



CLIMEON

INTERIM REPORT

1 January – 31 March 2019

Q1

FIRST QUARTER 2019

Net sales increased during the quarter to SEK 22.5 million (0.0) and operating profit improved to SEK -16.9 million (-20.1) attributable to deliveries within geothermal. The increase in value in Baseload Capital resulted in an improved profit after financial items SEK -7.3 million (-20.5). However, external factors in the form of customers' permitting processes within geothermal remain a challenge that extends current lead times. In total, the order backlog amounted to SEK 799.3 million (404.3) at the end of the quarter.

JANUARY – MARCH

- Net sales increased to SEK 22.5 million (0.0)
- Order intake amounted to SEK 0.0 million (51.5)
- Order backlog amounted to SEK 799.3 million (404.3)
- Operating profit/loss amounted to SEK -16.9 million (-20.1)
- Earnings per share amounted to SEK -0.2 (-0.5)
- Cash and cash equivalents amounted to SEK 71.9 million (90.0)
- Christoffer Andersson, former COO of Climeon, was appointed CFO and deputy CEO. Olle Tholander was appointed Head of Sales and Marketing
- Due to external factors Borealis GeoPower has experienced major delays, which is why Climeon has decided to remove their order, worth SEK 10 million, from the order backlog
- As of January 1, 2019, Climeon applies IFRS 9 for valuation of financial assets which implies that Baseload Capital will be valued at fair value
- Climeon has entered a collaboration with Breakthrough Energy Ventures to accelerate technology development and market establishment
- Climeon's first geothermal installation has been approved by the customer Varmaorka at a Site Acceptance Test. A longer test period has now begun before a complete handover of the operation will be made to Varmaorka

IMPORTANT POST-CLOSING EVENTS

- Climeon has carried out a directed new share issue of 3,000,000 Class B shares. The share issue was substantially over-subscribed with large interest from institutional investors in the Nordics, Germany, UK and US. Through the directed new share issue, Climeon received proceeds amounting to SEK 249 million, excluding transaction costs
- Climeon has received an additional order from Fincantieri/Virgin Voyages of Heat Power modules worth approximately SEK 15 million

WELL EQUIPPED FOR A GLOBAL EXPANSION



Thomas Öström, co-founder and CEO of Climeon.

23

NET SALES, SEK MILLION

799

ORDER BACKLOG, SEK MILLION

Since the beginning, we have methodically built Climeon with the aim of becoming a global company with potential to change the energy landscape. During the first months of 2019, we have taken further steps to increase the pace and width of our expansion, by finding strong partners such as Breakthrough Energy Ventures and through a directed new share issue which strengthened the cash position and added strong institutional investors in Europe and the US.

In March 2019, we announced the collaboration with Breakthrough Energy Ventures, a collaboration that gives us access to some of the world's most knowledgeable people within energy, technology and finance. Together with Breakthrough Energy Venture's technical experts, we will work to reduce the costs for our machines as well as for surrounding architecture. We will also work together to further develop the business plan in our focus countries and build ecosystems when we enter new markets.

During the quarter, we delivered our first machines to customers within the geothermal area in Japan. The conditions for low temperature geothermal heat power in Japan are very good and the market potential is great, which is why Japan is a prioritized geographic market for Climeon. However, having had a representative office open for almost a year we can note that the local licensing processes that customers have to go through, including for drilling and connecting electricity, take time. It remains a challenge for us that it takes more time for customers within geothermal to get their sites and permits in place than they and we initially estimated. These external factors extend current lead times.

In Iceland, work with Varmaorka on our first joint geothermal power plant has continued at a good pace. After extensive testing of our machines and the customer's surrounding design, the customer approved the facility in March. Now long-term tests are underway with Varmaorka and the electricity company HS Orka before complete handover of the operation to Varmaorka. Along the way, we have encountered many challenges in the construction of this first geothermal power plant. Now, Varmaorka and Climeon are taking all the learnings from this intensive first power project into the next projects to become even better at building geothermal power plants and supply more local communities with green electricity.

Shortly after the end of the first quarter, Climeon carried out a strongly oversubscribed directed new share issue and raised SEK 249 million from several reputable institutional investors in the Nordic countries, Germany, the UK and the US. With a strengthened cash position and very strong partners, we now have better conditions than ever to continue to build Climeon to become a leading global company.

