETS		**616,566**	**385,888**

PARENT COMPANY BALANCE SHEET CONT.

TSEK	Note	12/31/2020	12/31/2019
EQUITY AND LIABILITIES			
Shareholders equity			
Restricted equity			
Share capital	23	817	740
Ongoing issue		–	2
Reserve for development costs		82,779	54,471
		83,596	**55,213**
Unrestricted equity			
Share premium reserve		875,319	630,530
Retained earnings/loss		-393,747	-254,489
Profit/loss for the year		-130,829	-110,950
		350,743	**265,091**
Shareholders equity		**434,339**	**320,304**
Other liabilities			
Other provisions	24	18,337	14,363
		18,337	**14,363**

TSEK	Note	12/31/2020	12/31/2019
Non-current liabilities			
Other long-term liabilities	25	78,134	10,381
		78,134	**10,381**
Current liabilities			
Advance payments from customers		31,195	4,387
Accounts payable		14,897	7,851
Current tax liabilities		1,747	1,166
Other current liabilities	26	11,698	6,174
Accruals and deferred income	27	26,219	21,262
		85,756	**40,840**
TOTAL EQUITY AND LIABILITIES		**616,566**	**385,888**

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

	Restricted equity			Non-restricted equity			
TSEK	Share capital	Ongoing issue	Reserve for development costs	Share premium reserve	Retained profit or loss	Profit/loss for the year	**Total equity**
Opening balance, 1 January 2019	**676**	**13**	**34,653**	**358,935**	**-149,196**	**-85,475**	**159,606**
Appropriation of prior year's profit/loss	–	–	–	–	-85,475	85,475	–
Profit/loss for the year	–	–	–	–	–	-110,950	-110,950
Total comprehensive income/loss	**–**	**–**	**–**	**–**	**-85,475**	**-25,475**	**-110,950**
Capitalisation of development costs	–	–	26,359	–	-26,359	–	–
Utilisation as a result of the year's depreciation of development costs	–	–	-6,541	–	6,541	–	–
Total other	**–**	**–**	**19,818**	**–**	**-19,818**	**–**	**–**
Transactions with owners:							
New issues	45	–	–	238,388	–	–	238,388
Premiums paid for warrants		–	–	9,968	–	–	9,968
Exercise of warrants	19	-13	–	16,340	–	–	16,346
Paid in, non-registered share capital		2	–	6,899	–	–	6,901
Total transactions with shareholders	**64**	**-11**	**–**	**271,595**	**–**	**–**	**271,648**
Closing balance, 31 December 2019	**740**	**2**	**54,471**	**630,530**	**-254,489**	**-110,950**	**320,304**

	Restricted equity			Non-restricted equity			
TSEK	Share capital	Ongoing issue	Reserve for development costs	Share premium reserve	Retained profit or loss	Profit/loss for the year	**Total equity**
Opening balance, 1 January 2020	**740**	**2**	**54,471**	**630,530**	**-254,489**	**-110,950**	**320,304**
Appropriation of prior year's profit/loss	–	–	–	–	-110,950	110,950	–
Profit/loss for the year	–	–	–	–	–	-130,829	-130,829
Total comprehensive income/loss	**–**	**–**	**–**	**–**	**-110,950**	**-19,879**	**-130,829**
Capitalisation of development costs	–	–	36,680	–	-36,680	–	–
Utilisation as a result of the year's depreciation of development costs	–	–	-8,372	–	8,372	–	–
Total other	–	–	**28,308**	–	**-28,308**	–	–
Transactions with owners:							
New issues	75	–	–	244,789	–	–	244,864
Paid in, non-registered share capital	2	-2	–	–	–	–	–
Total transactions with shareholders	**77**	**-2**	–	**244,789**	**–**	**–**	**244,864**
Closing balance, 31 December 2020	**817**	**0**	**82,779**	**875,319**	**-393,747**	**-130,829**	**434,339**

PARENT COMPANY CASH FLOW STATEMENT

TSEK	Not	2020	2019
Operating activities			
Operating profit/loss		**-128,216**	**-117,591**
Adjustment for items not included in cash flow:			
Depreciation/amortisation		13,547	15,580
Provisions for guarantees		3,974	6,947
Unrealised fair value differences		359	–
Interest paid		54	1,342
Interest received		-6,249	-2,810
Tax paid		–	90
Cash from operating activities before changes in working capital		**-116,531**	**-96,442**
Cash flow from changes in working capital			
Decrease (+)/increase(-) in inventories		-1,887	-23,795
Decrease (+)/increase(-) in accounts receivables		-14,293	3,436
Decrease (+)/increase(-) in current receivables		-9,212	-19,369
Decrease (-)/increase(+) in accounts payable		7,046	-16,721
Decrease (-)/increase(+) in other current liabilities		30,344	-6,336
Cash flow from operating activities		**-104,533**	**-159,227**
Investing activities			
Investment in intangible assets		-38,046	-27,711
Investment in tangible assets		-1,296	-7,486
Change in debts to group companies		-8,051	–
Change in financial assets		18,074	-41,826
Cash flow from investment activities		**-29,319**	**-77,023**

TSEK	Not	2020	2019
Financing activities			
New issues		244,863	238,433
Exercise of warrants		–	16,346
Loans raised		78,864	–
Amortisation of loans	25	–	-17,700
Premiums paid for warrants		–	9,968
Paid in, non-registered share capital		–	6,901
Cash flow from financing activities		**323,727**	**253,948**
CASH FLOW FOR THE YEAR		**189,875**	**17,698**
Cash and cash equivalents at beginning of the year		**107,657**	**89,959**
Cash and cash equivalents at year-end	28	**297,532**	**107,657**

NOTES

Note 1 General information

Climeon AB, corporate identification number 556846-1642, is a limited liability company registered in Sweden and domiciled in Stockholm. The address of the head office is Torshamnsgatan 44, SE-164 40 Kista, Sweden. The Company was founded in 2011 and its operations involve developing and selling environmental technology solutions that improve the Earth's climate by improving energy efficiency among the Company's customers.

Note 2 Significant accounting principles

The consolidated financial statements were prepared in accordance with the Swedish Annual Accounts Act, RFR 1 Supplementary Accounting Rules for Groups, and the International Financial Reporting Standards (IFRS) and IFRIC interpretations as adopted by the EU for the financial year beginning January 1, 2020. This is the first time Climeon has reported consolidated financial statements. For comparison reasons, the comparative figures are produced as if the Group were created on January 1, 2019. The Parent Company prepares its financial statements in accordance with the Swedish Annual Accounts Act (1995:1554) and RFR 2 Accounting for Legal Entities.

The consolidated financial statements were prepared based on historical cost, meaning that the assets and liabilities are recognized at these values. The functional currency for the Parent Company as is the presentation currency for the Parent Company and the Group. All amounts are rounded to the nearest thousand (TSEK), unless otherwise stated. The income statement is organized by cost type. Amounts in brackets pertain to the preceding year.

Preparing financial statements in accordance with IFRS requires the application of some key estimates for accounting purposes. Further, the Board and the Management are required to make certain judgements in the application of the Group´s accounting policies. The areas requiring a high degree of judgement which are complex or areas in which assumptions and estimates are of material importance for the consolidated financial statements, are described in note 3.

Consolidated accounts

The consolidated financial statements include the parent company's financial reports and the subsidiaries over which the parent company has a controlling influence as of December 31 each year. As a subsidiary, all companies over which Climeon has control are included. Control refers to the ability to control the subsidiary, is entitled to its return and can use its influence to control the activities that affect the return. Subsidiaries are consolidated from the date on which control or influence over the company arises as defined above. Profits from acquired subsidiaries during the year are included in the profit from the day on which the company acquires a controlling influence and on the day on which the controlling influence ceases. If necessary, the subsidiaries' financial reports are adjusted to adapt the accounting principles used to the Group's accounting principles. Intra-group transactions have been eliminated in the consolidation. All the Group's subsidiaries are wholly owned.

Revenue

Revenue is recognised based on the agreement with the customer and is valued based on the compensation that the entity expects to be entitled to, in exchange transferring promised services and goods, excluding amounts received on behalf of third parties. The company recognises revenue when control and right of use is handed over to the customer.

Climeon AB's revenue comprises primarily of the sale of Climeon Heat Power modules and other related services.

Sales of modules

Climeon normally sells Climeon Heat Power modules together with installation services and / or significant integration services. The customer is considered to be able to purchase the installation service from other suppliers. Therefore, in contracts that include installation services but not significant integration services, modules are considered a separate performance commitment. Revenue from the sale of hardware is reported at the time the control over the module is transferred to the customer, which normally occurs when the risk has been transferred to the customer based on the applicable freight conditions.

In agreements where modules are sold together with significant integration services, modules together with integration services are considered a performance commitment. For a description of how this performance commitment is presented, see the section "Significant integration services" below.

Sales of services

Revenue from service contracts is recognised as revenue in the period in which the work is performed.

Climeon provides installation services for modules. The installation service includes a minor modification of modules. The installation is relatively simple and can be performed by another supplier and is therefore reported as a separate perfor-

mance commitment. Revenue from sales of installation services is recognized over time based on the actual hours worked, in proportion to the total expected working time to fulfill the performance commitment.

Significant integration services
In some agreements, Climeon provides significant integration services for modules. The integration services include significant integration and adaptation of Climeon's modules to the customer's technical facility. Integration services are sold together with modules and the modules are highly dependent dependent on the integration services and the customer is not considered to be able to obtain the integration services from suppliers other than Climeon. In the agreement Climeon sells integration services, integration services and modules are considered to be a performance commitment. Revenue from sales of integration services and modules is reported over time based on costs incurred in proportion to total expected costs to meet the performance commitment.

