



CLIMEON INTERIM REPORT

January 1 – September 30, 2019

Q3

THIRD QUARTER 2019

Net sales increased significantly during the quarter to SEK 35.3 million (8.9), attributable to deliveries within the customer segments geothermal and maritime. During the third quarter, gradual progress has been made on several fronts and we have worked methodically to close more new deals and at the same time deliver on the existing order backlog. Operating profit amounted to SEK -30.8 million (-23.3). The order backlog totaled SEK 781.6 million (815.6) at the end of the quarter.

JULY – SEPTEMBER

- Net sales increased to SEK 35.3 million (8.9)
- Order intake amounted to SEK 0.0 million (39.0)
- Operating profit/loss amounted to SEK -30.8 million (-23.3)
- Earnings per share amounted to SEK -0.62 (-0.52)
- Cash flow from operating activities amounted to SEK -7.4 million (-10.9)
- During the quarter patents for a counterpressure turbine were approved in the US, China and Japan

JANUARY – SEPTEMBER

- Net sales amounted to SEK 81.7 million (21.1)
- Order intake amounted to SEK 24.5 million (438.5)
- Order backlog amounted to SEK 781.6 million (815.6)
- Operating profit/loss amounted to SEK -81.6 million (-69.2)
- Earnings per share amounted to SEK -1.52 (-1.56)
- Cash flow from operating activities amounted to SEK -111.3 million (-30.4)
- Cash and cash equivalents amounted to SEK 166.3 million (90.0) and current investments to SEK 35.0 million (0.0)

IMPORTANT POST-CLOSING EVENTS

- A patent for a system and method for waste heat recovery in steel production facilities was approved in Sweden in October

INCREASED DELIVERIES BUT SLOW ORDER INTAKE



Thomas Öström, co-founder and CEO of Climeon.

35

NET SALES, SEK MILLION

782

ORDER BACKLOG, SEK MILLION

The third quarter can be summarized as a demanding period in which new orders have not been achieved, while we have seen good progress in our chosen geographical markets and segments, and more than tripled the revenue.

To increase the order intake, we have in the past months strengthened and re-organized the sales organization, which is now focusing on rolling out our technology in our prioritized markets and segments. We have in several cases underestimated the complexity of the sales and delivery processes where external factors such as grid capacity, building and drilling permits and land-lease agreements have had a large impact on the speed of the projects. This, together with partially unaccustomed customers, has made it difficult to get an overview of the projects and has extended lead times. We have seen these effects not only in Iceland and Japan, but also in Hungary and Germany. We have in recent quarters increased and refined our sales efforts in the marine and industrial segments.

We are working systematically to bring up the first power plant in each geographical market, with Japan being next. After more than a year of hard work, we have now received most of the permits for the first power plant in Japan and the work has continued according to plan during the quarter. At the same time, the planning of the second power plant is underway. The goal is to be able to install the modules during the first and second quarters of next year. Despite the time required for these first power plants, our view of the potential in Japan has been strengthened, the political opinion is moving in the right direction and we have increased our local presence.

In Iceland, we clearly see the value of having a power plant to demonstrate on location in the country. Landowners, municipalities, banks, grid owners and electricity producers require to see accurate measurement data and stable power generation to take the next step. The handover of the first power plant to the customer, high uptime and stable power generation with good performance enables us to begin the next phase of the roll-out in Iceland. The planning of the next power plants that will be built during the first half of 2020 is under way.

An important milestone in the maritime segment is that Climeon for the first time has been approved in a Factory Acceptance Test for a customer within container freight. The Heat Power module was brought onboard the ship during the third quarter and the installation continues during the fourth quarter. A number of steps remain in the certification process, which allows for product approval for the first container ship, opening up a larger part of the maritime industry. Commissioning, and thus revenue recognition, can only take place when all approvals are in place. Previously, Climeon's Heat Power modules have been delivered to five different cruise ships: Viking Grace 2015 and then the newly built Viking Glory and the three Virgin Voyages vessels.

