

CLIMEON

2021

ANNUAL REPORT

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THIS IS CLIMEON

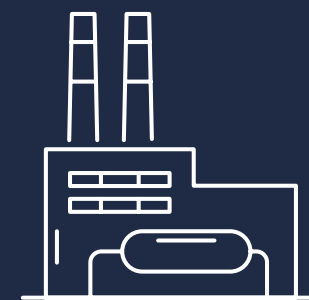
Climeon is a Swedish energy technology product company located in Kista, Stockholm, Sweden. The company is based on a strong desire to contribute to a sustainable world for future generations and its business idea revolves around the UN's Sustainable Development Goal number seven – Affordable and Clean Energy. Climeon's technology delivers renewable and green electricity for ships, industrial processes and local communities. Climeon's technology makes it possible to generate green electricity using

hot wastewater from engines and industrial processes, as well as from geothermal energy i.e. the hot water that exists under the Earth's surface. Climeon's Heat Power modules generate renewable electricity 24 hours a day, all year round, by using waste heat that was previously seen as an undesirable by-product. Properly harnessed, the waste heat used by Climeon Heat Power modules is an energy source that can replace fossil fuels – without burdening the environment.

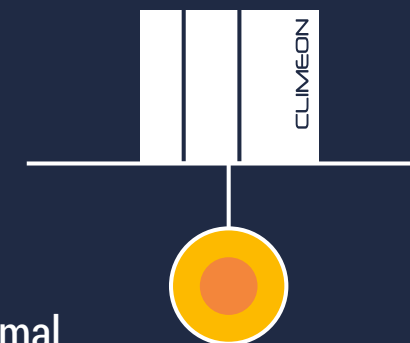
TODAY, CLIMEON'S CUSTOMERS ARE IN THE SECTORS:



1. Maritime



2. Industrial



3. Geothermal

HEAT TO GREEN ELECTRICITY

THERMAL POWER IS ONE OF THE WORLD'S LARGEST AS YET UNTAPPED ENERGY SOURCES. IT CAN BE DIVIDED INTO TWO AREAS:

More than half of the energy generated globally is lost in heat that goes to waste. It is produced by engines and various industrial processes



Industrial heat power

The Earth's interior contains enough heat to meet the energy needs of the entire planet several times over.



Geothermal heat power

COST-EFFICIENT TRANSFORMATION



Heat source
80–120°C



Cold source
0–30°C



Climeon's Heat Power module cost-effectively and profitably converts geothermal heat and waste heat into green electricity.



150 kW
renewable energy



MESSAGE FROM THE CEO

A YEAR OF ADAPTATION AND INNOVATION

The past year was in many ways a transformative and exciting one for Climeon. Transformative, because we started to rethink our business, our focus, our processes and our product. Exciting -- and sometimes challenging -- because we also started rapidly putting into practice the conclusions we jointly reached in this context. I will come back to that.

It is pleasing to see that interest in heat power is growing steadily. The transition that the world is heading into means the demand for innovative, energy-efficient and climate-smart solutions for generating electricity is growing by the day. Heat power solutions have an important role to play in the transition to a more climate-smart society. Our ability to turn waste heat into an important resource for generating renewable electricity is more relevant now than ever before.

During the year, despite the obstacles thrown up by the coronavirus pandemic, we were able to deploy six Heat Power modules on vessels belonging to Virgin Voyages and one module on a Maersk container ship. The latter was our first installation on a container ship. We were also able to proceed as planned with the installations on Havila Voyages' cruise ships, which will operate along the Norwegian coast, as well as on Virgin Voyages' third ship Resilient Lady and the compa-

“Our ability to turn waste heat into an important resource for generating renewable electricity is more relevant now than ever before.”

ny's fourth, as yet unnamed, ship. Climeon has currently installed more than 30 modules on various vessels,

The maritime industry's growing interest in more sustainable and economical solutions is driven by new, increasingly stringent environmental requirements and a shift to new and often more expensive fuels, which are putting pressure on the profitability of shipping companies. For us as a company, this means that the maritime market, where we have not only a high level of expertise and experience, but also an established customer base, is becoming increasingly important, and this is also reflected in the ongoing development of our Heat Power product.

In industrial, although the market itself is global, our main focus has been on industrial customers in the UK. Our UK partner Landmark Power Holdings secured funding in the fourth quarter for the continued development of climate-neutral energy projects, which opens up exciting new opportunities for us.

In our geothermal business, work continued on the provision of commissioning activities, deliveries and other services to existing customers, mainly in Japan and Iceland. In spring 2021, we commissioned four additional modules at the Flúðir power plant in Iceland, thus doubling its capacity. The modules also have a very high availability. Work on the commissioning of two additional modules is currently underway at our customers in Japan.

Geothermal power generation is a great opportunity for producing sustainable baseload power, but the market is still relatively immature compared to, for example, solar and wind power, in terms of regulation, issuing of permits and financing. When our Icelandic customer Varmaorka presented an expansion plan at the beginning of the summer that was considerably less ambitious than the one that had previously been in place, this led to a substantial impairment of our order book.

We have every reason to be proud of what Climeon has achieved. We have a proven product running at a number of customers, both on land and at sea. Every day, our Heat Power modules generate large amounts of renewable green electricity. But that's not enough in the long run. Even before

the announcement was made by our Icelandic customer, we had started a process of reviewing our entire business, both commercially and also our Heat Power product. We did this to ensure that Climeon remains a sustainable and profitable company in the long term as well. For the full year 2021, we are reporting net sales of SEK 28.8 million and operating income of minus SEK 150.3 million. This is of course not sustainable over time, but provides a long-term challenge for us. We need to build an efficient, focused and profitable company.

In summer 2021, we launched an efficiency program that affected our entire organization. We reduced our physical presence in Japan, Taiwan and the UK, streamlined our R&D work and decreased number of consultants. The number of employees decreased from 72 to 55. This was, of course, a stressful process for everyone involved. Market monitoring and market management is now handled from Sweden, with support from local partners and subcontractors for after-sales services.

In parallel with the efficiency program, our R&D department has been working, and is still working, at full speed. We have reviewed and are refining our existing technology. We are now creating a product that is more cost-effective to produce and that, to meet customer needs and expectations, generates more electricity at a lower cost. We are making good progress with this and have expanded our test facility in Kista and started prototype development. The next generation of Heat Power is essentially based on the experience we have gained

from previous generations and also has world-leading efficiency, but is based on an even more customizable product platform. The product will be delivered as a compact and complete unit that further simplifies installation at the customer. This will enable us to achieve our goal and targets.

The next Heat Power will also be an updated product that is initially optimized for the maritime market. We have chosen to start there because, in our view, this offers us the greatest opportunity for continued growth and profitability. The maritime market is very large and we are already well-established there. Once our new Heat Power is ready and launched, we can then use it as a base for our other markets. We will of course continue cooperating as before with our existing customers and partners regarding maintenance, spare parts and other services. In parallel with that, we are continuing to explore new and interesting business opportunities in both the industrial and geothermal energy fields.

We are continuing to contribute to the transition to a more sustainable world. What we have done so far is to adapt our organization according to the phase in which the company is now, focus our business model and pursue product development with the aim of providing the best possible customer benefits and profitability. For us, these are big and important steps towards the future.

Today, all market trends are going in the right direction for Climeon. The need for clean and renewable energy, a more sustainable energy supply, decreased dependence on fossil

“We have every reason to be proud of what Climeon has achieved. We have a proven product running at a number of customers, both on land and at sea.”

fuels and decreased CO₂ emissions is increasing day by day. Our Heat Power product can contribute to that transition.

Now our journey continues. We in Climeon's team look forward to a continued exciting 2022.

Stockholm, April 2022

Lena Sundquist
CEO Climeon

TRENDS AND DRIVERS

The major and overarching trend affecting not only Climeon and its business, but the entire global society, is the ongoing climate change. We need to perform a transition to a world in which renewable and fossil-free energy sources play a much greater role than they do today. Such a green transition requires a massive increase in electrification, regardless of whether this involves individual people being able to drive electric cars or large companies being able to produce steel in a more climate-neutral way.

In 2021, it became increasingly clear to individuals, companies and society at large what the impact of the transition will be, as it takes hold in more and more markets. Soaring energy prices, coupled with a difficult geopolitical situation, have affected, and are affecting, developments around the world.

Climate change is now a key political issue and the pressure to bring about a change in the energy market is constantly increasing. The focus on renewable energy has grown rapidly over the past decade and the LCOE, an analysis of the lowest possible levelized cost of electricity generation, shows that the cost of generating electricity with solar and wind power is falling. In terms of price, as a result of increased interest and hence competition between manufacturers, the technology is becoming increasingly competitive compared to coal, oil, nuclear and natural gas. At the same time, a shift to intermittent

energy sources such as solar and wind places very high demands on the availability of baseload power, to balance the fluctuations in the system when the sun is not shining or the wind is not blowing. This is particularly noticeable in countries that lack access to hydropower and instead rely heavily on combustion engines powered by fossil fuel to generate baseload power.

The market factors that directly affect Climeon and its situation are primarily the prevailing fuel and electricity prices, customers' cost of capital, the demands imposed by authorities and other stakeholders in terms of reducing the environmental impact, and – not to be underestimated – the various parties' willingness to move to and accept more energy-efficient operations.

Global climate agreement and the EU Green Deal

During the 2015 Paris Climate Conference, 195 countries adopted the first universal, legally binding global climate agreement. In December 2019, the EU presented its action plan “A European Green Deal”, which aims to make the EU climate neutral by 2050, stimulate the economy with green technologies, 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 includes investments of up to EUR 1 trillion, was voted through. The Green Deal underlines the need for private and institutional capital for green investments.

In summer 2020, the EU Taxonomy was adopted. This provides a framework for defining what economic activities are considered to be environmentally sustainable. For an activity to be classified as environmentally sustainable, it must contribute significantly to one or more of the six defined environmental objectives, not cause significant damage to any of the other objectives, and at the same time meet certain minimum sustainability requirements. The taxonomy thus provides companies and investors with a common language for determining which economic activities can be considered to be environmentally sustainable. Individual and institutional investors, as well as public stakeholders, thus have a roadmap for steering investments towards more sustainable technologies and companies, which is likely to benefit Climeon as a technology provider and investment target.

New regulations

Carbon taxes and emissions trading are becoming more common. At the same time, legislation requiring a minimum share of renewable energy in the energy mix of electricity suppliers is also becoming more common. In 2019, the EU formally adopted in law a series of measures that included a binding target stating that 32% of electricity generation must come from renewable energy by 2030. In 2020, the EU raised its ambition regarding reducing greenhouse gas emissions by 2030, from a 40% to a 55% reduction. The International

Energy Agency estimates that 90 percent of the reduction in carbon dioxide emissions needed to counter climate change can be achieved through renewable energy and increased energy efficiency.

Stricter regulations for the maritime industry

The International Maritime Organization (IMO) has also recognized the need to reduce greenhouse gas emissions. In 2018, the IMO introduced a strategy for this, with the aim of reducing carbon dioxide emissions by at least 40 per cent by 2030 compared to 2008 levels, and by 70 percent by 2050.

At the end of 2021, the IMO decided to strengthen already ratified rules on emissions and energy efficiency by bringing forward requirements and tightening rules for certain types of ships, and also including existing ships to a greater extent. The IMO's Energy Efficiency Index, EEDI/EEI, which applies to both new and existing ships, is putting further pressure on owners and shipping companies to comply with the regulations. Different sizes of vessel are assessed using different indices, and a large part of the existing maritime fleet does not comply with the more stringent emission requirements and will need to be modified in order to continue operating. The indices will also be tightened every five years.

This means that the transition to alternative, cleaner, much less carbon-intensive, and often much more expensive types of fuel, is being accelerated. Other solutions include new routes, or reducing speed, which reduces fuel consumption, but also increases transport time and sometimes requires modifications to propulsion systems. The measures increase



the return requirements for businesses, which generally have low margins and also bunker costs that make up a large part of their cost mass. The transition will be substantial and some analysts estimate that the cost of maritime transport will increase by 20-85% in the medium and long term.

Climeon believes that the new regulations will lead to significantly greater interest in fuel-saving solutions among shipping companies and shipowners in both the merchant fleet and the cruise industry. Climeon's Heat Power technology is well positioned in the market and is currently used by several major shipping companies. The new Heat Power product being developed by Climeon is optimized for maritime use in terms of power, size and price, and is expected to reduce fuel consumption by up to five percent. Applied just to Swedish international shipping, this would mean savings of over 80,000 tons of fuel each year and an annual reduction in carbon dioxide emissions of 250,000 tons.

Solar and wind power

The cost of electricity generation based on solar or wind has fallen significantly in the last few years, and is, relatively speaking, now competitive with that of coal, oil, natural gas and nuclear power, although the rate of convergence has slowed somewhat in recent years. This development is, among other things, a consequence of a maturing of the market and the establishment of more cost-effective products and processes. Growth in renewable energy technologies is essential for the transition to a greener world, but there are practical challenges that are delaying this. The three main ones are the intermittent supply of energy from wind and solar power, spe-

cific geographical and geological requirements, and the surface area that hydro, wind and solar power plants occupy.

Energy production from solar and wind power depends on the weather, season and time of day, which means that production varies over time. This is a challenge, as the grid must always be balanced between consumption and supply. This problem can be partially addressed by storage solutions that store energy during periods of peak production. Examples of such solutions are battery parks, or the production of hydrogen that can power fuel cells if needed. None of these technologies are currently competitive for large-scale applications.

Several renewable energy sources have geographical or geological limitations. Hydropower requires mountainous areas with an available water source and large land areas for reservoirs. Wind power requires large open landscapes with high wind speeds, on land or at sea. The electricity generated by solar power plants is highest in areas with many hours of sunshine and a stable amount of daylight. High-temperature geothermal power plants require warm bedrock, which means they can usually only be built in volcanic areas. In contrast, low-temperature geothermal heat energy can be harnessed anywhere, as it requires a much shorter drilling depth to reach sufficient temperatures.

Renewable energy sources such as wind and solar power have, in addition, a lower so-called capacity factor, i.e. the ratio between actual electricity production and hypothetical maximum production. The capacity factor for wind power typically ranges from 25 to 50 percent depending on the height and location of the wind turbine, while the capacity for

solar power typically ranges from 15 to 40 percent, mainly depending on the geographic location. In comparison, the capacity factor of Climeon's Heat Power is about 98 percent for waste heat recovery or geothermal energy.

“Climeon's Heat Power technology is well positioned in the market and is currently used by several major shipping companies.”



STRATEGY

Climeon pursues a growth strategy where potential sites are evaluated systematically based on various market factors such as energy situation, electricity price, cost of capital, emission requirements, policy initiatives and regulations. Climeon focuses on sales in three areas where it believes it can create increased customer value:

Maritime

In the maritime sector, there is strong regulatory pressure to reduce emissions, while at the same time shipping companies' margins are often small, which means Climeon's potential to reduce both emissions and fuel costs is very attractive.

Industrial

For industrial applications, there is a general need for industries to become more energy efficient and climate friendly, and countries also want to have environmentally friendly electricity that can balance intermittent energy sources such as wind and solar power. Climeon's technology increases energy efficiency and reduces emissions in power plants based on large engines, as well as in energy-intensive industrial processes.

Geothermal

The geothermal business area is driven by the global need for a renewable baseload power that is produced locally. Climeon's technology for harnessing geothermal sources with comparatively low temperatures enables distributed geothermal power generation in more parts of the world than was previously possible.

Focus on selected markets

Climeon prioritizes growth in the focus areas of maritime, industrial and geothermal. The current focus is primarily on the mature maritime sector. Over time, Climeon has built up a customer base consisting of large shipping companies and extensive knowledge about the wishes and situation in the maritime market. Its customers are located in both Europe and Asia.