Contract assets and liabilities
Contract assets is categorised as prepaid costs and accrued income. Contract liabilities is categorised as customer prepayments and accrued cost and prepaid income. If reported revenue exceeds the payment for a performance commitment, a contract asset is reported and if the payment exceeds reported income from a performance commitment, a contractual liability is reported.

Payment terms
The normal payment structure is 40% at order, 30% at start of production 20% at delivery and the final 10% at start of operation at site. Individual agreements have different payment structures. The lead time from order to delivery is usually six to twelve months but can be longer due to infrastructure issues in geothermal. For the maritime market, lead times are 24-36 months.

Warranties
Sales of modules also include a customary warranty where Climeon guarantees that sold hardware works in accordance with the agreed specification. Climeon therefore recognises guarantees in accordance with IAS 37, see section "Provisions" for applied principles.

Interest income
Interest income is recognised as it accrues using the effective interest method. The effective interest rate is the rate at which the present value of all future cash inflows and outflows during the fixed-interest term equals the recognised value of the receivable.

Government grants
Revenue from government grants that are not dependent on future performance requirements are recognised as revenue when the conditions for receiving the grant have been met and when it is probable that the economic benefits associated with the transaction will flow to the Company and the revenue can be measured reliably. Revenue from government grants that are dependent on future performance requirements is recognised as revenue when the performance is carried out and when it is probable that the economic benefits associated with the transaction will flow to the Company and the revenue can be measured reliably. Government grants are recognised in profit or loss on a systematic basis over the periods in which the expenses, for which the grants are intended to compensate, are accounted for. A government grant that is intended to cover costs is reported as revenue in the same period as the costs incurred. Government grants have been measured at the fair value of the asset that the Company has received.

Grants that have been received before the conditions for recognising them as revenue have been met are recognised as a liability. Government grants relating to the acquisition of a fixed asset reduce the cost of the asset.

Leases
The Group assesses whether the agreement is, or contains, a leasing agreement when the contract is concluded. The Group recognises a right of use and associated lease liability for all leases in which the Group is a lessee, except for low-value leases (such as computers and office equipment). For these leasing agreements, the Group recognises the lease payments as an expense on a straight-line basis over the leasing period unless another systematic method is more representative of when the financial benefits from the leased assets are consumed by the Group.

The leasing liability is initially valued at the present value of the leasing fees that have not been paid at the commencement date, discounted using the implicit interest rate of the leasing agreement, if this interest rate can be easily determined. If this interest rate cannot be easily determined, the Group shall use the lessee's marginal borrowing rate.

The marginal borrowing rate is defined as the interest rate that a lessee would have to pay for financing through a loan over a corresponding period, and with equivalent collateral, for the right of use of an asset in a similar economic environment.

Leasing fees that are included in the valuation of the leasing liability include:
- fixed fees (including fixed fees for their substance), less any benefits arising from the signing of leasing agreements;
- variable leasing fees due to an index or price, initially valued using the index or price in force at the start date;

The lease liability is divided into a long and a short-term part in the Group's statement of financial position. After the commencement date, the lease liability is valued by increasing the carrying amount to reflect the interest on the lease liability (using the effective interest method), and by decreasing the carrying amount to reflect paid lease payments.

The Group revalue the lease liability (and makes a corresponding adjustment of the right of use) if either:
- The leasing period changes or if the assessment of an option to buy the underlying asset changes, in which case the leasing liability must be revalued by discounting the changed leasing fees using a changed discount rate.
- Leasing fees change as a result of changes in an index or price or if there is a change in the amounts expected to be paid out under a residual value guarantee, in which case the leasing liability is revalued by discounting the changed leasing payments using the initial discount rate (unless the leasing payments changes due to a change in the variable interest rate, in which case a changed discount rate should be used).
- An amendment to the leasing agreement that is not reported as a separate leasing agreement, in which case the leasing liability is revalued by discounting the changed leasing fees with a changed discount rate used).

Rights of use include the sum of the initial valuation of the corresponding lease liability, lease fees paid on or before the commencement date and any initial direct expenses. Thereafter, they are valued at acquisition value after deductions for accumulated depreciation and write-downs.

Rights of use are amortized during the shorter of the leasing period and the useful life of the underlying asset. If the leasing agreement transfers ownership of the underlying asset to the Group or if the acquisition value of the right of use reflects that the Group will exercise an option to purchase, the attributable right of use shall be amortized during the useful life of the underlying asset. Depreciation begins at the commencement date of the leasing agreement.

The rights of use are reported as a separate item in the Group's report on financial position.

The Group applies IAS 36 to determine whether there is a need for impairment of the right of use and reports any identified impairment, which is described in the principle for “Tangible fixed assets”.

Variable leasing fees that are not based on an index or a price shall not be included in the valuation of the leasing liability or the right of use. These attributable payments are reported as an expense in the period in which the event or circumstance that gives rise to these payments arises and are included in “Other external costs” in the income statement.

As a practical solution, IFRS 16 allows non-leasing components to be distinguished from leasing components, and instead presents each leasing component and all associated non-leasing components as a single leasing component. The Group has chosen not to use this practical solution.

Operating lease expenses have been replaced in the consolidated income statement with amortization on the asset and interest expenses attributable to the lease liability. Lease payments in the cash flow statement are divided between interest paid in the operating cash flow and amortisation of lease liabilities in financing operations.

Foreign currency

The Company’s accounting currency is Swedish kronor (SEK).

Translating items in foreign currencies

On each closing day, monetary items in foreign currencies are translated at the exchange rate on the closing day. Non-monetary items measured at historical cost in a foreign currency are not translated. Exchange rate differences are recognised in operating profit/loss or as a financial item, based on the underlying business transaction, in the period in which they arise. In the group accounting the Group's assets and liabilities in foreign currency are translated at the closing rate on the closing day. Income and expenses are translated at the exchange rate on the transaction date unless the exchange rate varies sig-

nificantly during the period in which case the average exchange rate for the period is used. If any exchange rate differences arise, they are reported in other comprehensive income and accumulated in the translation reserve.

Borrowing costs
Borrowing costs are recognised in the income statement in the period in which they are incurred.

Employee benefits
Employee benefits in the form of salaries, vacation pay, sick pay, etc., and pensions are recognised as they are earned. The Company only has defined contribution pension plans.

Short-term employee benefits
A liability is reported for compensation to employees regarding salaries, paid leave and paid sick leave during the current period to the undiscounted amount of the compensation that is expected to be paid in exchange for these services.

Defined contribution plans
For defined contribution plans, the Company pays fixed contributions to a separate, independent legal entity and has no obligation to pay additional fees. The Company's profit/loss is charged with costs as the benefits are earned, which normally coincides with the time when the premiums are paid.

Share-based payments and provisions
According to IFRS 2, the goods or services received or acquired are reported in transactions where payment consisted of share-based payments at the time the goods were received or the services were performed. A corresponding increase in equity is reported if goods or services are obtained through equity-based share-based payments (shares) or a liability if the goods or services have been acquired through cash-based share-based payments. The Group did not pay any share-based compensation to employees in accordance with IFRS 2 during the period.

Income tax
The tax expense represents the sum of current tax and deferred tax.

Current tax
Current tax is calculated on the taxable profit for the period. Taxable profit differs from the profit recognised in the income statement since it has been adjusted for tax-exempt income and non-deductible expenses, and for income and expenses that are taxable or deductible in other periods. The current tax liability is calculated using the tax rates applicable on the closing day.

Deferred tax
Deferred tax is recognised on temporary differences between the recognised value of assets and liabilities in the financial statements and the fiscal value used to calculate taxable profits. Deferred tax is recognised according to the 'balance sheet method'. Deferred tax liabilities are recognised for practically all taxable temporary differences and deferred tax assets are recognised for practically all deductible temporary differences, to the extent it is likely that the amounts can be utilised against future taxable surpluses. Untaxed reserves are recognised inclusive of the deferred tax liability.

The carrying amount of deferred tax assets is tested on each closing day and reduced to the extent that it is no longer probable that there will be sufficient taxable surplus available to utilise the deferred tax asset, either in full or in part.

The valuation of deferred tax is based on how the Company, on the closing day, expects to recover the carrying value of the corresponding asset or settle the carrying amount of the corresponding liability. Deferred tax is calculated based on the tax rates and tax rules that have been decided before the closing day.

Current and deferred tax for the period
Current and deferred tax is recognised as an expense or revenue in the income statement, except when the tax relates to transactions that have been recognised in other comprehensive income or directly in equity. In such cases, the tax is also recognised in other comprehensive income or directly in equity. In the case of current and deferred tax arising when reporting business combinations, the tax effect is to be recognised in the acquisition calculation.

Intangible assets
Additions through internal generation
The Company applies the activation model, which means that work on producing internally generated intangible assets are divided into a research phase and a development phase. All costs from the Company's research phase are expensed as they

are incurred. All costs for the development of Climeon Heat Power are recognised as an asset if all the following conditions are met:

- it is technically feasible to complete the intangible asset and to use or sell it,
- the Company intends to complete the intangible asset and to use or sell it,
- the conditions are in place for using or selling the intangible asset,
- it is probable that the intangible asset will generate future economic benefit,
- there are the necessary and adequate technical, financial and other resources to complete the development and to use or sell the intangible asset, and
- the expenditure attributable to the intangible asset during its development can be measured reliably.

After initial recognition, internally generated intangible assets are recognised at cost less accumulated amortisation and any accumulated impairment losses. Amortisation starts when the asset can be used. Capitalised expenditure for Climeon Heat Power is amortised on a straight-line basis over the estimated useful life of 5 years.

