



# **YEAR-END REPORT 2017** **1 JANUARY–31 DECEMBER**

**CLIMEON**  
Business for a better world

# FOURTH QUARTER AND FULL YEAR 2017

## Financial development, October - December

- Order intake amounted to SEK 12.6 million (0.0)
- Net sales amounted to SEK 11.1 million (2.5)
- Operating profit/loss amounted to SEK -20.2 million (-13.3)
- Earnings per share amounted to SEK -0.48 (-0.38)
- Cash amounted to SEK 204.0 million (51.3)
- New share issues provided a total of SEK 224.0 million net
- Cash flow from operating activities amounted to SEK -22.1 million (-8.9)

## Important events, October - December

- An order of SEK 12.6 million was signed with Wendel Energy Operations I, LLC, for delivery to a geothermal power plant in California, the world's largest geothermal power generation market
- A Letter of Intent covering a supply of Climeon Heat Power modules to a geothermal power plant project in the Municipality of Kirchweidach in Germany was signed. The potential order value is estimated to be about EUR 5 million
- An important milestone was reached with successful approval under the Factory Acceptance Test of Climeon's first volume order. The first six Climeon Heat Power units of a total of 18 was delivered to Fincantieri Shipyard in Romania
- Climeon's class B share was listed on Nasdaq First North Premier on 13 October 2017 under the short name "CLIME". In connection to the listing, capital was raised through a new share issue of class B shares
- Climeon received an award at Green Shipping Rotterdam Summit as "the most exceptional contribution to green shipping of the year"
- Short-term shareholder loans SEK 12.1 million and loan from Collector Bank SEK 8.8 million was settled

## Financial development, January - December

- Order intake amounted to SEK 330.1 (34.2) million. Order backlog amounted to SEK 352.9 (34.2) million, consisting of 124 Heat Power modules
- Net sales amounted to SEK 11.9 million (2.9)
- Operating profit/loss amounted to SEK -56.7 million (-35.4)
- Earnings per share amounted to SEK -1.54 (-1.06)
- Cash amounted to SEK 204.0 million (51.3)
- New share issues provided a total of SEK 224.0 million net
- Cash flow from operating activities amounted to SEK -58.6 million (-29.2)

## Important post-closing events

- In January 2018, it was announced that Climeon owners, Gullspång Invest AB, LMK Forward AB and Blue AB, establish a finance company Baseload Capital Sweden AB to accelerate global geothermal heat power projects. The owners will jointly invest SEK 60 million as initial capital in Baseload Capital and Climeon will participate beyond this through a minority post amounting to a maximum of 20 percent of the shares in the company
- A business agreement worth over EUR 5 million was signed in February with the geothermal power plant in Kirchweidach, Germany resulting from the Letter of Intent signed in the fourth quarter
- Karl Brodin was appointed new Head of Research & Development. Karl's most recent employment was with Atlas Copco where he held leading roles within Business and Product development
- A redemption of outstanding warrants during January 2018 resulted in 1,195,800 new B shares
- The conditional agreement signed with Varmaorka (subsidiary to CP Energy) in August 2017 has been converted into a firm order with delivery starting in the second quarter 2018. Climeon's previous financing commitments have been taken over by Baseload Capital





*Comment from the CEO*

# SUCCESSFUL DELIVERY AND GREAT STRIDES TOWARD NEW BUSINESS AND HIGHER NET SALES



We have a vision of becoming the number one Climate Solver in the world, enabling a fossil-free world using heat power. Over the last quarter, we have done many things to strengthen our belief that this is a real possibility. The need for a renewable baseload is increasing every day, with energy consumption set to rise by the whole of India and China by 2040<sup>1)</sup>. 2017 was a year when climate changes had an effect on the total economy of various countries. Heat power has everything required to become one of the major clean energy sources, maybe the biggest one of them all, and we have already secured a very strong position in this area at this early stage.

Now that the first six Heat Power modules have been delivered as planned to Fincantieri/Virgin Voyages, our net sales is reflecting our progress. Net sales for the fourth quarter increased to SEK 11.1 million (2.5) while cash developed in line with the plans set out in our prospectus from September 2017, amounting to SEK 204 million at the end of the year. The gross margin for the contracted orders in 2017 was much higher than for the first deal with Fincantieri and we have a clear plan in place to achieve our long-term target to reach a gross margin of 50 percent.

The company continues to be built at a blistering pace. In the fourth quarter we continued to raise the profile by securing our first order in the USA, delivering to Richard Branson's ships via our new high-volume production facility, and enhancing our position as a leader in geothermal heat power at low temperatures.

During the work on geothermal heat power this autumn, it became clear that, just as with solar and hydro power, it is crucial for customers to find favorable financing, and we have seen that the majority of geothermal deals will require financing solutions. In 2017 Climeon broke new ground with the Swedish Export Credit Agency (EKN) and Almi in order

to facilitate financing. Now the next step in the process is taken. During the first weeks in 2018, it was announced that three investors, Gullspång Invest AB, LMK Forward AB and Blue AB, establish a finance company Baseload Capital to accelerate global geothermal heat power projects. The owners will jointly invest SEK 60 million as initial capital in Baseload Capital and Climeon will participate through a minority post amounting to a maximum of 20 percent. In practical terms, this enables Climeon's customers and others to access financing more quickly and easily than would normally be the case. This will therefore accelerate the expansion of clean electrical power from heat from the Earth. Climeon's leading efficiency lies at the heart of why its customers can earn money, but it is financing that makes this more readily available.

