

Half Year Report

of

Meltron AB

Period

1st July 2021 - 31st December 2021

Half Year Report (July 2021 - Dec 2021)

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.

Multi-year overview (Group)

KSEK unless stated otherwise	2021/2022 Jul-Dec	2020/2021 Jul-Dec	2020/2021 Jul-Jun	2019/2020 Sep-Jun
Net sales	1 428	2 670	5 714	3 160
Operating profit	-18 621	-10 654	-21 721	-21 091
Profit after financial items	-19 235	-14 045	-25 297	-23 211
Balance sheet total	18 941	30 010	22 757	23 036
Equity	13 768	24 230	13 037	12 926
Result per share, SEK	-0,06	-0,07	-0,11	-0,28
Equity ratio %	72,7%	80,7%	57,3%	56,1%
Number of employees, annual average	12	11	12	11
Number of employees at the end of the period	12	11	12	11

Multi-year overview (Parent Company)

KSEK unless stated otherwise	2021/2022 Jul-Dec	2020/2021 Jul-Dec	2020/2021 Jul-Jun	2019/2020 maj-juni
Net sales	225	255	488	1 113
Operating profit	-10 458	-4 813	-8 735	-13 655
Profit after financial items	-10 859	-5 114	-55 055	-14 308
Balance sheet total	63 588	104 719	57 310	84 448
Equity	62 445	103 408	53 467	82 709
Earnings per share, SEK	-0,03	-0,03	-0,23	-0,17
Equity ratio %	98,2%	98,7%	93,3%	97,9%
Number of shares at the end of the period	576 438 662	288 219 331	288 219 331	160 111 554
Ongoing registration of shares	-	-	-	-
Average number of shares	347 742 888	191 589 464	240 851 749	83 993 399
Share price at balance sheet date, SEK	0,06	0,18	0,17	0,35
Number of employees, annual average	1	1	1	1
Number of employees at the end of the period	1	1	1	1

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 has made good progress and will be completed during the first quarter.

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.

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.

Consolidated Income Statement

KSEK	2021/2022 Jul-Dec	2020/2021 Jul-Dec	2020/2021 Jul-Jun
Operating income			
Net sales	1 428	2 670	5 714
Other operating income	120	75	170
Total income	1 548	2 745	5 884
Operating costs			
Cost of goods sold	-1 997	-1 722	-4 528
Other external charges	-5 803	-3 971	-11 202
Personnel costs	-4 874	-5 959	-8 296
Depreciation and amortization of tangible and intangible assets	-1 654	-1 747	-3 579
Intangible assets write off	-5 841		
Total operating costs	-20 169	-13 399	-27 605
Operating profit/loss	-18 621	-10 654	-21 721
Net financial items	-614	-3 391	-3 576
Profit/loss after financial items	-19 235	-14 045	-25 297
Profit/loss before tax	-19 235	-14 045	-25 297
Taxes	0	0	0
Net profit/loss	-19 235	-14 045	-25 297

Consolidated Balance Sheet

KSEK	2021 31st Dec	2020 31st Dec	2021 30th Jun
ASSETS			
Long term assets			
Capitalized research and development costs	3 037	2 977	3 342
Patents and immaterial rights	4 314	11 919	11 113
Property, plant and equipment	1 285	1 570	1 364
Other long term assets	50	51	49
Total long term assets	8 686	16 517	15 868
Long term receivables	240	221	238
Current assets			
Inventory	4 317	2 906	4 040
Accounts receivable	399	1 191	310
Other short term receivables	2 292	2 447	1 672
Cash and equivalents	3 007	6 728	629
Total current assets	10 015	13 272	6 651
Total assets	18 941	30 010	22 757
LIABILITIES			
Equity			
Share capital	51 880	72 055	72 055
Retained earnings including net profit for the period	-38 112	-47 825	-59 018
Total equity	13 768	24 230	13 037
Provisions			
Other provisions	178	327	170
Total provisions	178	327	170
Long term liabilities			
Interest bearing debt	0	783	794
Total long term liabilities	0	783	794
Current liabilities			
Interest bearing debt	802	884	886
Accounts payable	1 203	775	1 191
Other current liabilities	2 990	3 011	6 679
Total current liabilities	4 995	4 670	8 756
Total liabilities	18 941	30 010	22 757

Changes in Group Equity

	2021/2022	2020/2021	2020/2021
KSEK	Jul-Dec	Jul-Dec	Jul-Jun
Opening balance equity	13 037	12 926	12 926
Rights issue	19 838	25 814	25 814
Translation differences	128	-465	-406
Net profit/loss	-19 235	-14 045	-25 297
Closing balance	13 768	24 230	13 037