Regarding industrial, Climeon has initiated establishment in the UK focusing on power plants based on large combustion engines, and the use of waste heat from these. Regarding low-temperature geothermal power, Climeon believes there are good future growth opportunities in geographic markets such as Iceland, Japan, Taiwan and the rest of Europe. After the first pilot installations, there are good opportunities to

achieve economies of scale by expanding to other market segments.

However, the geothermal market is still immature compared to the maritime market and the solar and wind markets, both technically and in terms of regulations, issuing of permits and financing. This has a major impact on the lead times and profitability of various projects.

Lowering customer costs

Climeon's current Heat Power module has a power output of 150 kW and can theoretically generate up to 1,314,000 kWh of environmentally friendly electricity per year from waste heat or geothermal heat. Depending on current electricity prices, this can enable a short payback period.

Climeon therefore strives to offer the lowest possible leveled cost of electricity production, or LCOE, for Climeon's Heat Power systems. LCOE includes the cost of the product as well as the cost of the associated components and the integration work. Climeon is actively working to simplify the integration and offer solutions that reduce these costs. The company's new Heat Power System is expected to offer a significantly lower LCOE.

“An important part of Climeon's launch strategy is having a thorough understanding of each market”

Modular design and customization

The modular design of the Heat Power System gives Climeon a competitive advantage when customers have to finance their installations. Customers can start generating revenue with one or more products and then expand, and products can be moved between sites. The product platform philosophy also enables easy adaptation of Heat Power to the customer's specific situation. For Climeon, the modular design and platform philosophy provide economies of scale in production.

Sales

An important part of Climeon's launch strategy is having a thorough understanding of each market and well-chosen reference customers. Together with the first customer in a chosen market, Climeon pursues a step-by-step launch through an initial installation. After that, work towards a broader establishment can begin, creating opportunities for economies of scale.

Previously, Climeon has worked primarily with direct sales, which creates strong customer relationships and a good understanding of the business. In the future, Climeon also intends to complement this with sales through resellers, in order to find even more customer opportunities in the local markets. As the first order in a new geographic market or within a new business area, Climeon strives for long-term partnerships with the potential for more installations.

Revenue model

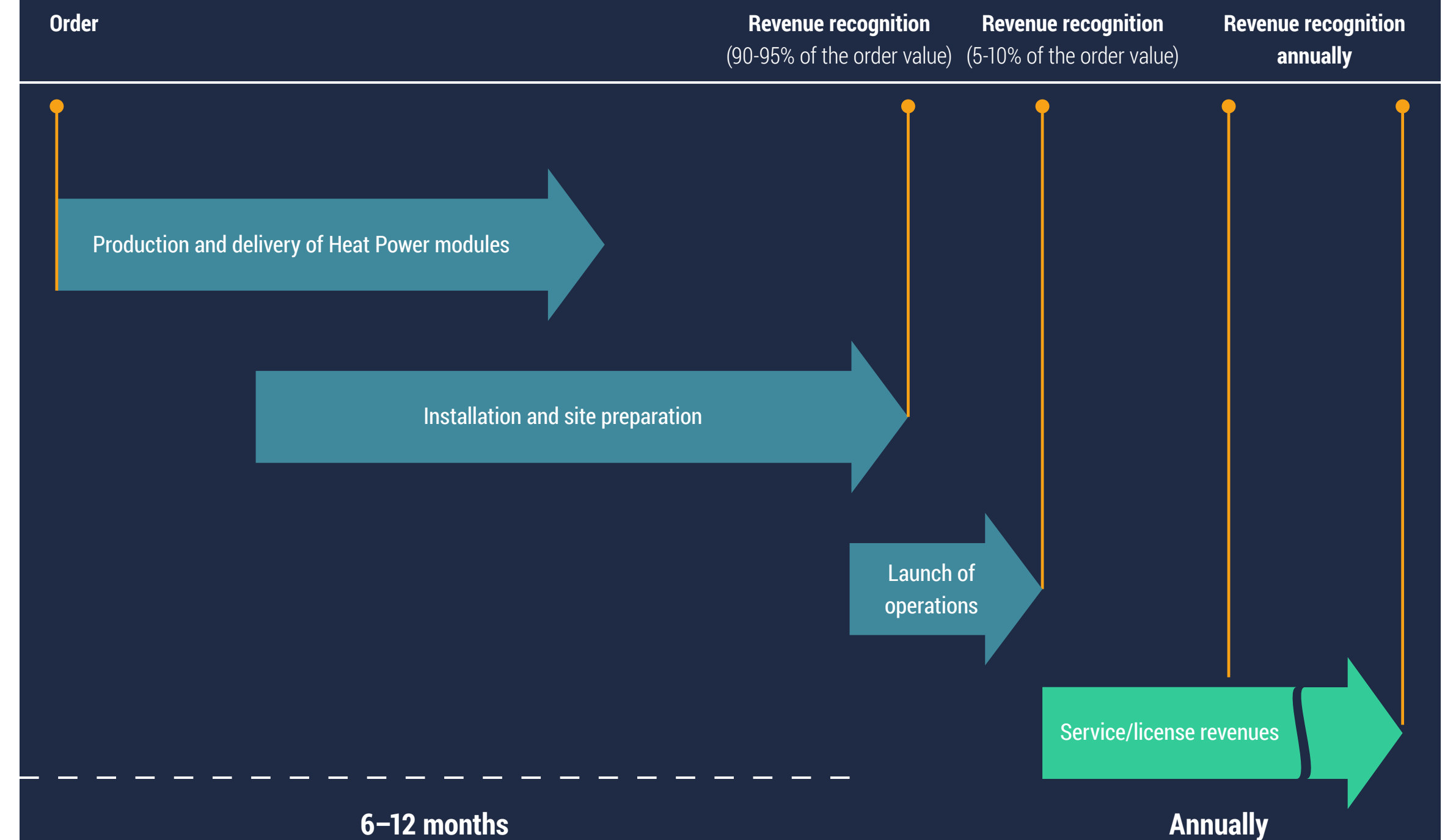
Climeon provides products and software, as well as support services and servicing related to these. The Heat Power system and its software Climeon Live form the basis of Climeon's product range. Climeon recognizes the main part of the revenues for the Heat Power system at delivery, while a smaller part of the order value, 5-10 percent, is recognized when

the modules are put into operation. Larger deals, primarily within geothermal, are often divided into multiple installation projects over time, with revenue being recognized for the respective partial deliveries.

The customer pays for a subscription for the Climeon Live software for each installed module, which is paid annually. Licensing revenue is recognized when control and the possibility to use the product are transferred to the customer. Support services are also usually paid annually in advance and the revenues are annualized over time.

Customers normally pay on several occasions; order, production start, delivery and commissioning. The lead time between order and delivery is six to twelve months. For land-based applications, project lead times are dependent on land rights, completion of the surrounding power plant, permit processes and financing. For contracts with shipyards, the lead time is usually around 18-36 months.

Revenue model and revenue recognition



CLIMEON'S BUSINESS

Climeon, founded in 2011, is a Swedish company that develops and markets technology to harness low-temperature geothermal energy and energy in waste heat emitted from engines and industrial processes to generate electricity. The company, with 55 employees, has its head office and testing facility in Kista,

Stockholm. Its customers are in the maritime, industrial and geothermal sectors. Maritime customers include shipyards and shipping companies in Europe and Asia, while industrial and geothermal customers are located in, for example, Iceland, Japan, Taiwan, the UK and Sweden.

Business segments and applications



In 2021, Climeon implemented an efficiency program to increase profitability. As part of the program, Climeon chose to focus mainly on the maritime market, which is undergoing rapid change, driven by increasing demands for climate adaptation and profitability. A further element of the program was to reduce the local presence in different markets.

All product development and production takes place in Sweden. Market monitoring and market management are currently coordinated from the head office in Kista, while dealers, local subcontractors and other partners are more responsible for business activities on site at customers.

Innovative

Climeon's Heat Power technology uses the temperature difference between hot and cold water to convert thermal energy into green electricity. Long considered an undesirable waste product, hot wastewater usually comes from large combustion engines and various industrial processes, but also from the hot water in the Earth's interior, known as geothermal sources. The heat source is usually 80-120 degrees Celsius and the coolant 0-35 degrees. Climeon's Heat Power system delivers significantly higher efficiency than traditional systems and is the first heat recovery system that can use waste heat to produce electricity on a large scale.

The Heat Power system is available in two main configurations, one designed for maritime applications and one for

land-based applications. The system for maritime applications received comprehensive approval by Lloyd's Register in March 2017 and during 2020 it received product certification from American Bureau of Shipping (ABS) as well as design approval from Det Norske Veritas (DNV).

Each individual Heat Power module measures 2x2x2 meters, i.e. eight cubic meters in volume, can generate 150 kW and needs three connections, these being a heat source, a cooling source and an electrical connection. The modular design means that it is easy to scale up the system by connecting more modules, thus enabling incremental expansion and more application areas. System maintenance can be performed separately on each module, which is important for the reliability of the whole system.

Climeon provides both hardware and software. Climeon's core offering is both the system itself and Climeon Live software, a cloud-based monitoring and control system that allows multiple power plants to be monitored and controlled remotely. In addition, Climeon offers consulting and support services for the Heat Power system. The services offered by Climeon ensure smooth running at the customer, and provide the company with ongoing revenue in addition to the hardware sales.

Since the company was founded, the system has evolved continuously, from prototype to mass-produced module. Feedback and experience from the company's installations and customer dialogues are constantly integrated back into the development work. Insights from the Climeon Live software solution are used to identify potential improvements and create new upgrade opportunities. As the installed base grows,

the components and software are upgraded to ensure optimal electricity production at the customer. In 2020, work began on a new Heat Power system, which will be more cost-effective for Climeon to produce and will be able to generate more electricity at a lower cost per kWh produced, thus contributing to customer profitability. In 2021, Climeon started prototype development at its test facility in Kista and also signed agreements with key component suppliers. The new Heat Power system will be a product initially optimized for the maritime market, which in a next step will also be adapted to other market segments.

Patents

One of Climeon's most important assets is its technology and the intellectual property assets associated with its solutions. The assets that can be protected by registration in the form of a patent or trademark are currently protected, and the other assets are managed in such a way that the company retains ownership of them. Climeon has systematically worked with patent lawyers to ensure that the company's products and technologies do not infringe on existing patents, in order to ensure what is known as Freedom to Operate. Climeon currently has 21 approved national patents divided into 10 patent families.

Award-winning

Climeon has been recognized by a number of independent organizations. The World Wildlife Fund (WWF) recognized the Company as a Climate Solver 2016 and in the same year the industry expert firm Frost & Sullivan stated that 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 Industrial Award at the entrepreneurship competition Techarenan Challenge.

“One of Climeon's most important assets is its technology and the intellectual property assets associated with its solutions.”

MARITIME

Global merchant shipping is the lifeblood of the world economy, and this was very much in evidence in 2020 and 2021, when the coronavirus pandemic caused major disruptions to international maritime traffic. Maritime transport is one of our most environmentally friendly modes of transport, but it is still heavily dependent on fossil fuels. As a result, shipping accounts for almost three percent of global greenhouse gas emissions.

Vessels are usually powered directly by large diesel engines or use diesel-powered internal combustion engines to produce electricity for electric motors, which in turn drive the vessel forward. Engine cooling creates waste heat that usually cannot be used. Around 50% of the energy used in the maritime industry is currently lost as heat within a temperature range that is suitable for heat recovery with Climeon technology. Converting waste heat into electricity reduces both carbon dioxide emissions and fuel consumption, which is good for the environment, but also from an economic perspective. The industry generally has low margins and shipping companies are constantly trying to minimize their operating costs, of which bunker costs are a large part.

Climeon's focus

A greater awareness of the importance of branding for success has meant that cruise ship owners and operators have historically been more interested in heat recovery solutions than merchant ship owners. In recent years, however, this has



changed and Climeon is now seeing an increasing interest right across the maritime sector in minimizing environmental impact and reducing energy consumption.

Each year, around 1,500 – 1,800 vessels with a size of more than 3,000 gross tons are added. About 30 percent of them are considered to be vessels that are of interest for Climeon's technology. Climeon also estimates that between 15,000 and 30,000 of the world's approximately 85,000 existing ships are compatible with low-temperature waste heat recovery systems.

Climeon has carried out over 30 installations of modules on various vessels and has thus built up extensive knowledge of the maritime market. The experience gained from the installation and commissioning work, the existing customer base and the fact that the maritime industry is mature in terms of procurement, legal requirements and regulatory frameworks, form the basis for Climeon's decision to initially further develop its heat power technology for use in the maritime sector.

Development 2021

After being delayed due to the coronavirus restrictions, the commissioning of a Heat Power module on one of Maersk's container vessels was completed at the end of the year. It was Climeon's first installation on a vessel of this type. Installation work on Havila Voyages' cruise ships, used for traffic along the Norwegian coast, continued according to plan. At the same time, work was underway on Virgin Voyages' third vessel, Resilient Lady, and on the company's fourth, as yet unnamed, vessel. There is a lot of activity and during the year

Climeon received requests for quotes from potential customers at an increasing pace.

Future prospects

The maritime industry is currently the fastest developing of Climeon's markets, driven by an increasing demand for energy efficiency, lower CO₂ emissions and reduced operating costs. New environmental legislation, together with a shift to new, more expensive, fuel types, is contributing to greater demand for the type of waste heat recovery systems offered by Climeon. Climeon is participating in the EU-funded Chek project, which is studying how to design the ships of the future to meet new climate requirements. From a market perspective, there are now signs that the cruise industry, which was hit hard by the coronavirus pandemic and its restrictions, is bouncing back.

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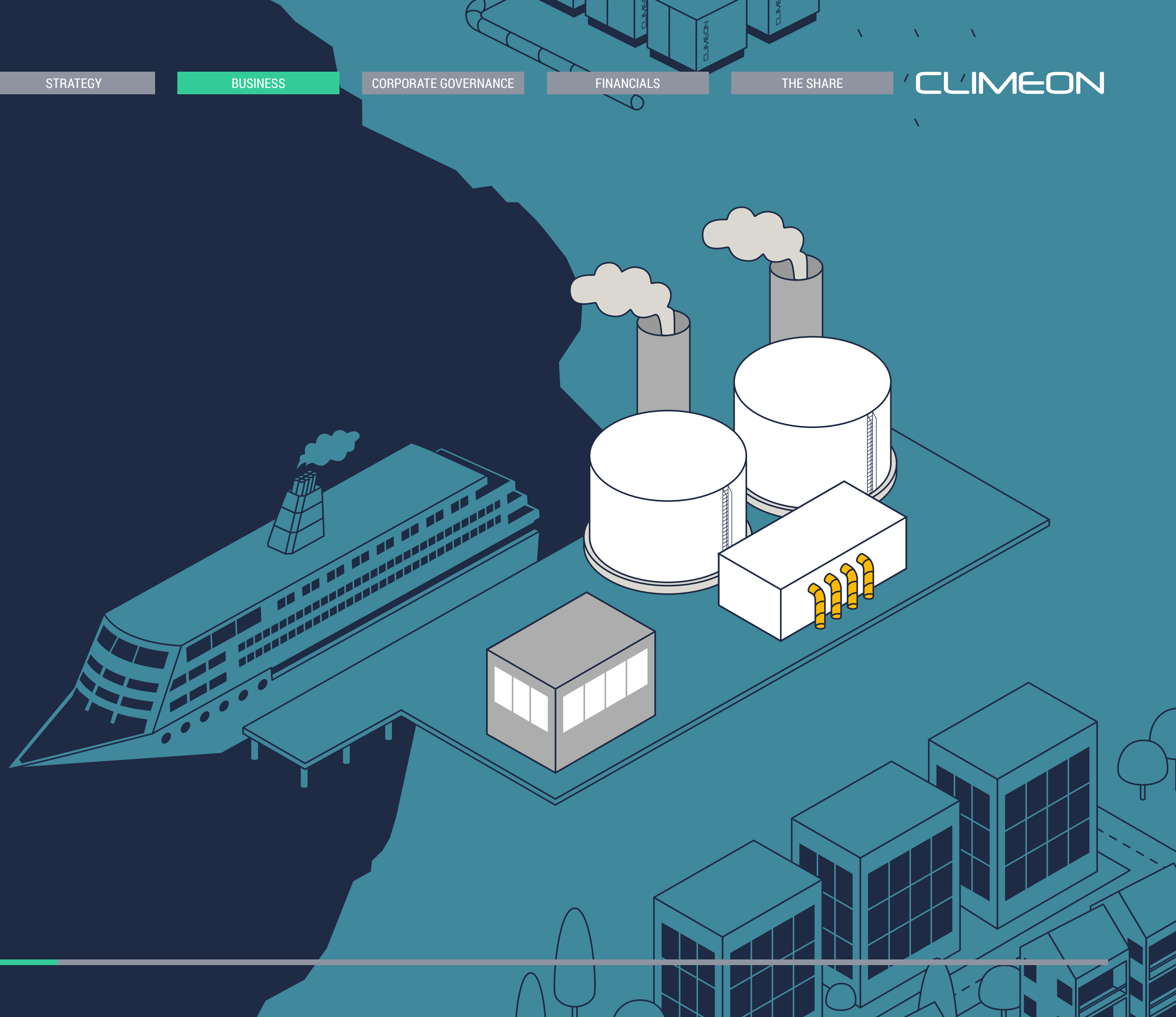


INDUSTRIAL

Large amounts of waste heat, which could be used for electricity production, are generated in industrial processes and in power plants based on combustion engines. Climeon's technology enables such use at significantly lower temperatures than before, thereby contributing significant environmental benefits in the form of both reduced greenhouse gas emissions and reduced energy consumption.

