

Heliospectra AB (publ)

2018

YEAR END REPORT

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CEO's COMMENTS

Dear Heliospectra AB (publ) Shareholder,

2018 was a critical year for Heliospectra as we strengthened the foundation of our company to ensure that we execute against our strategic objectives. In the second half of the year we went through a reorganization which resulted in building a highly efficient, global team focused on generating revenue and working closely with growers and customers to truly understand their needs. The introduction of helioCARE™, our technical services, at the beginning of 2018 is one such example. Besides creating a new revenue stream helioCARE adds value to current and new customers and strengthens our position as thought leaders. We further commercially advanced helioCORE™ and Heliospectra's world-class integrated and connected LED lighting solutions.

During 2018, we proactively responded to market demand generated from urbanization and population growth as well as food security policies and other public/private initiatives driving economic diversification and resource conservation. Vertical farming has accelerated the need for integrated solutions with food growers worldwide. Based on Heliospectra's observations and market engagement, we introduced our new SIERA light bar family in Q2. With SIERA product now shipping, we predict the series will be an industry leader based on product performance and results to date. Moreover, our industry-leading technology was selected and specified for several milestone projects during 2018, including installation at one of the world's top five largest LED horticultural facilities for medicinal crops.

As I reported last quarter, we realized as our company develops that we must focus our work and growth on fewer, but much larger-scale customers and facilities. This required us to partner with suppliers who can deliver higher volumes at far greater efficiency. At the end of Q3.2018, we finalized our transition and are now working with a new global manufacturer with highly scalable capacity in Sweden. As was expected and reported, this achievement and transition presented our company with some interim challenges in order fulfillment and affected our gross margin. This transformation forced us to prioritize orders and our existing customers so that we did have to turn away some new inquiries. With our new capacity and supply chain in place, Heliospectra is well-positioned to offer our products in larger volume with improved delivery time and a more favorable gross margin.

While Heliospectra invested in upgrading our technology platforms and manufacturing capacities in 2018, we managed to improve net sales by 26 percent, order intake by 9 percent compared to 2017 while operating loss remained unchanged. We further improved our working capital in 2018 compared to last year. The fact that we ask customers to pay for orders in advance of delivery also supports our favorable working capital. This has strengthened our capital efficiency by minimizing risks to accounts receivables and significantly reducing the bad debt costs. While our gross margin did drop 4 percentage points due to some strategic pricing decisions and the supply chain transition that phased out raw materials no longer used, Heliospectra is now poised for more efficient and streamlined production and standardized pricing which will positively impact COGS and margins moving forward.

Today I am confident that we have built a solid foundation to scale our business and respond to the fast-growing market. Looking ahead, I view 2019 with confidence as a year that we will harvest the results of our efforts and persistence. This is supported by our highest-quality product portfolio and our world-class team. We will continue creating customer value and exceeding customer expectations to grow our market presence.

In closing, I appreciate the steadfast support of our stakeholders. Your guidance and contributions along with the hard work of the Heliospectra team in 2018 have positioned our company as the industry leader and value-driven company that will dominate the horticultural lighting and technology markets for years to come.

Ali Ahmadian, CEO
Heliospectra AB
(publ)



SIGNIFICANT EVENTS

JANUARY–MARCH

- Canadian cannabis facility deploy Heliospectra LED grow lights for for a customer building a high-performance medicinal cannabis cultivation facility in Eastern Canada. The order for the Heliospectra LX60 intelligent LED lighting solution is valued at SEK 5.5 million (USD \$651,200).
- Heliospectra showcased the company's intelligent lighting solutions, technical services, and new helio CORE™ light control system at IPM Essen and Fruit Logistica in Berlin.
- AcquiFlow, a value-added reseller, selects Heliospectra Intelligent LED Lighting Solutions to scale cannabis cultivation facilities for leading Canadian licensed producer. The order value is 524 000 SEK (USD \$63,547).
- Griffin Greenhouse Supplies, a value-added reseller, secures a large order for Heliospectra LED Lighting Solutions. The order is for the E60 C plate full spectrum series LED grow lights and goes to a New England cannabis cultivation facility. The order value is SEK 5.8 million (USD \$698,000).
- Iconic Kew Royal Botanic Gardens retrofits greenhouse with Heliospectra intelligent LED lighting solutions. The new lights will be retrofitted in the tropical nursery with the aim to improve plant quality using a more environmentally-friendly lighting solution. The order value is SEK 1.7 million (£ 150,000).