Consolidated Cash Flow Statement

	2021/2022	2020/2021	2020/2021
KSEK	Jul-Dec	Jul-Dec	Jul-Jun
Profit after financial items	-19 235	-14 045	-31 011
Non-cash adjustments	7 286	1 747	3 470
Other non-cash adjustments	157	-11	-127
Cash flow from operating activities	-11 792	-12 309	-27 668
Change in working capital	-4 545	2 590	7 521
Cash flow from operations	-16 337	-9 719	-20 147
Cash flow from investment activities	-228	-249	-1 752
Cash flow from financing activities	18 943	16 463	16 581
Cash flow from the period	2 378	6 495	-5 318
Cash at the beginning of the period	629	233	233
Cash at the end of the period	3 007	6 728	629

Parent Company Financial Statements

Income Statement

KSEK	2021/2022 Jul-Dec	2020/2021 Jul-Dec	2020/2021 Jul-Jun
Operating income			
Net sales	225	255	488
Other operating income	80	13	52
Total income	305	268	540
Operating costs			
Cost of goods sold	-1 001	-432	-1 120
Other external charges	-1 792	-2 884	-4 635
Personnel costs	-1 239	-813	-1 635
Depreciation and amortization of tangible and intangible assets	-890	-952	-1 885
Intangible asset write off	-5 841	0	0
Total operating costs	-10 763	-5 081	-9 275
Operating profit/loss	-10 458	-4 813	-8 735
Net financial items	-401	-301	-46 320
Profit/loss after financial items	-10 859	-5 114	-55 055
Profit/loss before tax	-10 859	-5 114	-55 055
Taxes	0	0	0
Net profit/loss	-10 859	-5 114	-55 055

Balance Sheet

KSEK	2021 31 dec	2020 31 dec	2021 30 jun
ASSETS			
Long term assets			
Capitalized research and development costs	195	488	323
Patents and immaterial rights	-	7 361	6 601
Property, plant and equipment	13	23	16
Subsidiary	46 064	82 004	46 063
Total long term assets	46 272	89 876	53 003
Current assets			
Inventory	700	868	1 700
Accounts receivable	345	257	205
Other short term receivables	14 180	8 165	1 921
Cash and equivalents	2 091	5 553	481
Total current assets	17 316	14 843	4 307
Total Assets	63 588	104 719	57 310
LIABILITIES			
Equity			
Share capital	51 879	72 055	72 055
Revaluation fund	-	5 603	5 021
Development fund	176	489	304
Retained earnings including net profit for the period	10 390	25 261	-23 913
Total equity	62 445	103 408	53 467
Provisions			
Other provisions	178	327	170
Total provisions	178	327	170
Current liabilities			
Accounts payable	513	383	248
Other short term liabilities	452	601	3 425
Total current liabilities	965	984	3 673
Total liabilities	63 588	104 719	57 310

Changes in Equity

	2021/2022	2020/2021	2020/2021
KSEK	Jul-Dec	Jul-Dec	Jul-Jun
Opening balance equity	53 467	82 708	82 708
Net profit/loss	-10 859	-5 114	0
Rights issue	19 838	25 814	25 814
Closing balance	62 446	103 408	108 522

Cash Flow Statement

	2021/2022	2020/2021	2020/2021
KSEK	Jul-Dec	Jul-Dec	Jul-Jun
Profit after financial items	-10 859	-5 114	0
Non-cash adjustments	6 739	952	47 840
Other non-cash adjustments	-8	-11	107
Cash flow from operating activities before changes in working capital	-4 128	-4 173	47 947
Cash flow after change in working capital	-14 100	993	9 002
Cash flow from operations	-18 228	-3 180	56 949
Cash flow from investment activities	0	-10 472	-20 614
Cash flow from financing activities	19 838	18 973	18 969
Cash flow from the period	1 610	5 321	55 304
Cash at the beginning of the period	481	232	232
Cash at the end of the period	2 091	5 553	481

Definitions of indicators:

Earnings per share

Profit/loss for the period in relation to average number of shares during the period

Solidity

Equity at the end of the period as percentage of total assets

Average number of shares

Average of number of shares at the end of the period

Number of shares

	2021/2022	2019/2020	2020/2021	2020/2021
	Jul-Dec	Jul-Dec	Jul-Jun	Sep-Jun
Opening number of shares	288 219 331	13 071 455	13 071 455	13 071 455
Closing number of shares	576 438 662	132 587 175	160 111 553	93 951 085
Average number of shares before dilution	347 742 888	44 861 866	83 993 399	26 697 914

Stockholm 18th February 2022

Elisabet Wahlman
Chairman of the Board

Göran Lundgren
Chief Executive Officer

Olof Heyman
Member of the Board

Sverker Littorin
Member of the Board