Thomas Öström, CEO Climeon

MARKET DEVELOPMENT

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

Although the Japanese government has made policy changes to support smaller installations, <10MW, by increasing the feed in tariffs and streamlining the permitting and environmental impact assessment processes, the processes still take several months. Many land owners in rural Japan have struggled to find a commercial use for their land as the spa business has been in decline for several years. The interest in leasing their land out for small scale geothermal power development has therefore increased.

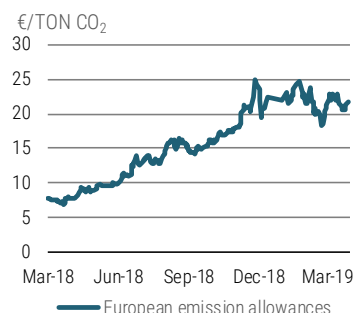
Iceland is seeing an increased electricity demand, but wind power has had problems taking off because of resistance from the public, just like new large hydro and geothermal projects. Climeon's customer Varmaorka has, in contrary to this trend, received a lot of positive feedback and interest in small-scale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

Within the maritime segment, oil prices have a direct impact on Climeon's customer repayment period, as the price of electricity on board is determined by the fuel price. At the end of the first quarter, the Brent crude oil price was 68 dollars a barrel (69).¹ The Sulphur directive², which limits the permitted sulfur content in fuel from 2020, continues to be in focus. The directive will imply that more expensive and more environmentally friendly fuels are needed, such as Marine Gasoil (MGO). The average price of MGO increased during the quarter and amounted to 711.5 dollars per ton (695.5).³

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

There has been a pressure on industry to improve energy efficiency for a while, which now increases as the financial incentives become more noticeable. Carbon dioxide emissions allowances have, until about a year ago, been so cheap that many companies see them as negligible. At the end of the quarter, European Emission Allowances cost about EUR 22 per ton CO₂, compared to EUR 13 per ton at the end of the first quarter 2018.⁴ Each Heat Power module saves about 900 tons of carbon dioxide per year, which reduces the need for emission allowances and becomes a significant financial saving for the customer.

EUROPEAN EMISSION ALLOWANCES⁴



Virgin Voyages CEO Tom McAlpine shows a model of their first vessel to Climeon's CEO Thomas Öström and Scanships' CEO Henrik Badin.



Varmaorka shows their first geothermal power plant to politicians and land owners from surrounding municipalities.

¹ BBC, [bbc.com/news/topics/cmj23708t/oil](https://www.bbc.com/news/topics/cmj23708t/oil)

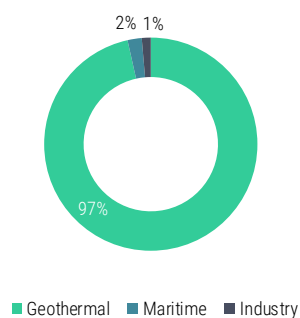
² International Maritime Organization, [imo.org/en/MediaCentre/HotTopics/Pages/Sulphur-2020.aspx](https://www.imo.org/en/MediaCentre/HotTopics/Pages/Sulphur-2020.aspx)

³ Ship and Bunker, shipandbunker.com/prices/av/global/av-glb-global-average-bunker-price#MGO

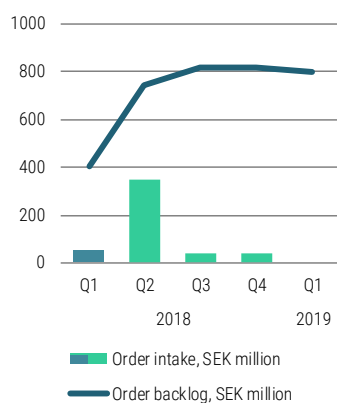
⁴ Business Insider Markets, markets.businessinsider.com/commodities/historical-prices/co2-emissionsrechte/euro

ORDER INTAKE, SALES AND DELIVERY

ORDER BACKLOG PER SEGMENT



ORDER INTAKE AND ORDER BACKLOG, SEK MILLION



ORDER INTAKE AND SALES

Order intake during the first quarter amounted to SEK 0.0 million (51.5).