In connection with the UN *Climate Change Summit 2019* in New York in October it became clear that the climate issue is high on the agenda in many industries and countries. There is strong momentum in the world for one of our greatest challenges today - reducing carbon dioxide emissions. Within Climeon, the feeling is that we are well-positioned in a sector with great interest and enormous potential, we have a unique product and have passed the first entry barriers in several segments. During the third quarter, we have made gradual progress in all important markets and worked methodically to close more new deals and deliver on the order backlog we have. Now our energy goes into helping the customers get the first power plant in each market up and running. With the learnings from these first installations, we can then accelerate.

Thomas Öström, CEO Climeon

MARKET DEVELOPMENT

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

Although the Japanese government has made policy changes to support installations below 10 MW, the permitting processes still take several months. Many landowners in rural Japan have struggled to find a commercial use for their land as the spa business has been in decline for several years. The interest in leasing their land out for small scale geothermal power development has therefore increased. During the third quarter, the Japanese Government stated that they will try to further decrease the current barriers for investments in geothermal energy.¹

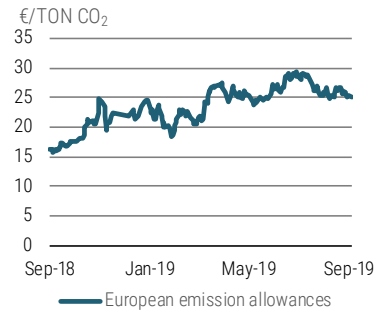
In Iceland the electricity demand is strong, but wind power has had problems taking off because of resistance from the public, just like new large hydro and geothermal projects. Climeon's customer Varmaorka has, in contrary to this trend, received a lot of positive feedback and interest in small-scale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

Within the maritime segment, oil prices have a direct impact on Climeon's customer repayment period, as the price of electricity on board is determined by the fuel price. At the end of the third quarter, the Brent crude oil price was 59 dollars a barrel (83), corresponding to around 372 dollars per ton (522).² The Sulphur directive³, which limits the permitted sulfur content in fuel from 2020, is now only a few months away. The directive will imply that more expensive and more environmentally friendly fuels are needed, such as Marine Gasoil (MGO). The average price of MGO amounted to 705 dollars per ton (782) by the end of the quarter.⁴

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

The price of Carbon dioxide emissions allowances continues to rise. At the end of the third quarter, European Emission Allowances cost about EUR 25 per ton CO₂, compared to EUR 20 per ton at the end of the third quarter 2018.⁵ Each Heat Power module saves about 900 tons of carbon dioxide per year, which reduces the need for emission allowances and becomes a significant financial saving for the customer.

EUROPEAN EMISSION ALLOWANCES⁴



In July, the integration of Heat Power modules onboard Viking Line's new ship, Viking Glory, began.



In October, H.R.H. Crown Princess Victoria of Sweden visited Climeon and Varmaorka's first geothermal power plant to learn more about geothermal heat power and Climeon's technology.

¹ Nikkei, asia.nikkei.com/Business/Energy/Geothermal-power-in-Japan-set-to-heat-up-as-government-drills-in

² BBC, [bbc.com/news/topics/cmjpp223708t/oil](https://www.bbc.com/news/topics/cmjpp223708t/oil)

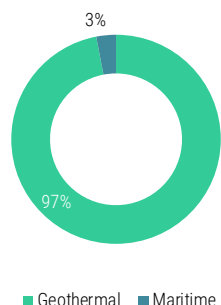
³ International Maritime Organization, [imo.org/en/MediaCentre/HotTopics/Pages/Sulphur-2020.aspx](https://www.imo.org/en/MediaCentre/HotTopics/Pages/Sulphur-2020.aspx)

⁴ Ship and Bunker, shipandbunker.com/prices/av/global/av-glb-global-average-bunker-price#MGO

⁵ Business Insider Markets, markets.businessinsider.com/commodities/co2-european-emission-allowances

ORDER INTAKE, SALES AND DELIVERY

ORDER BACKLOG PER SEGMENT



ORDER INTAKE AND SALES

Order intake during the first quarter amounted to SEK 0.0 million (39.0).

