



# CLIMEON INTERIM REPORT

JANUARY 1 – SEPTEMBER 30, 2018

# Q3

## THIRD QUARTER 2018

Order intake amounted to SEK 39.0 million (293.8) and Climeon received its two first orders within the geothermal segment in Japan during the quarter. In total, the order backlog increased to SEK 815.6 million (352.6). Net sales increased to SEK 8.9 million (0.0). The financial stability is good with a cash balance of SEK 143.6 million, and we are executing according to the business plan that was communicated in connection with the public listing in 2017. The first geothermal power plant in Iceland has now produced electricity for the first time and the company has increased its delivery capacity through a new test and development site in Kista.

### JULY – SEPTEMBER

- Order intake amounted to SEK 39.0 million (293.8)
- Net sales amounted to SEK 8.9 million (0.0)
- Operating profit/loss amounted to SEK -23.3 million (-13.0)
- Earnings per share amounted to SEK -0.52 (-0.38)
- Climeon received its two first orders within geothermal heat power in Japan, amounting to a total value of SEK 39.0 million
- Climeon established a branch office in Iceland, one of the most interesting geographical markets in the world for geothermal heat power
- In September a patent for a radial turbine was granted in the U.S.

### JANUARY – SEPTEMBER

- Order intake amounted to SEK 438.5 million (317.5)
- Order backlog amounted to SEK 815.6 million (352.6)
- Net sales amounted to SEK 21.1 million (0.7)
- Operating profit/loss amounted to SEK -69.2 million (-36.4)
- Cash and cash equivalents amounted to SEK 143.6 million (204.0)

### SIGNIFICANT POST-CLOSING EVENTS

- Climeon increased the capacity with a new test center for development and testing of Heat Power modules in Kista
- Climeon won the Japanese innovation prize "Top 10 Innovation" at Innovation for Cool Earth Forum (ICEF) in Tokyo, hosted by the Japanese Government

# FROM PRESTUDY TO ELECTRICITY IN RECORD TIME



Photo: Collector Bank

# 8.9

NET SALES, SEK million

# 816

ORDER BACKLOG, SEK million

Climeon's first geothermal power plant is starting up and has produced green electricity for the first time. The project has, from prestudy to first production of electricity, been conducted in record time – it took ten months instead of the usual 3–8 years – and we are happy to report that the cost estimates were accurate. This confirms Climeon's ability to make geothermal energy cost effective at low temperatures, which is extremely positive in terms of continued large-scale rollout.

One important factor in Climeon's future expansion is how quickly we can test our machines and verify the upgrades we make. In October we inaugurated our new test and development facility in Kista, and at the same time took a big step towards quicker and more effective testing and verification of future upgrades to our system. Now we can finally gather development, delivery and service in one location, which will help us increase our efficiency and delivery capacity.

We have worked hard during the quarter to make progress in the certification and permit processes. We have received positive responses regarding certification within the maritime segment and will be able to deliver to Viking Line on schedule. We have also made progress in the geothermal segment and obtained additional permits. In Germany, however, the customer's permit processes have dragged on, and the date of delivery must consequently be delayed.

We won two orders within the geothermal segment in the Japanese market, and personnel has been in place there for a couple of months. It is clear that the interest in geothermal heat power is significantly higher than we realized, primarily among land owners with previously unprofitable land areas and spa owners with receding revenues. We will continue working to make progress in the Japanese market and are focusing our sales efforts – the situation is very positive there in terms of both policy and geothermal conditions.

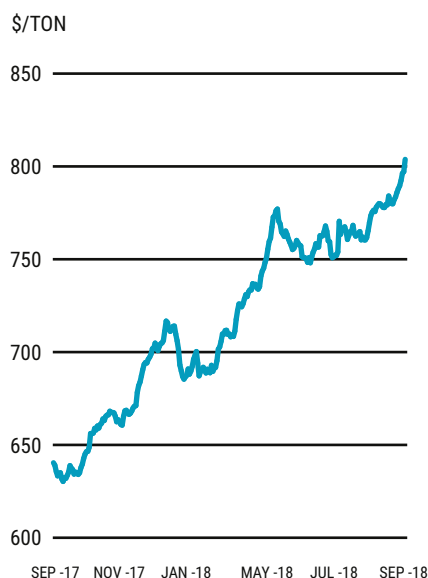
It is therefore especially gratifying that we received a prestigious innovation award in Japan. Along with Tesla and Alstom, we were recognized as one of ten companies with the potential to transform society in the fields of energy and environment. The award was presented at Innovation for Cool Earth Forum, which is hosted annually by the Japanese government.

