



CLIMEON

YEAR-END REPORT

1 January - 31 December 2019

Q4

FOURTH QUARTER 2019

Net sales amounted to SEK 35.1 million (37.7) in the fourth quarter and increased significantly for the full year to SEK 116.8 million (58.9). The fourth quarter was eventful with a first order for power plants based on reciprocating engines, a strategic partnership to open up a new part of the geothermal market and Sea Trials with Virgin Voyages. Operating profit amounted to SEK -36.0 million (-32.7) in the quarter. The profit was affected by the planned increase in expenses and investments related to continued build-up of the organization. The order backlog totaled SEK 729.7 million (818.6) at the end of the quarter.

OCTOBER – DECEMBER

- Order intake amounted to SEK 19.7 million (40.0)
- Net sales increased to SEK 35.1 million (37.7)
- Operating profit/loss amounted to SEK -36.0 million (-32.7)
- Earnings per share amounted to SEK -0.78 (-0.74)
- Cash flow from operating activities amounted to SEK -47.9 million (-58.8)
- A patent for a system and method for waste heat recovery in steel production facilities was approved in Sweden in October
- Carl Frykfeldt was appointed acting CFO in December when the company also began the recruitment of a new CFO
- Jan Svensson was elected as a new board member of Climeon AB at an Extraordinary General Meeting in December
- Climeon has developed and delivered a new steam turbine solution to Viking Line as a complement to the Heat Power modules in order to increase the waste heat recovery
- During the quarter a first order within power plants based on reciprocating engines, gensets, was won. Order value amounts to SEK 19,7 million
- Climeon entered a strategic partnership with mineral extraction company Geo40 to open up the market for waste heat recovery within geothermal, so called bottoming cycles

JANUARY – DECEMBER

- Order intake amounted to SEK 44.2 million (478.5)
- Net sales amounted to SEK 116.8 million (58.9)
- Order backlog amounted to SEK 729.7 million (818.6)
- Operating profit/loss amounted to SEK -117.6 million (-101.9)
- Earnings per share amounted to SEK -2.30 (-2.30)
- Cash flow from operating activities amounted to SEK -159.2 million (-89.2)
- Cash and cash equivalents amounted to SEK 107.7 million (90.0) and current investments to SEK 35.0 million (0.0)

IMPORTANT POST-CLOSING EVENTS

- Climeon has recruited Jack (Masao) Watanabe, former SVP Chief Strategist Energy Business Group Mitsubishi Corporation, to lead Climeon's business in Japan

IMPORTANT MILESTONES ACHIEVED DURING THE QUARTER AND INCREASED SALES FOR THE YEAR



Thomas Öström, co-founder and CEO of Climeon.

35

NET SALES QUARTER, SEK MILLION

117

NET SALES FULL YEAR, SEK MILLION

The fourth quarter 2019 was eventful and Climeon passed several important milestones. We won our first order for power plants based on reciprocating engines, so-called gensets, an area with large potential for us. Now that solar and wind power are expanding quickly, many countries use power plants based on large combustion engines to balance the power grid (for example when there is no wind, or at night). These power plants work as a sustainable baseload power in countries where geothermal heat power or hydro power can't be used but they still want to move away from dirty power sources such as coal. Climeon's modules recover the waste heat from the power plants which increases their efficiency and reduces CO2. Besides environmental benefits this also creates significant cost benefits for the power plant operators.

In December 2019, we announced a new partnership with the New Zealandic company Geo40, which opens up the opportunity to approach a new part of the geothermal market. More than half of the world's geothermal power plants have waste heat in Climeon's temperature range that is currently not being used for electricity production. Silica in the brine creates scaling in the wells and piping, which limits the amount of heat that can be recovered and utilized. With Geo40's technology for silica and mineral extraction the geothermal wastewater, the brine, can be used for power production. For us, this collaboration means we can approach the large power plants with a new, attractive offer which solves existing problems with scaling and at the same time increases output. Just as in other geographic markets, we aim to launch a first pilot project to prove ourselves in this area, then we can scale up the segment.