Climeon's focus

Climeon has decided to initially focus on areas where it sees opportunities to combine easy integration and high potential. One such area is power plants based on combustion engines. In countries with large amounts of intermittent solar and wind power, there is a great need to balance this with stable electricity production, for which combustion engines are used. These generate electricity using biogas, natural gas or diesel as fuels, while generating large amounts of waste heat. In a combustion engine, 40-50% of the energy in the fuel is converted into electricity, while the remaining part becomes waste heat. Climeon uses the energy in the waste heat and converts part of it into electricity, thus increasing the efficiency and reducing fuel consumption and thereby also carbon dioxide emissions.



Development 2021

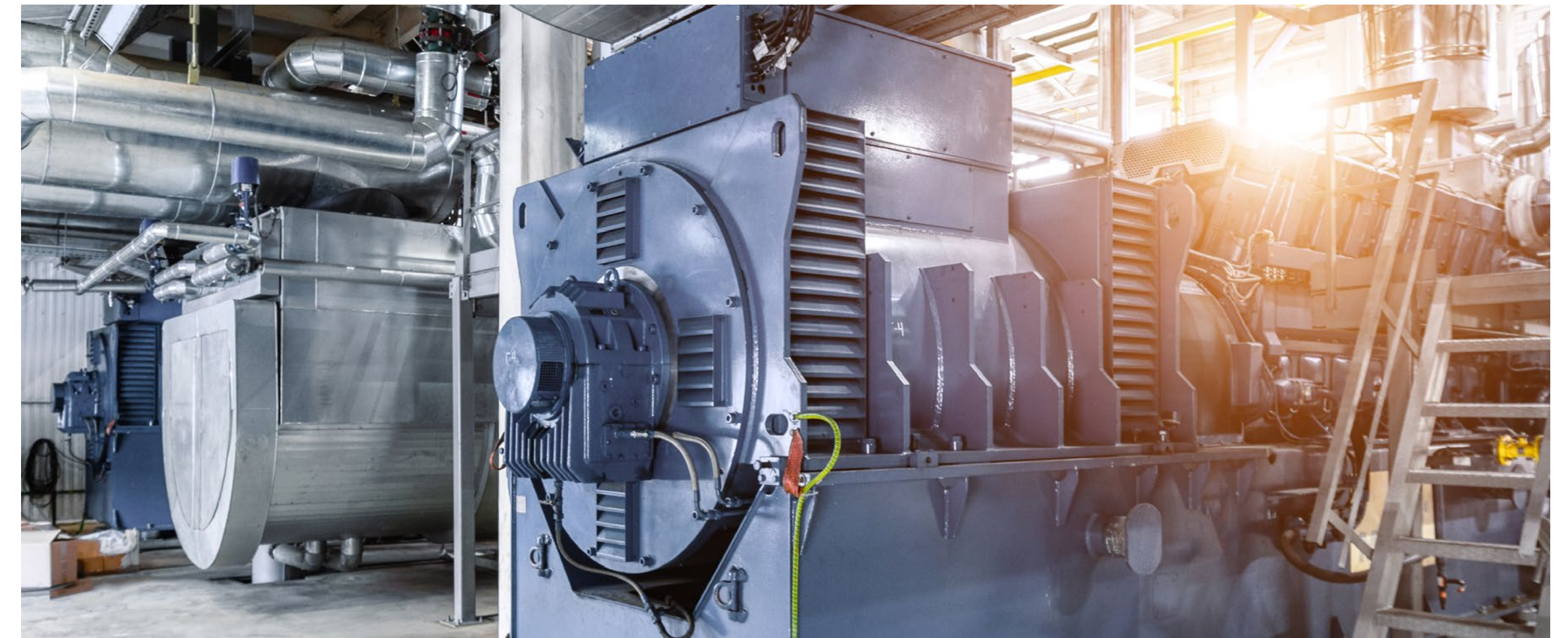
In autumn 2021, Climeon decided to reduce its local presence outside Sweden as part of its efficiency program. However, the drive for land-based waste heat recovery, both in power plants that use combustion engines and in manufacturing industries in the UK, continues. In autumn 2021, Climeon's British partner received funding for the continued development of climate neutral energy projects in the UK. This meant that project planning and early preparations for a future installation could begin. .

Future prospects

The market for land-based waste heat recovery, like the market for industrial applications, is global. The demand/need for new baseload power, e.g. based on combustion engines, is increasing, especially in markets that do not have their own sustainable baseload power.

Climeon has so far chosen to focus on the UK, where the need for environmentally friendly balancing power is very high. 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 power plant operators. Climeon has also observed increasing interest among governments and authorities to support the development of green energy solutions. The company's assessment is that the industrial and power generation markets are likely to account for a growing share of the company's growth in the coming years.

“In autumn 2021, Climeon's British partner received funding for the continued development of climate neutral energy projects in the UK.”



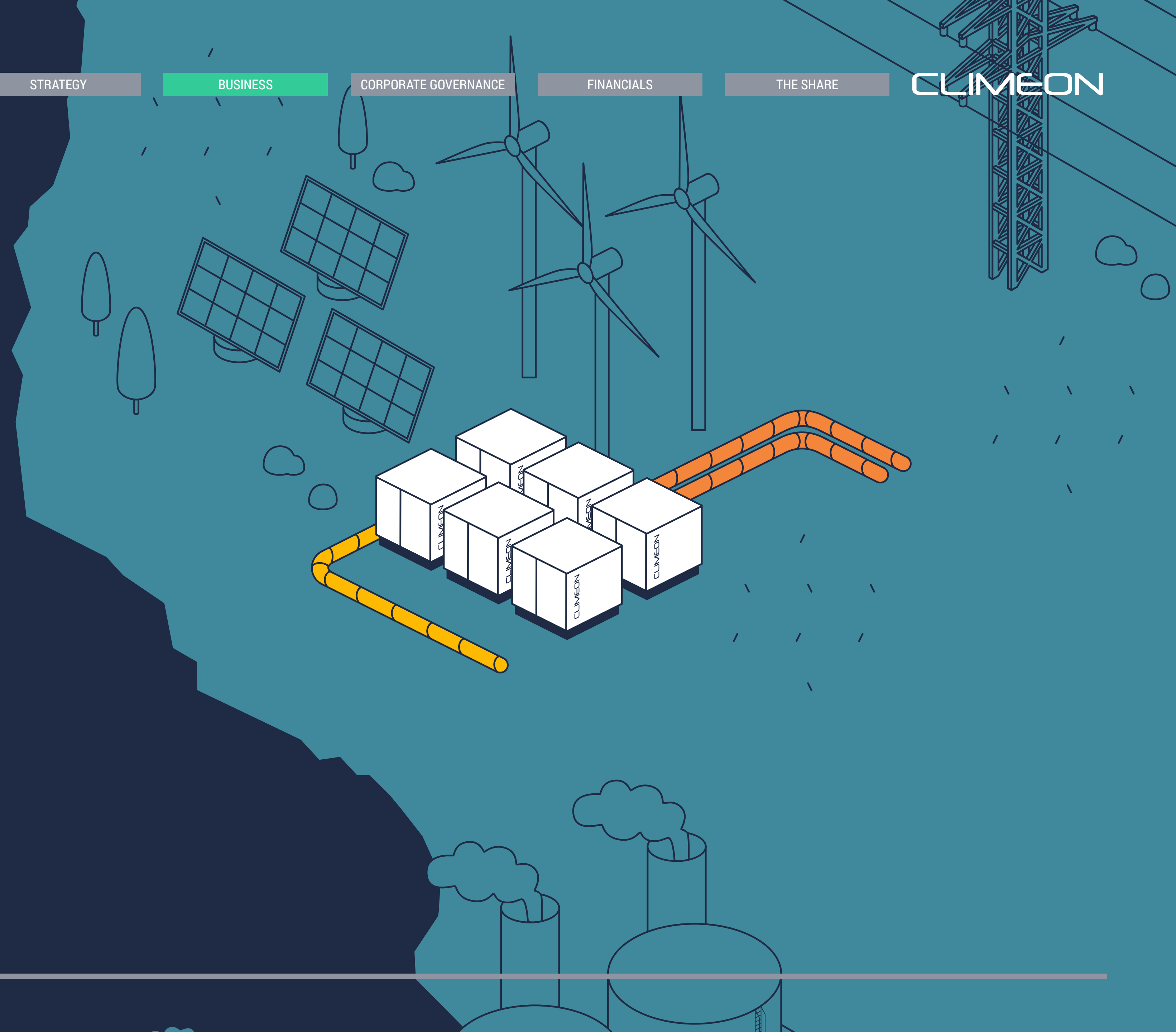
GEOHERMAL

Geothermal power generation uses water heated by the Earth's internal heat to produce electricity. Electricity generation at high temperatures, around 200-300 degrees Celsius, is an established technology, whereas low-temperature generation, i.e. the area in which Climeon focuses, is a relatively new phenomenon. Geothermal waste heat occurs in the oil and gas industry, as the oil and gas that is extracted is usually mixed with hot water that needs to be removed.

The proportion of water increases over time due to extraction from the reservoir. It is possible to use this waste heat from existing, no longer used boreholes to generate electricity.

Climeon's focus

The market for geothermal energy is global and growing. Climeon has so far focused on installations in new geothermal power plants at previously unused geothermal reservoirs and on making existing geothermal power plants more efficient by recovering waste heat. The areas of the greatest interest are those with easily accessible geothermal sources, a favorable energy situation and high electricity prices. Countries considered to have good potential include Iceland, Japan, Taiwan and the rest of Europe



Despite the impact of the coronavirus pandemic, Climeon has been able to continue commissioning work, deliveries and servicing at existing customers, mainly in Japan and Iceland, as planned. During the year, four additional Heat Power modules were installed at Varmáorka's Flúðir power plant, thereby doubling its capacity. An availability of over 98 percent was also reported for Climeon's installation at Flúðir. Two more Heat Power modules are currently being commissioned at power plants in Japan. In summer 2021, Climeon decided to make an impairment for the Icelandic part of its order book. This was a consequence of the new strategic direction presented by the customer, with a significantly lower rate of expansion than before.

Future prospects

The development and use of geothermal power is driven by the transition to a society that uses more renewable energy. However, Climeon is of the opinion that the market for geothermal solutions, compared to the wind and solar markets, is 10-15 years behind regarding technology, legislation, the issuing of permits and financing, which affects the number of projects as well as their lead times and profitability. In the longer term, the market for geothermal power remains interesting.

Climeon decided in 2021 to focus going forwards on selling Heat Power as a product, together with product-related services, as well as servicing and spare parts, instead of the previous approach of taking more responsibility for entire power plant projects. At the same time, Climeon is continuing and completing the collaborations previously entered into with customers and partners in the area of geothermal energy.

“The development and use of geothermal power is driven by the transition to a society that uses more renewable energy.”



VALUE CHAIN

All research and development related to Heat Power technology is done in-house at Climeon, which also owns all the product design. Heat Power is marketed and sold by Climeon. The actual production of the system's modules is carried out by third-party suppliers, after which the installation and commissioning work is handed over to Climeon's service and support team. The value chain shows how Climeon's unique solution is produced and distributed to customers.

SUBCONTRACTORS

Climeon uses a small number of subcontractors, which enables close dialogue with each of them. However, in order to reduce its dependence on each individual supplier, Climeon always strives for dual sourcing of each component. Climeon owns the design for all critical, non-standard components, thus further reducing the company's reliance on specific suppliers. However, Climeon always strives to have long-term part-

nerships and prefers to work with reputable companies with international reach. This gives Climeon access to both high-quality products and proven product development methods.



SUSTAINABILITY SHOULD PERMEATE THE BUSINESS

Already in Climeon's original DNA there was a strong drive to contribute to a sustainable world for future generations. The company's entire business concept is based on the UN's seventh Sustainable Development Goal - Affordable and Clean Energy. Sustainability shall permeate the company's business operations at all levels. The focus is on the environment, employees and responsible governance.

Climeon and its stakeholders

Climeon's stakeholders consist primarily of shareholders, customers, employees, the management team and the Board of Directors. The company has previously conducted a stakeholder dialogue in the form of meetings and interviews with a selection from each stakeholder group. Based on the dialogue, Climeon identified a number of prioritized sustainability issues within the focus areas of environment, employees and responsible governance. Key figures or activities in these areas are reported to the Board of Directors on an ongoing basis. Climeon strives to continuously develop its sustainability work and further improve ways of measuring targets related to the focus areas.

Focus on what's most important

Environment

CO₂
Water
Production

Coworkers

Healthy and committed employees
Safe working environment
for all

Responsible governance

Code of Conduct and ethics
Policies and follow-up



ENVIRONMENT

Climeon's Heat Power system converts waste heat and geothermal heat into green electricity, thereby enabling the reduction of carbon dioxide emissions. Since its inception, the company's main KPI has been the number of tons of CO₂ emissions saved by Climeon's technology, a figure reported annually to the Board of Directors. Depending on the energy mix and running time, one Heat Power module can reduce emissions by up to 900 tons. The vast majority, 93 percent, of the 6,365 MWh produced by Climeon's Heat Power modules in 2021 was generated at the land-based installations in Japan, Sweden and Iceland, where the majority of the electricity already comes from renewable sources. The CO₂ savings from the installations amounted to about 828 tons of CO₂ in 2021. By comparison, the CO₂ savings would have been around 4,265 tons if a world average of 0.67 tons CO₂/MWh of electricity had been used. Climeon's ship-based system produced a total of 39 MWh, saving around 26 tons of CO₂.

Methods, materials and resources

Climeon's choice of methods and materials for its systems is made so as to ensure both high quality and low environmental impact throughout the whole product life cycle. Renewable energy technologies also have a negative impact on the environment during their manufacturing. For example, large amounts of steel and energy are used to manufacture a wind farm. Only some time after the power plant has been in opera-

tion has the production of clean electricity compensated for the negative environmental impact of the manufacturing process. This is usually referred to as the environmental payback time.