The final order of 2017 was secured days before Christmas Eve. It was the first order on the US geothermal market, making it a perfect way to end the year. Along with the Icelandic deal in August, this deal has raised Climeon's profile as the leading company for geothermal heat power at low temperatures, as previous solutions were too inefficient to be profitable.

2018 has been characterized by the same strong trends. A business agreement worth over EUR 5 million was signed in February with the geothermal power plant in Kirchweidach, Germany.

The listing of the company in October was strongly oversubscribed, providing us with a strong cash base to fuel our expansion, and now that we are supported by Baseload Capital, the need for Climeon to finance customer projects will reduce and we can focus on our core business, the products.

The successful deliveries from Mastec's production plant in Vaggeryd, with the high-volume production of the modules to Fincantieri, has been another major stride towards the mass market as they were approved by the certification body Lloyd's Register and shipped before Christmas. Representatives from Virgin Voyages, Fincantieri and Lloyds worked with Climeon's team, performing rigorous tests, which resulted in a green light for the modules to be delivered. These ships are currently being built and will be launched in 2019.

During the quarter we have continued to strengthen our team and the latest addition to the management team is Karl Brodin, Head of R&D. Karl has held leading positions within Business development and R&D in Atlas Copco. Karl will be a strong addition to our powerful mix of entrepreneurial spirit and experience from larger corporations. We continue to build an exceptionally good team that is creating the number one Climate Solver empowering a fossil-free world using heat power.

**Thomas Öström**  
CEO

1) [iea.org/weo2017/](http://iea.org/weo2017/)

# MARKET TRENDS, ORDERS, SALES AND DELIVERY

## Market trends

Climeon's market has two main application areas: industrial heat power and geothermal heat power. Heat power has everything required to become one of the main sources of renewable energy as it can produce stable electricity generation at a low cost and the modul does not require a lot of space.

Geothermal heat power transforms heat from the ground into electricity using a heat power system. Climeon has a unique competitive edge as it can extract geothermal heat power (hot water/steam) at such a high level of efficiency that it generates profitability for customers at temperatures as low as 70–120 degrees.

The trend in the macroeconomy remains very favorable for renewable energy, while there is ever greater resistance to fossil fuels. In December, the World Bank announced its decision to stop funding projects for extracting oil and natural gas in developing countries in order to reach the targets from the 2016 climate agreement.<sup>2)</sup> This sends out an important signal to the energy sector around the world that changes the ground rules for actors in the industry and strengthens the prerequisites for growth in renewable energy.

Some renewable sources, such as solar and hydro power, are only available when the weather and the time of day allow, so heat power is an important complement to them.

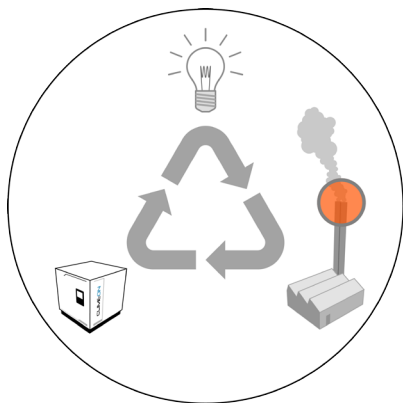
During the Green Shipping Rotterdam Summit, Climeon was awarded the prize for "The most exceptional contribution to green shipping of the year". This is an important milestone in the company's work to make the maritime cruise and freight industry more eco-friendly.

## Orders received, sales and delivery

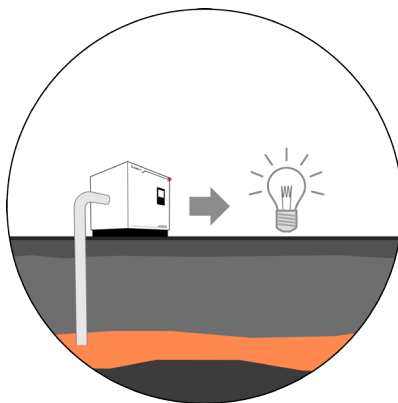
The order from Fincantieri Shipyard, for 18 Climeon Heat Power modules that will be installed in three cruise ships, was signed in the spring of 2016. The first six modules have now been produced, tested, delivered and invoiced. These will be installed in Virgin Voyage's first cruise ship, which will be launched in 2019.

Just before Christmas Eve, Climeon received its final order of the year, making important inroads into the strategically important North American market through a geothermal heat power plant in California. USA is currently the biggest market in the world for geothermal heat power and the West Coast has an abundant supply of this heat at depths that are relatively easy to access. The order is yet more proof of Climeon's strength as a supplier of a renewable base-load. Together with the earlier Icelandic order for 100 modules, this shows that the company is becoming a leading player in the heat power category.

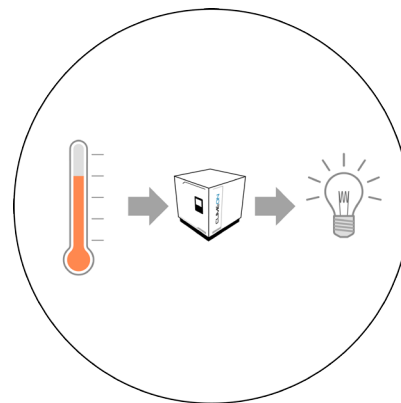
Industrial heat power



Geothermal heat power



Heat Power



2) [theguardian.com/business/2017/dec/12/uk-banks-join-multinationals-pledge-come-clean-climate-change-risks-mark-carney](https://www.theguardian.com/business/2017/dec/12/uk-banks-join-multinationals-pledge-come-clean-climate-change-risks-mark-carney)

### Customer and project financing solutions

As with solar and hydro power plants, it is crucial for geothermal heat power that customers have access to favorable financing solutions, investments and loans so that they can acquire heat power technology and its installations.