Another important milestone during the quarter was that our customer Virgin Voyages approved us in Sea Trials. The lead times for shipbuilding are long. Our first order from Fincantieri and Virgin Voyages came as early as 2016, the first delivery from us was completed in December 2017 and only now is the first vessel, Scarlet Lady, ready for commercial operation. We have worked incredibly hard for several years to meet the tough demands of Fincantieri Virgin Voyages and Lloyd's Register. Therefore, it feels very satisfying that the first ship, with six Climeon modules installed on board, is now test run and ready. At the same time, installation is on-going onboard Virgin Voyages next two ships, as well as onboard Maersk's ship.

Looking at the full year 2019, net sales grew significantly. This is the result of the organizational and strategic changes we have made within the sales organization. During the fourth quarter we delivered additional modules for the upcoming projects in Iceland and Japan, as well as the two steam turbines that will be tested by Viking Line. In total, net sales for 2019 amounted to SEK 117 million, a significant increase compared with the previous year. Despite delays on several fronts in 2019, we see that we are moving forward with continued growth and increased deliveries, although the delays are expected to burden us somewhat financially and operationally. It is now clear that the large roll-out of the Icelandic order will take longer than previously estimated, but we continue to believe in the Icelandic market and the need for a distributed baseload power. Both in Iceland and in Japan, our teams are working hard together with our customers to bring up a total of four power plants in the first half of 2020. Step by step, we continue to work towards our vision of delivering fossil-free heat power and becoming the world's number one climate solver.

Thomas Öström, CEO Climeon

MARKET DEVELOPMENT

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

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

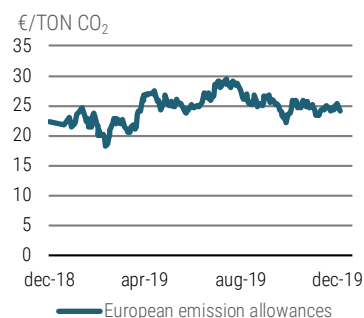
In Iceland the electricity demand is strong, but wind power has had problems taking off because of resistance from the public, just like new large hydro and geothermal projects. Climeon's customer Varmaorka has, in contrary to this trend, received a lot of positive feedback and interest in small-scale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

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 fourth quarter, the Brent crude oil price was 66 dollars a barrel (67), corresponding to around 415 dollars per ton (421).² The Sulphur directive³, which limits the permitted sulfur content in fuel from 2020, is now in force. The directive will imply that more expensive and more environmentally friendly fuels are needed, such as Marine Gasoil (MGO). The average price of MGO amounted to 723 dollars per ton (662) by the end of the quarter.⁴

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

The price of Carbon dioxide emissions allowances continues to rise. At the end of the fourth quarter, European Emission Allowances cost about EUR 24 per ton CO₂, compared to EUR 23 per ton at the end of the fourth quarter 2018.⁵ Each Heat Power module saves about 900 tons of carbon dioxide per year, which reduces the need for emission allowances and becomes a significant financial saving for the customer.

EUROPEAN EMISSION ALLOWANCES⁴



Climeon was approved during Sea Trials for Virgin Voyages' first ship the Scarlet Lady.



Climeon has developed and delivered two steam turbines to Viking Line's newbuild ship Viking Glory.

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

² BBC, [bbc.com/news/topics/cmj223708t/oil](https://www.bbc.com/news/topics/cmj223708t/oil)

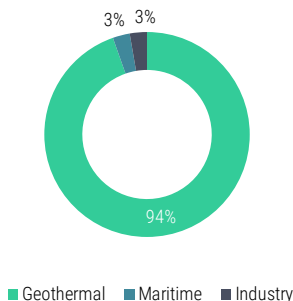
³ International Maritime Organization, [imo.org/en/MediaCentre/HotTopics/Pages/Sulphur-2020.aspx](https://www.imo.org/en/MediaCentre/HotTopics/Pages/Sulphur-2020.aspx)

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

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

ORDER INTAKE, SALES AND DELIVERY

ORDER BACKLOG PER SEGMENT



ORDER INTAKE AND SALES

Order intake during the first quarter amounted to SEK 19.7 million (40.0) .