For renewable energy technologies such as wind and solar power, the environmental payback time is around six and 18-36 months, respectively. If battery storage is used to smooth out production on cloudy or windless days, the payback time is longer. The production of a Climeon Heat Power system requires approximately 40,000 kWh of energy.

The main resource for small-scale distributed geothermal power plants is water. In the geothermal business, Climeon takes into account and complies with the upcoming and already established EU Taxonomy requirements.

“The target is that all suppliers are ISO 14000 certified or work according to those principles, and have signed the Climeon Code of Conduct.”

Suppliers

Low environmental impact is a priority when choosing suppliers. The target is that all suppliers are ISO 14000 certified or work according to those principles, and have signed the Climeon Code of Conduct. For components where the manufacturing process is energy-intensive, Climeon evaluates how the electricity is produced. Climeon has repeatedly declined to work with suppliers with production in countries where much of the electricity comes from coal. Climeon currently has around 20 direct suppliers for the Heat Power module, which enables a close dialogue with them. In addition to the direct suppliers for the product, Climeon has agreements with around 350 suppliers for premises and consulting services, for example.

In the annual supplier audits, Climeon focuses on quality, work environment and sustainability. However, in 2021, it was difficult for the company to conduct supplier audits, as the coronavirus pandemic prevented in-person visits. The audits are planned to resume in 2022. Open points from previous audits have been followed up remotely.

Climeon's internal sustainability work

In its own business operations, Climeon strives to only make business-critical trips and has a travel policy stipulating that domestic travel should be made by train and that travel to/from airports should be made in the most environmentally

friendly way available. In addition to travel and transport, electricity consumption and heating of the company's offices, including the test facility in Kista accounted for Climeon's total CO₂ emissions. In 2021, emissions from electricity and heat amounted to 88.9 tons of CO₂. The electricity is purchased from the landlord and Climeon has ensured that it comes from renewable energy. As a result of the global travel restrictions resulting from the coronavirus pandemic, the company's travel, and therefore emissions, decreased in 2021. The registered trips in 2021 corresponded to about 75 tons (212) of carbon dioxide emissions.

When evaluating logistics partners, sustainability and environmentally friendly transport are important factors. Taking into account the size and weight of the Heat Power modules, as well as the geographical location of the customers, road and sea are usually used for the transport. However, Climeon works actively with groupage to minimize the number of transports required. In 2021, carbon dioxide emissions from transport amounted to 104 tons (64). The increase was due to the negative impact of the coronavirus pandemic on transport chains, with fewer departures and increased competition for transport, which meant that Climeon had to rely on transport options that are less environmentally friendly for long-distance shipping. The calculation of emissions in the transport and supply chain is based on Eco TransIT-world's calculation model for "calculation of energy consumption and emission data of a worldwide transport chain."

During the year, Climeon was re-certified for the ISO 9001_2015 and ISO 14001_2015 standards.

EMPLOYEES

As a company, Climeon is totally dependent on the resource that is our skilled and motivated employees. Together, they drive development and sales forward. At the same time, Climeon must increase its competitiveness and profitability in the long term. As a result, the company initiated an efficiency program in the second half of 2021 to increase profitability. R&D activities were rationalized and greater focus is now directed at developing Heat Power technology for the maritime market. At the same time, the company's physical presence in Japan, Taiwan and the UK was reduced, as market monitoring and market management will now be carried out from Climeon in Sweden, although still with assistance from local partners and aftermarket service subcontractors. The implementation of the program resulted in the number of staff being reduced from 72 to 55.

Diversity

The company has employees from many different countries and cultures and strives to achieve diversity. English is an important cultural carrier and is the common language at Climeon. An important part of this work is to ensure that Climeon is a diverse workplace at which everyone, regardless of age, gender or background, treats each other with mutual respect and behaves in an ethically correct manner. At Climeon, and its suppliers, all employees, regardless of gender, age, ethnic origin, political opinions, sexual orientation, disability or other factors, shall be given equal opportunities. Climeon defends human rights and requires all suppliers to

meet at least the minimum requirements of the respective countries' labor laws. The company has zero tolerance regarding forced labor and works actively to prevent regulatory violations in its own business operations and in the value chain of which Climeon is a part.

In 2021, the proportion of female employees in the company was 20 (22) percent. In the management group, the corresponding proportion was 40 (29) percent at the end of the year. Women made up 25 percent (43) of the Board of Directors.

Sustainable business

Climeon has high ambitions in terms of having sustainable business operations. As part of this, the company has set a clear goal that the working environment should also be sustainable in both the short and long terms with regard to physical and mental wellbeing. Sustainable governance permeates Climeon's values and also how the company works to set goals and implement the activities needed to achieve them, and to create clear roles and responsibilities. When it comes to employees, Climeon has identified two material risks: safety and health.

Safe working environment

Climeon employees often work with high voltages, hot liquids and pressurized gases. This poses significant risks of accidents if the work is not carried out correctly, not only at



Climeon staff on a client's vessel for the installation of a Heat Power system.

Climeon's own test facilities, but also on site at customers. That is why employee safety is a top priority for Climeon. The aim is that no workplace accidents should occur. In 2021, there were 0 (0) deaths and 0 (0) serious injuries.

All employees working near various machines must undergo a safety training course, which is recorded in Climeon's training system. They also receive regular additional training and are updated when required about safety issues. Anyone working independently at test or customer sites must have completed the General Safety, Electrical Safety (ESA19), Hot Work (Heta arbeten) and Working Media Safety training courses.

Climeon's safety team carries out regular safety checks at the workplaces, with a focus on identifying and quickly following up shortcomings and risks. All incidents and accidents are followed up by both the relevant functions in the company and the management team. Serious incidents are also reported to the Board of Directors.

Climeon's Heat Power modules are produced by a contract manufacturer, which is responsible for the safety of that process. Climeon has a well-established relationship with the manufacturer and carries out regular visits to points in the production chain. As part of the annual supplier audit, Climeon evaluates the manufacturer's work environment and safety procedures. Many of the subcontractors work in hazardous industries, so Climeon actively chooses those that are ISO certified, have a sustainability policy that is in line with or more comprehensive than Climeon's and that also comply with EU guidelines in this area.

Health, commitment and motivation

Competent, motivated and committed employees are crucial, both for the company's ability to achieve its operational and financial goals, and to enable Climeon to make a positive contribution to the climate transition. The company's core values, Do Good, Be a Teamplayer and Always Deliver, provide key guidance on all levels. Climeon strives to generate commitment to, participation in and influence regarding initiatives related to goals, vision and value-based work. All the employees are involved in the work with developing the company's goals and work processes.

Employee commitment and wellbeing, as well as the Employee Satisfaction Index, are monitored using regular employee surveys that show results in real time. The Employee Satisfaction Index and other KPIs are reported to the Board of Directors on a regular basis. During the coronavirus pandemic, most of the company's employees worked from home, as a result of which managers checked with employees more frequently about how work was going for them, including having more in-depth dialogue regarding ergonomics as well as physical and mental wellbeing. Climeon holds annual appraisals with the aim of increasing employee commitment regarding their own personal development.

In order to ensure the company's competence and innovation capacity and thus its growth and success, Climeon's Human Resources team continuously refines recruitment, induction and exit processes. An induction, along with an employee handbook and tailored online courses for each function, help new employees get up to speed quickly.

In an entrepreneurial company with a high level of employee commitment, there is a risk of high stress levels. Climeon works proactively with stress management and all employees have access to professional support and help prioritizing and structuring their working time and everyday lives. There is also a rehabilitation policy and clear procedures for how employees on sick leave due to stress-related problems are given the opportunity to recover.

To ensure clear internal communication, Climeon holds monthly meetings that are open to all employees and also sends out an internal weekly newsletter. The company also organizes various social activities, initiated by managers or employees, in which everyone is welcome to participate. However, due to the coronavirus restrictions, some activities had to be carried out digitally or in small groups in 2021.

Competent, motivated and committed employees are crucial for the company's success and ability to achieve its operational and financial goals



DO GOOD



BE A TEAM PLAYER



ALWAYS DELIVER

Climeon's three overarching core values

RESPONSIBLE GOVERNANCE

Climeon's three core values, together with the Codes of Conduct, aim to ensure that the company, as well as its employees and suppliers, always behave in an ethical and sustainable manner.

Codes of Conduct

Climeon has created two Codes of Conduct, one for the company's employees and one for its suppliers. The purpose of the two codes is to ensure that Climeon, as well as its various subcontractors, act ethically in matters relating to human rights, collective bargaining, the right to join a trade union, health and safety, equality, discrimination, corruption and environmental impact.

Climeon defends human rights and requires all suppliers to meet at least the minimum requirements of the respective countries' labor laws. The company has zero tolerance regarding forced labor and works actively to prevent regulatory violations in its own business operations and in the value chain of which Climeon is a part.

All suppliers have been informed about the Code of Conduct. By 2021, it had been signed by 75% of the total of 20 companies that supply components for Climeon's Heat Power system. The aim is for all the suppliers to have signed the code by 2023. The suppliers' compliance with the Code of Conduct is evaluated annually at supplier meetings and through audits carried out by Climeon's supply chain organization. If, for any

reason, the requirements are not met, the supplier must provide an action plan for how this will be rectified. Both the Code of Conduct and Climeon's approach to ethical behavior are made clear to customers and the code is also attached as an annex to the contracts and agreements that are signed.

Policies

In addition to the Codes of Conduct, Climeon has also implemented specific policies on health and safety, quality and environment, transport, security and rehabilitation. The policies relating to employees and health and safety are monitored by Human Resources, quality and environmental policies. The safety guidelines are discussed at regular meetings of the company's safety committee. The outcome of these is reported to the Climeon management team and critical issues are also reported to the Board of Directors.

Whistleblowing

Climeon introduced a dedicated whistleblowing function in 2020, which is accessed via the company's website. The function allows employees, suppliers and also other stakeholders to anonymously report possible misconduct and problems. Reported cases are received by the company's lawyer and HR function, and then forwarded as necessary to the CEO or Chair of the Board, depending on the nature of the case.

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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 2021.

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.

2021 Annual General Meeting

The Annual General Meeting was held on May 19, 2021. In all, 17 (17) shareholders attended, either in person or through proxies, representing 66,9 % (82,5) 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, Therese Lundstedt and Charlotte Strand, and new elec-

tion of Anders Lindberg. Thomas Öström was elected to serve as Chairman of the Board and Jan Svensson was re-elected to vice Chairman

- 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
- Resolution on the adoption of new Articles of Association regarding Pre-registration for participation in the Annual General Meeting due to new legislation in the area.
- Resolution authorizing the Board to decide on new issues of up to 5,400,000 Class B shares. The issues shall be able to be implemented with or without preferential rights for the company's shareholders

Annual General Meeting 2022

Climeon's Annual General Meeting 2022 will be held on May 18 at 16.00. 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, Sweden.

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

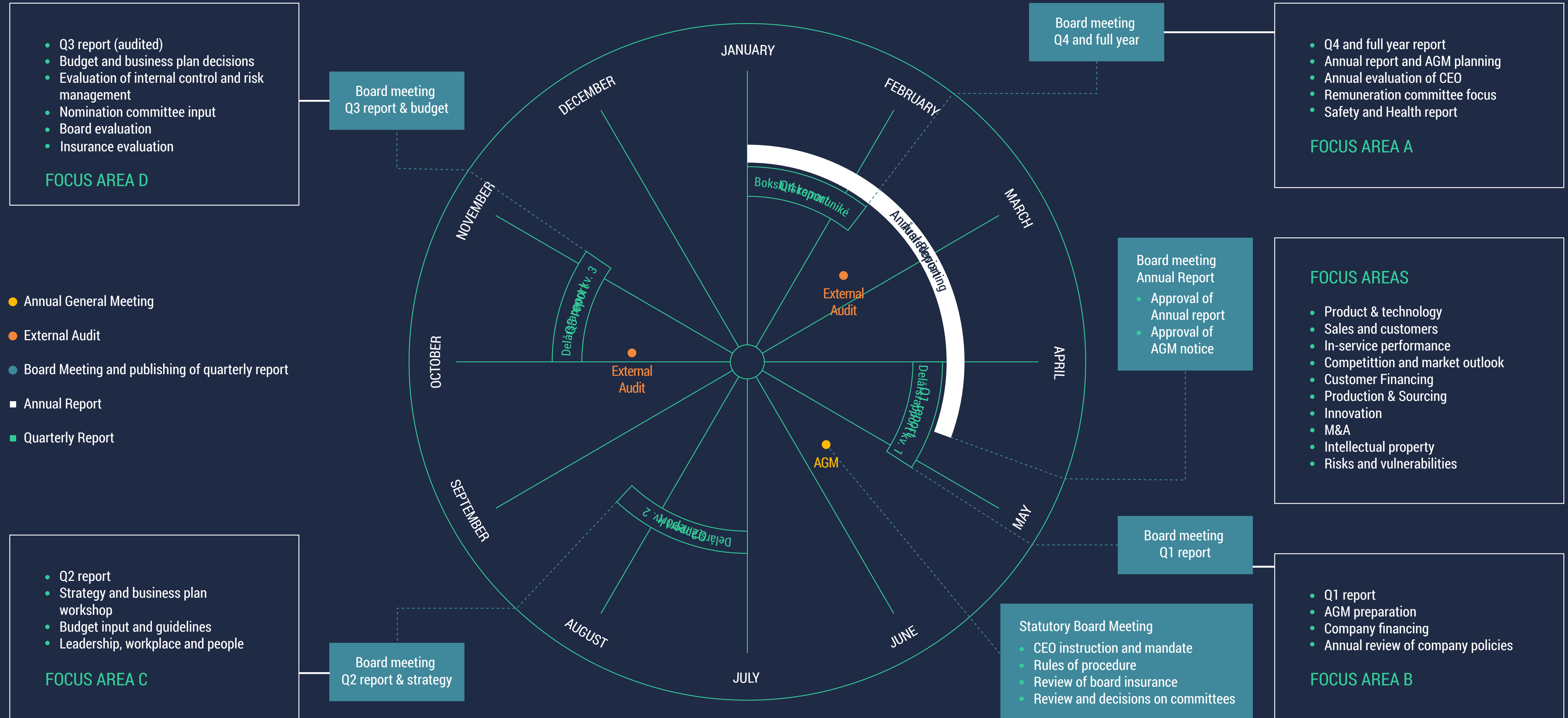
end of the month of August, and offer them opportunity to each appoint a representative to the Nomination Committee. If any of these shareholders should waive their right to appoint a representative, the right shall pass to the shareholder with the next largest shareholding after these shareholders. 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

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 was appointed by the biggest shareholders in terms of the number of votes, held on August 31, 2021. On 19 November, Peter Lindell (representing Cidro Förvaltning) replaced Niklas Johansson (representing Handelsbanken Fonder) because of changes in ownership after 31 August 2021, which also follows the Nomination Committee's instructions.

Name	Representing	Proportion of votes in percent 2021-08-31
Thomas Öström	Chairman of the Board and privately	60.02
Anne Holm Rannaleet	Olle Bergström	0.69
Joakim Karthäuser	Privately	11.86
Björn Wasing	SEB Stiftelsen	0.67
Peter Lindell	Cidro Förvaltning	3.93*
Total		77.17

* Share of votes per November 11, 2021

The work of the Nomination Committee ahead of the 2022 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 perform 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 2021, 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 2022 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 and maximum three alternates. 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 2021 Annual General Meeting re-elected the Board members Thomas Öström, Jan Svensson, Therese Lundstedt and Charlotte Strand and newly elected Anders Lindberg. Thomas Öström was newly elected Chairman of the Board and Jan Svensson was re-elected Deputy Chairman. It can also be noted that Charlotte Strand resigned from the board at her own request on August 30 due to personal reasons.

A 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 25 (43) 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 and to a limited extent, hired board members for operational assignments in 2021.