At the end of the period the order backlog amounted to SEK 781.6 million (815.6), corresponding to 218 (241) Heat Power modules.

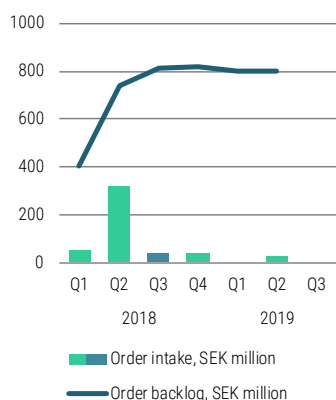
DELIVERY AND CERTIFICATION PROCESSES

During the second quarter nine Heat Power modules were delivered. Additional modules are in production for delivery in the next couple of quarters, which is reflected in the balance sheet item Inventories.

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

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

ORDER INTAKE AND ORDER BACKLOG, SEK MILLION



Larger deals, especially within the geothermal segment, are often divided into multiple installation projects over a longer period where the majority of respective sub-projects are recognized as revenue upon delivery. One example is Climeon's deal with Varmaorka, in Iceland, where 197 modules are to be delivered in groups of 2–15 units over a period of 36 months. For large orders the deployment speed is also affected by the customers' ability to complete several installation sites in parallel.

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

In the maritime area, deliveries can be affected by product certifications by the major classification bodies. Climeon has previously been certified by Lloyds Register. Work with the certification body ABS has continued to progress and a Heat Power module has been brought onboard a container ship for continued installation in the fourth quarter. However, commissioning and revenue recognition can only be made once all certification approvals have been made.

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

FINANCIAL DEVELOPMENT

JULY - SEPTEMBER

NET SALES AND RESULT

Net sales increased to SEK 35.3 million (8.9). Net sales are attributable to deliveries to customers within geothermal in Japan and Iceland as well as within maritime.

Operating profit/loss amounted to SEK -30.8 million (-23.3). Net financial income/expense amounted to SEK 0.3 million (-0.2). Profit/loss after financial items amounted to SEK -30.5 million (-23.5). The profit/loss was affected by increased expenses during, primarily related to continued build-up of the organization, which is reflected in increased personnel costs and other external costs.

During the quarter, depreciations and amortizations amounted to SEK -6.5 million (-2.8).

CASH FLOW

Cash flow from operating activities amounted to SEK -7.4 million (-10.9). The change is attributable to operating-related expenses offset by decrease in inventories and accounts receivable, and an increase in accounts payable. Cash flow from investing activities amounted to SEK -5.9 million (-6.6), mainly due to continued capitalization of internally generated development expenses and patents SEK -5.1 million (-3.7). Cash flow from financing activities amounted to SEK 0.8 million (0.0) as a result of new issues in connection with redemption of warrants. Cash flow for the quarter thus amounted to SEK -12.6 million (-17.6).

LONG-TERM FINANCIAL GOALS

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

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

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

JANUARY - SEPTEMBER

NET SALES AND RESULT

Net sales increased to SEK 81.7 million (21.1), a significant increase compared to the previous year.

Operating profit/loss for the period amounted to SEK -81.6 million (-69.2). Net financial income/expense amounted to SEK 8.9 million (-0.7), positively affected by the increased value of the holding in Baseload Capital. Profit/loss after financial items amounted to SEK -72.7 million (-69.9). Accumulated earnings for the whole year to date were also affected by the increase in expenses, which is mainly related to a successive build-up of the organization.

Depreciations and amortizations amounted to SEK -11.9 million (-8.2) during the period.

CASH FLOW

Cash flow from operating activities for the period amounted to SEK -111.3 million (-30.4) and is attributable to operating-related changes in inventories, accounts receivable and accounts payable. Cash flow from investing activities amounted to SEK -63.1 million (-37.9), mainly attributable to placement of liquidity in current investments, continued capitalization of development expenses, patents and new test center in Kista. Cash flow from financing activities amounted to SEK 250.7 million (7.9). Cash flow for the period thus amounted to SEK 76.4 million (-60.3).