During the quarter Climeon won a first order within power plants based on reciprocating engines, so called gensets. The order comes from Energy Circle and Cooper Östlund and is the company's first order in the UK. Order value amounts to SEK 19.7 million.

At the end of the period the order backlog amounted to SEK 729.7 million (818.6) , corresponding to 214 (236) Heat Power modules.

DELIVERY AND CERTIFICATION PROCESSES

During the fourth quarter nine Heat Power modules were delivered, including two steam turbines to Viking Line. Additional modules are in production for delivery in the next couple of quarters, which is reflected in the balance sheet item Inventories.

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

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

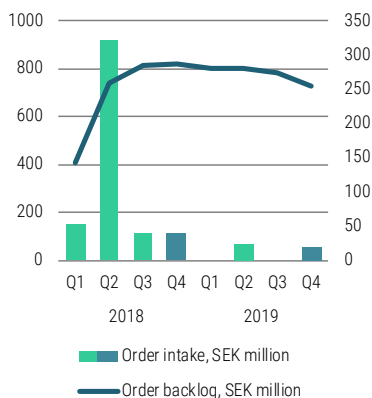
Larger deals, especially within the geothermal segment, are often divided into multiple installation projects over a longer period where the majority of respective sub-projects are recognized as revenue upon delivery. One example is Climeon's deal with Varmaorka, in Iceland, where 197 modules are to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

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

In the maritime area, deliveries can be affected by product certifications by the major classification bodies. Climeon has previously been certified by Lloyds Register.

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

ORDER INTAKE AND ORDER BACKLOG, SEK MILLION



FINANCIAL DEVELOPMENT

OCTOBER - DECEMBER

NET SALES AND RESULT

Net sales increased to SEK 35.1 million (37.7) . Net sales are attributable to deliveries to customers within geothermal in Japan and Iceland as well as within maritime.

Operating profit/loss amounted to SEK -36.0 million (-32.7) . Net financial income/expense amounted to SEK -2.2 million (17.2) . Profit/loss after financial items amounted to SEK -38.2 million (-15.6) . The profit/loss was affected by increased expenses during, primarily related to continued build-up of the organization, which is reflected in increased personnel costs and other external costs.

During the quarter, depreciations and amortizations amounted to SEK -3.7 million (-5.2) .

CASH FLOW

Cash flow from operating activities amounted to SEK -47.9 million (-58.8) . The change is attributable to operating-related expenses offset by decrease in inventories and accounts receivable, and an increase in accounts payable. Cash flow from investing activities amounted to SEK -13.9 million (-10.2) , mainly due to continued capitalization of internally generated development expenses and patents SEK -10.7 million (-4.3) . Cash flow from financing activities amounted to SEK 3.2 million (15.4) as a result of new issues in connection with redemption of warrants. Cash flow for the quarter thus amounted to SEK -58.7 million (-53.7) .

LONG-TERM FINANCIAL GOALS

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

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

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

JANUARY - DECEMBER

NET SALES AND RESULT

Net sales increased to SEK 116.8 million (58.9) , a significant increase compared to the previous year.

Operating profit/loss for the period amounted to SEK -117.6 million (-101.9) . Net financial income/expense amounted to SEK 6.6 million (16.4) , positively affected by the increased value of the holding in Baseload Capital. Profit/loss after financial items amounted to SEK -111.0 million (-85.5) . Accumulated earnings for the whole year to date were also affected by the increase in expenses, which is mainly related to a successive build-up of the organization.

Depreciations and amortizations amounted to SEK -15.6 million (-13.4) during the period.

CASH FLOW

Cash flow from operating activities for the period amounted to SEK -159.2 million (-89.2) and is attributable to operating-related changes in inventories, accounts receivable and accounts payable. Cash flow from investing activities amounted to SEK -77.0 million (-48.1) , mainly attributable to placement of liquidity in current investments, continued capitalization of development expenses, patents and new test center in Kista. Cash flow from financing activities amounted to SEK 253.9 million (23.2) . Cash flow for the period thus amounted to SEK 17.7 million (-114.0) .