Removal from the balance sheet

An intangible asset is removed from the balance sheet upon disposal or sale, or when no future economic benefits are expected from the use or disposal/ sale of the asset. The gain or loss that arises when an intangible asset is removed from the balance sheet is the difference between what is possibly obtained, net of direct selling costs, and the asset's carrying value. This is recognised in the income statement as other operating income or other operating expense.

Tangible non-current assets

Tangible non-current assets are recognised at cost following deductions for accumulated depreciation and any impairment losses.

Cost includes the purchase price, expenses directly attributable to the asset in order to bring it to the location and condition to be used, and the estimated expenses for the dismantling and removal of the asset and the restoration of its location. Further expenditure is included in the asset or recognised as a separate asset only if it is probable that future economic benefits associated with the item will accrue to the Company and the cost of these can be measured reliably. All other costs for repairs and maintenance, as well as further expenditure, are recognised in the income statement in the period in which they are incurred.

When the difference in the consumption of the significant components of property, plant and equipment is considered to be significant, the asset is divided into these components.

Depreciation of tangible non-current assets is expensed such that the asset's costs, decreased by any estimated residual value at the end of its useful life, is depreciated on a straight-line basis over its estimated useful life. If an asset has been divided into different components, each component is depreciated separately over its useful life. Depreciation begins when the tangible non-current assets can be taken into use. The useful lives of tangible non-current assets are estimated at:

Plant and machinery	5 and 10 years respectively
Equipment	5 years
Computers	3 years
Leasehold improvements	5 and 7 years respectively

Estimated useful lives and depreciation methods are reviewed if there are indications that the expected consumption has changed significantly compared to the estimate on the previous closing day. When the Company changes its assessment of useful lives, the asset's possible residual value is also reviewed. The effect of these changes is accounted for prospectively.

Removal from the balance sheet

The carrying amount of property, plant and equipment is removed from the balance sheet upon disposal or sale, or when no future economic benefits are expected from the use or disposal/sale of the asset or component. The gain or loss that arises when a tangible non-current asset or component is removed from the balance sheet is the difference between what is possibly obtained, net of direct selling costs, and the asset's carrying value. The capital gain or loss that arises when a tangible non-current asset or component is removed from the balance sheet is recognised in the income statement as other operating income or other operating expense.

Impairment of tangible non-current assets and intangible assets

The values of the assets are tested as soon as indications arise that indicate that the asset has decreased in value. If this is the case, the asset's recoverable amount is calculated to be able to determine the value of any impairment. Where it is not possible to calculate the recoverable amount of an individual asset, the company calculates the recoverable amount of the cash-generating unit to which the asset belongs. Impairment testing is also performed on capitalised expenses for development work that has not yet been completed.

The recoverable amount is the higher of fair value less selling expenses and its value in use. Fair value less selling expenses is the price which the Company expects to receive in a sale between knowledgeable, independent parties and who have an interest in completing the transaction, less the costs that are directly attributable to the sale. When calculating the value in use, estimated future cash flows are discounted to the present value using a discount rate before tax that reflects the current market assessments of the time value of money and the risks specific to the asset. To calculate the future cash flows, the Company has used the budget and forecasts for the next five years.

If the recoverable amount of an asset (or cash-generating unit) is established to be lower than the carrying amount, the carrying amount of the asset (or the cash-generating unit) is written down to the recoverable amount. Any write-downs are expensed in the income statement straight away.

On each closing day, the Company assesses whether the earlier write-down is no longer justified. If this is the case, it is reversed partially or completely. When a write-down is reversed the asset's (the cash-generating unit's) carrying value increases. The carrying value after the reversal of the write-down must not exceed the carrying amount that would have been determined if no write-down had been made of the asset (the cash-generating unit) in prior years. A reversal of a write-down is recognised in the income statement.

Financial instruments

Financial instruments reported in the statement of financial position include on the asset side Other long-term securities holdings, Accounts receivable, Other short-term investments and Cash and cash equivalents. On the debt side are Borrowing, accounts payable and Other liabilities.

Accounting in and deletion from the statement of financial position

A financial asset or financial liability is included in the statement of financial position when the company becomes a party in accordance with the contractual terms of the instrument. A receivable is recognised when the company has performed and a contractual obligation exists for the counterparty to pay, even if an invoice has not yet been sent. Accounts receivable are included in the statement of financial position when an invoice has been sent. Debt is recognised when the counterparty has performed and a contractual obligation exists to pay, even if an invoice has not yet been received. Accounts payable are recognised when an invoice is received. A financial asset is removed from the statement of financial position when the rights in the agreement are realised, expire or the company loses control of them. The same applies to part of a financial asset. A financial liability is removed from the statement of financial position when the obligation in the agreement is fulfilled or otherwise extinguished. The same applies to part of a financial liability. No financial assets and liabilities are offset in the statement of financial position, as conditions for offsetting are not met. Acquisitions and divestments of financial assets are reported on the business day. The business day is the day the company undertakes to acquire or sell the asset.

Classification and valuation

Financial assets are classified based on their cash flow nature. When the financial asset is held to collect contractual cash flows and the agreed terms for the financial asset give rise at specific times to cash flows that are only payments of capital amount and interest on the outstanding capital amount, the asset is recognised at amortised cost. This business model is categorised as "hold to collect".

All financial assets except holdings in Baseload Capital (classified as Other long-term securities holdings in the balance sheet) classify Climeon as “hold to collect”, which means that the assets are reported at amortised cost. Climeon classifies its holdings in Baseload Capital as "other", which means that they are valued at fair value through profit or loss.

The classification of financial liabilities does not follow the same approach as for financial assets. Financial liabilities are either measured at fair value through profit or loss or amortised cost.

Financial liabilities are measured at fair value through profit or loss when they meet the definition of a financial instrument held for trading, whether they are irrevocably identified as such at the initial accounting date or if they are derivatives. All financial liabilities in Climeon are reported at amortised cost.

Depreciations
The company recognises a loss reserve for expected credit losses on a financial asset that is valued at amortised cost or fair value through other comprehensive income, for a lease receivable and for a contract asset. At each balance sheet date, the company must report the change in expected credit losses in the income statement since the first reporting date.

For accounts receivable, contractual assets and leasing receivables, there are simplifications that mean that the company must immediately report expected credit losses for the remaining maturity of the asset. The expected credit losses for these financial assets are calculated using a case-to-case basis. Climeon estimates that the number of customers and the size of the receivables mean that it provides a more accurate picture.

For all other financial assets, the company shall value the loss reserve at an amount corresponding to 12 months expected loan losses. For financial instruments for which there has been a significant increase in credit risk since the first reporting date, a reserve is based on credit losses for the entire maturity of the asset. Equity instruments are not covered by the write-down rules.

Amortised cost
Amortised cost refers to the amount at which the asset or the financial liability was initially recognised, less repayments, supplements or deductions for accumulated accruals using the effective interest method of the initial difference between the amount received/paid and the amount payable/receivable on the due date, and less impairment losses.

The effective interest rate is the rate at which discounting of all future expected cash flows over the expected term results in the initial carrying amount of the financial asset or financial liability.

Current investments
Short term investment of liquid funds with a maturity exceeding three months from acquisition, not readily to convert into cash, is classified as current investments.

Cash and cash equivalents
Cash and cash equivalents include cash at hand and available funds at banks and other credit institutions, and other short-term liquid investments that can be readily converted into cash and for which the risk of fluctuations in value is insignificant. To be classified as cash and cash equivalents the maturity must not exceed three months from the date of acquisition.

Inventories
Inventories are measured at the lower of acquisition cost and net realisable value on the closing day. Cost is determined using the first-in, first-out method (FIFO) and comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value is the selling value less the estimated costs that can be directly related to the sales transaction.

Provisions
A provision differs from other liabilities as there is uncertainty regarding the time of payment or the size of the amount for the settlement of the provision. A provision is recognised in the statement of financial position when there is an existing legal or informal obligation as a result of an event that has occurred and it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Cash flow statement
The cash flow statement shows the Company's changes in cash and cash equivalents during the financial year. The cash flow statement has been prepared using the indirect method. The reported cash flow includes only transactions that involve deposits and payments.

Segment reporting
The company sells and markets a small number of products which for the most part is packaged solutions. The company's operational organisation and management are organised 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, Climeon recognises no operating segments in the financial statements.

Parent company accounting policies

The Parent Company has prepared this Annual Report in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board´s recommendation RFR 2 Accounting for Legal Entities. The statements issued by the Swedish Financial Reporting Board also apply to listed companies. RFR 2 entails that, in the annual report of the legal entity, the Parent Company is to apply all IFRS and statements adopted by EU as far as possible within the framework of the Annual Accounts Act an in regard to the connection between accounting and taxation. The recommendation states the exceptions and additions that are to be made to IFRS.

The parent company consequently applies the principles presented in Note 2 to the consolidated financial statements above, with the exceptions stated below. The principles have been applied consistently for all years presented unless otherwise stated.

Classification and structures

The parent company's income statement and balance sheet are prepared in accordance with the schedules of the Annual Accounts Act. The difference from IAS 1 Presentation of Financial Statements that is applied in the preparation of the Group's financial statements is primarily the presentation of equity.

Participation in Group companies

Participation in Group companies are recognised in the Parent Company in accordance with the cost method. Acquisition-related costs or Group companies, which are expensed in the consolidated financial statements, are included as part of the cost of shares in the Group companies.