CASH POSITION

Cash and cash equivalents amounted to SEK 166.3 million (90.0) and current investments to SEK 35.0 million (0.0) at period-end. The equity ratio, at the same time, amounted to 83.5 percent (58.8) and the net debt/equity ratio amounted to -0.4 times (-0.4). Shareholder's equity amounted to SEK 351.6 million (159.6) or SEK 7.1 (3.1) per share. Warrants have been issued partly through credit to key personnel within the company. The loan of SEK 6.4 million runs at market rate.

INVESTMENTS

The company's investments during January–September amounted to SEK 63.1 million (37.9). These investments mainly consisted of current investments at a fixed interest rate and acquisition of intangible assets SEK 17.0 million (13.8), primarily related to continuous development of Climeon Heat Power and patents.

DEFERRED TAX ASSET

The company has unutilized loss carryforwards amounting to SEK 310.6 million (219.9), of which the tax effect has not been recognized as a deferred tax asset in the balance sheet.

OTHER INFORMATION

FINANCIAL CALENDAR

Year-End report 2019
February 12, 2020

Interim report first quarter 2020
May 6, 2020

Annual General Meeting 2020
May 19, 2020

Interim report second quarter 2020
August 18, 2020

Interim report third quarter 2020
November 4, 2020

CONTACT INFORMATION

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After publication, the report is available on the company's website, www.climeon.com.

PERSONNEL AND ORGANIZATION

The average number of employees during the period January to September amounted to 80 (59), of which 24 percent women and 76 percent men. At period-end the number of employees amounted to 96 (65).

WARRANT PROGRAMS

As of September 30, 2019, the company has outstanding warrants, which entitle the holders to subscribe for 570,929 class B shares.

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

MATERIAL RISKS AND FACTORS OF UNCERTAINTY

Material financial risks and uncertainties of the company include market risks related to agreements with customers and suppliers, liquidity and financing risks and credit and counterparty risks. A detailed presentation of the company's material financial risks is found in the directors' report in the annual report for 2018.

COMPARATIVE FIGURES

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

OTHER INFORMATION

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		Jan-Sep		Jan-Dec
		2019	2018	2019	2018	2018
Net sales	2	35,331	8,910	81,681	21,123	58,906
Capitalized work for own account		4,745	3,717	16,094	12,880	16,831
Other operating income		394	1,629	557	2,492	3,351
Operating expenses						
Raw material and consumables 5)		-28,456	-11,076	-71,077	-26,944	-67,690
Other external expenses		-12,187	-7,709	-34,087	-21,591	-32,336
Personnel expenses 5)		-24,137	-14,555	-62,893	-47,546	-66,193
Depreciation and amortization of tangible and intangible assets		-6,472	-2,846	-11,850	-8,182	-13,377
Other operating expenses		-	-1,387	-	-1,389	-1,388
Operating profit/loss		-30,782	-23,317	-81,576	-69,157	-101,896
Profit from financial items						
Interest income and other financial items		564	29	11,119	88	18,038
Interest expenses and other financial items		-269	-227	-2,250	-825	-1,617
Profit/loss after financial items		-30,487	-23,515	-72,706	-69,894	-85,475
Tax		-	-	-	-	-
Profit/loss for the period 6)		-30,487	-23,515	-72,706	-69,894	-85,475
Earnings per share, SEK						
Before dilution		-0.62	-0.52	-1.52	-1.56	-2.30
After dilution		-0.62	-0.52	-1.52	-1.56	-2.30