CASH POSITION

Cash and cash equivalents amounted to SEK 107.7 million (90.0) and current investments to SEK 35.0 million (0.0) at period-end. The equity ratio, at the same time, amounted to 83.0 percent (58.8) and the net debt/equity ratio amounted to -0.3 times (-0.4) . Shareholder's equity amounted to SEK 320.3 million (159.6) or SEK 6.5 (3.1) per share. Warrants have been issued partly through credit to key personnel within the company. The loan of SEK 6.4 million runs at market rate.

INVESTMENTS

The company's investments during January–December amounted to SEK 77.0 million (48.1) . These investments mainly consisted of current investments at a fixed interest rate and acquisition of intangible assets SEK 27.7 million (18.1) , primarily related to continuous development of Climeon Heat Power and patents.

DEFERRED TAX ASSET

The company has unutilized loss carryforwards amounting to SEK 337.7 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

Interim report first quarter 2020
May 6, 2020

Annual General Meeting 2020
May 19, 2020

Interim report second quarter 2020
August 18, 2020

Interim report third quarter 2020
November 4, 2020

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

PERSONNEL AND ORGANIZATION

The average number of employees during the period January to September amounted to 84 (62), of which 24 percent women and 76 percent men. At period-end the number of employees amounted to 96 (68).

WARRANT PROGRAMS

As of December 31, 2019, the company has outstanding warrants, which entitle the holders to subscribe for 1,152,129 class B shares.

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

MATERIAL RISKS AND FACTORS OF UNCERTAINTY

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

COMPARATIVE FIGURES

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

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.

The board and the CEO ensure that the interim report gives a true and fair view of the company's operations, position and results and describes the significant risks and uncertainties facing the company.

FINANCIAL REPORTS IN BRIEF

INCOME STATEMENT

SEK, thousand	Note	Oct-Dec		Jan-Dec	
		2019	2018	2019	2018
Net sales	2	35,077	37,747	116,758	58,906
Capitalized work for own account		10,257	3,950	26,350	16,831
Other operating income		3,347	896	3,904	3,351
Operating expenses					
Raw material and consumables A)		-38,546	-40,746	-109,624	-67,690
Other external expenses		-15,067	-10,746	-49,154	-32,336
Personnel expenses A)		-27,353	-18,647	-90,245	-66,193
Depreciation and amortization of tangible and intangible assets	3,4	-3,730	-5,194	-15,580	-13,377
Other operating expenses		-	-	-	-1,389
Operating profit/loss		-36,015	-32,740	-117,591	-101,897
Profit from financial items	5				
Interest income and other financial items		632	17,951	9,451	18,038
Interest expenses and other financial items		-2,861	-792	-2,811	-1,617
Profit/loss after financial items		-38,244	-15,581	-110,951	-85,475
Tax		-	-	-	-
Profit/loss for the period B)		-38,244	-15,581	-110,951	-85,475
Earnings per share, SEK					
Before dilution		-0.78	-0.74	-2.30	-2.30
After dilution		-0.77	-0.74	-2.24	-2.30

A) Includes costs for capitalized work for own account.

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

BALANCE SHEET

SEK, thousand	Note	31 Dec 2019	31 Dec 2018
Assets			
Intangible non-current assets	3	61,683	42,057
Tangible non-current assets	4	17,516	17,524
Financial assets	5	52,626	37,700
Total non-current assets		131,825	97,281
Inventories		53,549	29,755
Accounts receivable		24,626	28,061
Other current receivables		33,232	13,862
Current investments		35,000	-
Cash and cash equivalents		107,657	89,959
Total current assets		254,063	161,637
Total Assets		385,888	258,918
Equity and liabilities			
Share capital		740	676
Paid up, non-registered share capital		6,901	11,582
Reserve for development costs		54,471	34,653
Share premium reserve		613,663	347,366
Retained earnings		-355,472	-234,671
Total shareholder's equity		320,302	159,606
Other provisions		14,363	7,416
Total provisions		14,363	7,416
Other non-current liabilities		10,381	12,381
Total non-current liabilities		10,381	12,381
Advance payments from customers		4,387	24,030
Accounts payable		7,852	24,572
Other current liabilities		28,603	30,913
Total current liabilities		40,842	79,515
Total equity and liabilities		385,888	258,918