In its most recent report, the UN Intergovernmental Panel on Climate Change confirms the concern that many of us have experienced after the unusually warm summer and fall. Our emissions must decrease much faster and more dramatically than previously believed. The report concludes that unprecedented changes are required for there even to be a chance of reaching the 1.5 degree target for global warming. The situation is undeniably very grave, and Climeon is working on our part of the solution. We are constantly on the lookout for ways to accelerate our work to hasten the transformation to a fossil-free world.

Thomas Öström, CEO Climeon

# MARKET DEVELOPMENT

AVERAGE GLOBAL BUNKER  
PRICE FOR MARINE GASOIL<sup>4)</sup>



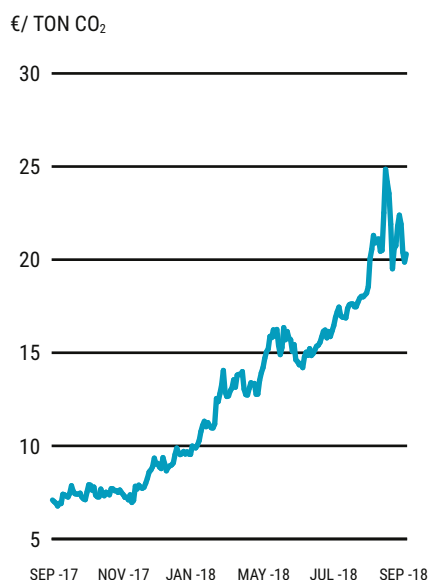
## MARKET DEVELOPMENT

The market factors that primarily affect Climeon are oil prices, political initiatives and subsidies, emission allowances and electricity prices in the company's respective markets.

Within the maritime segment, oil prices have a direct impact on Climeon's customer repayment period, as the price of electricity on board is determined by the fuel price. At the end of the third quarter, the Brent crude oil price was 82 dollars a barrel, an increase of 64 percent compared to the third quarter last year.<sup>1)</sup> US sanctions against Iran and lower supply from Venezuela have pushed up the price of crude oil and created some concern in the market.<sup>2)</sup> At the same time, the Sulphur directive approaches, which limits the permitted sulfur content in fuel from 2020.<sup>3)</sup> This means, for example, that more expensive and more environmentally friendly fuels are needed, such as Marine Gasoil (MGO). The average price of MGO has increased by 24 percent in the past year.<sup>4)</sup> It is estimated that the Sulphur directive will increase the cost of maritime transport by 20-85 percent, which is expected to increase interest in fuel-saving solutions in the maritime area.

The extreme weather and the UN's new climate report have increased focus on climate issues, putting additional pressure on businesses and communities to invest in renewable energy. At the same time, political pressure on reducing subsidies and tax credits for fossil fuels is also increasing, which in turn makes these investments less attractive. These factors may in the long run be expected to increase demand for applications within both geothermal heat power and waste heat.

EUROPEAN EMISSION  
ALLOWANCES<sup>5)</sup>



There has been a pressure on industry to improve energy efficiency for a while, which now increases as the financial incentives become more noticeable. Carbon dioxide emissions allowances have, until about a year ago, been so cheap that many companies see them as negligible. This is now changing rapidly. At the end of the quarter, European Emission Allowances cost over EUR 20 per ton CO<sub>2</sub>, compared to EUR 7 per ton at the end of the third quarter 2017<sup>5)</sup>. Each Heat Power module saves about 900 tons of carbon dioxide per year, which reduces the need for emission allowances and becomes a significant economic saving for the customer.

1) BBC, [bbc.com/news/topics/cmjpj223708t/oil](https://www.bbc.com/news/topics/cmjpj223708t/oil)

2) Dagens Industri, [di.se/analys/har-ar-oljerallyts-baksida/](https://di.se/analys/har-ar-oljerallyts-baksida/)

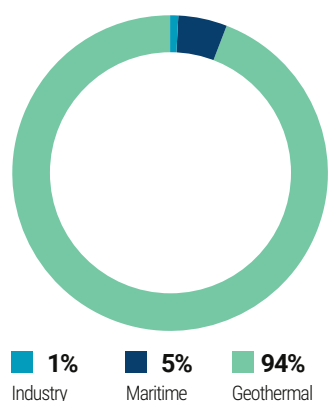
3) International Maritime Organization, [imo.org/en/MediaCentre/HotTopics/Pages/Sulphur-2020.aspx](https://www.imo.org/en/MediaCentre/HotTopics/Pages/Sulphur-2020.aspx)

4) Platts Bunkerworld, [https://bunkerindex.com/prices/bixfree\\_1809.php?priceindex\\_id=5](https://bunkerindex.com/prices/bixfree_1809.php?priceindex_id=5)

5) Business Insider Markets, [markets.businessinsider.com/commodities/historical-prices/co2-emissionsrechte/euro/29.9.2017\\_28.9.2018](https://markets.businessinsider.com/commodities/historical-prices/co2-emissionsrechte/euro/29.9.2017_28.9.2018)

# ORDER INTAKE, SALES AND DELIVERY

ORDER BACKLOG BY SEGMENT



## ORDER INTAKE AND SALES

Order intake during the third quarter amounted to SEK 39.0 million (293.8) and order intake for the period January – September amounted to SEK 438.5 million (317.5).