At the end of the period the order backlog amounted to SEK 799.3 million (404.3), corresponding to 228 (137) Heat Power modules.

Due to external factors, Borealis GeoPower's geothermal project has experienced major delays. Climeon has therefore chosen to remove their order, three Heat Power modules worth approximately SEK 10 million, from the order backlog.

DELIVERY

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

The lead time from order to delivery of a module is expected to stabilize around 6–9 months and the time from order to launch around 12 months. At the moment, the lead times from order to delivery are generally longer, affected by the customers' site-readiness and permitting processes.

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

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

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



FINANCIAL DEVELOPMENT

JANUARY - MARCH

NET SALES AND RESULT

Net sales amounted to SEK 22.5 million (0.0). Net sales are attributable to delivery to customers in Japan and commissioning of Heat Power systems on Iceland.

Operating profit/loss amounted to SEK -16.9 million (-20.1). The profit improvement is attributable to deliveries within geothermal. Net financial income/expense amounted to SEK 9.6 million (-0.4). Profit/loss after financial items amounted to SEK -7.3 million (-20.5), positively affected by the increased value of the holding in Baseload Capital.

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

During the quarter, depreciations amounted to SEK -2.7 million (-2.7). The amount includes write-down of patents of SEK 0.0 million (0.6).

CASH FLOW

Cash flow from operating activities amounted to SEK -22.0 million (-16.4). Cash flow from investing activities amounted to SEK -7.8 million (-24.9), mainly due to continued capitalization of internally generated development expenses and patents SEK -4.3 million (-4.4). The company has also made continued strategic investments towards increasing capacity for serial production with a new test center in Kista SEK 3.2 million (0.0) which will also be used for development. Cash flow from financing activities amounted to SEK 11.7 million (7.1) as a result of new issues in connection with redemption of warrants. Cash flow for the quarter thus amounted to SEK -18.1 million (-34.2).

LONG-TERM FINANCIAL GOALS

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

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

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

CASH POSITION

Cash and cash equivalents decreased to SEK 71.9 million (90.0) at period-end, in line with the previously communicated business plan. The equity ratio, at the same time, increased to 60.6 percent (58.8) and the net debt/equity ratio amounted to -0.3 times (-0.4). Shareholder's equity amounted to SEK 164.1 million (159.6) or SEK 3.6 (3.1) per share.

INVESTMENTS

The company's investments during the period January–March amounted to SEK 7.8 million (48.1). These investments mainly consisted of acquisition of intangible assets SEK 4.3 million (18.1), mainly related to continuous development of Climeon Heat Power and patents, as well as investments in new test center 3.2 MSEK (8.5).

DEFERRED TAX ASSET

The company has unutilized loss carryforwards amounting to SEK 237.5 million (219.9), of which the tax effect has not been recognized as a deferred tax asset in the balance sheet.

OTHER INFORMATION

FINANCIAL CALENDAR

Annual General Meeting,
May 16, 2019

Interim report second quarter 2019,
August 28, 2019

Interim report third quarter 2019,
November 5, 2019

CONTACT INFORMATION

Thomas Öström, CEO
+46 708 94 96 05
thomas.ostrom@climeon.com

Christoffer Andersson, CFO and
Deputy CEO
+46 762 00 72 99
christoffer.andersson@climeon.com

Charlotte Becker, Head of Investor
Relations and PR
+46 730 37 07 07,
charlotte.becker@climeon.com

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

PERSONNEL AND ORGANIZATION

The average number of employees during the period January to March amounted to 74 (51), of which 25 percent women and 75 percent men. At period-end the number of employees amounted to 77 (53).

WARRANT PROGRAMS

As of March 31, 2019, the company has outstanding warrants, which entitle the holders to subscribe for 667,429 class B shares.

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

MATERIAL RISKS AND FACTORS OF UNCERTAINTY

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

REVIEW

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

This report has been published in a Swedish and an English version. The Swedish version shall prevail in the event of differences between the two.