Group contributions and shareholder contributions for legal entities

The Parent Company recognises Group contributions and shareholder contributions in accordance with statement RFR 2 from the Swedish Financial Reporting Board. Group contributions are recognised as appropriations. In the parent Company, shareholders contributions are capitalised as shares and participations. Impairment testing is also made as required of shareholders contributions together with other holdings in the receiving company.

Leases

The parent company, which is the lessee, reports leasing fees as an expense on a straight-line basis over the leasing period, unless another systematic way better reflects the user's financial benefit over time.

Note 3 Key estimates and judgments

Significant sources of estimation uncertainty

The main assumptions concerning the future are reported below, along with other significant sources of uncertainty in estimates on the closing day that represent a material risk of significant adjustments to the carrying amounts of assets and liabilities in the subsequent financial year.

Capitalised development expenses

At the start of the year, Climeon AB had capitalised development expenses totalling SEK 83,816 thousand (55,831). They relate to the Company's product Climeon Heat Power. When calculating the recoverable value of the cash-generating units for assessing if any impairment needs for capitalised development expenses, assumptions have been made on future cash-flow and the lifespan on the products have been made. With estimates of an indefinite lifespan for Climeon Heat Power, a continuous expanding volume and an ongoing improvement of the marginal of the product the Group management has found that reasonable changes of the assumptions have not given rise to any impairment needs as of 31 December 2020

Long term financial assets

The company's holding in Baseload Capital is measured at fair value. The valuation is based on Baseload's own valuation with a certain lag. Baseload uses a valuation model that Climeon's management assesses as reasonably consistent with fair value. The valuation is based on cash flow forecasts on its portfolio of installations. The company reassesses the value of the holding at least once a quarter.

Revenue

For each delivery, Climeon assesses when the control over a product or service has been transferred to the customer in accordance with the five-step model in IFRS 15. The assessment determines the performance commitment that Climeon has undertaken and when it has been performed.

Capitalisation of loss carry forwards
Climeon AB has unutilised loss carry forwards amounting to SEK 459,300 thousand (337,739), of which the tax effect has not been recognised as a deferred tax asset in the balance sheet. This is because the Company assesses that it is uncertain whether these losses carryforwards will be able to be utilised, due to uncertainty about when in the future sufficient taxable surpluses will be generated.

The tax rate for calculating deferred tax is 21.4% (21.4%).

Covid-19
The directors of the Board have, at the time of approving the financial statements, a reasonable expectation that the Group have adequate resources to continue in operational existence for the foreseeable future.

Note 4 Financial risk management and financial instruments

The Group is, by virtue of its operations, exposed to different types of risks. The operations are affected by a number of factors that can impact the company's profit or loss and its financial position. The strategy entails the ongoing identification and management of risks, as far as possible. The risks can be divided into operational risks and financial risks and the section below describes the financial risk factors that are adjudged to be of the greatest significance in terms of Climeons's development, together with the way in which Climeon manages them to minimise the risk level. The main financial risks that arise as a result of the management of financial instruments comprise market risks (interest risk, currency risk and share price risk), credit risk, and liquidity and cash flow risk. Operational risks are described in a separate section of the Directors' Report.

Capital management
The Board's objective is to maintain a good financial position, which contributes to keeping investor, lender and market confidence and forms a basis for continued development of the business. The capital consists of total equity. The Group's goal regarding the capital structure is to secure the Group's ability to continue its operations, so that it can continue to generate value growth and maintain an optimal capital structure to keep the costs of capital down. To develop the product portfolio over time and thereby generate future values, Climeon needs a strong capital base. The Group's equity amounts to SEK 424,463 thousand (318,728). The cash position and short-term investments amount to SEK 314,917 thousand (142,862). The equity ratio thus amounts to 66.7 percent (75.8).

Placement policy
Climeon has a group policy for its financial investment operations, which defines how the company is to handle these risks. Climeon must always have sufficient liquidity to correspond to at least twelve months' known future net cash payments. In the prevailing capital market, the investments of liquid assets must be made in such a way that the invested capital is primarily protected and, if possible, provides a safe and secure return. Investments can be made in interest-bearing instruments, fixed income funds and cash. Underlying instruments must have a low risk level and risk diversification must be sought when investing liquid assets. Investments may only be made in specified securities, which are low-risk securities (for example, Swedish bonds and certificates issued by the Swedish government and corporate certificates with a rating of A1)..

Financial assets per level

12/31/2020	Assets valued at accrued acquisition value	Assets valued at fair value, level 2	Assets valued at fair value, level 3	Total
Long term financial assets	–	–	45,440	45,440
Accounts receivables	27,194	–	–	27,194
Other receivables	20,555	–	–	20,555
Current investments	15,700	–	–	15,700
Cash and cash equivalents	299,217	–	–	299,217
Accounted value	**362,666**	–	**45,440**	**408,106**

12/31/2019	Assets valued at accrued acquisition value	Assets valued at fair value, level 2	Assets valued at fair value, level 3	Total
Long term financial assets	–	–	45,800	45,800
Accounts receivables	24,626	–	–	24,626
Other receivables	15,452	–	–	15,452
Current investments	–	35,000	–	35,000
Cash and cash equivalents	107,862	–	–	107,862
Accounted value	**147,940**	**35,000**	**45,800**	**228,740**

Financial assets categorised as accrued acquisition value have determinable cash receipts and are not listed at any marketplace. In this category there are investments where the company expects to return mainly the entire initial investment. For all instruments that are valued at accrued acquisition value, fair values do not differ significantly from the reported values, as interest that can be obtained or paid is either close to current market interest rates or that the instruments are short-term.

Financial assets recognised at fair value are categorised based on the fair value calculation. Level 2 includes financial instruments with input data based on observable data from known marketplaces. Level 3 Includes input data that is not based on observable market information.

Level 2

The holdings of short-term investments in the Group are valued at the value available on known marketplaces where trading in the instruments takes place.

Level 3

The valuation of the holding is based on Baseload's forecasts and results with a certain lag. Baseload uses a valuation model that Climeon's management deems to be consistent with fair value. The valuation is based on cash flow forecasts on its portfolio of installations.

All the Group's assets that are valued at fair value are valued through profit or loss.

Investments in unlisted financial instruments	**12/31/2020**	**12/31/2019**
Incoming fair value in Baseload Capital	45,800	37,700
Change in fair value thru income statement	-360	8,100
Outgoing fair value in Baseload Capital	**45,440**	**45,800**

Market risks

Currency risks

Currency risk is the risk that fair value or future cash flows will fluctuate due to changes in foreign exchange rates. The Group carries out operations in several different geographic markets and in different currencies, which means that it is exposed to currency risk. Exposure to currency risk arises mainly from payment flows in foreign currency, which is known as transaction exposure, and from the translation of balance sheet items in a foreign currency.

Transaction exposure is the risk that earnings will be negatively impacted by fluctuations in exchange rates for cash flows that take place in foreign currency. The Group's outflows are mainly in SEK, EUR, ISK and JPY, while the Group's inflows are mainly in SEK and EUR. The Group is therefore affected by changes in these exchange rates as regards operational transaction exposure. This risk is currently not hedged, but it will be revised in case of need.

The table below shows the nominal net amounts of the major flows giving rise to transaction exposure. The exposure is stated based on the Group's payment flows in the most significant currencies and is presented in SEK thousand.

Currency	**12/31/2020**	**12/31/2019**
EUR	9,321	8,408
USD	-2,471	-282
JPY	-3,002	-4,135
GBP	-1,313	-277
ISK	-1,304	-1,187

Interest-rate risks

Interest-rate risk is the risk that fair value or future cash flows will fluctuate due to changes in market interest rates. The Group is mainly exposed to interest-rate risk through its loan financing. Interest on loans is paid using a variable rate, which means that the Group's future financial expenses are affected by changes in market interest rates. The Group currently judges this risk to be low.

Sensitivity analysis for market risks

The sensitivity analysis for currency risk shows the Group's sensitivity to a 10 percent increase or decrease respectively in the exchange rate for SEK against the most significant foreign currencies. For currency exposure, the table shows how the Group's profit/loss after tax would have been affected by a change in the exchange rate. This also includes outstanding monetary assets and liabilities in foreign currency on the closing day. The amounts are presented in SEK thousand.

	2020	12/31/2020	2019	12/31/2019
Currency exposure	Effect on profit/loss	Effect on equity	Effect on profit/loss	Effect on equity
EUR +[10]%	932	-2,384	841	3,626
EUR -[10]%	-932	2,384	-841	-3,626
JPY -[10]%	300	–	414	–
JPY +[10]%	-300	–	-414	–
ISK -[10]%	130	-3	119	-10
ISK +[10]%	-130	3	-119	10
USD -[10]%	247	6	28	4
USD +[10]%	-247	-6	-28	-4
GBP -[10]%	131	62	28	–
GBP +[10]%	-131	-62	-28	–
Interest				
Financial expenses +[1]%-points	-182	–	-42	–
Financial income +[1]%-points	1,042	–	26	–

Liquidity and financing risk

Liquidity risk is the risk that the Group encounters problems meeting its financial commitments when they fall due. Financing risk is the risk that the Group is unable to obtain sufficient financing to meet its obligations. Liquidity and financing risks have been managed by raising loans and carrying out new share issues, targeted at new and existing shareholders. The Group is also working actively on several different external financing solutions in the short and long term. Operational financing will increasingly come from sales, which have already started.

The maturity distribution of contractual payment commitments related to the Group's financial liabilities are presented in the tables below. The amounts in these tables are not discounted values and they also include interest payments where relevant, which means that these amounts cannot be reconciled with the amounts reported in the balance sheets. Interest payments are established based on the conditions applicable on the closing day. Amounts in foreign currency have been translated into SEK at closing day exchange rates.