In July, Climeon received its first order within the geothermal segment in Japan, worth SEK 19.5 million. The Heat Power modules are purchased by Baseload Capital on the behalf of a local Heat Power Operator, which will be jointly owned by Japanese stakeholders and Baseload Capital.

In September, Climeon obtained an additional order worth SEK 19.5 million from Baseload Capital on the behalf of a Japanese Heat Power Operator.

At the end of the period the order backlog amounted to SEK 815.6 million (352.6), corresponding to 241 (126) Heat Power modules. The order backlog was positively impacted by revaluation to closing day exchange rate (SEK 42.3 million).

## DELIVERY

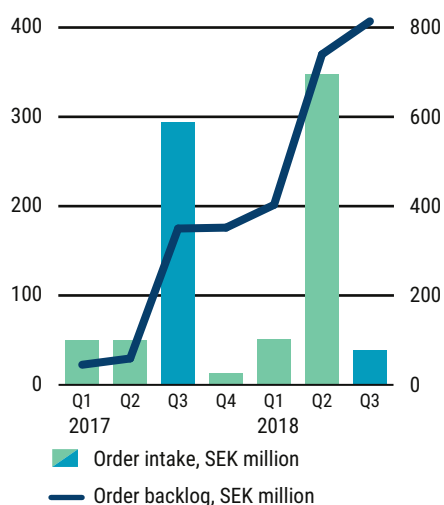
During the quarter, Heat Power modules were delivered to geothermal power plants in Iceland and the U.S.

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

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

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

ORDER INTAKE AND ORDER BACKLOG



# FINANCIAL DEVELOPMENT

## July – September

### NET SALES AND RESULT

Net sales in the third quarter amounted to SEK 8.9 million (0.0). The increase is related to increased customer deliveries within the geothermal segment.

Operating profit/loss amounted to SEK -23.3 million (-13.0). Net financial income/expense amounted to SEK -0.2 million (-0.6). Profit/loss after financial items amounted to SEK -23.5 million (-13.5).

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

During the quarter, depreciations amounted to SEK 2.8 million (0.9). The amount includes a write-down of patents of SEK 0.3 million (0.0).

### CASH FLOW

Cash flow from operating activities amounted to SEK -10.9 million (-10.1). Advances from customers had a positive effect on working capital, and contributed SEK 18.3 million (1.1). The percentage of advance varies between different contracts and industries. The advances during the quarter could not fully compensate for the cost increase as a result of the build-up of the organization and a planned increased production.

Cash flow from investing activities amounted to SEK -6.6 million (-7.3), mainly due to continued capitalization of internally generated development expenses and patents SEK -3.7 million (-4.7). The company has also made continued strategic investments towards increasing capacity for serial production with a new test center in Kista (SEK 2.2 million), which will also be used for development. Cash flow from financing activities amounted to SEK 0.0 million (23.9). Cash flow for the quarter thus amounted to SEK -17.6 million (6.5).

## January – September

### NET SALES AND RESULT

Net sales for the period January – September amounted to SEK 21.1 million (0.7), a significant increase compared to previous year, related to customer deliveries within the geothermal segment.

Operating profit/loss amounted to SEK -69.2 million (-36.4). Net financial income/expense amounted to SEK -0.7 million (-0.7). Profit/loss after financial items amounted to SEK -69.9 million (-37.1). Also accumulated earnings for the whole year to date was affected by the increase in expenses, which is mainly related to a successive build-up of the organization.

### CASH FLOW

Cash flow from operating activities amounted to SEK -30.4 million (-36.5). Cash flow from investing activities amounted to SEK -37.9 million (-15.6), mainly due to investments in Baseload Capital of SEK -19.9 million (0.0) and continued capitalization of development expenses, patents and new test center in Kista. Cash flow from financing activities amounted to SEK 7.9 million (34.4). Cash flow for the period thus amounted to SEK -60.3 million (-17.6).

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### FINANCIAL POSITION

Cash and cash equivalents decreased to SEK 143.6 million, from SEK 204.0 million at year-end. The equity ratio, at the same time, declined to 59.7 percent (82.3) and the net debt/equity ratio amounted to -0.7 times (-0.8). Shareholders' equity amounted to SEK 159.8 million (221.8) or SEK 3.6 (5.1) per share.