The basis for each deal is a power purchase agreement (PPA) from the end customer, such as a state, municipality or electricity company that buys electricity at a certain price per kilowatt hour for a certain period of time typically 15-20 years. The end customer's long-term strength as well as geothermal's stable and predictable attributes makes it easy to predict future cash flow that builds the foundation for attractive and advantageous financing solution.

Climeon's efficient and cost effective system make investments profitable already at relatively low electricity prices.

Further down the road, the goal is for customers to be able to access financing via banks and institutions, e.g. green bonds as is the case for solar and wind power. Growth companies with new technologies like Climeon do normally not have access to such financing which is exclusive to large and established companies. Climeon has therefore for the break through orders in geothermal heat power during 2017 temporarily been supporting with the customer financing. In the Icelandic order this included both a promissory note and a supplier's credit, i.e. that the customer pays off the debt with the cash flow generated by the Climeon products. In the scaling that Climeon is currently going through, it has become clear that such financing solutions needed external parties, someone who can give customers attractive financing without being limited by Climeon's cash reserves or balance sheet.

“We see great business potential in renewable energy from geothermal heat power and are extremely pleased to now enable the leverage of project finance to grow it.”

Magnus Brandberg, Partner, Gullspång Invest

During the autumn IPO roadshow, several of Climeon's investors showed interest to contribute with project financing this was also one of the factors in choosing cornerstone investors. As a consequence, it was announced in January 2018, that three of the investors LMK Forward AB, Blue AB and Gullspång Invest AB establish Baseload Capital. Customers for geothermal projects can apply for loans and investments towards building profitable power plants at Baseload Capital. This means Climeon is kept focused on developing, selling and delivering leading products while financing customer projects is provided by Baseload Capital and others.

Geothermal powerplants at low temperatures with products from Climeon and other vendors hence get a much easier path to financing, profits and growth.



Baseload Capital

<http://www.baseloadcap.com>

# FINANCIAL DEVELOPMENT

## OCTOBER – DECEMBER

### Order intake

Fourth quarter order intake amounted to SEK 12.6 million (0.0). The company continues to break new ground through an agreement with Wendel Energy Operations I, LLC, for a geothermal power plant in California, that leads to an entrance to the strategically important US market.

At the end of the quarter, the order backlog amounted to SEK 352.9 million (34.2), corresponding to 124 Heat Power modules.

### Net sales

Net sales during the fourth quarter amounted to SEK 11.1 million (2.5), an increase with 339 percent compared to previous year.

Operating profit/loss for the fourth quarter amounted to SEK -20.2 million (-13.3). The decrease in profit compared to the previous year was mainly attributable to increased expenses, primarily related to the construction of the sales, delivery and service organization, which is reflected in increased personnel costs and other external costs. Climeon has also done strategic investments in moving from single-module production to volume capacity. During the quarter SEK 6.2 million was capitalized as development cost for own account mainly related to continuous development of Climeon Heat Power. Net financial income/expense amounted to SEK -0.1 million (-0.1). Profit before tax amounted to SEK -20.3 million (-13.4).

### Cash flow

Cash flow from operating activities amounted to SEK -22.1 million (-8.9) during the fourth quarter and has been adversely affected by the cost increase relating to build-up of the organization. Cash flow from investing activities amounted to SEK -11.1 million (-6.2) and has mainly been affected by continued investments in capitalized development costs and patents (SEK -8.1 million). Cash flow from financing activities amounted to SEK 203.5 million (58.0). The new share issues SEK 224.0 million performed in the fourth quarter has positively affected cash flow from financing activities. In addition, short-term loans corresponding to SEK 20.9 million have been settled. Cash flow for the period amounted to SEK 170.3 million (43.0).

## JANUARY – DECEMBER

### Order intake and order backlog

Order intake for the full year amounted to MSEK 330.1 (34.2). The previously conditional order within the geothermal segment from the Icelandic company Varmaorka (subsidiary to CP Energy) has been converted into a firm order.

At the end of the period, the order backlog amounted to SEK 352.9 million (34.2), corresponding to 124 Heat Power modules.

### Net sales

Net sales during the period January - December amounted to SEK 11.9 million (2.9), an increase with 311 percent compared to the previous year.

Operating profit/loss for the period January - December amounted to SEK -56.7 million (-35.4). Net financial income/expense amounted to SEK -0.8 million (-0.1). Profit before tax amounted to SEK -57.5 million (-35.6).

Accumulated earnings for the whole year to date was also affected by the increase in expenses, which was related to a successive build-up of the organisation.

### Cash flow

Cash flow from operating activities for the period January - December amounted to SEK -58.6 million (-29.2). Cash flow from investing activities amounted to SEK -26.7 million (-16.3). Cash flow from financing activities amounted to SEK 238.0 million (62.2). The new issued shares in the period in conjunction with the listing on Nasdaq First North Premier has positively affected cash flow from financing activities. In total, the company raised SEK 230 million before issue expenses. In addition, raised loans from Almi Företagspartner of SEK 12,0 million and paid premiums for warrants SEK 1.2 million further strengthened the cash. Cash flow for the period amounted to SEK 152.7 million (16.8).