The Group's loan agreements contain special conditions that could result in change of the payment terms. The Group's credit facilities have loan conditions, so-called covenants, which have been fulfilled. As covenants, Climeon has three key figures; cash and cash equivalents, equity and total assets.

12/31/2020	Within 3 month	3 - 12 month	1 - 5 years	Over 5 years	Total
Liabilities to credit institutions	–	7,528	78,134	–	85,662
Leasing debts	1,395	4,183	23,473	–	29,051
Accounts payable	15,116	–	–	–	15,116
Other current liabilities	2,579	1,697	–	–	4,276
Total	**19,090**	**13,408**	**101,607**	–	**134,105**

12/31/2019	Within 3 month	3 - 12 month	1 - 5 years	Over 5 years	Total
Liabilities to credit institutions	–	–	10,381	–	10,381
Leasing debts	1,132	3,395	26,197	5,444	36,168
Accounts payable	7,851	–	–	–	7,851
Other current liabilities	2,852	3,322	–	–	6,174
Total	**11,835**	**6,717**	**36,578**	**5,444**	**60,574**

Credit and counterparty risk

Credit risk is the risk that a counterparty in a transaction will not fulfill its contractual obligations, therefore incurring a loss for the Group. The Group's exposure to credit risk is mainly attributable to accounts receivable.

Cash and cash equivalents are covered by the general model for write-downs. For cash and cash equivalents, the exception for low credit risk is applied when the credit risk is limited because the counterparties are banks with a high credit rating awarded by international credit rating agencies. The loss reserve for cash and cash equivalents amounts to an insignificant amount and has therefore not been reported.

Accounts receivable are mostly represented by a number of counterparties, where the majority of the payments are made through letters of credit. Accounts receivable are not concentrated to one specific geographical area. The Group therefore assesses that the concentration risks are limited.

To limit the Group's credit risk, a credit assessment is made of each new customer and, if necessary, a credit insurance is taken out. Existing customers' financial situation is continuously monitored to identify warning signals at an early stage. The Group's accounts receivable consists of relatively few and large receivables from relatively few customers. Assessment of impairment is for that reason made item by item.

	12/31/2020	12/31/2019
Incoming reserve uncertain accounts receivable	2,059	–
Confirmed loss	-2,059	–
Reservations of the year	–	2,059
Outgoing reserve uncertain accounts receivable	**–**	**2,059**

Bankruptcy

The Group considers that the following constitute default for internal credit risk management purposes as historical experience indicates that financial assets that meet any of the following criteria are generally not recoverable

- when financial contract terms are not fulfilled by the debtor; or
- information obtained internally or obtained from external sources indicates that the debtor is unlikely to pay his creditors.

At the end of the year, the Group has no receivables that fall under the definition and therefore has no loss reserve.

The Group's maximum exposure to credit risk is judged to be reflected in the recognised amounts of all financial assets and are shown in the table below.

	12/31/2020	12/31/2019
Accounts receivable	27,194	24,626
Other long-term receivables	18,236	6,693
Other current receivables	20,555	15,452
Current investments	15,700	35,000
Cash and cash equivalents	299,217	107,862
Maximum exposure to credit risk	**380,902**	**189,633**

Note 5 Distribution of net sales

	Consolidated		Parent company	
Revenue type	**2020**	**2019**	**2020**	**2019**
Modules and other hardware	39,384	116,599	39,384	116,599
Services	3,950	159	3,825	159
Total	**43,334**	**116,758**	**43,209**	**116,758**

	Consolidated		Parent company	
Geographic market	**2020**	**2019**	**2020**	**2019**
Sweden	126	627	126	627
Europe	37,064	38,971	37,064	38,971
Asia	6,144	77,160	6,019	77,160
Total	**43,334**	**116,758**	**43,209**	**116,758**

Contract assets and liabilities

	Consolidated		Parent company	
Contract assets	**2020**	**2019**	**2020**	**2019**
Accrued income	16,407	12,791	16,407	12,791

	Consolidated		Parent company	
Contract liabilities	**2020**	**2019**	**2020**	**2019**
Prepaid income	3,236	2,441	3,236	2,441
Advances from customers	31,195	4,387	31,195	4,387
Contract liabilities total	**34,431**	**6,828**	**34,431**	**6,828**

All contract liabilities are expected to become revenue in the coming 12 months.

Note 6 Other operating income

	Consolidated		Parent company	
	2020	**2019**	**2020**	**2019**
Exchange rate profit/loss from operations	–	2,063	–	2,063
Grants from the Government	2,230	1,750	2,230	1,750
Re-invoiced costs	–	91	–	91
Total	**2,230**	**3,904**	**2,230**	**3,904**

Note 7 Auditor's fee

	Consolidated		Parent company	
	2020	**2019**	**2020**	**2019**
Deloitte AB				
Audit assignments	739	756	739	756
Other services	457	125	457	125
Total	**1,196**	**881**	**1,196**	**881**

The audit assignment amounts are the fees paid to the auditor for the statutory audit. The audit involves examining the annual accounts and the accounting records, the administration of the Company by the Board of Directors and the CEO, as well as fees for audit advisory services provided in connection with the audit assignment.

Other services essentially comprise advice in areas closely related to the audit, such as advice on accounting issues, as well as other tasks that are incumbent on the Company's auditors to carry out.

Note 8 Number of employees, salaries, other renumeration and social security contributions

	Consolidated		Parent company	
Average number of employees	**2020**	**2019**	**2020**	**2019**
Average number of employees	85	84	79	84
share of women	19%	24%	24%	24%

	Consolidated		Parent company	
Distribution of senior executives on the closing day	**2020-12-31**	**2019-12-31**	**2020-12-31**	**2019-12-31**
Women:				
Board members	43%	29%	43%	29%
The Management team	25%	25%	29%	25%

	Consolidated		Parent company	
Salaries and remuneration	**2020**	**2019**	**2020**	**2019**
Salaries and other remuneration	59,056	55,392	55,135	55,308
Pensions, defined contribution	6,739	7,149	6,727	7,149
Social insurance contributions	16,561	17,492	16,248	17,468
Total	**82,356**	**80,033**	**78,110**	**79,925**

	Consolidated		Parent company	
Salaries and other remuneration for Board members, CEO and other employees	**2020**	**2019**	**2020**	**2019**
Board and CEO	4,233	1,587	2,449	1,587
Other employees	54,823	53,805	52,686	53,721
Total	**59,056**	**55,392**	**55,135**	**55,308**

Salaries and remuneration to senior executives *)

2020	**Salary/Fee** **)	**Variable remuneration**	**Other benefits**	**Pension costs**	**Total**
Chairman of the Board Per Olofsson	393	–	–	–	393
Director Olle Bergström	167	–	–	–	167
Director Stefan Brendgen	50	–	–	–	50
Director Vivianne Holm	207	–	–	–	207
Director Therese Lundstedt	207	–	–	–	207
Director Jan Svensson	167	–	–	–	167
Director Charlotte Strand	197	–	–	–	197
Director & CEO Thomas Öström	916	–	128	175	1,219
CEO Jan Bardell	145	–	–	–	145
Other senior executives ***)	7,407	–	43	1,250	8,700
Total	**9,856**	**–**	**171**	**1,425**	**11,452**

* There are no costs for the ongoing warrant programs
** For information on remuneration to companies owned by board members, see also Note 30.
*** Other senior executives consisted of one woman and seven men in the beginning of the year and two women and four men at the end of the year.

2020	Salary/Fee*)	Variable remuneration	Other benefits	Pension costs	Total
Chairman of the Board Per Olofsson	240		–	–	240
Director Olle Bergström	120		–	–	120
Director Stefan Brendgen	120		–	–	120
Director Vivianne Holm	120		–	–	120
Director Therese Lundstedt	120		–	–	120
Director Jan Svensson	5		–	–	5
CEO Thomas Öström	862		129	174	1,165
Other senior executives (8 people)	8,826		156	1,513	10,495
Total	**10,413**		**285**	**1,687**	**12,385**

* For information on remuneration to companies owned by board members, see also Note 30.

Remuneration of the Board

During the financial year, SEK 2,304 thousand (1,587) was paid as a fee to the Board of Directors of Climeon, of which a total of SEK 393 thousand (240) to the Chairman of the Board. In addition to this, board members are reimbursed for travel expenses to board meetings, etc. There is no pension plan for the board. Board members elected by the Annual General Meeting shall in special cases be able to receive fees and other remuneration for work performed on behalf of the company, in addition to the board work. For such services, a market fee should be paid, which must be approved by the Board. During the financial year, consulting fees were paid to B Garden AB (Olle Bergström) of SEK 909 thousand (346).

Guidelines in remuneration of Senior executives

Senior executives refer to the company's CEO and persons in the Group management. Remuneration to senior executives shall be market-based and competitive and consist of a fixed salary, pension benefit and other benefits. At present, no variable remuneration is paid. The starting point is that a fixed salary must be market-based and individually determined based on position, competence, experience and performance. Benefits shall constitute a smaller part of the total compensation and correspond to what is customary in the market. To create additional incentives and strengthen the long-term in decision-making and goal fulfillment, the Board may, where appropriate, propose to the Annual General Meeting to decide on a share-based incentive program. The guidelines are described in full on Climeon's website. For new guidelines proposed for the 2021 Annual General Meeting, see the Corporate Governance Report.

Pensions

Pension terms for senior executives shall be market-based in relation to what generally applies to corresponding executives in the market and individually adapted regarding each executive's special competence and adapted to the company's costs. Pension benefits, including health insurance, must be defined contribution. The pension premiums for defined-contribution pensions shall amount to a maximum of 15 percent of the fixed compensation. The retirement age for senior executives is 65 years.