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

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

BALANCE SHEET

SEK, thousand	Note	30 Sep 2019	30 Sep 2018	31 Dec 2018
Assets				
Intangible non-current assets	3	53,459	42,065	42,057
Tangible non-current assets	4	15,507	11,936	17,524
Financial assets	5	54,953	19,902	37,700
Total non-current assets		123,919	73,903	97,281
Inventories		47,560	40,557	29,755
Accounts receivable		15,344	6,383	28,061
Other current receivables		33,207	3,391	13,862
Current investments		35,000	-	-
Cash and cash equivalents		166,331	143,643	89,959
Total current assets		297,442	193,974	161,637
Total Assets		421,361	267,877	258,918
Equity and liabilities				
Share capital		739	673	676
Paid up, non-registered share capital		811	-	11,582
Reserve for development costs		46,258	35,993	34,653
Share premium reserve		612,852	343,587	347,366
Retained earnings		-309,014	-220,429	-234,671
Total shareholder's equity		351,646	159,823	159,606
Other provisions		11,477	3,492	7,416
Total provisions		11,477	3,492	7,416
Other non-current liabilities		-	28,081	12,381
Total non-current liabilities		-	28,081	12,381
Advance payments from customers		10,391	40,369	24,030
Accounts payable		10,979	18,225	24,572
Other current liabilities		36,868	17,886	30,913
Total current liabilities		58,238	76,480	79,515
Total equity and liabilities		421,361	267,877	258,918

STATEMENT OF CHANGES IN TOTAL EQUITY IN BRIEF

Statement of changes in total equity	Restricted equity			Unrestricted equity		Total equity
	Share capital	Paid up, non-registered share capital	Reserve for development costs	Premium reserve	Retained earnings	
Opening balance equity 2018-01-01	651	-	26,874	336,491	-142,175	221,841
Profit/loss for the period	-	-	-	-	-69,894	-69,894
Capitalization and utilization as a result of the period's depreciation and amortization of development costs	-	-	9,119	-	-9,119	-
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income/loss	-	-	9,119	-	-79,012	-69,894
<i>Transactions with shareholders</i>						
Excercise of warrants	22	-	-	7,096	-	7,118
Total transactions with shareholders	22	-	-	7,096	759	7,876
Closing balance equity 2018-09-30	673	-	35,993	343,587	-220,429	159,823
Opening balance equity 2019-01-01	676	11,582	34,653	347,366	-234,671	159,606
Profit/loss for the period 7)	-	-	-	-	-72,706	-72,706
Capitalization and utilization as a result of the period's depreciation and amortization of development costs	-	-	11,605	-	-11,605	-
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income/loss	-	-	11,605	-	-84,311	-72,706
<i>Transactions with shareholders</i>						
New issue	45	-	-	238,388	-	238,433
Premiums paid for warrants	-	-	-	-	9,968	9,968
Excercise of warrants	18	-11,582	-	27,099	-	15,535
Paid up, non-registered share capital	-	811	-	-	-	811
Total transactions with shareholders	63	-10,771	-	265,487	9,968	264,746
Closing balance equity 2019-09-30	739	811	46,258	612,852	-309,014	351,646

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

CASH FLOW STATEMENT IN BRIEF

SEK, thousand	Jul-Sep		Jan-Sep		Jan-Dec
	2019	2018	2019	2018	2018
Operating activities					
Operating profit	-30,782	-23,317	-81,576	-69,157	-101,896
Adjustments for items not included in cash flow	8,389	3,704	15,911	10,151	19,267
Financial items	295	-197	-1,531	-738	-1,377
Cash flow from operating activities before changes in working capital	-22,099	-19,810	-67,195	-59,744	-84,006
Changes in working capital	14,661	8,868	-44,091	29,390	-5,164
Cash flow from operating activities	-7,437	-10,942	-111,286	-30,354	-89,170
Investing activities					
Investments in intangible assets	-5,094	-3,651	-17,008	-13,821	-18,145
Investments in tangible assets	-882	-2,994	-4,228	-4,134	-10,042
Investments in financial assets	27	-	-41,853	-19,902	-19,902
Cash flow from investing activities	-5,949	-6,645	-63,088	-37,857	-48,089
Cash flow after investing activities	-13,386	-17,587	-174,374	-68,211	-137,259
Financing activities					
Raise of long-term debt	-	-	-14,000	-	-
New issue	-	-	253,968	7,118	10,900
Premiums paid for warrants	-	-	9,968	759	759
Paid up, non-registered share capital	811	-	811	-	11,582
Cash flow from financing activities	811	-	250,746	7,877	23,242
Cash flow for the period	-12,575	-17,587	76,372	-60,334	-114,017
Cash and cash equivalents at the beginning of the period	178,907	161,230	89,959	203,977	203,977
Cash and cash equivalents at the end of the period	166,331	143,643	166,331	143,643	89,959