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, including 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 twelve, of which four before the 2021 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 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 2021, 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
- Prospects and investments
- Organization and personnel situation
- Collaborations, partnerships and any disputes or risks of loss
- Evaluation of CEO
- Interim reports, year-end report, and annual report

Board members' presence in 2021 and fees according to the 2021 Annual General Meeting⁵⁾

Members	Elected	Born	NUMBER OF MEETINGS ATTENDED			INDEPENDENT		Established compensation in SEK
			Board meetings	Remuneration Committee	Audit Committee	In relation to the company	In relation to major shareholders	
Per Olofsson ¹⁾	2012	1972	5 (5)	2 (2)	2 (2)	Yes	Yes	
Vivianne Holm ¹⁾	2017	1965	5 (5)		2 (2)	Yes	Yes	
Olle Bergström ¹⁾	2015	1972	5 (5)			No	Yes	
Therese Lundstedt	2017	1981	12 (12)	2 (2)		Yes	Yes	240,000
Charlotte Strand ²⁾	2020	1961	8 (9)		3 (3)	Yes	Yes	93,333
Jan Svensson	2019	1956	11 (12)	TBD		Yes	Yes	220,000
Thomas Öström ⁴⁾	2011	1973	12 (12)		2 (2)	Yes	Yes	426,667
Anders Lindberg ³⁾	2021	1965	7 (7)		2 (2)	Yes	Yes	266,667

1) Resigned at the AGM 2021

2) Resigned August 30, 2021

3) Joined the Board at the AGM 2021

4) In addition to board fees, consulting fees have been paid to Silon Consulting AB in accordance with previous agreements, see Note 30

5) The table refers to fees to the Board for the period May 2021-April 2022. 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 2021, fees have been paid according to the table above, where travel allowance is excluded. There are differences between the maximum fee decided by the Annual General Meeting and the actual paid, as the actual payment during the calendar year is a combination of the fees between the two most recent AGMs. For amounts actually paid, see Note 8 on pages 78–80

Duties of the Chairman of the Board

The Chairman of the Board is responsible for ensuring that Board work is well organized, 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 2021, an evaluation of the Board's work was conducted. When some 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 also 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 (Chairman) and Jan Svensson. 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 two minuted meetings in 2021, see table on page 29.

Audit Committee

The Audit Committee appointed by the Board consists of Board members Anders Lindberg (Chairman) and Thomas Öström, with the CFO 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 four minuted meetings in 2021, see table on page 29.

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 2021 Annual General Meeting re-elected Deloitte AB as auditor for the period up to the end of the Annual General Meeting 2022. 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 evaluates 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 2021 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. Telander 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 2021 was, on an interim basis, Jan Berdell. On March 2, the Board announced that it had decided to recruit Lena Sundquist as new CEO, effective from August 1, 2021. Lena Sundquist has long and solid experience as CEO and leader in the energy and marine industries.

At the end of the year, the Group Management consisted of CEO Lena Sundquist, CFO Carl Arnesson, Head of Sales and Marketing Christina Bäck, Head of Research and Development Jonas Måhlén 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 2022 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 to six 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.

Evaluation of principles for remuneration to senior executives

The principles approved by the AGM for remuneration to senior executives were followed during 2021.

Share-based incentive programs

The purpose of share-based incentive programs is to create a common interest for the company's shareholders, key personnel and other employees as well as strengthen long-term decision-making and goal fulfillment. 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 one outstanding warrant program with a total of 596 500 B shares. For further information regarding outstanding incentive programs, see note 8 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 conducted 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 the status of operative and 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 conducted 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 the 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 2022. 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 2022.



THERESE LUNDSTEDT
(BORN 1981)

Member of the Board

Member of the Board of Directors since 2017

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, the CEO of Urbangreen AB and is today CEO of Colix Systems AB. Therese has experience from board positions and is a board member of Spotlight Group and Gazelle, and Chairman for Växjö DFF.

Holdings in the Company: Therese Lundstedt owns 500 class B shares and call options that entitle her to purchase 10,000 class B shares in the Company.

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



ANDERS LINDBERG
(BORN 1965)

Member of the Board

Member of the Board of Directors since 2021

Education/background: Anders Lindberg has a master's degree in electrical engineering (MSc Electrical Engineering) from the Royal Institute of Technology (KTH) in Stockholm and a Master of Business Administration from the Stockholm School of Economics. Anders Lindberg is currently CEO of Dellner, a global supplier of train components. Prior to that, Anders Lindberg was Executive Vice President at Ørstedt (formerly Dong Energy), a Danish company in renewable energy and a world leader in offshore wind power, where he was responsible for the projects and for the EPC (Engineering, Procurement, Construction) organization. Anders has also worked for Bombardier, Adtranz and ABB. Anders also has experience from board work and is vice Chairman of the listed Danish company MT Højgaard.

Holdings in the Company: Anders Lindberg owns 10,000 B shares in the company.

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



THOMAS ÖSTRÖM
(BORN 1972)

Co-founder and Chairman of the Board

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 9,500,000 class A shares and 155,900 class B shares in the Company.

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



JAN SVENSSON
(BORN 1956)

Deputy Chairman

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.

MANAGEMENT

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



LENA SUNDQUIST
(BORN 1975)

CEO since 2021

Education / background: Lena Sundquist has extensive experience of leading positions in innovation, business development, sales, and marketing. Lena Sundquist has 15 years of experience from Alfa Laval Marine & Diesel, where she has developed environmental technology business in the marine industry and gensets. Most recently, she came from the role of CEO of Kivra Sweden. Lena Sundquist has a master's degree in engineering from the Royal Institute of Technology.

Holding in the company: Lena Sundquist owns 23,420 Series B shares and has call options corresponding to 50,000 Series B shares in the company.



CARL ARNESSON
(BORN 1980)

CFO since 2021

Education / background: Carl Arnesson has a master's degree in economics from Linköping University and has solid experience from financial positions in different stock exchange noted and high growth companies. Carl most recently came from the role of CFO for Zmarta Group and has previously been CFO for Health & Sports Nutrition Group and CFO for Metro and has an auditing background.

Holding in the company: Carl Arnesson has no holdings in the company.



JONAS MÅHLÉN
(BORN 1968)

Head of Research & Development since 2018,
employee since 2016

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.

Holding 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.



ROBIN GOODOREE
(BORN 1973)

Head of Operations,
employee, and member
of the management team
since 2018

Education / background: Robin is a high school engineer with a focus on electric power and has more than 17 years of experience from a global support and delivery organization for pattern generators at Mycronic AB. Robin has a clear customer focus, hands-on and international experience and has held various senior positions, most recently as global customer support manager.

Holding in the company: Robin Goodoree owns 3,861 Series B shares and warrants that entitle him to subscribe for 15,466 Series B shares.



FREDRIK THORÉN
(BORN 1971)

Head of Maritime,
employee since 2019,
and member of the
management team since
2022

Education / background: Fredrik has 29 years of experience from global sales directly and through resellers, business development, projects & Services in the Marine & Oil / Gas industry. Fredrik has an extensive global sales and service distribution network through his previous services and experience. The most recent two positions were as Global Sales Manager for Consilium and Managing Director for Scanjet Middle East. Fredrik holds a Technical high school education with a supplement in Economics, Marketing, Sales & Business Development.

Holding in the company: Fredrik Thoren holds warrants that entitle him to subscribe for 8,000 B shares.

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 also the principal auditor in, among others, Sinch AB (publ), Clas Ohlson AB (publ) and Fastpartner AB (publ).

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 2021-01-01 – 2021-12-31 on pages 26-35 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 standard RevR 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 20th 2022

Deloitte AB

Johan Telander
Authorized public accountant

BOARD OF DIRECTORS 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 2021. All figures refer to the Group for the financial year 2021, unless otherwise stated. Comparisons are made with the financial year 2020, 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.se

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 low temperature heat power 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 power plants, or as the main system in low temperature 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 heat 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 the technology within the sector improves and the political pressure increases.

There is a distinct separation 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 utilizes heat from within the earth as an energy source whereas waste heat energy utilizes 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 utilizes 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 utilize waste heat from existing high temperature geothermal power plants operating at temperatures exceeding 150°C.

New product generation HeatPower

In 2021, Climeon has continued with the development the next generation HeatPower and it is planned to be launched in 2022. The new generation will be much more cost effective and will generate a significantly higher effect than the pre-

vious generation. And this to a significantly improved profitability for both our customers and ourselves.

Order intake and order backlog

During the fiscal year, Climeon AB has signed several important customer agreements. Order intake for the full year 2021 amounted to SEK 2.3 million (56.3). The number of Heat Power modules delivered was 11 (11) pcs.

At the end of the period, the order backlog amounted to SEK 179.7 million (728.5), corresponding to 54 (215) Heat Power modules.

Development in 2021

During the first quarter of 2021, Climeon put two HeatPower modules into operation at the Reykholt geothermal power plant in Iceland and participated in test runs at sea for Virgin Voyage's second vessel where the HeatPower modules were approved for operation. Almost at the same time, six modules were also delivered to the third Virgin Voyages vessel. Climeon's shareholding in Baseload Capital increased to SEK 113.5 million (45.4), of which SEK 16.9 million of the increase was attributable to a convertible loan being converted into shares and SEK 51.2 million to an share issue in which Chevron also became a new owner. In March, Lena Sundquist was appointed new CEO from August 2021 and onwards.

During the second quarter, Climeon commissioned customers in both the maritime and geothermal markets. Six modules were put into operation on Virgin Voyages' ship Valiant Lady and four HeatPower modules at the Flúðir power plant in Iceland. Climeon's Icelandic customer Varmaorka presented a new plan for the expansion of geothermal power plants, with a significantly lower roll-out rate for the coming years. As a consequence of this, it was decided, after the end of the quarter, to reduce the order backlog by SEK 467.5 million to SEK 180.3 million.

During the third quarter of 2021, Climeon initiated a cost efficiency program that was announced in the quarterly report for the second quarter. As a result, the company reduced its local focus outside Sweden and reduced the number of employees from 72, at the end of June, to about 50 at the end of the year. Market monitoring and market processing will in the future be run by Climeon in Sweden, but with support from local partners and subcontractors for after-market services. The company's existing collaborations and commitments continue as before and Climeon remains in the markets and continues to explore opportunities in adjacent segments.

The temporary easing of Corona restrictions during the fourth quarter enabled Climeon to complete the installation of a HeatPower module on one of Maersk's container vessels, as well as to continue with the work on Havila Voyage's and Virgin Voyage's cruise ships. The efficiency program that began during the summer ended during the quarter and began to yield results. The development of the next generation Heat-Powder module, initially optimized for the marine market, continued according to plan. Through a directed new share issue,

Climeon received an issue payment of SEK 35 million and Peter Lindell became, through the wholly owned company Cidro Förvaltning AB, Climeon's second largest owner.

Effects of the COVID-19 pandemic

The Covid-19 pandemic affected most people and companies worldwide, and during the financial year, Climeon has largely adapted its operations to the constraints imposed by the Corona-related restrictions.

During the pandemic, Climeon's highest priority has been to ensure the health and safety of its employees and at the same time maintain and develop the company's operations. Climeon has continued to implement 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 has conducted its operations in a virtual work environment with work from home and digital meetings. We use our technical solution Climeon Live to tune and control power plants remotely and thus avoid travel while maintaining our commitments to customers. During the year, however, the pandemic continued to have a negative impact on Climeon's market, both order intake, revenues and installation rate. In Japan, for example, where the physical meeting culture is strong, restrictions have affected the opportunities to further develop new business and power plant projects. In the marine market, we have continued to be limited by the pandemic as planned deployments have had to be postponed on a number of occasions.

During the year, Climeon has to a large extent adapted its operations to the restrictions that have entailed in different parts

of the world. Climeon has, for example, performed digital acceptance tests, so-called FATs, and carried out remote support with the help of local staff for installations and deployments, as well as hired third-party staff where the company has not had access to its own employees. The fact that the restrictions eased in Europe during the fourth quarter meant increased opportunities for customer contacts. At the end of the year, however, new restrictions were introduced in Europe and large parts of the rest of the world, something that Climeon once again adapted to.

The company's organization

In March 2021, Climeon's Board of Directors appointed Lena Sundquist as the new CEO of Climeon as of August 1, 2021. Lena Sundquist has long and solid experience from the energy and marine industry. She thus replaced Jan Bardell, who took over as acting CEO in December 2020.

At Climeon's Annual General Meeting on May 19, Thomas Öström was elected new Chairman of the Board and Anders Lindberg was elected as new Board member. Per Olofsson, Olle Bergström and Vivianne Holm had declined re-election. Furthermore, Charlotte Strand chose to leave the company's board in August due to personal reasons.

At the end of May, it was announced that Carl Arnesson had been recruited as the new CFO of Climeon, and he took office on November 15.

During the third quarter, it was announced that the company would implement an efficiency program in order to reduce



Development/comments of business, position and results

TSEK	2021	2020	2019	2018	2017
Net sales	28,765	43,334	116,758	58,906	36
Operating profit/loss	-150,327	-135,651	-117,569	-101,897	-18,379
Profit before tax	-107,313	-139,884	-112,670	-85,475	-18,346
Total assets	545,788	636,319	420,510	258,918	48,559
Equity ratio ¹⁾	64.6%	66.7%	75.8%	61.6%	67.3%
Return on equity ²⁾	neg	neg	neg	neg	neg
Return on assets ³⁾	neg	neg	neg	neg	neg
Average number of employees	60	85	84	62	12

¹⁾ Adjusted equity / Total assets. Adjusted equity refers to equity + untaxed reserves less deferred tax liability.
²⁾ Profit for the year / Average adjusted Equity
³⁾ (Profit after financial income and expenses + interest expense) / Average total assets

the company's cost base and that it intended to reduce its permanent staff abroad. However, service and support will continue to be delivered in these countries through local subcontractors and / or by staff from Sweden.

At the end of the year, the Management team consisted of CEO Lena Sundquist, CFO Carl Arnesson, Head of Sales and Marketing Christina Bäck, Head of Research and Development Jonas Måhlén and Head of Operations Robin Goodoree.

Events after the balance sheet date: In January, it was announced that the company had implemented a reorganization

within the sales and marketing organization, which meant that Christina Bäck left her employment and place in the management team at Climeon. In connection to this, two different sales teams were formed where Fredrik Thorén is responsible for the maritime part and is now also part of the company's management team.

Net sales

Net sales amounted to SEK 28,765 thousand (43,334). The turnover for the year is mainly attributable to hardware deliveries in the maritime market as well as geothermal. Net sales

are negatively impacted by travel restrictions, lockdowns and lower willingness to invest among customers, which means less deliveries and installations compared to previous years.

Capitalized work for own account

Activated work for own account amounted to SEK 28,925 thousand (26,350). The 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

The operating profit/loss amounted to SEK -150,327 thousand (-135,651). 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 unutilized loss carried forward amounting to SEK 599,5 million (459,3), of which the tax effect has not been recognized as a deferred tax asset in the balance sheet.

Earnings after tax

Profit for the period amounted to SEK -107,248 thousand (-139,807) and the change was attributable to the changes described under "Net sales" and "Operating profit". Net financial items amounted to SEK 43,014 thousand (-4,233), 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 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 46,632 thousand (-360).

Cash flow

Cash flow from operating activities

Operating profit amounted to SEK -126,923 thousand (-107,637). 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 -42,013 thousand (-19,886). The change was mainly attributable to sale of financial assets.

Cash flow from financing activities

Cash flow from financing activities increased to SEK 21,646 thousand (318,976). 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, 2021, shareholders' equity amounted to SEK 424,464 thousand (424,464). Cash and other cash equivalents amounted to SEK 151,984 thousand compared to SEK 299,217 thousand in the previous year. The changes is described under "Cash Flow" above.

Employees

The average number of employees in the company during the year was 60 (85), whereof 20 (19) percent women and 80 (81) percent men. At the end of the period the number of employees was 46 (76).