Severance pay agreement

There is a mutual period of notice of termination between the Company and the senior executives of up to 3 months. In case of termination, no severance pay is payable.

Deviation from the guidelines

The Board may decide to temporarily deviate from the guidelines in whole or in part, if in an individual case there are special reasons for this and a deviation is necessary to meet the company's long-term interests, its sustainability or to ensure the company's financial viability.

Remuneration of the CEO

Jan Bardell took over as interim CEO on December 15, 2020. Consultancy fees to Jan Bardell amounted to SEK 145 thousand (-). Thomas Öström resigned as CEO on December 15, 2020. Salary to Thomas Öström amounted to SEK 916 thousand (862) and other benefits to SEK 128 thousand (129). Pension provision amounted to SEK 175 thousand (174).

Remuneration to other Senior executives

Other senior executives refer to the persons who, together with the CEO during the year, formed the Group Management. Other senior executives consisted of one woman and seven men at the beginning of the year and two women and four men at the end of the year. Salary to other senior executives during the year amounted to SEK 7,407 thousand (8,826) and other benefits to SEK 43 thousand (156). Pension provisions during the year amounted to SEK 1,250 thousand (1,513).

Share incentive programs

The purpose of share incentive programs is to encourage a long-term financial interest in an ownership interest in the company in order to strengthen the bonds between the shareholders and the employees. Over the years, Climeon has established several share incentive programs based on capital-taxed warrants for selected senior executives and other key personnel as well as consultants who are thought to be of significant importance to the company's operations and development.

Outstanding warrants

The table presents a summary of outstanding warrants in the company's existing programs, which are reported in accordance with IFRS 2 - share-based payments.

The warrant holder has the right to subscribe for a new B share in the company for each warrant at the subscription price specified in the table below. Payment of the subscription price for the shares underlying the warrants shall be paid in cash. The holders have acquired the warrants at a price (so-called premium) that corresponds to an assessed fair value of the warrants and does not constitute share-related compensation in accordance with IFRS 2.

The premium for all issued warrants has been determined based on Black-Scholes' valuation model, valued by an external source. Maturity, share price and volatility form the basis for calculating the valuation. No cost has been incurred for the company by issuing the relevant warrants.

Warrant program	Number	Number of B-shares warrants entitle to	Premium	Issue price	Subscription-period	Impact on equity (TSEK)*)
A. Program 2017/2021, issued 17/11/29	15,764	15,764	4.45	137	20210901-20210915	2,160
B. Program 2018/2021, issued 18/04/19	292,901	292,901	2.90	99.20	20210901-20210915	29,056
C. Program 2019/2022, issued 19/07/07	596,500	596,500	16.71	164.90	20221201-20221230	98,363

* Equity will increase by the following amount in the event of maximum utilisation.

Total outstanding warrants	2020	2019
Outstanding beginning of year	987,129	1,309,829
Allocated during the year	–	596,500
Forfeited during the year	-81,964	–
Exercised during the year	–	-919,200
Total outstanding at year-end	**905,165**	**987,129**

With full exercise of all 905,165 warrants for subscription of the same number of B shares as above, it will include a share capital increase of a total of SEK 13,577 (quota value 0.015), which corresponds to a dilution of 1.66 percent of the number of outstanding shares and 0.54 percent of the number of outstanding votes (based on 54,440,679 outstanding shares, of which 12,450,000 A shares with 10 votes each and 41,990,679 B shares with one vote each).

Note 9 Interest income and other financial items

	Consolidated		Parent company	
	2020	**2019**	**2020**	**2019**
Interest income	162	258	162	258
Profit/loss in sale of financial assets	–	425	–	425
Exchange rate differences	3,810	–	3,810	–
Revaluation of financial assets	25	8,768	25	8,768
Total	**3,997**	**9,451**	**3,997**	**9,451**

Note 10 Interest expenses and other financial items

	Consolidated		Parent company	
	2020	**2019**	**2020**	**2019**
Interest expenses, other	-886	-443	-886	-439
Interest expenses on leased assets	-1,453	-1,738	–	–
Exchange rate differences	-4,823	-2,371	-4,656	-2,371
Revaluation of financial assets	-1,068	–	-1,068	–
Total	**-8,230**	**-4,552**	**-6,610**	**-2,810**

Note 11 Tax

	Consolidated		Parent company	
	2020	**2019**	**2020**	**2019**
Current tax	–	–	–	–
Change in temporary differences	77	172	–	–
Tax of the year	**77**	**172**	**–**	**–**
Recognised profit/loss before tax	-139,884	-112,670	-130,829	-110,950
Applicable tax rate 21.4%	29,935	24,111	27,997	23,743
Tax effect of non-deductible expenses	-173	-250	-173	-250
Tax effect of non-taxable changes of value in financial assets	-77	1,733	-77	1,733
Tax effect of non-deductible expenses	77	172	–	–
Effect of uncapitalised loss carry forwards	-29,685	-25,594	-27,747	-25,226
This year's reported tax expense	**77**	**172**	**–**	**–**

Deferred tax assets

Deferred tax assets are valued at a maximum of the amount that is likely to be recovered based on current and future taxable results. At the end of the year, total accumulated deficits amount to SEK 467,400 thousand (337,739) in the Group, of which nothing has been activated. The remaining deficit mainly relates to deficits in the parent company. The capitalised loss carryforwards do not have a time limit for utilisation.

Note 12 Earnings per share

Earnings per share before/after dilution

The following amounts for profit/loss and weighted average numbers of ordinary shares have been used in calculating earnings per share:

	Consolidated	
	2020	**2019**
Profit/loss for the year attributable to the Group's shareholders in SEK	-139,807,256	-112,497,804
Weighted average number of outstanding ordinary shares	50,682,452	48,190,791
Earnings per share before dilution, SEK	**-2.76**	**-2.33**

Profit/loss of the year, after dilution

The following earnings and number of shares have been used in the calculation of earnings per share after dilution:

	Consolidated	
	2020	**2019**
Profit/loss for the year attributable to the Company's shareholders	-139,807,256	-112,497,804
Number of shares, before dilution	50,682,452	48,190,791
Number of shares, after dilution	50,682,452	48,320,791
Earnings per share after dilution, SEK	**-2.76**	**-2.33**

The Parent Company's warrant programs did not have any dilution effect in 2020 or 2019. Number of new B shares that may be added upon full utilisation of all 905,165 warrants, it will include a share capital increase of a total of SEK 13,577 (quota value 0.015), which corresponds to a dilution of 1.66 percent of the number of outstanding shares and 0.54 percent of the number of outstanding votes (based on 54,440,679 outstanding shares, of which 12,450 000 Class A shares with 10 votes each and 41,990,679 Class B shares with one vote each).

Not 13 Capitalised expenditures on development work

	Consolidated		Parent company	
	12/31/2020	**12/31/2019**	**12/31/2020**	**12/31/2019**
Opening acquisition cost	79,066	52,708	79,066	52,708
This year's expenses for internally developed assets	36,680	26,358	36,680	26,358
Closing accumulated cost	**115,746**	**79,066**	**115,746**	**79,066**
Opening amortisation	-19,520	-12,182	-19,520	-12,182
Amortisation for the year	-8,194	-7,338	-8,194	-7,338
Closing accumulated amortisation	**-27,714**	**-19,520**	**-27,714**	**-19,520**
Opening impairment losses	-3,715	-3,146	-3,715	-3,146
Impairment losses for the year	-501	-569	-501	-569
Closing accumulated impairment losses	**-4,216**	**-3,715**	**-4,216**	**-3,715**
Closing carrying amount	**83,816**	**55,831**	**83,816**	**55,831**

Expenses for research and development that have been expensed during the year amounted to SEK 24 thousand (4).

Not 14 Patents, licenses, trademarks, and similar rights

	Consolidated		Parent company	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Opening acquisition cost	7,278	5,924	7,278	5,924
Purchases	1,367	1,354	1,367	1,354
Closing accumulated acquisition cost	**8,645**	**7,278**	**8,645**	**7,278**
Opening amortisation	-174	-63	-174	-63
Amortisation for the year	-139	-111	-139	-111
Closing accumulated amortisation	**-313**	**-174**	**-313**	**-174**
Opening impairment losses	-1,252	-1,184	-1,252	-1,184
Impairment losses for the year	-16	-68	-16	-68
Closing accumulated impairment losses	**-1,268**	**-1,252**	**-1,268**	**-1,252**
Closing carrying amount	**7,064**	**5,852**	**7,064**	**5,852**

Not 15 Leasehold improvements

	Consolidated		Parent company	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Opening acquisition cost	14,922	11,872	14,922	11,872
This year's leasehold improvements	325	3,050	325	3,050
Closing accumulated cost	**15,247**	**14,922**	**15,247**	**14,922**
Opening depreciation	-2,867	-1,343	-2,867	-1,343
Depreciation for the year	-2,533	-1,524	-2,533	-1,524
Closing accumulated depreciation	**-5,400**	**-2,867**	**-5,400**	**-2,867**
Opening impairment losses	-1,619	–	-1,619	–
Impairment losses for the year	–	-1,619	0	-1,619
Closing accumulated impairment losses	**-1,619**	**-1,619**	**-1,619**	**-1,619**
Closing carrying amount	**8,228**	**10,436**	**8,228**	**10,436**