## Financial position and liquidity

As of 31 December, cash and cash equivalents amounted to SEK 204.0 million (51.3). At the end of December 2017, shareholders equity amounted to SEK 221.8 million (53.3) or SEK 5.1 (1.5) per share. The equity ratio amounted to 82.3 percent (65.7). The debt ratio amounted to 0.2 times (0.5) and the net debt ratio amounted to -0.8 times (-0.7). At the end of the period, inventories amounted to SEK 5.6 million (4.6), of which SEK 2.0 million (1.1) consisted of work in progress.

## Investments

The company's investments in tangible and intangible assets from January until December amounted to SEK 26.7 million (16.3). These investments mainly consist of intangible assets in the form of capitalised development costs SEK 18.3 million (10.6), mainly related to continuous development of Climeon Heat Power, and patents.

## Deferred tax asset

The company has unutilised loss carryforwards amounting to SEK 117,3 million (60,6), of which the tax effect has not been recognised as a deferred tax asset in the balance sheet.

## OTHER INFORMATION

### Personnel and organisation

The average number of employees during the period January until December amounted to 37 (25), of which 26 percent women and 74 percent men. At the end of December, the number of employees was 46 (29). The company has expanded the management team from 1 October 2017 with Carina Osmund, Head of Production and Sourcing. In addition, Karl Brodin has been recruited as Head of Research & Development. Karl will take up his new position on April 1, 2018.

### Related party transactions

Related party transactions amounted to SEK 0.9 million (0.8) during the period January - December. These consist of SEK 0.3 million (0.3) attributable to consultancy fees to Helen Öström Verksamhetsutveckling AB for administrative services. Helen is married to the company's CEO, Thomas Öström. In addition to ordinary Board of Director duties, consultancy services are performed by B Garden AB (owned by board member Olle Bergström) and amounts to SEK 0.4 million (0.4) and Weseba AB (owned by chairman Per Olofsson) and amounts to SEK 0.2 million (0.1). All purchases from related parties have been conducted at marked based terms.

During the quarter, the company has repaid short-term shareholder loans from Thomas Öström, Joachim Karthäuser and Per Olofsson (via Weseba AB) amounting to SEK 1.2, 0.5 and 1 million, respectively. The loans had maturity from 1 July until 31 December 2017 and carried an annual interest rate of 7.5 percent.

### Warrant programs

There are outstanding warrant programs issued to Board of Directors and management team. For further information regarding the warrants, refer to the company's website, Investor/The share/Warrant programs.

### Annual General Meeting

Climeon's Annual General Meeting is held at Scalateatern in Stockholm on April 19, 2018 at 4 pm. Notice of the meeting will be published in Post and International Newspapers and available on Climeon's website [www.climeon.com](http://www.climeon.com) March 22, 2018. That the notice has occurred will also be announced in Dagens Industri. On the company's website, the Board's proposal for a decision to attend the meeting will also be available, and it is also possible to register to the Annual General Meeting via the website.

### Material risks and factors of uncertainty

Material financial risks and uncertainties of the company includes market risks related to agreements with customers and suppliers, liquidity and financing risks and credit and counterparty risks. A detailed presentation of the company's material financial risks is found in the directors' report in the annual report for 2016.

### Significant events subsequent to the reporting period

- In January 2018, it was announced that Climeon owners, Gullspång Invest AB, LMK Forward AB and Blue AB, establish the finance company Baseload Capital to accelerate global geothermal heat power projects. The owners will jointly invest SEK 60 million as initial capital in Baseload Capital and Climeon will participate beyond this through a minority post amounting to a maximum of 20 percent of the shares in the company
- Climeon has recruited Karl Brodin to the role as Head of Research & Development. Karl Brodin is currently Business Manager in the Motor Vehicle Division at Atlas Copco Industrial Technique. Karl has a long experience from Research & Development, Marketing and Operations
- A business agreement worth over EUR 5 million was signed in February with the geothermal power plant in Kirchweidach, Germany resulting from the Letter of Intent signed in the fourth quarter
- A redemption of outstanding warrants during January has resulted in 1,195,800 new B shares
- The conditional agreement signed with Varmaorka (subsidiary to CP Energy) in August 2017 has been converted into a firm order with delivery starting in the second quarter 2018. Climeon's previous financing commitments have been taken over by Baseload Capital

### The share

The B share was listed on Nasdaq First North Premier on 13 October 2017.

### Financial Calendar

Annual report published,	22 March 2018
Annual General Meeting,	19 April 2018
Interim report first quarter 2018,	18 May 2018
Interim report second quarter 2018,	29 August 2018
Interim report third quarter 2018,	22 November 2018

### Further information

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

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

### Review

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

# FINANCIAL REPORTS IN BRIEF

## INCOME STATEMENT

TSEK	Oct–Dec 2017	Oct–Dec 2016	Jan–Dec 2017	Jan–Dec 2016
Net sales	11,135	2,534	11,856	2,888
Capitalised work for own account	6,195	3,782	18,329	10,596
Other operating income	1,400	857	1,499	1,357
<b>Operating expenses</b>				
Raw material and consumables	-17,904	-7,095	-26,140	-10,769
Other external expenses	-6,840	-6,149	-18,515	-15,170
Personnel expenses	-12,888	-6,455	-39,760	-22,332
Depreciation and amortisation	-1,318	-788	-3,933	-2,012
Other operating expenses	0	-	-3	-3
<b>Operating profit/loss</b>	<b>-20,220</b>	<b>-13,314</b>	<b>-56,667</b>	<b>-35,444</b>
<b>Profit from financial items</b>				
Interest income and other financial items	101	51	101	51
Interest expenses and other financial items	-224	-131	-885	-197
<b>Profit before tax</b>	<b>-20,343</b>	<b>-13,394</b>	<b>-57,451</b>	<b>-35,590</b>
Tax	-	-	-	-
<b>Profit/loss for the period</b>	<b>-20,343</b>	<b>-13,394</b>	<b>-57,451</b>	<b>-35,590</b>
<b>Result per share</b>				
Result per share, before dilution, SEK	-0.48	-0.38	-1.54	-1.06
Result per share, after dilution, SEK	-0.48	-0.38	-1.54	-1.06

Other comprehensive income for the period correspond to net result for the year.