In the Prospectus, in connection with Climeon AB's public offering of Class B shares and the listing of the Company's Class B shares on Nasdaq First North Premier in Stockholm, an estimated need for working capital of around SEK 100 million during the coming 12-month period was communicated. This target was well met. Cash balance at October 13, 2018 amounted to SEK 134,992 thousand.

### INVESTMENTS

The company's investments during the period January - September amounted to SEK 37.9 million (26.7). These investments mainly consisted of acquisition of intangible assets SEK 13.8 million (20.3), mainly related to continuous development of Climeon Heat Power and patents, as well as investments in new test center SEK 2.2 million (0.0). The company has also made investments in Baseload Capital of SEK 19.9 million (0.0).

### DEFERRED TAX ASSET

The company has unutilized loss carryforwards amounting to SEK 186.8 million (117.4), of which the tax effect has not been recognized as a deferred tax asset in the balance sheet.

# OTHER INFORMATION

## PERSONNEL AND ORGANIZATION

The average number of employees during the period January until September was 59 (35), of which 26 percent was women and 74 percent men. At the end of September, the number of employees was 65 (42).

Andreas Grenninger has been appointed Head of Sales & Marketing from January 1, 2019. In connection with this, Christopher Engman, former Head of Sales & Marketing, will leave the company.

## MATERIAL RISKS AND FACTORS OF UNCERTAINTY

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

## REVIEW

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

## FINANCIAL CALENDAR

### Year-end report 2018,

February 13, 2019

### Annual Report 2018,

April 2019

### Interim report first quarter 2019,

May 9, 2019

### Interim report second quarter 2019

August 28, 2019

### Interim report third quarter 2019,

November 5, 2019

## FURTHER INFORMATION

For further information, contact CEO Thomas Öström, telephone +46 708 94 96 05, [thomas.ostrom@climeon.com](mailto:thomas.ostrom@climeon.com) or vice president Christoffer Andersson, telephone +46 762 00 72 99, [christoffer.andersson@climeon.com](mailto:christoffer.andersson@climeon.com).

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



# FINANCIAL REPORTS IN BRIEF

## INCOME STATEMENT

SEK, thousand	Note	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	Jan-Dec 2017
Net sales	2	8,910	8	21,123	721	11,856
Capitalized work for own account		3,717	5,417	12,880	12,134	18,329
Other operating income		1,629	-	2,492	99	1,499
Operating expenses						
Raw material and consumables		-11,076	-4,835	-26,944	-8,236	-26,140
Other external expenses		-7,709	-3,260	-21,591	-11,674	-18,515
Personnel expenses		-14,555	-9,438	-47,546	-26,872	-39,760
Depreciation and amortization of tangible and intangible assets		-2,846	-862	-8,182	-2,614	-3,933
Other operating expenses		-1,387	-1	-1,389	-3	-3
<b>Operating profit/loss</b>		<b>-23,317</b>	<b>-12,971</b>	<b>-69,157</b>	<b>-36,445</b>	<b>-56,667</b>
<b>Profit from financial items</b>						
Interest income and other financial items		29	-	88	0	101
Interest expenses and other financial items		-227	-563	-825	-661	-885
<b>Profit/loss after financial items</b>		<b>-23,515</b>	<b>-13,534</b>	<b>-69,894</b>	<b>-37,106</b>	<b>-57,451</b>
Tax		-	-	-	-	-
<b>Profit/loss for the period<sup>6)</sup></b>		<b>-23,515</b>	<b>-13,534</b>	<b>-69,894</b>	<b>-37,106</b>	<b>-57,451</b>
<b>Earnings per share, SEK</b>						
Before dilution		-0.52	-0.38	-1.56	-1.04	-1.54
After dilution		-0.52	-0.38	-1.56	-1.04	-1.54