STATEMENT OF CHANGES IN TOTAL EQUITY IN BRIEF

Statement of changes in total equity	Restricted equity			Unrestricted equity		Total equity
	Share capital	Paid up, non-registered share capital	Reserve for development costs	Premium reserve	Retained earnings	
Opening balance equity 2018-01-01	651	-	26,874	336,491	-142,175	221,841
Profit/loss for the period	-	-	-	-	-85,475	-85,475
Capitalization and utilization as a result of the period's depreciation and amortization of development costs	0	-	7,779	0	-7,779	0
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income/loss	0	-	7,779	0	-93,254	-85,475
<i>Transactions with shareholders</i>						
Excercise of warrants	25	-	-	10,874	-	10,899
Paid up, non-registered share capital	-	11,582	-	-	-	11,582
Total transactions with shareholders	25	11,582	-	10,874	759	23,240
Closing balance equity 2018-12-31	676	11,582	34,653	347,366	-234,671	159,606
Opening balance equity 2019-01-01	676	11,582	34,653	347,366	-234,671	159,606
Profit/loss for the period A)	-	-	-	-	-110,951	-110,951
Capitalization and utilization as a result of the period's depreciation and amortization of development costs	-	-	19,818	-	-19,818	-
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income/loss	-	-	19,818	-	-130,769	-110,951
<i>Transactions with shareholders</i>						
New issue	45	-	-	238,388	-	238,433
Premiums paid for warrants	-	-	-	-	9,968	9,968
Excercise of warrants	18	-11,582	-	27,909	-	16,346
Paid up, non-registered share capital	-	6,901	-	-	-	6,901
Total transactions with shareholders	63	-4,681	-	266,297	9,968	271,647
Closing balance equity 2019-12-31	740	6,901	54,471	613,663	-355,472	320,302

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

CASH FLOW STATEMENT IN BRIEF

SEK, thousand	Oct-Dec		Jan-Dec	
	2019	2018	2019	2018
Operating activities				
Operating profit	-36,015	-32,740	-117,591	-101,897
Adjustments for items not included in cash flow	6,616	9,117	22,527	19,267
Financial items	152	-639	-1,379	-1,377
Cash flow from operating activities before changes in working capital	-29,248	-24,262	-96,443	-84,006
Changes in working capital	-18,691	-34,554	-62,782	-5,164
Cash flow from operating activities	-47,939	-58,816	-159,225	-89,170
Investing activities				
Investments in intangible assets	-10,705	-4,325	-27,713	-18,146
Investments in tangible assets	-3,258	-5,907	-7,486	-10,041
Investments in financial assets	27	-	-41,826	-19,902
Cash flow from investing activities	-13,936	-10,232	-77,025	-48,089
Cash flow after investing activities	-61,875	-69,048	-236,250	-137,259
Financing activities				
Amoritzation of long-term debt	-3,700	-	-17,700	-
New issue	811	3,783	254,779	10,900
Premiums paid for warrants	-	-	9,968	759
Paid up, non-registered share capital	6,090	11,582	6,901	11,582
Cash flow from financing activities	3,201	15,365	253,947	23,242
Cash flow for the period	-58,675	-53,684	17,697	-114,017
Cash and cash equivalents at the beginning of the period	166,331	143,643	89,959	203,977
Cash and cash equivalents at the end of the period	107,657	89,959	107,657	89,959