## BALANCE SHEET

TSEK	Note	31 Dec 2017	31 Dec 2016
<b>ASSETS</b>			
Intangible non-current assets	2	34,228	16,813
Tangible non-current assets	3	10,560	5,220
<b>Total non-current assets</b>		<b>44,788</b>	<b>22,033</b>
Inventories including work in progress		5,570	4,551
Accounts receivable		9,978	241
Other current receivables		5,273	3,102
Cash and cash equivalents		203,977	51,320
<b>Total current assets</b>		<b>224,798</b>	<b>59,214</b>
<b>TOTAL ASSETS</b>		<b>269,586</b>	<b>81,247</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital		651	356
Reserve for development costs		26,874	10,200
Share premium reserve		336,491	111,878
Retained earnings		-142,175	-69,092
<b>Shareholders equity</b>		<b>221,841</b>	<b>53,342</b>
Borrowings	4	28,081	16,081
Other provisions		1,524	-
<b>Non-current liabilities</b>		<b>29,605</b>	<b>16,081</b>
Advance payments from customers		1,984	-
Accounts payable		9,557	6,747
Other current liabilities		6,599	5,077
<b>Current liabilities</b>		<b>18,140</b>	<b>11,824</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>269,586</b>	<b>81,247</b>



## CONSOLIDATED CHANGES IN TOTAL EQUITY

TSEK	Share capital	Reserve for development cost	Premium reserve	Retained earnings	Net profit/loss	Total equity
<b>Total equity at 2016-01-01</b>	<b>329</b>	<b>-</b>	<b>57,706</b>	<b>-6,998</b>	<b>-18,346</b>	<b>32,691</b>
Disposition as decided by annual general meeting				-18,346	18,346	-
Profit/loss for the period					-35,590	-35,590
Capitalisation of development expenditures		10,596		-10,596		-
Reversal due to depreciation of development costs		-396		396		-
New issue	20		52,699			52,719
Premiums received for warrants				2,042		2,042
Excercise of warrants	7		1,473			1,480
<b>Total equity at 2016-12-31</b>	<b>356</b>	<b>10,200</b>	<b>111,878</b>	<b>-33,502</b>	<b>-35,590</b>	<b>53,342</b>
<b>Total equity at 2017-01-01</b>	<b>356</b>	<b>10,200</b>	<b>111,878</b>	<b>-33,502</b>	<b>-35,590</b>	<b>53,342</b>
Disposition as decided by annual general meeting				-35,590	35,590	-
Profit/loss for the period					-57,451	-57,451
Capitalisation of development expenditures		18,329		-18,329		-
Reversal due to depreciation of development costs		-1,477		1,477		-
New issue	116		223,884			224,000
Bonus issue	178	-178				-
Premiums received for warrants				1,220		1,220
Excercise of warrants	1		729			730
<b>Total equity at 2017-12-31</b>	<b>651</b>	<b>26,874</b>	<b>336,491</b>	<b>-84,724</b>	<b>-57,451</b>	<b>221,841</b>

## CASH FLOW STATEMENT

TSEK	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
<b>OPERATING ACTIVITIES</b>				
Operating profit	-20,220	-13,313	-56,667	-35,444
Adjustments for non-cash items	2,859	708	5,457	1,883
Interest received	101	-	101	-69
Interest paid	-242	-	-885	51
<b>Cash flow from operating activities before changes in working capital</b>	<b>-17,502</b>	<b>-12,606</b>	<b>-51,994</b>	<b>-33,579</b>
<b>Change in working capital</b>				
Increase (-) / decrease (+) in inventory	7,297	1,168	-1,019	322
Increase (-) / decrease (+) of current receivables	-8,719	-2,298	-11,907	-1,988
Increase (+) / decrease (-) of current liabilities	-3,224	4,885	6,315	6,031
<b>Cash flow from changes in working capital</b>	<b>-4,646</b>	<b>3,754</b>	<b>-6,611</b>	<b>4,365</b>
<b>Cash flow from operating activities</b>	<b>-22,148</b>	<b>-8,852</b>	<b>-58,605</b>	<b>-29,214</b>
<b>INVESTING ACTIVITIES</b>				
Investments in intangible assets	-8,113	-4,423	-20,250	-11,974
Investments in tangible assets	-2,981	-1,732	-6,438	-4,297
<b>Cash flow from investing activities</b>	<b>-11,094</b>	<b>-6,155</b>	<b>-26,688</b>	<b>-16,271</b>
<b>Cash flow after investing activities</b>	<b>-33,242</b>	<b>-15,008</b>	<b>-85,293</b>	<b>-45,485</b>
<b>FINANCING ACTIVITIES</b>				
Raise of short-term debt	-20,900	-	-	-
Raise of long-term debt	-	2,000	12,000	6,007
New issue	224,000	53,999	224,730	54,199
Premiums received for warrants	424	2,042	1,220	2,042
<b>Cash flow from financing activities</b>	<b>203,524</b>	<b>58,041</b>	<b>237,952</b>	<b>62,248</b>
<b>Cash flow for the period</b>	<b>170,282</b>	<b>43,033</b>	<b>152,657</b>	<b>16,763</b>
Cash and cash equivalents at the beginning of the period	33,695	8,287	51,320	34,557
<b>Cash and cash equivalents at the end of the period</b>	<b>203,977</b>	<b>51,320</b>	<b>203,977</b>	<b>51,320</b>