COMPARATIVE FIGURES

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

FINANCIAL REPORTS IN BRIEF

INCOME STATEMENT

SEK, thousand	Note	Jan-Mar		Jan-Dec
		2019	2018	2018
Net sales	2	22,490	13	58,906
Capitalized work for own account		4,070	4,076	16,831
Other operating income		-3	841	3,351
Operating expenses				
Raw material and consumables 5)		-15,752	-1,425	-67,690
Other external expenses		-8,120	-6,794	-32,336
Personnel expenses		-16,914	-14,118	-66,194
Depreciation and amortization of tangible and intangible assets		-2,666	-2,669	-13,377
Other operating expenses		-	-2	-1,388
Operating profit/loss		-16,895	-20,078	-101,897
Profit from financial items				
Interest income and other financial items		10,400	-	18,038
Interest expenses and other financial items		-813	-375	-1,617
Profit/loss after financial items		-7,308	-20,453	-85,475
Tax		-	-	-
Profit/loss for the period 6)		-7,308	-20,453	-85,475
Earnings per share, SEK				
Before dilution		-0.16	-0.46	-2.30
After dilution		-0.16	-0.46	-2.30

5) Includes costs for warranty, service and capitalized work for own account

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

BALANCE SHEET

SEK, thousand	Note	31 Mar 2019	31 Mar 2018	31 Dec 2018
Assets				
Intangible non-current assets	3	44,556	36,537	42,057
Tangible non-current assets	4	20,154	10,590	17,524
Financial assets	5	48,100	19,902	37,700
Total non-current assets		112,810	67,029	97,281
Inventories		53,891	8,068	29,755
Accounts receivable		21,333	1,614	28,061
Other current receivables		10,463	9,801	13,862
Cash and cash equivalents		71,858	169,803	89,959
Total current assets		157,544	189,286	161,637
Total Assets		270,354	256,315	258,918
Equity and liabilities				
Share capital		693	673	676
Paid up, non-registered share capital		975	-	11,582
Reserve for development costs		37,278	29,792	34,653
Share premium reserve		369,732	343,587	347,366
Retained earnings		-244,604	-165,546	-234,671
Total shareholder's equity		164,074	208,506	159,606
Other provisions		7,416	1,524	7,416
Total provisions		7,416	1,524	7,416
Other non-current liabilities	6	11,756	28,081	12,381
Total non-current liabilities		11,756	28,081	12,381
Advance payments from customers		22,382	2,912	24,030
Accounts payable		31,079	4,712	24,572
Other current liabilities		33,647	10,580	30,913
Total current liabilities		87,107	18,204	79,515
Total equity and liabilities		270,354	256,315	258,918

7) Refers to the holding in Baseload Capital Sweden AB

STATEMENT OF CHANGES IN TOTAL EQUITY IN BRIEF

Statement of changes in total equity	Restricted equity			Unrestricted equity		
	Share capital	Paid up, non-registered share capital	Reserve for development costs	Premium reserve	Retained earnings	Total equity
Opening balance equity 2018-01-01	651	-	26,874	336,491	-142,175	221,841
Profit/loss for the period	-	-	-	-	-20,453	-20,453
Capitalization and utilization as a result of the period's depreciation of development costs	-	-	2,918	-	-2,918	-
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income/loss	-	-	2,918	-	-23,370	-20,453
<i>Transactions with shareholders</i>						
Exercise of warrants	22	-	-	7,096	-	7,118
Total transactions with shareholders	22	-	-	7,096	-	7,118
Closing balance equity 2018-03-31	673	-	29,792	343,587	-165,545	208,506
Opening balance equity 2019-01-01	676	11,582	34,653	347,366	-234,671	159,606
Profit/loss for the period 8)	-	-	-	-	-7,308	-7,308
Capitalization and utilization as a result of the period's depreciation of development costs	-	-	2,625	-	-2,625	-
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income/loss	-	-	2,625	-	-9,933	-7,308
<i>Transactions with shareholders</i>						
Exercise of warrants	16	-	-	22,367	-	22,383
Paid up, non-registered share capital	-	-10,606	-	-	-	-10,606
Total transactions with shareholders	16	-10,606	-	22,367	-	11,777
Closing balance equity 2019-03-31	693	975	37,278	369,732	-244,604	164,074