Not 16 Plant and machinery

	Consolidated		Parent company	
	12/31/2020	**12/31/2019**	**12/31/2020**	**12/31/2019**
Opening acquisition cost	14,565	11,140	14,565	11,140
Purchases	777	3,425	777	3,425
Closing accumulated cost	**15,342**	**14,565**	**15,342**	**14,565**
Opening depreciation	-4,522	-2,389	-4,522	-2,389
Depreciation for the year	-1,519	-2,133	-1,519	-2,133
Closing accumulated depreciation	**-6,041**	**-4,522**	**-6,041**	**-4,522**
Opening impairment losses	-4,255	-2,618	-4,255	-2,618
Impairment losses for the year	–	-1,637	–	-1,637
Closing accumulated impairment losses	**-4,255**	**-4,255**	**-4,255**	**-4,255**
Closing carrying amount	**5,046**	**5,788**	**5,046**	**5,788**

Not 17 Right to use assets

The following amounts are reported in the balance sheet related to leasing agreements:

	Consolidated		
Right to use assets	**12/31/2020**	**12/31/2019**	**01/01/2019**
Premises	26,007	31,208	36,410
Inventories	385	658	931
Vehicles	1,452	3,441	3,864
Closing carrying amount	**27,844**	**35,307**	**41,205**
Leasing liabilities			
Long term	23,473	27,844	36,168
Short term	5,578	8,324	5,037
Closing carrying amount	**29,051**	**36,168**	**41,205**

The Group's right-to-use assets mainly relate to leased premises, vehicles and other leases (e.g. office equipment and other assets that are not considered material separately). Leases are normally written for fixed periods between 3 - 10 years. The terms are negotiated separately for each agreement and contain a large number of different contract terms. The leases do not contain any specific conditions or restrictions that would terminate the contracts if the terms were not met, but the leased assets may not be used as collateral for loans. For information on debt structure see note 4.

Rights of use under the vehicle category were discarded during the year to a value of SEK 1,664 thousand (0). The leasing commitment has been settled without any effect on Climeon's earnings or cash flow.

Additional right to use assets

	Consolidated	
	2020	**2019**
Vehicles	–	440
Closing carrying amount	–	**440**

In P/L accounted amortisations on right-to-use asset

	Consolidated	
	2020	**2019**
Premises	5,201	5,202
Inventories	273	273
Vehicles	325	863
Interest (part of financial costs)	1,453	1,737
Closing carrying amount	**7,252**	**8,075**

Payments for short contracts and leases of lesser value are expensed on a straight-line basis in the income statement. Short contracts are contracts with a lease term of 12 months or less. Agreements of minor value includes IT equipment and smaller office furniture.

Reconciliation of net lease liability

	Consolidated	
	2020	**2019**
Net liability 1st January	36,168	41,205
Cash flow	-7,117	-5,477
Acquisition - lease	–	440
Closing carrying amount	**29,051**	**36,168**

The Parent Company has had expenditure on operational leasing for premises, furniture and vehicles during the year by SEK 6,908 thousand (8,257).

Not 18 Equipment, tools and installations

	Consolidated		Parent company	
	12/31/2020	**12/31/2019**	**12/31/2020**	**12/31/2019**
Opening acquisition cost	2,588	1,577	2,588	1,577
Purchases	212	1,011	193	1,011
Closing accumulated cost	**2,800**	**2,588**	**2,781**	**2,588**
Opening depreciation	-1,296	-715	-1,296	-715
Depreciation for the year	-650	-581	-646	-581
Closing accumulated depreciation	**-1,946**	**-1,296**	**-1,942**	**-1,296**
Closing carrying amount	**854**	**1,292**	**839**	**1,292**

Not 19 Long term financial assets

Long-term financial assets consist mainly of investments in the finance company Baseload Capital Holding AB of SEK 45,440 thousand (45,800), corresponding to 15.7 (15.7) percent ownership in the company. The company holds options in Baseload Capital Holding AB that have not been assigned any value. During the financial year 2020, a convertible of SEK 15,700 thousand has been issued by Baseload Capital Holding AB, with a maturity of 12 months. The convertible is recognised under the balance sheet item Current investments, measured at acccrued acquisition value.

Not 20 Inventories

Inventories comprise finished products, work in progress and goods for resale. In the financial year, costs of goods have been accounted for to the amount of SEK 61,909 thousand (109,623), as raw material and consumables. The impairment losses of inventories, amounting to SEK 560 thousand (402), are included in the cost of raw materials and consumables.

Not 21 Accounts receivable

	Consolidated		Parent company	
	12/31/2020	**12/31/2019**	**12/31/2020**	**12/31/2019**
Accounts receivable, gross	27,194	26,685	27,194	26,685
Written-down amounts	–	-2,059	–	-2,059
Accounts receivable, net	**27,194**	**24,626**	**27,194**	**24,626**

	Consolidated		Parent company	
Age analysis, accounts receivable	**Not overdue**	**12/31/2019**	**12/31/2020**	**12/31/2019**
Overdue by less than 30 days	63	21,182	63	21,182
Overdue by 31-60 days	13,591	15	13,591	15
Overdue by 61-90 days	–	1,408	–	1,408
Overdue by > 90 days	330	–	330	–
Overdue by > 90 days	13,210	4,079	13,210	4,079
Sum	**27,194**	**26,684**	**27,194**	**26,684**

Not 22 Prepaid expenses and accrued income

	Consolidated		Parent company	
	12/31/2020	**12/31/2019**	**12/31/2020**	**12/31/2019**
Prepaid rent	1,894	1,946	1,801	1,815
Prepaid insurance premiums	140	221	140	221
Accrued income	16,407	12,791	16,407	12,791
Other items	3,246	2,064	3,246	2,064
Total	**21,687**	**17,022**	**21,594**	**16,891**

Not 23 Share capital

The share capital comprises 54,440,679 shares (49,310,479) with a quotient value of SEK 0.015 (0.015).

Not 24 Other provisions

	Consolidated		Parent company	
Warranty provisions	**12/31/2020**	**12/31/2019**	**12/31/2020**	**12/31/2019**
Incoming carrying amount	14,363	7,416	14,363	7,416
This year's provision	4,946	7,595	4,946	7,595
This year's usage	-972	-648	-972	-648
Outgoing carrying amount	**18,337**	**14,363**	**18,337**	**14,363**

The guarantee reserve consists of a provision for costs that are expected during the guarantee period.

Not 25 Other long-term liabilities

	Consolidated		Parent company	
	12/31/2020	**12/31/2019**	**12/31/2020**	**12/31/2019**
Swedish Energy Agency	10,381	10,381	10,381	10,381
Svensk Exportkredit	67,753	–	67,753	–
Lease debt	29,051	36,168	–	–
thereof short-term liability of lease debt	-5,578	-4,527	–	–
Total	**101,607**	**42,022**	**78,134**	**10,381**

Loans that fall due later than five years after the closing day amount to SEK 0 thousand (5,444).

Climeon AB has a conditional loan from The Swedish Energy Agency of SEK 10,381 thousand (14,081). The loan is repaid at 5 percent of the net-invoiced amount during the production and sale of goods and services that, according to the Swedish Energy, relate to the project and its results.

Loan to Swedish Export Credit of EUR 7,500 thousand (0), with a guarantee from the European Investment Fund with a term of two years. Partial repayments of the loan will occur during the term.

	Consolidated		Parent company	
Financing debts	**12/31/2020**	**12/31/2019**	**12/31/2020**	**12/31/2019**
Incoming debt	46,549	28,081	10,381	28,081
Amortisations of the year	-5,455	-22,738	–	-17,700
Redemptions of leases	-1,662	–	–	–
Exchange adjustment of the year	-3,583	–	-3,583	–
Reclassification according to IFRS 16	–	41,206	–	–
Admitted loans	78,864	–	78,864	–
Outgoing debt	**114,713**	**46,549**	**85,662**	**10,381**

Not 26 Other current liabilities

	Consolidated		Parent company	
	12/31/2020	**12/31/2019**	**12/31/2020**	**12/31/2019**
Short-term part of long-term liability	7,528	–	7,528	–
Short-term part of lease liabilities	5,578	4,527	–	–
Liabilities for grants received	1,697	3,322	1,697	3,322
Social security contributions, retention tax	2,549	2,795	2,470	2,795
Other items	30	69	3	57
Total	**17,382**	**10,713**	**11,698**	**6,174**

Not 27 Accruals and deferred income

	Consolidated		Parent company	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Accrued vacation pay	3,139	3,034	3,139	3,034
Accrued social security contributions	986	953	986	953
Prepaid income	3,236	2,441	3,236	2,441
Accrued operating costs	15,639	13,613	15,639	13,613
Other items	3,472	1,225	3,219	1,221
Total	**26,472**	**21,266**	**26,219**	**21,262**

Note 28 Cash and cash equivalents in the cash flow

	Consolidated		Parent company	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Cash	299 217	107 862	297 532	107 657
Total	**299 217**	**107 862**	**297 532**	**107 657**

Note 29 Pledged assets and contingent liabilities

	Consolidated		Parent company	
Pledged assets	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Floating charge, in own custody	20,800	20,800	20,800	20,800
Blocked bank funds	3,607	772	3,607	772
Total	**24,407**	**21,572**	**24,407**	**21,572**

Note 30 Transactions with related parties

Disclosures on transactions between the Company and related parties are presented below.

	Consolidated		Parent company	
Purchase of services	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Tessville	4	–	4	–
Weseba AB	9	123	9	123
B-Garden	909	346	909	346
Mercurius Financial Comm.	5	49	5	49
Total	**927**	**518**	**927**	**518**

Weseba AB refers to expenses and travel expenses in connection with board work, the company is owned by Chairman of the Board Per Olofsson. B Garden AB refers to consultancy services performed outside the ordinary board work, the company is owned by board member Olle Bergström. Mercurius Financial Comm. assists in communication to investors and is owned by board member Vivianne Holm. Tessville refers to expenses and travel expenses in connection with board work, the company is owned by board member Therese Lundstedt.