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

## BALANCE SHEET

SEK, thousand	Note	Sep 30, 2018	Sep 30, 2017	Dec 31, 2017
<b>ASSETS</b>				
Intangible non-current assets	4	42,065	27,039	34,228
Tangible non-current assets	5	11,936	7,974	10,560
Financial assets	6	19,902	-	-
<b>Total non-current assets</b>		<b>73,903</b>	<b>35,013</b>	<b>44,788</b>
Inventories		40,557	12,867	5,570
Accounts receivable		6,383	646	9,978
Other current receivables		3,391	5,886	5,273
Cash and cash equivalents		143,643	33,695	203,977
<b>Total current assets</b>		<b>193,974</b>	<b>53,094</b>	<b>224,798</b>
<b>TOTAL ASSETS</b>		<b>267,877</b>	<b>88,107</b>	<b>269,586</b>
<b>EQUITY AND LIABILITIES</b>				
Share capital		673	535	651
Reserve for development costs		35,993	19,985	26,874
Share premium reserve		343,587	112,608	336,491
Retained earnings		-220,429	-115,365	-142,175
<b>Total shareholder's equity</b>		<b>159,824</b>	<b>17,763</b>	<b>221,841</b>
Other provisions		3,492	-	1,524
<b>Total provisions</b>		<b>3,492</b>	<b>-</b>	<b>1,524</b>
Other non-current liabilities	7	28,081	28,081	28,081
<b>Total non-current liabilities</b>		<b>28,081</b>	<b>28,081</b>	<b>28,081</b>
Advance payments from customers		40,369	1,984	1,984
Accounts payable		18,225	16,874	9,557
Other current liabilities		17,886	23,405	6,599
<b>Total current liabilities</b>		<b>76,480</b>	<b>42,263</b>	<b>18,140</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>267,877</b>	<b>88,107</b>	<b>269,586</b>

## STATEMENT OF CHANGES IN TOTAL EQUITY IN BRIEF

SEK, thousand	Restricted equity		Unrestricted equity		Total equity
	Share capital	Reserve for development costs	Premium reserve	Retained earnings	
<b>Opening balance equity 2017-01-01</b>	<b>356</b>	<b>10,200</b>	<b>111,878</b>	<b>-69,092</b>	<b>53,342</b>
Profit/loss for the period				-37,106	-37,106
Capitalization and utilization as a result of the period's depreciation of development costs		9,963		-9,963	-
Other comprehensive income	-	-	-	-	-
<b>Total comprehensive income/loss</b>	<b>-</b>	<b>9,963</b>	<b>-</b>	<b>-47,069</b>	<b>-37,106</b>
<i>Transactions with shareholders:</i>					
Bonus issue	178	-178			-
Premiums paid for warrants				796	796
Exercise of warrants	1		730		731
<b>Total transactions with shareholders</b>	<b>179</b>	<b>-178</b>	<b>730</b>	<b>796</b>	<b>1,527</b>
<b>Closing balance equity 2017-09-30</b>	<b>535</b>	<b>19,985</b>	<b>112,608</b>	<b>-115,365</b>	<b>17,763</b>

SEK, thousand	Restricted equity		Unrestricted equity		Total equity
	Share capital	Reserve for development costs	Premium reserve	Retained earnings	
<b>Opening balance equity 2018-01-01</b>	<b>651</b>	<b>26,874</b>	<b>336,491</b>	<b>-142,175</b>	<b>221,841</b>
Profit/loss for the period <sup>7)</sup>				-69,894	-69,894
Capitalization and utilization as a result of the period's depreciation of development costs		9,119		-9,119	-
Other comprehensive income	-	-	-	-	-
<b>Total comprehensive income/loss</b>	<b>-</b>	<b>9,119</b>	<b>-</b>	<b>-79,013</b>	<b>-69,894</b>
<i>Transactions with shareholders:</i>					
Premiums paid for warrants				759	759
Exercise of warrants	22		7,096		7,118
<b>Total transactions with shareholders</b>	<b>22</b>	<b>-</b>	<b>7,096</b>	<b>759</b>	<b>7,877</b>
<b>Closing balance equity 2018-09-30</b>	<b>673</b>	<b>35,993</b>	<b>343,587</b>	<b>-220,429</b>	<b>159,824</b>

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

## CASH FLOW STATEMENT IN BRIEF

SEK, thousand	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	Jan-Dec 2017
<b>OPERATING ACTIVITIES</b>					
Operating profit	-23,317	-12,972	-69,157	-36,445	-56,667
Adjustments for items not included in cash flow	3,704	941	10,151	2,596	5,457
Financial items	-197	-643	-738	-643	-784
<b>Cash flow from operating activities before changes in working capital</b>	<b>-19,810</b>	<b>-12,674</b>	<b>-59,744</b>	<b>-34,492</b>	<b>-51,994</b>
Changes in working capital	8,868	2,595	29,390	-1,967	-6,611
<b>Cash flow from operating activities</b>	<b>-10,942</b>	<b>-10,079</b>	<b>-30,354</b>	<b>-36,459</b>	<b>-58,605</b>
<b>INVESTING ACTIVITIES</b>					
Investments in intangible assets	-3,651	-4,696	-13,821	-12,136	-20,250
Investments in tangible assets	-2,994	-2,613	-4,134	-3,457	-6,438
Investments in financial assets	-	-	-19,902	-	-
<b>Cash flow from investing activities</b>	<b>-6,645</b>	<b>-7,309</b>	<b>-37,857</b>	<b>-15,593</b>	<b>-26,688</b>
<b>Cash flow after investing activities</b>	<b>-17,587</b>	<b>-17,388</b>	<b>-68,211</b>	<b>-52,052</b>	<b>-85,293</b>
<b>FINANCING ACTIVITIES</b>					
Raise of short-term debt	-	11,300	-	20,900	-
Raise of long-term debt	-	12,000	-	12,000	12,000
New issue	-	506	7,118	731	224,730
Premiums paid for warrants	-	45	759	796	1,220
<b>Cash flow from financing activities</b>	<b>-</b>	<b>23,851</b>	<b>7,877</b>	<b>34,427</b>	<b>237,950</b>
<b>Cash flow for the period</b>	<b>-17,587</b>	<b>6,463</b>	<b>-60,334</b>	<b>-17,625</b>	<b>152,657</b>
Cash and cash equivalents at the beginning of the period	161,230	27,232	203,977	51,320	51,320
<b>Cash and cash equivalents at the end of the period</b>	<b>143,643</b>	<b>33,695</b>	<b>143,643</b>	<b>33,695</b>	<b>203,977</b>