THE CLIMEON SHARE

LARGEST SHAREHOLDERS, SEPTEMBER 30, 2019

Shareholders	Number of shares		Capital, %	Number of votes	Voting rights, %
	Series A	Series B			
Thomas Öström	9,500,000	155,900	19.6	95,155,900	53.6
Joachim Karthäuser	4,690,000	4,300	9.5	46,904,300	26.4
Försäkringsbolaget, Avanza Pension	-	1,611,032	3.3	1,611,032	0.9
Handelsbanken Hållbar Energi	-	1,147,166	2.3	1,147,166	0.6
Stefan Brendgen	-	1,050,000	2.1	1,050,000	0.6
Olle Bergström	-	1,020,000	2.1	1,020,000	0.6
LMK Stiftelsen	-	1,000,000	2.0	1,000,000	0.6
Nordnet Pensionsförsäkringar AB	-	768,777	1.6	768,777	0.4
Mathias Carnemark	-	746,151	1.5	746,151	0.4
Skandia Sverige Hållbar	-	699,649	1.4	699,649	0.4
Handelsbanken fonder	-	633,000	1.3	633,000	0.4
Per Olofsson	-	610,000	1.2	610,000	0.3
Andreas Billström	-	550,225	1.1	550,225	0.3
Klas Händel	-	545,316	1.1	545,316	0.3
Ålandsbanken i ägares ställe	-	542,026	1.1	542,026	0.3
Others	60,000	23,961,637	48.7	24,561,637	13.8
Total	14,250,000	35,045,179	100.0	177,545,179	100.0

SHARE INFORMATION

The number of shares in Climeon amounts to 49,295,179 with quota value of SEK 0.015, of which 14,250,000 are Class A shares, 10 votes/share, and 35,045,179 are Class B shares, 1 vote/share.

Climeon's B share is listed on Nasdaq First North Premier since October 13, 2017. The share price amounted to SEK 70.50 at the end of the period.

SHARE PRICE DEVELOPMENT



	Jul-Sep		Jan-Dec
	2019	2018	2018
Total number of issued shares at period end	49,295,179	44,875,179	45,097,579
Average number of shares outstanding	49,295,179	44,875,179	44,850,379
Earnings per share, before dilution, SEK	-0.62	-0.52	-2.30
Earnings per share, after dilution, SEK	-0.62	-0.52	-2.30
Equity per share, SEK	7.13	3.56	3.14

NOTES

NOTE 1 ACCOUNTING PRINCIPLES

This interim report is prepared in accordance with IAS 34 Interim report considering the exceptions and addition to IFRS stated in the Swedish Financial Reporting Board, RFR 2 Accounting for legal entities. The same accounting principles and calculation methods have been used in the interim report as in the latest annual report, with the exception of IFRS 9, which is described below.

IFRS 9 FINANCIAL INSTRUMENTS

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

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

FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

THE FAIR VALUE OF THE FINANCIAL INSTRUMENT

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

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

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

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

AMORTIZED COST

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

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

CASH AND CASH EQUIVALENTS

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

IFRS 16 LEASING

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

IFRS 8 OPERATING SEGMENTS

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

NOTE 2 DISTRIBUTION OF NET SALES

SEK, thousand	Jul-Sep		Jan-Dec
	2019	2018	2018
Revenue type			
Hardware	35,305	8,887	58,833
Consulting and support services	26	23	73
Total	35,331	8,910	58,906
Geographic market			
Sweden	26	23	52
Europe	14,031	2,950	35,020
North America	-	5,937	12,051
Asia	21,273	-	11,783
Total	35,331	8,910	58,906

NOTE 3 INTANGIBLE ASSETS

Intangible assets comprise capitalized expenditure on development SEK 48.0 million (37.4) and patents SEK 5.5 million (4.7). In the third quarter of 2019, write-down of patents was made of SEK 0.0 million (1.2) and capitalization of development expenses of SEK 0.0 million (2.5). Decisions regarding write-downs of patents has been based on the fact that they relate to products or business areas that are no longer used in the product or are in focus for the company's operations. In the third quarter of 2019 depreciations amounted to SEK 1.9 million (1.6). Depreciations year to date amounted to SEK 5.5 million (3.1).