THE CLIMEON SHARE

LARGEST SHAREHOLDERS, DECEMBER 31, 2019

Shareholders	Number of shares		Capital, %	Number of votes	Voting rights, %
	Series A	Series B			
Thomas Öström	9,500,000	155,900	19.6	95,155,900	53.6
Joachim Karthäuser	4,690,000	4,300	9.5	46,904,300	26.4
Försäkringsbolaget, Avanza Pension	-	1,635,246	3.3	1,635,246	0.9
Handelsbanken Hållbar Energi	-	1,335,295	2.7	1,335,295	0.8
Stefan Brendgen	-	1,050,000	2.1	1,050,000	0.6
Olle Bergström	-	1,020,000	2.1	1,020,000	0.6
LMK-bolagen	-	1,000,000	2.0	1,000,000	0.6
Mathias Carnemark	-	744,651	1.5	744,651	0.4
Skandia Sverige Hållbar	-	699,649	1.4	699,649	0.4
Nordnet Pensionsförsäkringar AB	-	669,830	1.4	669,830	0.4
Per Olofsson	-	610,000	1.2	610,000	0.3
AMF Aktiefond Småbolag	-	552,539	1.1	552,539	0.3
Klas Händel	-	545,316	1.1	545,316	0.3
Andreas Billström	-	542,975	1.1	542,975	0.3
Ålandsbanken i ägares ställe	-	540,026	1.1	540,026	0.3
Others	60,000	23,939,452	48.7	24,539,452	13.8
Total	14,250,000	35,045,179	100.0	177,545,179	100.0

SHARE INFORMATION

The number of shares in Climeon amounts to 49,310,479 with quota value of SEK 0.015, of which 14,250,000 are Class A shares, 10 votes/share, and 35,045,179 are Class B shares, 1 vote/share.

Climeon's B share is listed on Nasdaq First North Premier since October 13, 2017. The share price amounted to SEK 68.40 at the end of the period.

SHARE PRICE DEVELOPMENT



	Oct-Dec		Jan-Dec	
	2019	2018	2019	2018
Total number of issued shares at period end	49,310	45,098	49,310	45,098
Average number of shares outstanding	49,310	44,949	48,191	44,850
Earnings per share, before dilution, SEK	-0.78	-0.74	-2.30	-2.30
Earnings per share, after dilution, SEK	-0.77	-0.74	-2.24	-2.30
Equity per share, SEK	6.50	3.54	6.50	3.54

NOTES

NOTE 1 ACCOUNTING PRINCIPLES

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

IFRS 9 FINANCIAL INSTRUMENTS

As per January 1, 2019, Climeon AB no longer applies the exempt from applying IFRS 9 to a legal entity. This implies, in all essentials, that the holdings in Baseload Capital Sweden AB are valued based on fair value instead of the acquisition value. In this report, the holding in Baseload Capital has been reported retrospectively at a fair value in accordance with IAS 8. The value of the holding is updated on a quarterly basis based on Baseload Capitals most recently published interim report and amounted to SEK 45.8 million. As of December 31, 2018, the value amounted to SEK 37.7 million, with an effect on net financial items of SEK 17.9 million for 2018.

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

FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

THE FAIR VALUE OF THE FINANCIAL INSTRUMENT

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

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

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

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

AMORTIZED COST

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

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

CASH AND CASH EQUIVALENTS

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

IFRS 16 LEASING

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

IFRS 8 OPERATING SEGMENTS

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

NOTE 2 DISTRIBUTION OF NET SALES

SEK, thousand	Oct-Dec		Jan-Dec	
	2019	2018	2019	2018
Revenue type				
Hardware	35,038	37,804	116,598	58,833
Consulting and support services	39	15	159	73
Total	35,077	37,819	116,758	58,906
Geographic market				
Sweden	46	2	627	52
Europe	19,420	19,920	38,971	35,020
North America	-	6,114	-	12,051
Asia	15,611	11,783	77,160	11,783
Total	35,077	37,819	116,758	58,906

NOTE 3 INTANGIBLE ASSETS

Intangible assets comprise capitalized expenditure on development SEK 55.8 million (37.4) and patents SEK 5.9 million (4.7). In the fourth quarter of 2019, write-down of patents was made of SEK 0.1 million (0.0) and of development expenses of SEK 0.5 million (2.5). Decisions regarding write-downs of patents has been based on the fact that they relate to products or business areas that are no longer used in the product or are in focus for the company's operations. In the fourth quarter of 2019 depreciations amounted to SEK 1.9 million (4.3). Depreciations year to date amounted to SEK 7.4million (10.3).