# THE CLIMEON SHARE

## LARGEST SHAREHOLDERS, SEPTEMBER 30, 2018

SHAREHOLDERS	NUMBER OF SHARES		CAPITAL, %	NUMBER OF VOTES	VOTING RIGHTS, %
	SERIES A	SERIES B			
Thomas Öström	9,500,000	155,900	21.5	95,155,900	55.0
Joachim Karthäuser	4,750,000	218,300	11.1	47,718,300	27.6
Stefan Brendgen		1,300,000	2.9	1,300,000	0.8
Försäkringsbolaget, Avanza Pension		1,233,878	2.7	1,233,878	0.7
Handelsbanken Hållbar Energi		1,086,722	2.4	1,086,722	0.6
Olle Bergström		1,050,000	2.3	1,050,000	0.6
Nordnet Pensionsförsäkringar AB		896,782	2.0	896,782	0.5
Frontcore Logic AB		649,677	1.4	649,677	0.4
Mathias Carnemark		644,977	1.4	644,977	0.4
Andreas Billström		599,320	1.3	599,320	0.3
Per Olofsson		580,000	1.3	580,000	0.3
LMK Stiftelsen		547,741	1.2	547,741	0.3
Klas Händel		546,930	1.2	546,930	0.3
SEB Life International		470,000	1.0	470,000	0.3
Ålandsbanken i ägares ställe		455,748	1.0	455,748	0.3
Others		20,189,204	45.3	20,189,204	11.6
<b>Total</b>	<b>14,250,000</b>	<b>30,625,179</b>	<b>100.00</b>	<b>173,125,179</b>	<b>100.00</b>

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

The number of shares in Climeon amounts to 44,875,179 with quota value of SEK 0.015, of which 14,250,000 are class A shares, 10 votes/share, and 30,625,179 are class B shares, 1 vote/share.

Climeon's B share is listed on Nasdaq First North Premier since October 13, 2017.

The share price amounted to SEK 67.50 at the end of the period.

## SHARE PRICE PERFORMANCE



	Jul-Sep 2018	Jul-Sep 2017	Jan-Dec 2017
Total number of issued shares at period end	44,875,179	35,696,800	43,419,379
Average number of shares outstanding	44,875,179	35,668,633	37,416,863
Earnings per share, before dilution, SEK	-0.52	-0.38	-1.54
Earnings per share, after dilution, SEK	-0.52	-0.38	-1.54
Equity per share, SEK	3.56	0.50	5.11

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

## WARRANT PROGRAMS

At September 30, 2018, the company has outstanding warrants, which entitle the holder to subscribe for 1,990,929 class B shares.

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

# NOTES

## NOTE 1 ACCOUNTING PRINCIPLES

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

### New IFRS standards

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

IFRS 15 is new a model for revenue recognition (five-step model) based on when the control of goods or services are transferred to a customer. Climeon provides hardware and software (Heat Power system and system software Climeon Live™). In addition, Climeon offers consulting and support services for the Heat Power system. Revenues are recognized to an amount corresponding to the compensation that the company is expected to be entitled to in exchange for these products and services. Revenue relating to Heat Power modules is recognized when the significant risks and benefits associated with the modules have been transferred to the customer, normally at delivery. Operating revenues are reported when the units have been put into operation. The license revenue is recognized when control and right of use is handed over to the customer, typically at delivery of the license. Revenues from consulting and support services are reported in connection with these services. For support services, revenue is reported on a straight-line basis throughout the contract period. The changes in RFR 2 (IFRS 15) have not had a material impact on the financial report.