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

The Board proposes that the Annual General Meeting (AGM) on 18 May 2022 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 2021 but adjusted in some parts. 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. 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. The different types of compensation that may be paid are described below.

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 any 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 executives under 2021 are reported under Note 8 in the Annual Report for 2021.

Expected future development

If we look away from the operational issues, all trends are going in the same direction, the world needs more green basic power and all countries are reviewing both their electricity consumption and their future needs as, for example, electrification develops further. We also see that the growing interest in green energy and green investments continues and the trend in the macroeconomy remains very favorable for renewable energy while fossil sources face increasing resistance and problems. As an example of this, we now see during the spring of 2022 that the Western European countries are increasingly reviewing how to achieve self-sufficiency in basic power and reduce dependence on fossil fuels from, for example, Eastern Europe.

In this context, Climeon has an important function and that is also why we with confidence look at our new product generation HeatPower which will be launched in 2022. The new

generation will be more efficient and profitable for both our customers and we as a company at the same time as it will be able to contribute to a more stable and sustainable development of the baseload around the world.

At the same time, there are always uncertainties around our world that we need to relate to. In 2021, for example, the covid-19 pandemic had a significant impact on our operations, such as restrictions on our commercial activities due to travel restrictions and delay of delivery projects. Going forward, the company expects that the pandemic will continue to have a certain impact on the company's sales and earnings for some time, mainly due to order decisions may take longer than normal, which means that it may take some time before full effect is regained.

There are also other events, such as the war in Ukraine and problems with raw material shortages, which the company needs to evaluate in terms of impact on operations in, for example, transport, travel and goods flows. Due to the uncertainty about the level of impact these will have and how significant the financial effects will be, Climeon will maintain its focus on nurturing and planning for the company's cash flow and liquidity in both the short and long term.

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, 2021, the registered share capital comprised 10,450,000 A shares and 48,990,679 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 15,020 (13,224) and as the largest shareholders, Thomas Öström with

15 (17) percent of the capital and 58 (54) percent of the votes, Cidro Förvaltning with 12 (-) percent of the capital and 4 (-) percent of the votes and Joachim Karthäuser with 6 (7) percent of the capital and 12 (21) percent of the votes. No other single shareholder owns more than 10 percent of the votes. The ten largest shareholders together accounted for 50 (42) percent of the capital and 81 (81) percent of the votes.

At December 31, 2021 the company has outstanding warrants, which entitles the holder to subscribe for 596,500 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 realized, 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

Macroeconomics

Demand for Climeon's product is largely affected by macro-economic 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 2020-2021, 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.

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.

Risk management

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.

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
<p>Technique</p> <p>As a relatively young company with a limited number of HeatPower 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.</p>	<p>Climeon continuously tests the HeatPower 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.</p>
<p>Competition</p> <p>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.</p>	<p>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.</p>

Risk	Risk management
<p>Coworkers</p> <p>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.</p>	<p>Climeon's priority is to create good conditions for personnel 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 together.</p>

Risk	Risk management	Risk	Risk management
<p>Customers</p> <p>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 HeatPower systems and thereby report revenue.</p>	<p>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.</p>	<p>Environment</p> <p>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.</p>	<p>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.</p>
<p>Suppliers</p> <p>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.</p>	<p>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.</p>	<p>The Pandemic and the war in Ukraine</p> <p>The global outbreak of Covid-19 and the Ukraine crisis 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 and the war in Ukraine will be globally.</p>	<p>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 during 2021. 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</p>

Non-financial information

Environment

Climeon was re-certified according to ISO 9001 and ISO 14001 during the year. Quality assurance is a natural part of the Company's business model and characterizes 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	910,244,301
Loss carried forward	-543,449,374
Net loss for the year	-97,474,946
	269,319,981

The board of directors propose that the available funds of SEK 269,319,981 are carried forward.

Regarding the Company's result 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	2021	2020
Net sales	5	28,765	43,334
Capitalised work for own account	*)	28,925	36,680
Other operating income	6	133	2,230
Operating expenses			
Raw materials and consumables		-53,696	-61,909
Other external expenses	7	-43,945	-41,591
Personnel expenses	8	-81,979	-94,857
Depreciation, amortisation and impairment losses of tangible and intangible assets		-28,122	-19,351
Other operating expenses		-408	-186
Operating profit/loss		-150,327	-135,651
Profit from financial items			
Interest income and other financial items	9	52,944	3,997
Interest expenses and other financial items	10	-9,930	-8,230
Profit before tax		-107,313	-139,884
Tax of the year	11	65	77
PROFIT/LOSS FOR THE YEAR		-107,248	-139,807
Earnings per share, SEK	12		
Before dilution		-1.93	-2.76
After dilution		-1.93	-2.76

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

TSEK	2021	2020
Profit/loss for the year	-107,248	-139,807
Comprehensive income for the year		
<i>Items that can be subsequently reclassified to the income statement:</i>		
Translation differences	146	677
Comprehensive profit/loss for the year	146	677
COMPREHENSIVE INCOME FOR THE YEAR	-107,102	-139,130
<i>Net profit/loss for the year attributable to:</i>		
Shareholders of the Parent Company	-107,102	-139,130
COMPREHENSIVE INCOME FOR THE YEAR	-107,102	-139,130

*) Raw materials and consumables include capitalized costs relating to direct materials of 16,096 (20,550) for the entire period.

CONSOLIDATED BALANCE SHEET

TSEK	Note	2021-12-31	2020-12-31
ASSETS			
Non current assets			
<i>Intangible non-current assets</i>			
Capitalised expenditures on development work	13	100,487	83,816
Patents, licenses, trademarks, and similar rights	14	5,878	7,064
		106,365	90,880
<i>Tangible non-current assets</i>			
Leasehold improvements	15	12,892	8,228
Plant and machinery	16	4,633	5,046
Right to use assets	17	21,633	27,844
Equipment, tools and installations	18	2,461	854
		41,619	41,972
<i>Financial non-current assets</i>			
Other long-term receivables		5,311	18,236
Long term financial assets	19	108,993	45,440
		114,304	63,676
Total non-current assets		262,288	196,528

TSEK	Note	2021-12-31	2020-12-31
Total non-current assets			
<i>Current assets</i>	20		
Work in progress		15,303	12,865
Finished goods and goods for resale		40,936	42,573
		56,239	55,438
<i>Current receivables</i>			
Accounts receivable	21	39,605	27,194
Other receivables		16,703	20,555
Prepaid expenses and accrued income	22	18,969	21,687
		75,277	69,436
<i>Current investments</i>			
Current investments		0	15,700
		0	15,700
Cash and cash equivalents	28	151,984	299,217
Total current assets		283,500	439,791
TOTAL ASSETS		545,788	636,319

CONSOLIDATED BALANCE SHEET, CONT.

TSEK	Note	2021-12-31	2020-12-31
EQUITY AND LIABILITIES			
Shareholders equity			
Share capital	23	892	817
Other contributed capital		964,689	929,764
Reserves		797	651
Retained earnings/loss		-506,769	-366,962
Profit/loss for the year		-107,248	-139,807
Shareholders equity		352,361	424,463
Other liabilities			
Other provisions	24	23,686	18,337
		23,686	18,337
Non-current liabilities			
Other long-term liabilities	25	27,204	101,607
		27,204	101,607

TSEK	Note	2021-12-31	2020-12-31
Current liabilities			
Advance payments from customers		29,765	31,195
Accounts payable		5,692	15,116
Current tax liabilities		100	1,747
Other current liabilities	26	82,585	17,382
Accruals and deferred income	27	24,395	26,472
		142,537	91,912
TOTAL EQUITY AND LIABILITIES		545,788	636,319

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 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
<i>Transaktioner med ägare:</i>					
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

TSEK	Share capital	Other contributed capital	Reserves	Retained earnings including profit/loss of the year	Total equity
Opening balance, 1 January 2021	817	929,764	651	-506,769	424,463
Profit/loss for the year				-107,248	-107,248
Other comprehensive income			146		146
Total comprehensive income/loss	–	–	146	-107,248	-107,102
<i>Transactions with owners:</i>					
New issues	75	34,925			35,000
Total transactions with shareholders	75	34,925	–	–	35,000
Closing balance, 31 December 2021	892	964,689	797	-614,017	352,361

CONSOLIDATED CASH FLOW STATEMENT

TSEK	Note	2021	2020
Operating activities			
Operating profit		-150,327	-135,651
Adjustment for items not included in cash flow:			
Depreciation/amortisation		28,645	19,351
Unrealised fair value differences		0	359
Provisions for guarantees		5,349	3,974
Interest paid		1,760	54
Interest received		-5,738	-7,873
Tax paid		0	73
Cash from operating activities before changes in working capital		-120,311	-119,713
Cash flow from changes in working capital			
Decrease (+)/increase(-) in inventories		-802	-1,889
Decrease (+)/increase(-) in accounts receivables		-613	-14,292
Decrease (+)/increase(-) in current receivables		6,590	-9,768
Decrease (-)/increase(+) in accounts payable		-9,429	7,255
Decrease (-)/increase(+) in other current liabilities		-1,835	30,770
Cash flow from operating activities		-126,400	-107,637
Investing activities			
Investment in intangible assets		-32,355	-38,046
Investment in tangible assets		-11,381	-1,311
Change in financial assets		1,200	19,471
Cash flow from investment activities		-42,536	-19,886

TSEK	Note	2021	2020
Financing activities			
New issues		35,000	244,863
Loans raised		0	79,568
Amortisation of debts	25	-13,354	-5,455
Cash flow from financing activities		21,646	318,976
CASH FLOW FOR THE YEAR		-147,290	191,453
Cash and cash equivalents at beginning of the year		299,217	107,862
Exchange rate differences in cash and cash equivalents		57	-98
Cash and cash equivalents at year-end	28	151,984	299,217

PARENT COMPANY INCOME STATEMENT

TSEK	Note	2021	2020
Net sales	5	27,546	43,209
Capitalised work for own account		28,925	36,680
Other operating income	6	50	2,230
Operating expenses			
Raw materials and consumables		-53,582	-61,584
Other external expenses	7	-46,813	-44,437
Personnel expenses	8	-75,384	-90,580
Depreciation, amortisation and impairment losses of tangible and intangible assets		-22,233	-13,547
Other operating expenses		-408	-186
Operating profit/loss		-141,900	-128,216
Profit from financial items			
Interest income and other financial items	9	52,696	3,997
Interest expenses and other financial items	10	-8,271	-6,610
Profit before tax		-97,475	-130,829
PROFIT/LOSS FOR THE YEAR ¹⁾		-97,475	-130,829

¹⁾ Total profit/loss for the period correspond to Profit/loss for the period

PARENT COMPANY BALANCE SHEET

TSEK	Note	2021-12-31	2020-12-31
ASSETS			
Non current assets			
<i>Intangible non-current assets</i>			
Capitalised expenditures on development work	13	100,487	83,816
Patents, licenses, trademarks, and similar rights	14	5,878	7,064
		106,365	90,880
<i>Tangible non-current assets</i>			
Leasehold improvements	15	12,291	8,228
Plant and machinery	16	4,620	5,046
Equipment, tools and installations	18	2,400	839
		19,311	14,113
<i>Financial non-current assets</i>			
Shares in Group companies		1,918	1,918
Other long-term receivables		20,266	25,908
Long term financial assets	19	108,993	45,440
		131,177	73,266
Total non-current assets		256,853	178,259

TSEK	Note	2021-12-31	2020-12-31
Current assets			
<i>Inventories</i>	20		
Work in progress		15,303	12,865
Finished goods and goods for resale		40,936	42,573
		56,239	55,438
<i>Current receivables</i>			
Accounts receivable	21	38,377	27,194
Other receivables		19,612	20,849
Prepaid expenses and accrued income	22	18,687	21,594
		76,676	69,637
<i>Current investments</i>			
Current investments		0	15,700
		0	15,700
Cash and cash equivalents	28	151,407	297,532
Total current assets		284,322	438,307
TOTAL ASSETS		541,175	616,566

PARENT COMPANY BALANCE SHEET CONT.

TSEK	Note	2021-12-31	2020-12-31
EQUITY AND LIABILITIES			
Shareholders equity			
<i>Restricted equity</i>			
Share capital	23	892	817
Reserve for development costs		99,438	82,779
		100,330	83,596
<i>Unrestricted equity</i>			
Share premium reserve		910,244	875,319
Retained earnings/loss		-541,235	-393,747
Profit/loss for the year		-97,475	-130,829
		271,534	350,743
Shareholders equity		371,864	434,339
Other liabilities			
Other provisions	24	23,686	18,337
		23,686	18,337

TSEK	Note	2021-12-31	2020-12-31
Non-current liabilities			
Other long-term liabilities	25	10,381	78,134
		10,381	78,134
Current liabilities			
Advance payments from customers		29,765	31,195
Accounts payable		5,461	14,897
Current tax liabilities		100	1,747
Other current liabilities	26	75,952	11,698
Accruals and deferred income	27	23,966	26,219
		135,244	85,756
TOTAL EQUITY AND LIABILITIES		541,175	616,566

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

TSEK	Restricted equity			Non-restricted equity			Total equity
	Share capital	Ongoing issue	Reserve for development costs	Share premium reserve	Retained profit or loss	Profit for the year	
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	–	–
<i>Transactions with owners:</i>							
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

TSEK	Restricted equity			Non-restricted equity			Total equity
	Share capital	Ongoing issue	Reserve for development costs	Share premium reserve	Retained profit or loss	Profit for the year	
Opening balance, 1 January 2021	817	–	82,779	875,319	-393,747	-130,829	434,339
Appropriation of prior year's profit/loss					-130,829	130,829	–
Profit/loss for the year						-97,475	-97,475
Total comprehensive income/loss	–	–	–	–	-130,829	33,354	-97,475
Capitalisation of development costs			28,925		-28,925		–
Utilisation as a result of the year's depreciation of development costs			-12,266		12,266		–
Total other	–	–	16,659	–	-16,659	–	–
<i>Transactions with owners:</i>							
New issues	75			34,925			35,000
Total transactions with shareholders	75	–	–	34,925	–	–	35,000
Closing balance, 31 December 2021	892	–	99,438	910,244	-541,235	-97,475	371,864

PARENT COMPANY CASH FLOW STATEMENT

TSEK	Note	2021	2020
Operating activities			
Operating profit		-141,900	-128,216
Adjustment for items not included in cash flow:			
Depreciation/amortisation		22,233	13,547
Provisions for guarantees		5,349	3,974
Unrealised fair value differences		0	359
Interest paid		1,547	54
Interest received		-4,079	-6,249
Cash from operating activities before changes in working capital		-116,850	-116,531
Cash flow from changes in working capital			
Decrease (+)/increase(-) in inventories		-802	-1,887
Decrease (+)/increase(-) in accounts receivables		541	-14,293
Decrease (+)/increase(-) in current receivables		4,147	-9,212
Decrease (-)/increase(+) in accounts payable		-9,436	7,046
Decrease (-)/increase(+) in other current liabilities		-2,323	30,344
Cash flow from operating activities		-124,723	-104,533
Investing activities			
Investment in intangible assets		-32,355	-38,046
Investment in tangible assets		-10,560	-1,296
Change in debts to group companies		-7,388	-8,051
Change in financial assets		1,304	18,074
Cash flow from investment activities		-48,999	-29,319

TSEK	Note	2021	2020
Financing activities			
New issues		35,000	244,863
Loans raised		0	78,864
Amortisation of loans	25	-7,403	0
Cash flow from financing activities		27,597	323,727
CASH FLOW FOR THE YEAR		-146,125	189,875
Cash and cash equivalents at beginning of the year		297,532	107,657
Cash and cash equivalents at year-end	28	151,407	297,532

NOTES

Note 1 General information

Climeon AB, corporate registration number 556846-1643, 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. 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 performance 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 & accrued income. Contract liabilities is categorised as customer prepayments and accrued cost & 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 18-36 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.