NOTE 4 TANGIBLE ASSETS

Tangible assets comprise leasehold improvements SEK 10.4 million (10.5), equipment SEK 1.3 million (0.9), technical equipment SEK 5.0 million (3.5), and systems located at customer premises and where the customers pay for the electricity generated ("As-a-Service") SEK 0.8 million (2.6). During the fourth quarter, write-downs of test and production facilities amounted to SEK 0.0 million (0.0) and As-a-Service facilities to SEK 0.0 million (0.0). Depreciations during the period amounted to SEK 1.1 million (0.9). Depreciations year to date amounted to SEK 4.2 million (3.1).

NOTE 5 FINANCIAL ASSETS

Financial assets consist of investments in the finance company Baseload Capital Sweden AB of SEK 45.8 million (37.7), corresponding to 15.7 (19.8) percent ownership in the company. During the quarter, a revaluation of SEK -2.3 million (17.8) was made, and a total of SEK 8.1 million (17.8) was made during the year. The amounts are reported at fair value. In addition, shares in wholly owned subsidiaries amount to SEK 0.4 million (0.0) and personnel loans to SEK 6.4 million (0.0).

NOTE 6 PLEDGED ASSETS AND CONTINGENT LIABILITIES

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

KEY NUMBERS

	Oct-Dec		Jan-Dec	
	2019	2018	2019	2018
Order intake, SEK million	19.7	40.0	44.2	478.5
Order backlog, SEK million	729.7	818.6	729.7	818.6
Equity ratio (%)	83.0	61.6	83.0	61.6
Debt ratio (times)	0.2	0.6	0.2	0.6
Net debt ratio (times)	-0.3	-0.4	-0.3	-0.4
Earnings per share, before dilution, SEK	-0.78	-0.74	-2.30	-2.30
Earnings per share, after dilution, SEK	-0.78	-0.74	-2.30	-2.30
Equity per share, SEK	6.50	3.54	6.50	3.54
Cash and cash equivalents, SEK million	107.7	90.0	107.7	90.0
Share price at period end, CLIME B, SEK	68.40	51.00	68.40	51.00

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

DEFINITIONS

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

QUARTERLY FIGURES

INCOME STATEMENT

SEK, million	2019					2018				
	Q4	Q3	Q2	Q1	Full-year	Q4	Q3	Q2	Q1	Full-year
Net sales	35.1	35.3	23.9	22.5	116.8	37.8	8.9	12.2	0.0	58.9
Capitalized work for own account	10.3	4.7	7.3	4.1	26.4	4.0	3.7	5.1	4.1	16.8
Other operating income	3.3	0.4	0.2	-0.0	3.9	0.9	1.6	0.1	0.8	3.4
Operating expenses										
Raw material and consumables	-38.5	-28.5	-26.9	-15.8	-109.6	-40.7	-11.1	-14.4	-1.4	-67.7
Other external expenses	-15.1	-12.2	-13.8	-8.1	-49.2	-10.7	-7.7	-7.1	-6.8	-32.3
Personnel expenses	-27.4	-24.1	-21.8	-16.9	-90.2	-18.6	-14.6	-18.9	-14.1	-66.2
Depreciation and amortization of tangible and intangible assets	-3.7	-6.5	-2.7	-2.7	-15.6	-5.2	-2.8	-2.7	-2.7	-13.4
Other operating expenses	-	-	-	-	-	-	-1.4	-	-0.0	-1.4
Operating profit/loss	-36.0	-30.8	-33.9	-16.9	-117.6	-32.7	-23.3	-25.8	-20.1	-101.9
Net financial income	-2.2	0.3	-1.0	9.6	6.6	17.2	-0.2	-0.2	-0.4	16.4
Profit/loss after financial items	-38.2	-30.5	-34.9	-7.3	-111.0	-15.6	-23.5	-25.9	-20.5	-85.5
Tax	-	-	-	-	-	-	-	-	-	-
Profit/loss for the period	-38.2	-30.5	-34.9	-7.3	-111.0	-15.6	-23.5	-25.9	-20.5	-85.5
Earnings per share, before dilution, SEK	-0.78	-0.62	-0.72	-0.16	-2.30	-0.74	-0.52	-0.58	-0.46	-2.30
Earnings per share, after dilution, SEK	-0.78	-0.62	-0.72	-0.16	-2.30	-0.74	-0.52	-0.58	-0.46	-2.30