# THE CLIMEON SHARE

## LARGEST SHAREHOLDERS, 31 DECEMBER 2017

	NUMBER OF SHARES		CAPITAL, %	VOTING RIGHTS	VOTING RIGHTS, %
	SERIES A	SERIES B			
Thomas Öström	9,500,000	155,900	22.24	95,155,900	55.43
Joachim Karthäuser	4,750,000	218,300	11.44	47,718,300	27.80
Ålandsbanken AB		1,307,421	3.01	1,307,421	0.76
Stefan Brendgen		1,300,000	2.99	1,300,000	0.76
Olle Bergström		1,050,000	2.42	1,050,000	0.61
Avanza Pension		982,669	2.26	982,669	0.57
BFV Förvaltning AB		982,200	2.26	982,200	0.57
Nordnet Pensionsförsäkringar AB		711,258	1.64	711,258	0.41
Frontcore Logic AB		649,677	1.50	649,677	0.38
Mathias Carnemark		644,977	1.49	644,977	0.38
Andreas Billström		630,920	1.45	630,920	0.37
LMK Stiftelsen		547,741	1.26	547,741	0.32
Klas Händel		543,700	1.25	543,700	0.32
SEB Life International		470,000	1.08	470,000	0.27
Per Olofsson		450,000	1.04	450,000	0.26
Others		18,524,616	42.66	18,524,616	10.79
<b>Total</b>	<b>14,250,000</b>	<b>29,169,379</b>	<b>100.00</b>	<b>171,669,379</b>	<b>100.00</b>

## SHARE DATA<sup>3)</sup>

	Oct–Dec 2017	Oct–Dec 2016	Jan–Dec 2017	Jan–Dec 2016
Number of shares at period end	43,419,379	35,612,300	43,419,379	35,612,300
Average number of shares outstanding	42,774,218	35,612,300	37,416,863	33,565,633
Earnings per share, before dilution, SEK	-0.48	-0.38	-1.54	-1.06
Earnings per share, after dilution, SEK	-0.48	-0.38	-1.54	-1.06
Equity per share, SEK	5.11	1.50	5.11	1.50

3) Split 1:100 was executed during second quarter 2017

### Share data

Series A (14,250,000 pcs) Quota value is 0.015 SEK 10 votes/share

Series B (21,446,800 pcs) Quota value is 0.015 SEK 1 votes/share

### Warrant programs

At December 31, 2017 the company has outstanding warrants, which entitles the holder to subscribe for 3,153,828 class B shares. For further information regarding the warrants, refer to the company's website, Investor/The share/Warrant programs.

# NOTES

## Note 1 Accounting principles

This Year-end report has been prepared in accordance with recommendation RFR 2 of the Swedish Financial Reporting Board.

The most recent annual report was prepared in accordance with the Swedish Accounting Standards Board's (BFN) General Guidelines ("K3"). The transition to RFR 2 has not resulted in any significant impact on the company's financial statements.

### New IFRS standards

Changes in RFR 2 concerning IFRS 9 and IFRS 15 shall be applied for annual periods beginning on or after 1 January 2018.

### IFRS 9 Financial instruments

The new standard treats the classification, valuation and accounting of financial assets and liabilities. Climeon applies the exemption from applying IFRS 9 in a legal entity by valuation of financial instruments based on the acquisition value. The entity has no financial assets classified as non-current assets. Hence, the impairment rules in RFR 2 (IFRS 9) is not applicable. The company does not apply hedge accounting. The changes in RFR 2 (IFRS 9) will not have a material impact on the financial statements.

### IFRS 15 Revenues from contracts with customers

IFRS 15 introduces a new model to use in accounting for revenue (five-step model) based on when the control of products or services are transferred to a customer. The basic principle is that an entity records revenue to depict the transfer of promised products and services to customers with an amount reflecting the compensation that the company is expected to be entitled to in return for these goods or services.

Due to the relationship between accounting and taxation, the rules in IFRS 15 are not applicable to legal entities regarding revenue recognition of performance obligations met over time when performing fixed cost assignments. The assignments can be recognized as revenue when the work is substantially completed (completion method).

Climeon has reviewed the existing customer agreements in accordance with the five-step model and concluded that IFRS 15 does not have a material impact on the entity's income statements or balance sheets. However, it will lead to more extensive disclosures.

## Note 2 Intangible assets

Intangible assets comprise capitalised expenditure on development SEK 29.6 million (14.1) and patents SEK 4.6 million (2.7).

For a detailed description of the company's depreciation principles for intangible assets see the annual report for 2016.

## Note 3 Tangible assets

Tangible assets comprise leasehold improvements SEK 2.5 million (1.5), equipment SEK 0.6 million (0.6), technical equipment SEK 2.7 million (0.1), and systems located at customer premises and where the customers pay for the electricity generated ("As-a-Service") SEK 4.8 million (3.0).

