

Meltrons half year report for 2021-07-01—2021-12-31

Financial highlights (Group)

- Net sales decreased to 1,4 MSEK (2,7)
- Operating result was -18,6 MSEK (-10,7), incl depreciations and write-down of Dairy Lights of 5,8 MSEK
- Net result was -19,2 MSEK (-14,1)
- Cash flow from operations was -11,8 MSEK (-12,3)

Significant events during first half of the year

- Good progress made with Forestry Industry customers
- Cooperation with Huawei started to develop advanced lighting system for "Smart Cities"
- Cooperation with ISAP (US) and the Agricultural lighting segment put on hold
- Successful rights issue 26 MSEK carried out in Autumn 2021

Significant events after the period

Meltron signed a Memorandum of Understanding with Sultanate of Oman wherein Meltron will be awarded lighting projects amounting to some 2 MEUR and commits to establishing an assembly unit in Oman. Following a slow H1 orders received by Meltron increased substantially in January amounting to some 1,6 MSEK including first order from Metsä Group's new pulp mill in Kemi, Finland which is the largest industrial investment ever made in Finland.

A summary from the CEO

We have intensified our direct sales activities, primarily with industrial customers in Finland, and made progress with several larger companies in the forestry industry with several smaller repeat orders. Yet, the sales during the H1 period (July-Dec 2021) has been slow, the sales were 1,4 MSEK and the outgoing order book was 500 kSEK. However, only during the month of January 2022 we have recorded orders received of 1,6 MSEK, often as a result of long-term efforts and dialogues with the customers. There is a significant pipeline and active discussions with key customers and we expect more to come in the near future.

We have also expanded our marketing approach with developing partnerships. One such partnership has been agreed with Huawei on the concept of 'Smart Cities' in increasing the monitoring and integrated controls of all urban infrastructure like roads and traffic, surveillance and security, air quality and other environmental parameters as well as lighting based on the development of IoT. The basic technical development of controls of our lights have been made. A first small pilot and demo project is being developed in Finland.

We have maintained our activities in Oman, which started in 2018, and strengthened the partnership with Capital Construction, CCCP. In connection with an official visit by the Minister of Trade of Finland we signed a Memorandum of Understanding with the Sultanate of Oman for initial projects of primarily street lighting for 2 MEUR to be followed by the establishment of an assembly factory in Oman. This has put us in a much better position for actual business in the near term.

The previously reported big pharma order for gas explosive MEX luminaries was installed during the first half of 2021 and has been evaluated by the customer, who is very satisfied with the results and the light quality. The cooperation with ISAP of the US has been put on hold during the pandemic and is not likely to be resumed. The agricultural segment of animal stables, in particular dairy, has been less successful and would

require significant development work and will likely be discontinued. We will now focus on the street lights and the industrial segments and leverage our position so far.

In Oct-Nov we made a guaranteed share issue of 26 MSEK. Net proceeds of 19,8 MSEK were largely used for repayment of bridge loans and payables, for purchases of strategic components and for marketing activities. Liquidity remains tight and to be better equipped and focused we have initiated a significant cost reduction program to reduce fixed costs for by 6 MSEK per annum. The reductions will be fully implemented by the end of the first quarter 2022. Additional financing will be required.

The Board in Nov decided to make changes in the management. The recruitment of a marketing and sales driven CEO started immediately and we could recently announce that Stefan Kåla is taking over as CEO per 1 March.

With the changes and recent developments we are well positioned to take the next step, strengthen our sales and develop Meltron to a strong niche player in lighting for tough environments.

Stockholm, February 2022
Göran Lundgren, interim CEO
Meltron AB

Information about operations

Meltron develops, manufactures and sells LED light sources that are based on a number of patents within electronics, optics and linear drivers for applications in critical infrastructure and demanding industrial environments.

Revenue

Meltron's revenue in the first half was held back by restrictions due to the pandemic preventing marketing and sales activities with new customers, and partly due to extended delivery times of key components. Revenue reduced by 46% and was 1,4 MSEK (2,7).

Operating loss and net loss

Group's operating loss amounted to -18,6 MSEK. The result was burdened by write-off of the Dairy Light product line amounting to -5,8 MSEK, increased component costs and to an extent development work related to "Smart City" lighting system integration with Huawei. Net loss stood at -19,2 MSEK (-14.1).

Balance sheet

During the period Meltron successfully executed a rights issue amounting to 26 MSEK. As a result Meltron's consolidated equity ratio stood at 73% at the end of the period. The Board of Meltron decided to write off IPR related to Dairy Light product line as it is likely that the product line will be divested or discontinued. The IPR write off amounted to -5,8 MSEK. Balance sheet turnover reduced from 30,0 MSEK to 18,9 MSEK.

Key risks and uncertainty factors

Supply Chain:

Delivery times of certain key electronic components continue to be long albeit the situation has improved somewhat. Inability to source components timely will impact Meltron's revenue

generation negatively and price increases may impact gross margin negatively. We expect the global supply chain to stabilize during the financial year.

Liquidity risks:

Despite successful rights issue execution Meltron's liquidity situation remains tight. Sales during the first half was slow while fixed costs remained high partly due to our continuous product development efforts. Actions have been taken to reduce the fixed costs by 6 MSEK per annum, which will come in full effect in the beginning of second quarter. However, Meltron needs to arrange further financing during the next six months to enable continuation of normal operations. Due to clear improvement in near-term sales as well as a break-through in the Middle East we see good probability for successful outcome of arranging the financing.

Corona:

The Corona pandemic continues to impact our operating environment negatively, most profoundly in sales as access to customer sites is still restricted. This limits the possibility of face-to-face meetings and product demonstrations making especially new customer acquisition difficult.

Audit

The company's auditor has conducted a brief review of the report. The auditor remarks that the consolidated balance sheet of the Group has IPR valued at approx. 7,3 MSEK (in the subsidiary Meltron Oy), primarily patents, which he cannot assess. The Company justifies the valuation by the fact that the majority of sales are based on the proprietary technology of the Company and an expected strong growth of its sales of these products.

The auditor further points at the balance sheet value of the Finnish subsidiary being approx. 46 MSEK, plus credits of 12,9 MSEK, and that he cannot assess this valuation. The Company justifies the valuation as this part of the business activities is expected to generate the absolute majority of future revenues based on a well developed base of large, well-known customers with considerable purchasing power, on an important portfolio of outstanding quotations and on a relatively large volume of orders received in the beginning of 2022, already exceeding the first half of the financial year.

The auditor also comments that the liquidity is under pressure and that further financing will be required. The company has initiated such discussions and has already received proposals for adequate financing.

For more details and information on the financial standing of the Company please see the full half year report as well as the auditor's statement at www.meltron.com.

Accounting principles

This report has been prepared in accordance with the Swedish Annual Accounts Act as well as the Swedish Accounting Standards Board BFNAR 2012:1 annual report and consolidated (K3) are applied in the preparation of the financial reports.

Next reporting season

Meltron will report the financial year 2021-07-01 – 2022-06-30 on the 2022-08-26.
The report will be published in www.meltron.com.

About Meltron – “More than Just Light”

Meltron AB designs, manufactures and sells LED lighting solutions which are based on interdisciplinary application of electronics, optics, thermodynamics and nano structures. “More Than Just Light” translates into energy savings, superior light quality, product life-time savings, increased productivity, safety and wellbeing. Meltron provides high quality solutions for the most demanding environments in infrastructure, industry, logistics and agriculture.

*Meltron's shares are traded on NGM Nordic MTF under the ticker **MLTR**.*

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