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

CASH FLOW STATEMENT IN BRIEF

SEK, thousand	Jan-Mar		Jan-Dec
	2019	2018	2018
Operating activities			
Operating profit	-16,895	-20,078	-101,896
Adjustments for items not included in cash flow	2,666	2,669	19,267
Financial items	-813	-375	-1,377
Cash flow from operating activities before changes in working capital	-15,042	-17,783	-84,006
Changes in working capital	-6,916	1,402	-5,164
Cash flow from operating activities	-21,958	-16,381	-89,170
Investing activities			
Investments in intangible assets	-4,312	-4,425	-18,145
Investments in tangible assets	-3,483	-583	-10,042
Investments in financial assets	-	-19,902	-19,902
Cash flow from investing activities	-7,795	-24,910	-48,089
Cash flow after investing activities	-29,753	-41,292	-137,259
Financing activities			
Raise of short-term debt	-	-	-
Raise of long-term debt	-125	-	-
New issue	10,801	7,118	10,900
Premiums paid for warrants	-	-	759
Paid up, non-registered share capital	975	-	11,582
Cash flow from financing activities	11,652	7,118	23,242
Cash flow for the period	-18,102	-34,174	-114,017
Cash and cash equivalents at the beginning of the period	89,959	203,977	203,977
Cash and cash equivalents at the end of the period	71,858	169,803	89,959

THE CLIMEON SHARE

LARGEST SHAREHOLDERS, MARCH 31, 2019

Shareholders	Number of shares		Capital, %	Number of votes	Voting rights, %
	Series A	Series B			
Thomas Öström	9,500,000	155,900	20.9	95,155,900	54.6
Joachim Karthäuser	4,750,000	4,300	10.3	47,504,300	27.2
Försäkringsbolaget, Avanza Pension	-	1,423,705	3.1	1,423,705	0.8
Handelsbanken Hållbar Energi	-	1,231,527	2.7	1,231,527	0.7
Stefan Brendgen	-	1,050,000	2.3	1,050,000	0.6
Olle Bergström	-	1,020,000	2.2	1,020,000	0.6
LMK	-	1,000,000	2.2	1,000,000	0.6
Nordnet Pensionsförsäkringar AB	-	949,742	2.1	949,742	0.5
Frontcore Logic AB	-	649,677	1.4	649,677	0.4
Mathias Carnemark	-	630,000	1.4	630,000	0.4
Per Olofsson	-	610,000	1.3	610,000	0.3
Andreas Billström	-	581,225	1.3	581,225	0.3
Klas Händel	-	545,316	1.2	545,316	0.3
Ålandsbanken i ägares ställe	-	536,976	1.2	536,976	0.3
Skandia fonder	-	450,000	1.0	450,000	0.3
Others	-	21,091,911	45.7	21,091,911	12.1
Total	14,250,000	31,930,279	100.0	174,430,279	100.0

SHARE INFORMATION⁹⁾

The number of shares in Climeon amounts to 46,180,279 with quota value of SEK 0.015, of which 14,250,000 are Class A shares, 10 votes/share, and 31,930,279 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 95.15 at the end of the period.

SHARE PRICE DEVELOPMENT



	Jan-Mar		Jan-Dec
	2019	2018	2018
Total number of issued shares at period end	46,180,279	44,875,179	45,097,579
Average number of shares outstanding	45,180,279	44,701,846	44,850,379
Earnings per share, before dilution, SEK	-0.16	-0.46	-2.30
Earnings per share, after dilution, SEK	-0.16	-0.46	-2.30
Equity per share, SEK	3.55	4.65	3.14

⁹⁾ Split 1:100 was executed during second quarter 2017, comparative data has been translated

NOTES

NOTE 1 ACCOUNTING PRINCIPLES

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

IFRS 9 FINANCIAL INSTRUMENTS

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

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

FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

THE FAIR VALUE OF THE FINANCIAL INSTRUMENT

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

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

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

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

AMORTIZED COST

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

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

CASH AND CASH EQUIVALENTS

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

IFRS 16 LEASING

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

IFRS 8 OPERATING SEGMENTS

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

NOTE 2 DISTRIBUTION OF NET SALES

SEK, thousand	Jan-Mar		Jan-Dec
	2019	2018	2018
Revenue type			
Hardware	22,434	-	58,846
Consulting and support services	56	13	73
Total	22,490	13	58,919
Geographic market			
Sweden	503	5	52
Europe	1,150	8	35,033
North America	-	-	12,051
Asia	20,837	-	11,783
Total	22,490	13	58,919

NOTE 3 INTANGIBLE ASSETS

Intangible assets comprise capitalized expenditure on development SEK 39.7 million (37.4) and patents SEK 4.9 million (4.7). In the first quarter of 2019, write-down of patents was made of SEK 0.0 million (0.6) and capitalization of development expenses of SEK 0.0 million (0.0). Decisions regarding write-downs of patents has been based on the fact that they relate to products or business areas that are no longer used in the product or are in focus for the company's operations. In the first quarter of 2019 depreciations amounted to SEK 1.8 million (1.5).