NOTE 4 TANGIBLE ASSETS

Tangible assets comprise leasehold improvements SEK 10.8 million (10.5), equipment SEK 1.3 million (0.9), technical equipment SEK 2.6 million (3.5), and systems located at customer premises and where the customers pay for the electricity generated ("As-a-Service") SEK 0.8 million (2.6). During the third quarter, write-downs of test and production facilities amounted to SEK 1.6 million (0.0) and As-a-Service facilities to SEK 1.6 million (0.0). Depreciations during the period amounted to SEK 1.4 million (0.6). Depreciations year to date amounted to SEK 3.1 million (1.3).

NOTE 5 FINANCIAL ASSETS

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

NOTE 6 PLEDGED ASSETS AND CONTINGENT LIABILITIES

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

SIGNATURES

The Board of Directors and the CEO guarantees that the interim report provides a fair overview of the company's operations, position and earnings and describes material risks and factors of uncertainty which the company is facing.

Kista, November 5, 2019

Per Olofsson
Chairman

Stefan Brendgen
Board member

Vivianne Holm
Board member

Olle Bergström
Board member

Thomas Öström
Board member/CEO

Therese Lundstedt
Board member

REVIEW REPORT

INTRODUCTION

We have reviewed the interim report for Climeon AB (publ) for the period January 1 - September 30, 2019. The Board of Directors and the President are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope than an audit conducted in accordance with ISA and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not, in all material respects, prepared for the Group in accordance with IAS 34 and the Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act.

Stockholm, November 5, 2019

Deloitte AB

Johan Telander
Authorized Public Accountant

KEY NUMBERS

	Jul-Sep		Jan-Sep		Jan-Dec
	2019	2018	2019	2018	2018
Order intake, SEK million	-	39.0	24.5	438.5	478.5
Order backlog, SEK million	781.6	815.6	781.6	815.6	818.6
Equity ratio (%)	83.5	59.7	83.5	59.7	58.8
Debt ratio (times)	0.2	0.7	0.2	0.7	0.8
Net debt ratio (times)	-0.4	-0.7	-0.4	-0.7	-0.4
Earnings per share, before dilution, SEK	-0.62	-0.52	-1.52	-1.56	-2.30
Earnings per share, after dilution, SEK	-0.62	-0.52	-1.52	-1.56	-2.30
Equity per share, SEK	7.13	3.56	7.13	3.56	3.14
Cash and cash equivalents, SEK million	166.3	143.6	166.3	143.6	90.0
Share price at period end, CLIME B, SEK	70.50	67.50	70.50	67.50	51.00

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

DEFINITIONS

Order intake	Total signed customer orders received during the period.
Order backlog	The value at the end of the period of all received and signed customer orders not invoiced to customer at the end of the period.
Equity ratio	Shareholders' equity as a percentage of total assets.
Debt ratio	Liabilities 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). Negative net debt ratio means that cash and cash equivalents exceed interest-bearing liabilities.
Earnings per share, before dilution	Profit/loss for the period 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	Shareholders' equity divided by the number of outstanding shares at end of the period.