BALANCE SHEET

SEK, million	2019					2018				
	Q4	Q3	Q2	Q1	Full-year	Q4	Q3	Q2	Q1	Full-year
Intangible non-current assets	61.7	53.5	50.3	44.6	61.7	42.1	42.1	40.4	36.5	42.1
Tangible non-current assets	17.5	15.5	19.2	20.2	17.5	17.5	11.9	10.4	10.6	17.5
Financial assets	52.6	55.0	55.0	48.1	52.6	37.7	19.9	19.9	19.9	37.7
Total non-current assets	131.8	123.9	124.4	112.8	131.8	97.3	73.9	70.7	67.0	97.3
Inventories	53.5	47.6	63.2	53.9	53.5	29.8	40.6	19.7	8.1	29.8
Current receivables	57.9	48.6	50.5	31.8	57.9	41.9	9.8	18.2	11.4	41.9
Current investments	35.0	35.0	35.0	-	35.0	-	-	-	-	-
Cash and cash equivalents	107.7	166.3	178.9	71.9	107.7	90.0	143.6	161.2	169.8	90.0
Total current assets	254.1	297.4	327.6	157.5	254.1	161.6	194.0	199.1	189.3	161.6
Total assets	385.9	421.4	452.0	270.4	385.9	258.9	267.9	269.8	256.3	258.9
Shareholder's equity	320.3	351.6	381.3	164.1	320.3	159.6	159.8	183.3	208.5	159.6
Non-current liabilities and other provisions	24.7	11.5	9.6	19.2	24.7	19.8	31.6	30.7	29.6	19.8
Current liabilities	40.8	58.2	61.2	87.1	40.8	79.5	76.5	55.7	18.2	79.5
Total equity and liabilities	385.9	421.4	452.0	270.4	385.9	258.9	267.9	269.8	256.3	258.9

CASH FLOW STATEMENT

SEK, million	2019					2018				
	Q4	Q3	Q2	Q1	Full-year	Q4	Q3	Q2	Q1	Full-year
Cash flow from operating activities before changes in working capital	-29.2	-22.1	-30.1	-15.0	-96.4	-24.3	-19.8	-22.2	-17.8	-84.0
Changes in working capital	-18.7	14.7	-51.8	-6.9	-62.8	-34.6	8.9	19.1	1.4	-5.2
Cash flow from operating activities	-47.9	-7.4	-81.9	-22.0	-159.2	-58.8	-10.9	-3.0	-16.4	-89.2
Investing activities	-13.9	-5.9	-49.3	-7.8	-77.0	-10.2	-6.6	-6.3	-24.9	-48.1
Cash flow after investing activities	-61.9	-13.4	-131.2	-29.8	-236.2	-69.0	-17.6	-9.3	-41.3	-137.3
Financing activities	3.2	0.8	238.3	11.7	253.9	15.4	-	0.8	7.1	23.2
Cash flow for the period	-58.7	-12.6	107.0	-18.1	17.7	-53.7	-17.6	-8.6	-34.2	-114.0
Cash and cash equivalents at the beginning of the period	166.3	178.9	71.9	90.0	90.0	143.6	161.2	169.8	204.0	204.0
Cash and cash equivalents at the end of the period	107.7	166.3	178.9	71.9	107.7	90.0	143.6	161.2	169.8	90.0

THIS IS CLIMEON

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

VISION

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

BUSINESS IDEA

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

LONG-TERM GOALS

OPERATIONAL GOALS

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

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

FINANCIAL GOALS

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

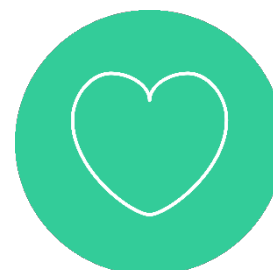
CORE VALUES



BE AMAZING



ALWAYS DELIVER



DO GOOD

CLIMEON