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

## NOTE 2 DISTRIBUTION OF NET SALES

SEK, thousand	Jul-Sep 2018	Jul-Sep 2017	Jan-Dec 2017
<b>Revenue type</b>			
Hardware	8,887	-	11,598
Consulting and support services	23	8	258
<b>Total</b>	<b>8,910</b>	<b>8</b>	<b>11,856</b>
<b>Geographic market</b>			
Sweden	23	8	55
Europe	2,950	-	11,623
North America	5,937	-	-
Asia	-	-	178
<b>Total</b>	<b>8,910</b>	<b>8</b>	<b>11,856</b>

## NOTE 3 RELATED PARTY TRANSACTIONS

Related party transactions, in the form of purchases, amounted to SEK 110 thousand (160) during the quarter. Of these consultancy fees were paid, in addition to regular board fees, to B Garden AB (owned by Board member Olle Bergström) which amounted to SEK 35 thousand (70), Weseba AB (owned by Chairman of the Board Per Olofsson) SEK 65 thousand (80) and Mercurius Financial Communications AB (owned by Board member Vivianne Holm) SEK 10 thousand (0). All related party transactions have been made on market terms. There are outstanding warrant programs issued to Board of Directors and management team. For further information regarding the warrants, refer to the company's website, <http://www.climeon.com/warrantprograms>.

## NOTE 4 INTANGIBLE ASSETS

Intangible assets comprise capitalized expenditure on development SEK 37.7 million (29.6) and patents SEK 4.4 million (4.6). In the third quarter of 2018, a write-down of patents was made of SEK 0.3 million. Decisions regarding write-downs of patents has been based on the fact that they relate to products or business areas that are no longer used in the product or are in focus for the company's operations. In the third quarter of 2018 depreciations amounted to SEK 2.0 million. Depreciations year to date amounted to SEK 6.0 million.

## NOTE 5 TANGIBLE ASSETS

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

**NOTE 6 FINANCIAL ASSETS**

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

**NOTE 7 BORROWINGS**

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

**NOTE 8 PLEDGED ASSETS AND CONTINGENT LIABILITIES**

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

# KEY NUMBERS

	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	Jan-Dec 2017
Order intake, SEK million	39.0	293.8	438.5	317.5	330.1
Order backlog, SEK million	815.6	352.6	815.6	352.6	353.7
Equity ratio, (%)	59.7	20.2	59.7	20.2	82.3
Debt ratio (times)	0.7	4.0	0.7	4.0	0.2
Net debt ratio (times)	-0.7	0.9	-0.7	0.9	-0.8
Earnings per share, before dilution, SEK	-0.52	-0.38	-1.56	-1.04	-1.54
Earnings per share, after dilution, SEK	-0.52	-0.38	-1.56	-1.04	-1.54
Equity per share, SEK	3.56	0.50	3.56	0.50	5.11
Cash and cash equivalents, SEK million	143.6	33.7	143.6	33.7	204.0
Share price at end of period, CLIME B, SEK	67.50	-	67.50	-	53.00

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

# DEFINITIONS

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

# QUARTERLY FIGURES

## INCOME STATEMENT

SEK, million	2018			2017				
	Q1	Q2	Q3	Q1	Q2	Q3	Q4	Full year
Net sales	0.0	12.2	8.9	0.6	0.1	0.0	11.1	11.8
Capitalized work for own account	4.1	5.1	3.7	2.4	4.3	5.4	6.2	18.3
Other operating income	0.8	0.0	1.7	0.1	-	-	1.4	1.5
Operating expenses								
Raw material and consumables	-1.4	-14.4	-11.1	-0.1	-3.2	-4.8	-17.9	-26.1
Other external expenses	-6.8	-7.1	-7.7	-4.3	-4.1	-3.2	-6.8	-18.5
Personnel expenses	-14.1	-18.8	-14.6	-8.0	-9.5	-9.4	-12.9	-39.8
Depreciation and amortization of tangible and intangible assets	-2.7	-2.7	-2.8	-0.9	-0.9	-0.9	-1.3	-3.9
Other operating expenses	0.0	-	-1.4	0.0	0.0	0.0	0.0	0.0
<b>Operating profit/loss</b>	<b>-20.1</b>	<b>-25.7</b>	<b>-23.3</b>	<b>-10.2</b>	<b>-13.3</b>	<b>-12.9</b>	<b>-20.2</b>	<b>-56.7</b>
Net financial income	-0.4	-0.2	-0.2	0.0	-0.1	-0.6	-0.1	-0.8
<b>Profit/loss after financial items</b>	<b>-20.5</b>	<b>-25.9</b>	<b>-23.5</b>	<b>-10.2</b>	<b>-13.4</b>	<b>-13.5</b>	<b>-20.3</b>	<b>-57.5</b>
Tax	-	-	-	-	-	-	-	-
<b>Profit/loss for the period</b>	<b>-20.5</b>	<b>-25.9</b>	<b>-23.5</b>	<b>-10.2</b>	<b>-13.4</b>	<b>-13.5</b>	<b>-20.3</b>	<b>-57.5</b>
Earnings per share, before dilution, SEK	-0.46	-0.58	-0.52	-0.29	-0.37	-0.38	-0.48	-1.54
Earnings per share, after dilution, SEK	-0.46	-0.58	-0.52	-0.29	-0.37	-0.38	-0.48	-1.54