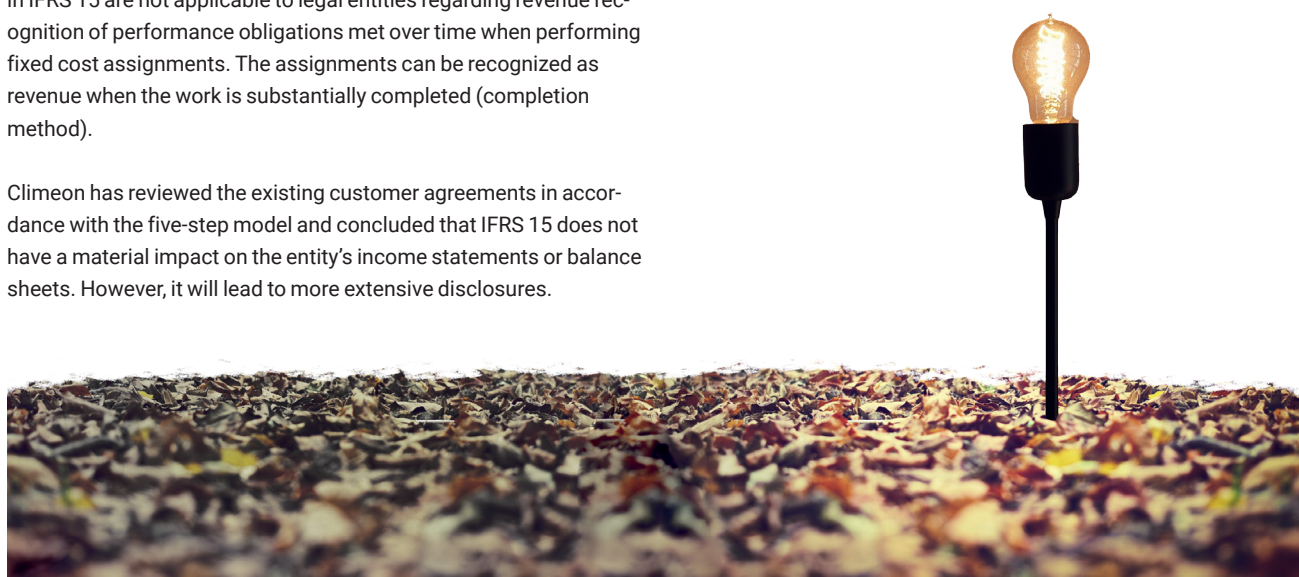
For a detailed description of the company's depreciation principles for tangible assets see the annual report for 2016.

## Note 4 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 SEK 2.0 million (2.0) and loan for order financing from Almi Företagspartner for SEK 12.0 million (0.0).

## Note 5 Pledged assets

Pledged securities amount to SEK 22.8 million (2.0) and comprise a floating charge to Almi Företagspartner, and pledged bank deposits of SEK 2.0 million (0) for guarantees to suppliers and customers.





# SIGNATURES

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

Kista February 22, 2018

Per Olofsson  
*Chairman*

Olle Bergström  
*Board member*

Stefan Brendgen  
*Board member*

Thomas Öström  
*Board member/CEO*

Vivianne Holm  
*Board member*

Therese Lundstedt  
*Board member*

## KEY NUMBERS

	Oct–Dec 2017	Oct–Dec 2016	Jan–Dec 2017	Jan–Dec 2016
Order intake, SEK million	12.6	0.0	330.1	34.2
Operating margin (%)	neg	neg	neg	neg
Profit margin (%)	neg	neg	neg	neg
Return on equity (%)	neg	neg	neg	neg
Return on assets (%)	neg	neg	neg	neg
Return on capital employed (%)	neg	neg	neg	neg
Interest coverage (times)	neg	neg	neg	neg
Equity ratio	82.3	65.7	82.3	65.7
Debt ratio (times)	0.2	0.5	0.2	0.5
Net debt ratio (times)	-0.8	-0.7	-0.8	-0.7
Earnings per share, before dilution, SEK	-0.48	-0.38	-1.54	-1.06
Earnings per share, after dilution, SEK	-0.48	-0.38	-1.54	-1.06
Equity per share, SEK	5.11	1.50	5.11	1.50

## DEFINITIONS

### Operating margin

Operating profit after depreciations as a procent of net sales.

### Profit margin

Profit for the period after financial items as a percentage of net sales.

### Return on equity

Profit for the period as a percentage of average shareholders' 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

Profit for the period divided by the weighted average number of outstanding shares during the period.

### Earnings per share, after dilution

Profit for the period 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 (MSEK)

	2017					2016				
	Q1	Q2	Q3	Q4	Full year	Q1	Q2	Q3	Q4	Full year
Net sales	0.6	0.1	0.0	11.1	11.9	0.3	0.0	0.0	2.5	2.9
Capitalised work for own account	2.4	4.3	5.4	6.2	18.3	1.5	1.5	3.9	3.8	10.6
Other operating income	0.1	0.0	0.0	1.4	1.5	0.4	0.1	0.0	0.9	1.4
<b>Operating expenses</b>										
Raw material and consumables	-0.1	-3.2	-4.8	-17.9	-26.1	-1.1	-0.6	-2.0	-7.1	-10.8
Other external expenses	-4.3	-4.1	-3.2	-6.8	-18.5	-3.2	-2.3	-3.5	-6.2	-15.2
Personnel expenses	-8.0	-9.5	-9.4	-12.9	-39.8	-5.1	-5.8	-5.0	-6.5	-22.3
Depreciation and amortisation	-0.9	-0.9	-0.9	-1.3	-3.9	-0.4	-0.4	-0.5	-0.8	-2.0
Other operating expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Operating profit/loss</b>	<b>-10.2</b>	<b>-13.3</b>	<b>-12.9</b>	<b>-20.2</b>	<b>-56.7</b>	<b>-7.6</b>	<b>-7.5</b>	<b>-6.9</b>	<b>-13.4</b>	<b>-35.4</b>
Net financial income	0.0	-0.1	-0.6	-0.1	-0.8	-0.1	0.0	0.0	-0.1	-0.1
<b>Profit before tax</b>	<b>-10.2</b>	<b>-13.4</b>	<b>-13.5</b>	<b>-20.3</b>	<b>-57.5</b>	<b>-7.7</b>	<b>-7.5</b>	<b>-6.9</b>	<b>-13.5</b>	<b>-35.6</b>
Taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Profit/loss for the period</b>	<b>-10.2</b>	<b>-13.4</b>	<b>-13.5</b>	<b>-20.3</b>	<b>-57.5</b>	<b>-7.7</b>	<b>-7.5</b>	<b>-6.9</b>	<b>-13.5</b>	<b>-35.6</b>
Earnings per share (SEK)	-0.29	-0.37	-0.38	-0.48	-1.54	-0.24	-0.23	-0.21	-0.38	-1.06