Other operating income

Other operating income consists primarily of internally capitalized development work, governmental grants and exchange-rate gains linked to operating activities.

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

Vid varje balansdag räknas monetära poster i utländsk valuta om till balansdagens kurs. Icke-monetära poster, som 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 significantly 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 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 assetsr

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 and 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.

Inventory

The company conducts annual stock takings in order to continuously ensure the inventory and its value. The company's inventory mainly consists of a finished inventory of assembled Heat Powder modules with associated components. These are for the most part prepaid by existing customers, whereby the company therefore, as of the balance sheet date, does not assess that there is any need for write down.

Capitalised development expenses

At the start of the year, Climeon AB had capitalised development expenses totalling SEK 100,487 thousand (83,816). 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 general impairment needs as of 31 December 2021.

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.

Accounts receivables

The Group's accounts receivable consist of relatively few and large receivables from relatively few customers. Impairment needs are therefor assessed item by item.

Capitalisation of loss carry forwards

Climeon AB has unutilised loss carry forwards amounting to SEK 599,452 thousand (459,300), 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 20.6% (21.4%).

Covid-19 and the war in Ukraine

The global pandemic and the Ukraine crisis are events that lead to increased uncertainty and the risk of negative economic impact. At the time of approving the financial statements, the Board has a reasonable expectation that the Group will have sufficient resources to continue operating 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 Climeon'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

352,361 thousand (424,463). The cash position and short-term investments amount to SEK 151,984 thousand (314,917). The equity ratio thus amounts to 64.6 percent (66.7).

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

12/31/2021	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	–	–	108,993	108,993
Accounts receivables	39,605	–	–	39,605
Other receivables	16,703	–	–	16,703
Cash and cash equivalents	151,984	–	–	151,984
Accounted value	208,292	0	108,993	317,285

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

Financial assets categorised as accrued acquisition value have determinable cash receipts and are not listed at any market-place. 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

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	12/31/2021	12/31/2020
Incoming fair value in Baseload Capital	45,440	5,800
Acquisition of shares	16,921	–
Change in fair value thru income statement	46,632	-360
Outgoing fair value in Baseload Capital	108,993	45,440

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	12/31/2021	12/31/2020
EUR	-16,827	9,321
USD	-782	-2,471
JPY	-1,886	-3,002
GBP	-2,148	-1,313
ISK	-1,905	-1,304

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 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.

	2021	12/31/2021	2020	12/31/2020
	Effect on profit/loss	Effect on equity	Effect on profit/loss	Effect on equity
<i>Currency exposure</i>				
EUR +[10]%	-1,683	-38,862	932	-2 384
EUR -[10]%	1,683	38,862	-932	2 384
JPY -[10]%	189	0	300	0
JPY +[10]%	-189	0	-300	0
ISK -[10]%	191	-56	130	-3
ISK +[10]%	-191	56	-130	3
USD -[10]%	78	15	247	6
USD +[10]%	-78	-15	-247	-6
GBP -[10]%	215	13	131	62
GBP +[10]%	-215	-13	-131	-62
<i>Interest</i>				
Financial expenses +[1]% -points	-758	0	-182	0
Financial income +[1]% -points	0	0	1,042	0

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.

12/31/2021	Within 3 month	3 - 12 month	1 - 5 years	Over 5 years	Total
Liabilities to credit institutions	7,554	61,478	10,381	–	79,413
Leasing debts	1,583	4,750	16,823	–	23,156
Accounts payable	5,692	–	–	–	5,692
Other current liabilities	2,500	4,820	–	–	7,320
Total	17,329	71,048	27,204	0	115,581

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

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 major counterparties. Accounts receivable are not concentrated to one specific geographical area, but vary in size over time between the counterparties. The Group therefore assesses that the concentration risks are periodically high.

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.

	12/31/2021	12/31/2020
Incoming reserve uncertain receivables	–	2,059
Confirmed loss	–	-2,059
Reservations of the year	4,200	–
Outgoing reserve uncertain receivables	4,200	–

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
- when the payment of the claim is 90 days due or more alternatively when information obtained internally or obtained from external sources indicates that the debtor is unlikely to pay his creditors.

The Group makes ongoing assessments of whether there is an established customer loss on its existing receivables. In the event of an estimated established customer loss, a corresponding write-down of the receivable is made.

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.

	12/31/2021	12/31/2020
Accounts receivable	39,605	27,194
Other long-term receivables	5,311	18,236
Other current receivables	16,703	20,555
Current investments	–	15,700
Cash and cash equivalents	151,984	299,217
Maximum exposure to credit risk	213,603	380,902

Note 5 Distribution of net sales

Revenue type	Consolidated		Parent company	
	2021	2020	2021	2020
Modules and other hardware	23,974	39,384	23,974	39,384
Services	4,791	3,950	3,572	3,825
Total	28,765	43,334	27,546	43,209

Geographic market	Consolidated		Parent company	
	2021	2020	2021	2020
Sweden	179	126	179	126
Europe	24,623	37,064	24,623	37,064
Asia	3,963	6,144	2,744	6,019
Total	28,765	43,334	27,546	43,209

Contract assets and liabilities

Contract assets	Consolidated		Parent company	
	2021	2020	2021	2020
Accrued income	14,973	16,407	14,973	16,407

Contract liabilities	Consolidated		Parent company	
	2021	2020	2021	2020
Prepaid income	2,608	3,236	2,608	3,236
Advances from customers	29,765	31,195	29,765	31,195
Contract liabilities total	32,373	34,431	32,373	34,431

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

Note 6 Other operating income

	Consolidated		Parent company	
	2021	2020	2021	2020
Grants from the Government	50	2,230	50	2,230
Re-invoiced costs	83	–	–	–
Total	133	2,230	50	2,230

Note 7 Auditor's fee

	Consolidated		Parent company	
	2021	2020	2021	2020
Deloitte AB				
Audit assignments	816	739	816	739
Other services	401	457	401	457
Moores Rowland CPAs				
Audit assignments	25	0	0	0
Total	1,242	1,196	1,217	1,196

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 remuneration and social security contributions

	Consolidated		Parent company	
	2021	2020	2021	2020
Average number of employees				
Average number of employees	60	85	52	79
share of women	20%	19%	21%	24%

	Consolidated		Parent company	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Distribution of senior executives on the closing day				
Women:				
Board members	25%	43%	25%	43%
The Management team	40%	25%	40%	29%

	Consolidated		Parent company	
	2021	2020	2021	2020
Salaries and remuneration				
Salaries and other remuneration	48,150	59,056	42,209	55,135
Pensions, defined contribution	5,558	6,739	5,499	6,727
Social insurance contributions	14,062	16,561	13,505	16,248
Total	67,770	82,356	61,213	78,110

	Consolidated		Parent company	
	2021	2020	2021	2020
Salaries and other remuneration for Board members, CEO and other employees				
Board and CEO	7,410	4,233	5,243	2,449
Other employees	40,740	54,823	36,966	52,686
Total	48,150	59,056	42,209	55,135

Salaries and remuneration to senior executives *

2021	Salary/Fee**	Variable remuneration	Other benefits	Pension costs	Total
Chairman of the Board Thomas Öström	641	–	46	61	748
Director Anders Lindberg	140	–	–	–	140
Director Therese Lundstedt	223	–	–	–	223
Director Jan Svensson	212	–	–	–	212
Former Chairman of the Board Per Olofsson	167	–	–	–	167
Former Director Charlotte Strand	153	–	–	–	153
Former Director Olle Bergström	83	–	–	–	83
Former Director Vivianne Holm	83	–	–	–	83
CEO Lena Sundquist	700	–	2	105	807
Former CEO Jan Bardell, invoiced fee until Sep	2,841	–	–	–	2,841
Other senior executives***	6,497	–	14	571	7,082
Total	11,740	–	62	737	12,539

* 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 two women and four men in the beginning of the year and one woman and three men at the end of the year.

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.

Remuneration of the Board

During the financial year, SEK 2,304 thousand (2,304) was paid as a fee to the Board of Directors of Climeon, of which a total of SEK 401 thousand (393) 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 347 thousand (909) and to Silon Consulting AB (Thomas Öström) with SEK 578 thousand (-).

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 2022 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 6 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

Lena Sundquist took over as CEO in August. Salary to Lena Sundquist amounted to SEK 700 thousand (-) and pension provision amounted to SEK 105 thousand (-). Jan Bardell resigned as CEO in August. Consultancy fees to Jan Bardell amounted to SEK 2,841 thousand (145).

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 two women and four men at the beginning of the year and one woman and three men at the end of the year. Salary to other senior executives during the year amounted to SEK 3,807 thousand (7,407), invoiced fee SEK 2,690 thousand and other benefits to SEK 14 thousand (43). Pension provisions during the year amounted to SEK 571 thousand (1,250).

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 2019/2022, issued 7/7/19	596,500	596,500	16.71	164.90	1/12/2022-30/12/2022	98,363

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

Total outstanding warrants	2021	2020
Outstanding beginning of year	905,165	987,129
Forfeited during the year	-308,665	-81,964
Total outstanding at year-end	596,500	905,165

With full exercise of all 596,500 warrants for subscription of the same number of B shares as above, it will include a share capital increase of a total of SEK 8,948 (quota value 0.015), which corresponds to a dilution of 1.00 percent of the number of outstanding shares and 0.39 percent of the number of outstanding votes (based on 59,440,679 outstanding shares, of which 10,450,000 A shares with 10 votes each and 48,990,679 B shares with one vote each).

Note 9 Interest income and other financial items

	Consolidated		Parent company	
	2021	2020	2021	2020
Interest income	1,620	162	1,372	162
Result in sale of financial assets	–	–	–	–
Exchange rate differences	4,517	3,810	4,517	3,810
Revaluation of financial assets	46,807	25	46,807	25
Total	52,944	3,997	52,696	3,997

Note 10 Interest expenses and other financial items

	Consolidated		Parent company	
	2021	2020	2021	2020
Interest expenses, other	-3,907	-886	-3,427	-886
Interest expenses on leased assets	-1,179	-1,453	–	–
Exchange rate differences	-4,844	-4,823	-4,844	-4,656
Revaluation of financial assets	–	-1,068	–	-1,068
Total	-9,930	-8,230	-8,271	-6,610

Note 11 Tax

	Consolidated		Parent company	
	2021	2020	2021	2020
Current tax	–	–	–	–
Change in temporary differences	65	77	–	–
Tax of the year	65	77	0	0
Recognised result before tax	-107,313	-139,884	-97,475	-130,829
Applicable tax rate 20.6% (21,4)	22,106	29,935	20,080	27,997
Tax effect of non-deductible expenses	-109	-173	-109	-173
Tax effect of non-taxable changes of value in financial assets	9,606	-77	9,606	-77
Tax effect of non-deductible expenses	65	77	–	–
Effect of uncapitalised loss carry forwards	-31,603	-29,685	-29,577	-27,747
This year's reported tax expense	65	77	0	0

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 599,452 thousand (467,400) 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 profits and weighted average numbers of ordinary shares have been used in calculating earnings per share:

	Consolidated	
	2021	2020
Profit for the year attributable to the Group's shareholders in SEK	-107,248,256	-139,807,256
Weighted average number of outstanding ordinary shares	55,690,679	50,682,452
Earnings per share before dilution, SEK	-1.93	-2.76

Profit 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	
	2021	2020
"Profit for the year attributable to the Company's shareholders"	-107,248,256	-139,807,256
Number of shares, before dilution	55,690,679	50,682,452
Number of shares, after dilution	55,690,679	50,682,452
Earnings per share after dilution, SEK	-1.93	-2.76

The Parent Company's warrant programs did not have any dilution effect in 2021 or 2020. Number of new B shares that may be added upon full utilisation of all 596,500 warrants, it will include a share capital increase of a total of SEK 8,948 (quota value 0.015), which corresponds to a dilution of 1.00 percent of the number of outstanding shares and 0.39 percent of the number of outstanding votes (based on 59,440,679 outstanding shares, of which 10,450 000 Class A shares with 10 votes each and 48,990,679 Class B shares with one vote each).

Note 13 Capitalised expenditures on development work

	Consolidated		Parent company	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Opening acquisition cost	115,746	79,066	115,746	79,066
This year's expenses for internally developed assets	31,307	36,680	31,307	36,680
Reclassifications	-279		-279	0
Closing accumulated cost	146,774	115,746	146,774	115,746
Opening amortisation	-27,714	-19,520	-27,714	-19,520
Reclassifications	-3,615		-3,615	0
Amortisation for the year	-12,266	-8,194	-12,266	-8,194
Closing accumulated amortisation	-43,595	-27,714	-43,595	-27,714
Opening impairment losses	-4,216	-3,715	-4,216	-3,715
Reclassifications	3,894		3,894	
Impairment losses for the year	-2,370	-501	-2,370	-501
Closing accumulated impairment losses	-2,692	-4,216	-2,692	-4,216
Closing carrying amount	100,487	83,816	100,487	83,816

Expenses for research and development that have been expensed during the year amounted to SEK 67 thousand (24).

Important estimates and assessments

Intangible fixed assets are tested for impairment in accordance with the accounting principles described in Note 3. The recoverable amount has been determined through discounted cash flows based on forecasts decided by management. For these calculations, certain estimates must be made regarding future cash flows and other adequate assumptions regarding, for example, required rate of returns.

Note 14 Patents, licenses, trademarks, and similar rights

	Consolidated		Parent company	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Opening acquisition cost	8,645	7,278	8,645	7,278
Purchases	1,049	1,367	1,049	1,367
Sales/Scrapping	-1,665		-1,665	0
Closing accumulated acquisition cost	8,029	8,645	8,029	8,645
Opening amortisation	-313	-174	-313	-174
Sales/Scrapping	335	0	335	0
Amortisation for the year	-539	-139	-539	-139
Closing accumulated amortisation	-517	-313	-517	-313
Opening impairment losses	-1,268	-1,252	-1,268	-1,252
Sales/Scrapping	1,330	0	1,330	0
Impairment losses for the year	-1,696	-16	-1,696	-16
Closing accumulated impairment losses	-1,634	-1,268	-1,634	-1,268
Closing carrying amount	5,878	7,064	5,878	7,064

Note 15 Leasehold improvements

	Consolidated		Parent company	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Opening acquisition cost	15,247	14,922	15,247	14,922
This year's leasehold improvements	7,466	325	6,722	325
Sales/Scrapping	-3,296		-3,296	0
Closing accumulated cost	19,417	15,247	18,673	15,247
Opening depreciation	-5,400	-2,867	-5,400	-2,867
Sales/Scrapping	3,296	-2,533	3,296	-2,533
Depreciation for the year	-2,801		-2,659	0
Closing accumulated depreciation	-4,905	-5,400	-4,763	-5,400
Opening impairment losses	-1,619	-1,619	-1,619	-1,619
Closing accumulated impairment losses	-1,619	-1,619	-1,619	-1,619
Closing carrying amount	12,893	8,228	12,291	8,228

Note 16 Plant and machinery

	Consolidated		Parent company	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Opening acquisition cost	15,342	14,565	15,342	14,565
Purchases	1,511	777	1,495	777
Sales/Scrapping	-649		-649	0
Closing accumulated cost	16,204	15,342	16,188	15,342
Opening depreciation	-6,041	-4,522	-6,041	-4,522
Sales/Scrapping	518		518	0
Depreciation for the year	-1,793	-1,519	-1,790	-1,519
Closing accumulated depreciation	-7,316	-6,041	-7,313	-6,041
Opening impairment losses	-4,255	-4,255	-4,255	-4,255
Impairment losses for the year	0	0	0	0
Closing accumulated impairment losses	-4,255	-4,255	-4,255	-4,255
Closing carrying amount	4,633	5,046	4,620	5,046

Note 17 Right to use assets

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

	Consolidated	
	12/31/2021	12/31/2020
Right to use assets		
Premises	21,037	26,007
Inventories	0	385
Vehicles	596	1,452
Closing carrying amount	21,633	27,844
Leasing liabilities		
Long term	17,826	23,473
Short term	5,330	5,578
Closing carrying amount	23,156	29,051

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	
	2021	2020
Premises	260	0
Vehicles	0	0
Closing carrying amount	260	0

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

	Consolidated	
	2021	2020
Premises	5,230	5,201
Inventories	205	273
Vehicles	294	325
Interest (part of financial costs)	1,183	1,453
Closing carrying amount	6,912	7,252

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	
	2021	2020
Net liability 1st January	29,051	36,168
Installments	-6,155	-7,117
Acquisition - lease	260	0
Closing carrying amount	23,156	29,051

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

Note 18 Equipment, tools and installations

	Consolidated		Parent company	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Opening acquisition cost	2,800	2,588	2,781	2,588
Purchases	2,388	212	2,328	193
Sales/Scrapping	-918		-918	0
Closing accumulated cost	4,270	2,800	4,191	2,781
Opening depreciation	-1,946	-1,296	-1,942	-1,296
Sales/Scrapping	856	0	856	0
Depreciation for the year	-720	-650	-705	-646
Closing accumulated depreciation	-1,810	-1,946	-1,791	-1,942
Opening impairment losses	0	0	0	0
Sales/Scrapping	78	0	78	0
Impairment losses for the year	-78	0	-78	0
Closing accumulated impairment losses	0	0	0	0
Closing carrying amount	2,460	854	2,400	839

Note 19 Long term financial assets

Long-term financial assets consist mainly of investments in the finance company Baseload Capital Holding AB of SEK 108,993 thousand (45,440), corresponding to 12.2 (15.7) percent ownership in the company. The company holds options in Baseload Capital Holding AB that have not been assigned any value.