## BALANCE SHEET

SEK, million	2018			2017				
	Q1	Q2	Q3	Q1	Q2	Q3	Q4	Full year
Intangible non-current assets	36.5	40.4	42.1	19.3	23.0	27.0	34.2	34.2
Tangible non-current assets	10.6	10.4	11.9	6.0	5.6	8.0	10.6	10.6
Financial assets	19.9	19.9	19.9	-	-	-	-	-
<b>Total non-current assets</b>	<b>67.0</b>	<b>70.7</b>	<b>73.9</b>	<b>25.3</b>	<b>28.6</b>	<b>35.0</b>	<b>44.8</b>	<b>44.8</b>
Inventories	8.1	19.7	40.6	8.5	9.1	12.9	5.6	5.6
Current receivables	11.4	18.2	9.8	3.9	2.7	6.5	15.2	15.2
Cash and cash equivalents	169.8	161.2	143.6	32.6	27.2	33.7	204.0	204.0
<b>Total current assets</b>	<b>189.3</b>	<b>199.1</b>	<b>194.0</b>	<b>45.0</b>	<b>39.0</b>	<b>53.1</b>	<b>224.8</b>	<b>224.8</b>
<b>TOTAL ASSETS</b>	<b>256.3</b>	<b>269.8</b>	<b>267.9</b>	<b>70.3</b>	<b>67.6</b>	<b>88.1</b>	<b>269.6</b>	<b>269.6</b>
Shareholders equity	208.5	183.3	159.8	43.6	30.7	17.8	221.8	221.8
Non-current liabilities and other provisions	29.6	30.7	31.6	16.1	16.1	28.1	29.7	29.7
Current liabilities	18.2	55.8	76.5	10.6	20.8	42.2	18.1	18.1
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>256.3</b>	<b>269.8</b>	<b>267.9</b>	<b>70.3</b>	<b>67.6</b>	<b>88.1</b>	<b>269.6</b>	<b>269.6</b>

## CASH FLOW STATEMENT

MSEK	2018			2017				
	Q1	Q2	Q3	Q1	Q2	Q3	Q4	Full year
<b>Cash flow from operating activities before changes in working capital</b>	<b>-17.8</b>	<b>-22.1</b>	<b>-19.8</b>	<b>-9.4</b>	<b>-12.5</b>	<b>-12.7</b>	<b>-17.5</b>	<b>-52.0</b>
Cash flow from changes in working capital	1.4	19.1	8.9	-5.7	2.0	2.6	-4.6	-6.6
<b>Cash flow from operating activities</b>	<b>-16.4</b>	<b>-3.0</b>	<b>-10.9</b>	<b>-15.1</b>	<b>-10.5</b>	<b>-10.1</b>	<b>-22.1</b>	<b>-58.6</b>
Investing activities	-24.9	-6.3	-6.7	-4.1	-5.0	-7.3	-11.1	-26.7
<b>Cash flow after investing activities</b>	<b>-41.3</b>	<b>-9.3</b>	<b>-17.6</b>	<b>-19.2</b>	<b>-15.5</b>	<b>-17.4</b>	<b>-33.2</b>	<b>-85.3</b>
Financing activities	7.1	0.7	0.0	0.5	10.1	23.9	203.5	238.0
<b>Cash flow for the period</b>	<b>-34.2</b>	<b>-8.6</b>	<b>-17.6</b>	<b>-18.7</b>	<b>-5.4</b>	<b>6.5</b>	<b>170.3</b>	<b>152.7</b>
Cash and cash equivalents at the beginning of the period	204.0	169.8	161.2	51.3	32.6	27.2	33.7	51.3
<b>Cash and cash equivalents at the end of the period</b>	<b>169.8</b>	<b>161.2</b>	<b>143.6</b>	<b>32.6</b>	<b>27.2</b>	<b>33.7</b>	<b>204.0</b>	<b>204.0</b>

# THIS IS CLIMEON

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

## VISION

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

## BUSINESS IDEA

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

## LONG-TERM GOALS

### Operational goals

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

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

### Financial goals

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

## CORE VALUES



BE AMAZING



ALWAYS DELIVER



DO GOOD

# CLIMEON

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