## Balance sheet (MSEK)

	2017					2016				
	Q1	Q2	Q3	Q4	Full year	Q1	Q2	Q3	Q4	Full year
Intangible non-current assets	19.3	23.0	27.0	34.2	34.2	8.5	10.9	13.1	16.8	16.8
Tangible non-current assets	6.0	5.6	8.0	10.6	10.6	1.2	1.1	3.6	5.2	5.2
<b>Total non-current assets</b>	<b>25.3</b>	<b>28.6</b>	<b>35.0</b>	<b>44.8</b>	<b>44.8</b>	<b>9.7</b>	<b>12.1</b>	<b>16.7</b>	<b>22.0</b>	<b>22.0</b>
Inventories including work in progress	8.5	9.1	12.9	5.6	5.6	5.7	6.0	5.7	4.6	4.6
Current receivables	3.9	2.7	6.5	15.3	15.3	0.5	0.9	1.0	3.3	3.3
Cash and cash equivalents	32.6	27.2	33.7	204.0	204.0	24.3	16.9	8.3	51.3	51.3
<b>Total current assets</b>	<b>45.0</b>	<b>39.0</b>	<b>53.1</b>	<b>224.8</b>	<b>224.8</b>	<b>30.4</b>	<b>23.8</b>	<b>15.0</b>	<b>59.2</b>	<b>59.2</b>
<b>TOTAL ASSETS</b>	<b>70.3</b>	<b>67.6</b>	<b>88.1</b>	<b>269.6</b>	<b>269.6</b>	<b>40.1</b>	<b>35.9</b>	<b>31.7</b>	<b>81.2</b>	<b>81.2</b>
<b>Shareholders equity</b>	<b>43.6</b>	<b>30.7</b>	<b>17.8</b>	<b>221.8</b>	<b>221.8</b>	<b>24.9</b>	<b>17.4</b>	<b>10.7</b>	<b>53.3</b>	<b>53.3</b>
Long-term liabilities	16.1	16.1	28.1	29.6	29.6	10.1	14.1	14.1	16.1	16.1
Current liabilities	10.6	20.8	42.2	18.1	18.1	5.1	4.4	6.9	11.8	11.8
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>70.3</b>	<b>67.6</b>	<b>88.1</b>	<b>269.6</b>	<b>269.6</b>	<b>40.1</b>	<b>35.9</b>	<b>31.7</b>	<b>81.2</b>	<b>81.2</b>

## Cash flow statement (MSEK)

	2017					2016				
	Q1	Q2	Q3	Q4	Full year	Q1	Q2	Q3	Q4	Full year
<b>Operating activities before changes in working capital</b>	<b>-9.4</b>	<b>-12.5</b>	<b>-12.7</b>	<b>-17.5</b>	<b>-52.0</b>	<b>-7.4</b>	<b>-7.1</b>	<b>-6.5</b>	<b>-12.6</b>	<b>-33.6</b>
Changes in working capital	-5.7	2.0	2.6	-4.6	-6.6	-0.6	-1.5	2.7	3.8	4.4
<b>Cash flow from operating activities</b>	<b>-15.1</b>	<b>-10.5</b>	<b>-10.1</b>	<b>-22.1</b>	<b>-58.6</b>	<b>-8.0</b>	<b>-8.6</b>	<b>-3.8</b>	<b>-8.9</b>	<b>-29.2</b>
Investing activities	-4.1	-5.0	-7.3	-11.1	-26.7	-2.3	-2.8	-5.0	-6.2	-16.3
<b>Cash flow after investing activities</b>	<b>-19.2</b>	<b>-15.5</b>	<b>-17.4</b>	<b>-33.2</b>	<b>-85.3</b>	<b>-10.3</b>	<b>-11.4</b>	<b>-8.8</b>	<b>-15.0</b>	<b>-45.5</b>
Financing activities	-1.5	9.9	23.9	203.5	238.0	0.0	4.0	0.2	58.0	62.2
<b>Cash flow for the period</b>	<b>-20.8</b>	<b>-5.6</b>	<b>6.5</b>	<b>170.3</b>	<b>152.7</b>	<b>-10.3</b>	<b>-7.4</b>	<b>-8.6</b>	<b>43.0</b>	<b>16.8</b>
Cash at the beginning of the period	51.3	32.6	27.2	33.7	51.3	34.6	24.3	16.9	8.3	34.6
<b>Cash at the end of the period</b>	<b>32.6</b>	<b>27.2</b>	<b>33.7</b>	<b>204.0</b>	<b>204.0</b>	<b>24.3</b>	<b>16.9</b>	<b>8.3</b>	<b>51.3</b>	<b>51.3</b>



# CLIMEON

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