Note 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 36,131 thousand (61,909), as raw material and consumables. The impairment losses of inventories, amounting to SEK 3,516 thousand (560), are included in the cost of raw materials and consumables.

Note 21 Accounts receivable

	Consolidated		Parent company	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Accounts receivable, gross	43,805	27,194	42,577	27,194
Written-down amounts	-4,200	–	-4,200	–
Accounts receivable, net	39,605	27,194	38,377	27,194

Age analysis, accounts receivable	Consolidated		Parent company	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Not overdue	1,395	63	167	63
Overdue by less than 30 days	11	13,591	11	13,591
Overdue by 31-60 days	0	–	0	–
Overdue by 61-90 days	0	330	0	330
Overdue by > 90 days	42,399	13,210	42,399	13,210
Total	43,805	27,194	42,577	27,194

Note 22 Prepaid expenses and accrued income

	Consolidated		Parent company	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Prepaid rent	2,055	1,894	1,979	1,801
Prepaid insurance premiums	164	140	154	140
Accrued income	14,973	16,407	14,973	16,407
Other items	1,777	3,246	1,581	3,246
Total	18,969	21,687	18,687	21,594

Note 23 Share capital

The share capital comprises 59,440,679 shares (49,310,479) with a quotient value of SEK 0,015 (0,015).

Note 24 Other provisions

	Consolidated		Parent company	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Warranty provisions				
Incoming carrying amount	18,337	14,363	18,337	14,363
This year's provision	2,833	4,946	2,833	4,946
This year's usage	-3,376	-972	-3,376	-972
Outgoing carrying amount	17,794	18,337	17,794	18,337

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

Other provisions of 5,892 (0) refer to provisions for loss contracts.

Note 25 Other long-term liabilities

	Consolidated		Parent company	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Swedish Energy Agency	10,381	10,381	10,381	10,381
Swedish Export Credit	0	67,753	0	67,753
Lease debt	23,156	29,051	0	0
thereof short-term liability of lease debt	-6,333	-5,578	0	0
Total	27,204	101,607	10,381	78,134

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

Condition loan The Swedish Energy Agency of SEK 10,381 thousand (14,081). Repayment of the loan is made with a net invoiced amount for the manufacture and sale of goods and services that are attributable to projects decided by the authority and its results.

Loan Swedish Export Credit of EUR 6,750 thousand (7,500), with a guarantee from the European Investment Fund with a term of two years. Partial repayments on the loan take place during the term.

	Consolidated		Parent company	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Financing debts				
Incoming debt	114,713	46,549	85,662	10,381
Amortisations of the year	-13,354	-5,455	-7,459	0
Redemptions of leases	0	-1,662	0	0
Exchange adjustment of the year	1,210	-3,583	1,210	-3,583
Reclassification according to IFRS 16	0	0	0	0
Admitted loans	0	78,864	0	78,864
Outgoing debt	102,569	114,713	79,413	85,662

Note 26 Other current liabilities

	Consolidated		Parent company	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Short time part out of long-term liability	69,032	7,528	69,032	7,528
Short time part out of lease liabilities	6,333	5,578	0	0
Liabilities for grants received	4,820	1,697	4,820	1,697
Social security contributions, retention tax	2,174	2,549	2,099	2,470
Other	326	30	1	3
Total	82,685	17,382	75,952	11,698

Note 27 Accruals and deferred income

	Consolidated		Parent company	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Accrued vacation pay	2,344	3,139	2,344	3,139
Accrued social security contributions	737	986	737	986
Prepaid income	2,608	3,236	2,608	3,236
Accrued operating costs	16,299	15,639	16,299	15,639
Other items	2,407	3,472	1,978	3,219
Total	24,395	26,472	23,966	26,219

Note 28 Cash and cash equivalents in the cash flow

	Consolidated		Parent company	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Cash	151,984	299,217	151,407	297,532
Total	151,984	299,217	151,407	297,532

Note 29 Pledged assets and contingent liabilities

	Consolidated		Parent company	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Floating charge, in own custody	20,800	20,800	20,800	20,800
Blocked bank funds	0	3,607	0	3,607
Total	20,800	24,407	20,800	24,407

Note 30 Transactions with related parties

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

	Consolidated		Parent company	
	2021	2020	2021	2020
Purchase of services				
Silon Consulting AB	578	0	578	0
Tessville AB	0	4	0	4
Weseba AB	0	9	0	9
B-Garden AB	347	909	347	909
Mercurius Financial Comm. AB	0	5	0	5
Total	925	927	925	927

Silon Consulting AB refers to consultancy services within business development performed outside the ordinary board work, the company is owned by the Chairman of the Board, Thomas Öström. Weseba AB refers to expenses and travel expenses in connection with board work, the company is owned by former Chairman of the Board Per Olofsson. B Garden AB refers to consultancy services within business development performed outside the ordinary board work, the company is owned by former board member Olle Bergström. Mercurius Financial Comm. AB assists in communication to investors and is owned by former board member Vivianne Holm. Tessville AB 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](#)

Climeon has implemented a division of its sales organization which has been reorganized into two teams, one for the marine market, and one team for land-based markets. As part of this, Christina Bäck, Head of Sales & Markets, terminated her employment at Climeon on January 31, 2022. In connection with this, two different sales teams were formed where Fredrik Thorén is responsible for the maritime part and is now also part of the company's management team.

The war in Ukraine has so far had no impact on the company's operations and any consequences are currently difficult to review and assess.

The Board proposes that no dividend is to be paid for the 2021 financial year.

Note 32 [Proposed appropriation of earnings](#)

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

Share premium reserve	910,244,301
Accumulated loss	-543,449,374
Loss for the year	-97,474,946
The Board's proposal for balanced profit to be carried forward	269,319,981

SIGNATURES

Kista, April 20, 2022			
	Thomas Öström		
	Chairman of the Board of Directors		Jan Svensson
Anders Lindberg		Therese Lundstedt	Lena Sundquist
			CEO
		Our audit report was submitted on April 20, 2022	
		Deloitte AB Johan Telander Authorized public accountant	

KEY NUMBERS

TSEK	2021	2020	2019	2018	2017
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 (%)	64.6	66.7	75.8	58.8	82.3
Debt ratio (times)	0.5	0.5	0.3	0.7	0.2
Net debt ratio (times)	-0.4	-0.7	-0.2	-0.4	-0.8
Earnings per share, before dilution, SEK	-1.93	-2.76	-2.33	-2.30	-1.54
Earnings per share, after dilution, SEK	-1.93	-2.76	-2.33	-2.30	-1.54
Equity per share, SEK	5.93	7.80	6.46	3.14	5.11

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 after depreciations as a percentage of net sales.
Profit margin	Profit for the period after financial items as a percentage of net sales.
Return on equity	Profit after financial items as a percentage of average shareholder's equity for the period.
Return on assets	Operating profit plus financial income as a percentage of total assets.
Return on capital employed	Operating profit 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 plus financial income divided by financial expenses (times).
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).
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 and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Climeon AB (publ.) for the financial year 2021-01-01 - 2021-12-31. The annual accounts and consolidated accounts of the company are included on pages 37-80 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 the parent company as of 31 December 2021 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2021 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

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 the parent company and the group 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 and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–36 and page 84. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated 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 and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated 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 Directors

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. 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 and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are respon-

sible for the assessment of the company's and the group'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 and consolidated accounts as a whole 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 on the basis of these annual accounts and consolidated accounts.

A further description of our responsibilities for the audit of the annual accounts and consolidated accounts is located at the Swedish Inspectorate of Auditors website: www.revisorsinspektionen.se/revisornsansvar

This description forms part of the auditor's report

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Climeon AB (publ.) for the financial year 2021-01-01 - 2021-12-31 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 the parent company and the group 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 Directors

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 and the group's type of operations, size and risks place on the size of the parent company's and the group'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 and the group'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 responsibilities for the audit of the management's administration is located at the Swedish Inspectorate of Auditors website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf.

This description forms part of the auditor's report.

Stockholm, 20th of April 2022
Deloitte AB

Signature on Swedish original

Johan Telander
Authorized public accountant

THE CLIMEON SHARE

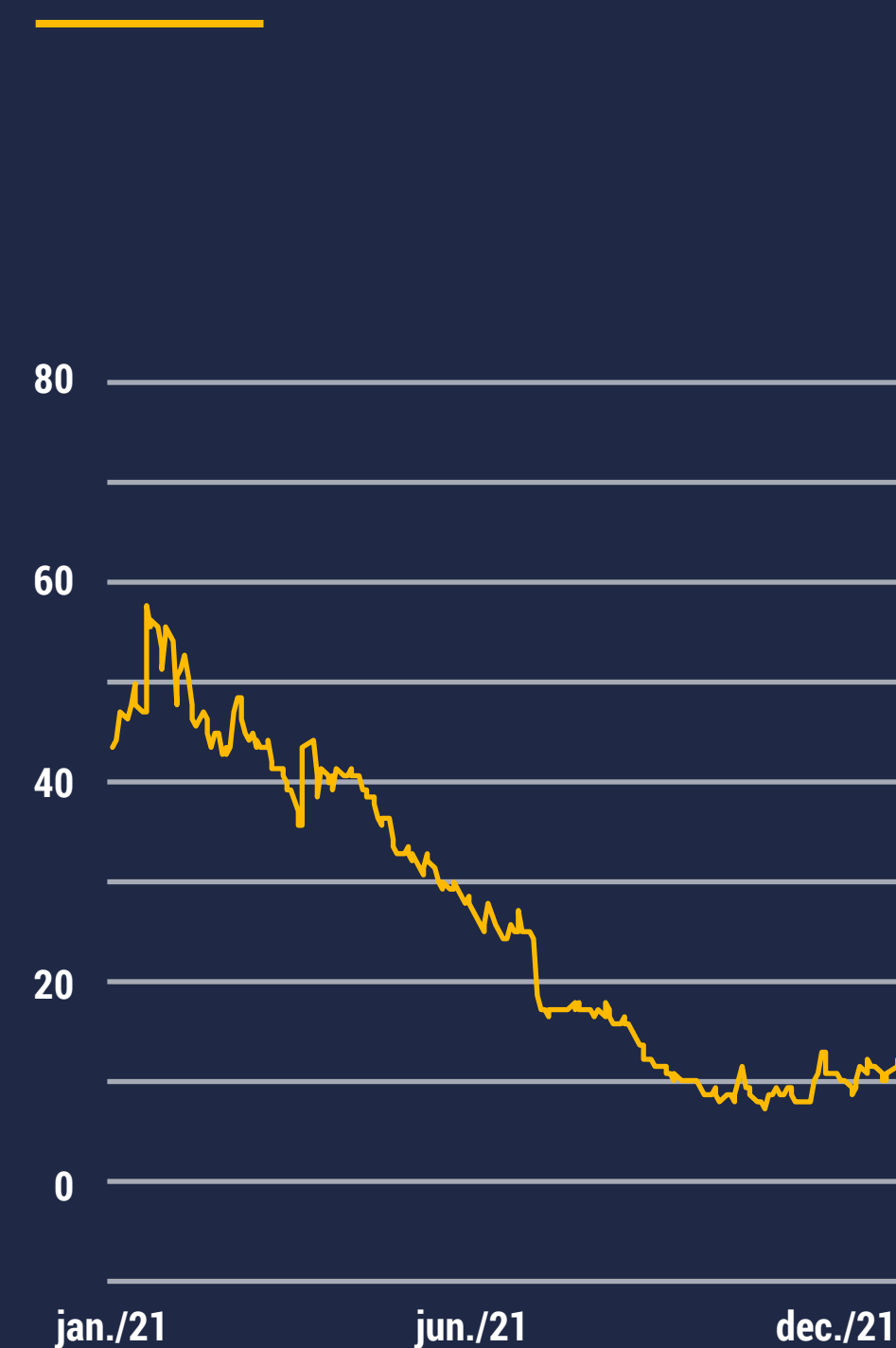
The company's fifteen largest shareholders as of December 31, 2021, are listed on the right. The company has issued two share classes, class A shares and class B shares. The only difference between the share classes is in voting rights. Each class A share entitles the holder to ten (10) votes and each 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 59,440,679 with a quota value of SEK 0.015, of which 10,450,000 are Class A shares, 10 votes/share, and 48,990,679 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 12.40 at the end of the year.

Share price development, SEK



The largest shareholders, 31 december 2021

Shareholders	Number of shares		Capital, %	Number of votes	Voting rights, %
	Series A	Series B			
Thomas Öström	8,900,000	130,900	15	89,130,900	58
Cidro Förvaltning	–	6,809,930	11	6,809,930	4
Joachim Karthäuser	1550000	2,114,300	6	17,614,300	11
Clearstream Banking S.A. W8IMY	–	3,034,513	5	3,034,513	2
Försäkringsbolaget, Avanza Pension	–	2,459,001	4	2,459,001	2
SEB AB, Luxembourg Branch, W8IMY	–	1,156,851	2	1,156,851	1
Olle Bergström	–	1,059,418	2	1,059,418	1
SEB-Stiftelsen	–	1,000,000	2	1,000,000	1
Nordnet Pensionsförsäkringar AB	–	839,098	1	839,098	1
Per Olofsson	–	580,000	1	580,000	0
Strand småbolagsfond	–	538,157	1	538,157	0
Klas Händel	–	536,867	1	536,867	0
Mathias Carnemark	–	490,710	1	490,710	0
Andreas Billström	–	440,816	1	440,816	0
Karolina Tham Von Heidenstam	–	432,200	1	432,200	0
Others	–	27,367,918	46	27,367,918	18
Total	10,450,000	48,990,679	100	153,490,679	100

Share data

	2021	2020
Total number of issued shares at period end	59,440,679	54,440,679
Average number of shares outstanding	55,690,679	50,682,452
Earnings per share, before and after dilution, SEK	-1.93	-2.76
Equity per share, SEK	5.93	7.80

CLIMEON

BUSINESS FOR A BETTER WORLD

Production: Climeon in co-operation with Milton
Photo: Climeon, Collector Bank, Johan Gustafsson, Gettyimages

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