QUARTERLY FIGURES

INCOME STATEMENT

SEK, million	2019			2018				
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Full-year
Net sales	35.3	23.9	22.5	37.8	8.9	12.2	0.0	58.9
Capitalized work for own account	4.7	7.3	4.1	4.0	3.7	5.1	4.1	16.8
Other operating income	0.4	0.2	-0.0	0.9	1.6	0.1	0.8	3.4
Operating expenses			-					
Raw material and consumables	-28.5	-26.9	-15.8	-40.7	-11.1	-14.4	-1.4	-67.7
Other external expenses	-12.2	-13.8	-8.1	-10.7	-7.7	-7.1	-6.8	-32.3
Personnel expenses	-24.1	-21.8	-16.9	-18.6	-14.6	-18.9	-14.1	-66.2
Depreciation and amortization of tangible and intangible assets	-6.5	-2.7	-2.7	-5.2	-2.8	-2.7	-2.7	-13.4
Other operating expenses	-	-	-	-	-1.4	-	-0.0	-1.4
Operating profit/loss	-30.8	-33.9	-16.9	-32.7	-23.3	-25.8	-20.1	-101.9
Net financial income	0.3	-1.0	9.6	17.2	-0.2	-0.2	-0.4	16.4
Profit/loss after financial items	-30.5	-34.9	-7.3	-15.6	-23.5	-25.9	-20.5	-85.5
Tax	-	-	-	-	-	-	-	-
Profit/loss for the period	-30.5	-34.9	-7.3	-15.6	-23.5	-25.9	-20.5	-85.5
Earnings per share, before dilution, SEK	-0.62	-0.72	-0.16	-0.74	-0.52	-0.58	-0.46	-2.30
Earnings per share, after dilution, SEK	-0.62	-0.72	-0.16	-0.74	-0.52	-0.58	-0.46	-2.30

BALANCE SHEET

SEK, million	2019			2018				
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Full-year
Intangible non-current assets	53.5	50.3	44.6	42.1	42.1	40.4	36.5	42.1
Tangible non-current assets	15.5	19.2	20.2	17.5	11.9	10.4	10.6	17.5
Financial assets	55.0	55.0	48.1	37.7	19.9	19.9	19.9	37.7
Total non-current assets	123.9	124.4	112.8	97.3	73.9	70.7	67.0	97.3
Inventories	47.6	63.2	53.9	29.8	40.6	19.7	8.1	29.8
Current receivables	48.6	50.5	31.8	41.9	9.8	18.2	11.4	41.9
Current investments	35.0	35.0	-	-	-	-	-	-
Cash and cash equivalents	166.3	178.9	71.9	90.0	143.6	161.2	169.8	90.0
Total current assets	297.4	327.6	157.5	161.6	194.0	199.1	189.3	161.6
Total assets	421.4	452.0	270.4	258.9	267.9	269.8	256.3	258.9
Shareholder's equity	351.6	381.3	164.1	159.6	159.8	183.3	208.5	159.6
Non-current liabilities and other provisions	11.5	9.6	19.2	19.8	31.6	30.7	29.6	19.8
Current liabilities	58.2	61.2	87.1	79.5	76.5	55.7	18.2	79.5
Total equity and liabilities	421.4	452.0	270.4	258.9	267.9	269.8	256.3	258.9

CASH FLOW STATEMENT

SEK, million	2019			2018				Full-year
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	
Cash flow from operating activities before changes in working capital	-22.1	-30.1	-15.0	-24.3	-19.8	-22.2	-17.8	-84.0
Changes in working capital	14.7	-51.8	-6.9	-34.6	8.9	19.1	1.4	-5.2
Cash flow from operating activities	-7.4	-81.9	-22.0	-58.8	-10.9	-3.0	-16.4	-89.2
Investing activities	-5.9	-49.3	-7.8	-10.2	-6.6	-6.3	-24.9	-48.1
Cash flow after investing activities	-13.4	-131.2	-29.8	-69.0	-17.6	-9.3	-41.3	-137.3
Financing activities	0.8	238.3	11.7	15.4	-	0.8	7.1	23.2
Cash flow for the period	-12.6	107.0	-18.1	-53.7	-17.6	-8.6	-34.2	-114.0
Cash and cash equivalents at the beginning of the period	178.9	71.9	90.0	143.6	161.2	169.8	204.0	204.0
Cash and cash equivalents at the end of the period	166.3	178.9	71.9	90.0	143.6	161.2	169.8	90.0

THIS IS CLIMEON

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

VISION

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

BUSINESS IDEA

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

LONG-TERM GOALS

OPERATIONAL GOALS

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

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

FINANCIAL GOALS

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

CORE VALUES



BE AMAZING



ALWAYS DELIVER



DO GOOD



CLIMEON