NOTE 4 TANGIBLE ASSETS

Tangible assets comprise leasehold improvements SEK 13.6 million (10.5), equipment SEK 0.9 million (0.9), technical equipment SEK 3.0 million (3.5), and systems located at customer premises and where the customers pay for the electricity generated ("As-a-Service") SEK 2.5 million (2.6). In the first quarter of 2019 depreciations amounted to SEK 0.9 million (0.6).

NOTE 5 FINANCIAL ASSETS

Financial assets consist of investments in the finance company Baseload Capital Sweden AB of SEK 48.1 million (37.7), corresponding to 15.7 (19.8) percent ownership in the company. The amounts are reported at fair value.

NOTE 6 BORROWINGS

Long-term liabilities comprise a conditional loan from the Swedish Energy Agency for the development of Climeon Heat Power SEK 14.1 million (14.1), Almi Företagspartner of SEK 1.9 million (2.0) and loan for order financing from Almi Företagspartner of SEK 12.0 million (12.0), of which short-term SEK 16.2 million (15.7).

NOTE 7 PLEDGED ASSETS AND CONTINGENT LIABILITIES

Pledged assets and contingent liabilities amount to SEK 21.6 million (22.9) and comprise a floating charge to Almi Företagspartner of SEK 20.8 million (20.8), and pledged bank deposits of SEK 0.8 million (2.1) for prepayment guarantees to suppliers and customers.

KEY NUMBERS

	Jan-Mar		Jan-Dec
	2019	2018	2018
Order intake, SEK million	-	51.5	478.5
Order backlog, SEK million	799.3	404.3	818.6
Equity ratio (%)	60.6	80.7	58.8
Debt ratio (times)	0.7	0.2	0.7
Net debt ratio (times)	-0.3	-0.7	-0.4
Earnings per share, before dilution, SEK	-0.16	-0.46	-2.30
Earnings per share, after dilution, SEK	-0.16	-0.46	-2.30
Equity per share, SEK	3.55	4.65	3.14
Cash and cash equivalents, SEK Million	71.9	169.8	90.0
Share price at period end, CLIME B, SEK	95.15	48.00	51.00

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

DEFINITIONS

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

QUARTERLY FIGURES

INCOME STATEMENT

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

BALANCE SHEET

SEK, million	2019	2018				
	Q1	Q4	Q3	Q2	Q1	Full-year
Intangible non-current assets	44.6	42.1	42.1	40.4	36.5	42.1
Tangible non-current assets	20.2	17.5	11.9	10.4	10.6	17.5
Financial assets	48.1	37.7	19.9	19.9	19.9	37.7
Total non-current assets	112.8	97.3	73.9	70.7	67.0	97.3
Inventories	53.9	29.8	40.6	19.7	8.1	29.8
Current receivables	31.8	41.9	9.8	18.2	11.4	41.9
Cash and cash equivalents	71.9	90.0	143.6	161.2	169.8	90.0
Total current assets	157.5	161.6	194.0	199.1	189.3	161.6
Total assets	270.4	258.9	267.9	269.8	256.3	258.9
Shareholder's equity	164.1	159.6	159.8	183.3	208.5	159.6
Non-current liabilities and other provisions	35.4	35.5	31.6	30.7	29.6	35.5
Current liabilities	70.9	63.8	76.5	55.7	18.2	63.8
Total equity and liabilities	270.4	258.9	267.9	269.8	256.3	258.9

CASH FLOW STATEMENT

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

THIS IS CLIMEON

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

VISION

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

BUSINESS IDEA

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

LONG-TERM GOALS

OPERATIONAL GOALS

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

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

FINANCIAL GOALS

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

CORE VALUES



BE AMAZING



ALWAYS DELIVER



DO GOOD



CLIMEON