Sales and purchases of goods and services are made on market terms. Disclosures on remuneration to senior executives are presented in note 8 and in the Corporate Governance Report.

Note 31 Events after the closing day

Christina Bäck has been appointed Head of Sales and Markets at Climeon. Christina Bäck was previously Head of Corporate Development and Globalization at Climeon and has extensive experience in sales, business development and marketing from companies with complex ecosystems.

The Board proposes that no dividend is to be paid for the 2020 financial year.

Climeon is participating in the EU-founded research project CHEK with the aim of reducing emissions in shipping.

Climeon has entered a Memorandum of Understanding with Tomoe Engineering, aiming to establish an industrial sales cooperation in Japan.

After a share issue of SEK 210 million, of which Climeon invested SEK 15.7 million, Climeon's holding in Baseload Capital increased in value to approximately SEK 113 million, an increase of approximately SEK 68 million.

Note 32 Proposed appropriation of earnings

The following amounts in SEK are at the disposal of the annual general meeting

Share premium reserve	875,319,786
Accumulated loss	-393,747,074
Loss for the year	-130,829,164
The Board's proposal for available funds to be carried forward	**350,743,548**

SIGNATURES

Kista, April 21 2021

Per Olofsson
Chairman of the Board of Directors

Olle Bergström

Charlotte Strand

Thomas Öström

Jan Svensson

Vivanne Holm

Therese Lundstedt

Jan Bardell
CEO

Our audit report was submitted on
April 21, 2021

Johan Telander
Deloitte AB
Authorized public accountant

KEY NUMBERS

TSEK	2020	2019	2018	2017	2016
Operating margin (%)	neg	neg	neg	neg	neg
Profit margin (%)	neg	neg	neg	neg	neg
Return on equity (%)	neg	neg	neg	neg	neg
Return on assets (%)	neg	neg	neg	neg	neg
Return on capital employed (%)	neg	neg	neg	neg	neg
Interest coverage (times)	neg	neg	neg	neg	neg
Equity ratio (%)	66.7	75.8	58.8	82.3	65.7
Debt ratio (times)	0.5	0.3	0.7	0.2	0.5
Net debt ratio (times)	-0.7	-0.2	-0.4	-0.8	-0.7
Earnings per share, before dilution, SEK	-2.76	-2.33	-2.30	-1.54	-1.06
Earnings per share, after dilution, SEK	-2.76	-2.33	-2.30	-1.54	-1.06
Equity per share, SEK	7.80	6.46	3.14	5.11	1.50

Climeon presents certain financial measures in the annual 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 Definitions.

DEFINITIONS

Operating margin	Operating profit/loss after depreciations as a percentage of net sales.
Profit/loss margin	Profit/loss for the period after financial items as a percentage of net sales.
Return on equity	Profit/loss after financial items as a percentage of average shareholder's equity for the period.
Return on assets	Operating profit/loss plus financial income as a percentage of total assets.
Return on capital employed	Operating profit/loss plus financial income as a percentage of capital employed.
Capital employed	Total assets minus non interest-bearing liabilities (including other provisions).
Interest coverage	Operating profit/loss plus financial income divided by financial expenses (times).
Equity ratio	Shareholders' equity as a percentage of total assets.
Debt ratio	Liabilties including deferred tax liabilities and provisions divided by shareholders' equity (times).
Net debt ratio	Interest-bearing net debt including cash and cash equivalents divided by shareholders' equity (times).
Earnings per share, before dilution	Earnings per share divided by the weighted average number of outstanding shares during the period.
Earnings per share, after dilution	Earnings per share adjusted by the number of outstanding warrants.
Equity per share	Earnings per share adjusted by the number of outstanding warrants.

AUDITOR'S REPORT

To the general meeting of the shareholders of Climeon AB (publ.), corporate identity number 556846-1643

Report on the annual accounts

Opinions

We have audited the annual accounts of Climeon AB (publ.) for the financial year 2020-01-01 - 2020-12-31. The annual accounts of the company are included on pages 47-89 but does not include pages 1-46 and 90-93 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of Climeon AB (publ.) as of 31 December 2020 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of Climeon AB (publ.) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Other Information than the annual accounts

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises pages 1-46 and page 93 but does not include the annual accounts and our auditor's report thereon.

Our opinion on the annual accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and that they give a fair presentation in accordance with the Annual Accounts Act. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken based on these annual accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts are available at Swedish Inspectorate of Auditors (SIA)'s website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the audit report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts, we have also audited the administration of the Board of Directors and the Managing Director of Climeon AB (publ.) for the financial year 2020-01-01 - 2020-12-31 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit to be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions
We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of Climeon AB (publ.) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director
The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's type of operations, size and risks place on the size of the company's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility
Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts are available at Swedish Inspectorate of Auditors (SIA)'s website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the audit report.

Stockholm April 21, 2021
Deloitte AB

Johan Telander
Authorized public accountant

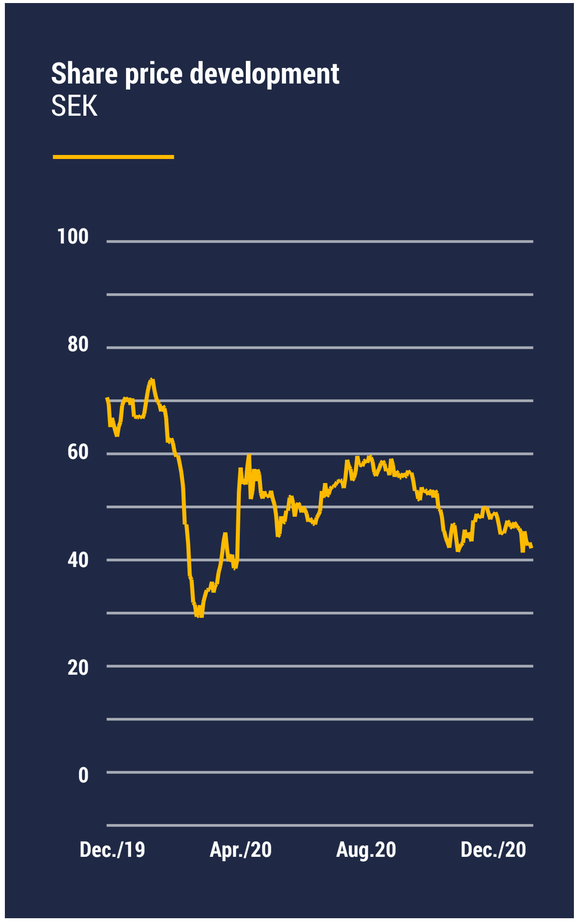
THE CLIMEON SHARE

The company's fifteen largest shareholders as of December 31, 2020, are listed on the right. The company has issued two share classes, class A shares and class B shares. The only difference between the share classes are in voting rights. Each class A share entitles the holder to ten (10) votes and each class B share entitles the holder to one (1) vote at general meetings. As far as the company's Board is aware there are no shareholder agreements or other agreements between the Company's shareholders that aim to jointly affect the Company. Nor is the Company's Board aware of any agreements, or the equivalent, that can lead to a change in the control of the Company.

Share information

The number of shares in Climeon amounts to 54,440,679 with a quota value of SEK 0.015, of which 12,450,000 are Class A shares, 10 votes/share, and 41,990,679 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 42.62 at the end of the year.



The largest shareholders, December 31 2020

	Number of shares				
Shareholders	**Series A**	**Series B**	**Capital, %**	**Number of**	**Voting rights, %**
Thomas Öström	8,900,000	130,900	16.6	89,130,900	53.5
Joachim Karthäuser	3,550,000	4,300	6.5	35,504,300	21.3
Handelsbanken Hållbar Energi	–	2,690,703	4.9	2,690,703	1.6
Försäkringsbolaget, Avanza Pension	–	1,457,165	2.7	1,457,165	0.9
SEB AB, Luxembourg Branch, W8IMY	–	1,171,851	2.2	1,171,851	0.7
Olle Bergström	–	1,020,000	1.9	1,020,000	0.6
SEB-Stiftelsen	–	1,000,000	1.8	1,000,000	0.6
Nordnet Pensionsförsäkingar AB	–	986,407	1.8	986,407	0.6
Swedbank Robur Transition Sweden	–	941,350	1.7	941,350	0.6
JP Morgan Luxembourg S.A.	–	911,970	1.7	911,970	0.5
Clearstream Banking S.A. W8IMY	–	778,662	1.4	778,662	0.5
Mathias Carnemark	–	700,767	1.3	700,767	0.4
Erste Group Bank AG W8IMY	–	620,800	1.1	620,800	0.4
Fredrik Palmstierna	–	610,000	1.1	610,000	0.4
Per Olofsson	–	580,000	1.1	580,000	0.3
Others	–	28,385,804	52.1	28,385,804	17.0
Total	12,450,000	41,990,679	100.0	166,490,679	100.0

Share data	**2020**	**2019**
Total number of issued shares at period end	54,440,679	49,310,479
Average number of shares outstanding	50,682,452	48,190,791
Earnings per share, before and after dilution, SEK	-2.76	-2.33
Equity per share, SEK	7.80	6.46

CLIMEON

BUSINESS FOR A BETTER WORLD

Production: Climeon in co-operation with Miltton
Photos: Climeon, Collector Bank, Johan Gustafsson, Gettyimages

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