APRIL - JUNE

- Heliospectra AB appoints Magnus Svensson as New Chief Financial officer (CFO), effective May 2nd 2018.
- Griffin Greenhouse Supplies expands controlled environments Agriculture installation of Heliospectra LED lighting solutions, with a second order for the E60 C plate full-spectrum series LED grow lights. The order value is SEK 4.6 million (USD \$549,000).
- Griffin Greenhouse Supplies and the New England controlled environments agriculture installation standardize on Heliospectra LED Lighting with third order for the E60 C plate full-spectrum series LED grow lights. The order value is SEK 5.7 million (USD \$686,510).
- Heliospectra officially launches helioCORE™ as the new light control system becomes available for order.
- 5 Leters DOO secures order for Heliospectra LED Lighting. The order is for additional E60 series LED grow lights as the company scales medicinal cannabis cultivation in Resen, Macedonia. The order value is SEK 1.5 million (USD \$179,760).
- ABB and Heliospectra AB join forces in the Middle East and Africa. The companies are joining forces to explore innovative solutions that will boost the productivity and the sustainability of greenhouse and controlled environment agriculture produce industry in the Middle East and Africa.
- Heliospectra AB to introduce next generation lightbar at GreenTech Amsterdam.
- 5 Leters DOO Facility Scales with Heliospectra lighting solutions. The second order is for additional E60 series LED grow lights as the company scales medicinal cannabis cultivation in Resen, Macedonia. The order value is SEK 1.5 million (USD \$184,560).
- Macedonian Cultivation Facility Standardize on Heliospectra LED Technology. The order is for Heliospectra's E60 and LX60 LED grow lights and valued at SEK 3.7 million (\$432,643 USD).

- Heliospectra annual meeting was held on June 14 2018. Staffan Gunnarsson was appointed new director and Jens Helgesson was elected new deputy director.

JULY - SEPTEMBER

- Heliospectra features helioCORE™ light control system and new series of lightbars at Cultivate'18 in Columbus, Ohio
- Heliospectra AB expands executive team with Vice President, Sales and Marketing and Vice President, Technical Services. Hanna Rüdell as Vice President, Technical Services and Thorbjörn Leu as Vice President, Sales and Marketing, effective August 2018.
- Ljusgård AB Invests in Heliospectra's innovative LED lighting solutions. The company, located in Tibro, Sweden, focuses on sustainable, eco-conscious vertical farming with the goal to produce high-quality vegetables year-round. The order is for Heliospectra's fully adjustable ELIXIA LED lighting solution and the order value is SEK 1.3 million (\$ 143,552).
- 5 Leters DOO in Macedonia expands their facility and places an additional order on Heliospectra's EOS series LED grow lights. The order value is SEK 1.6 million (USD \$ 179,760).
- Australian cannabis researcher and producer invests in Heliospectra's innovative LED lighting solutions. The order is for Heliospectra's fully adjustable ELIXIA LED lighting solution and the order is valued at SEK 660,000 (\$ 78,000).
- King Abdullah University of Science and Technology (KAUST), a private international graduate-level institution located on the Red Sea, chooses Heliospectra for new speed breeding project. The order is valued is SEK 540,000 (\$ 58,700).
- Danish company Cannabis Pharm automates their growth environment with Heliospectra's intelligent LED lighting and helioCORE™ control software. The order value is SEK 1.4 million (USD \$ 154,000).

OCTOBER - DECEMBER

- Leading Spanish research facility invest in Heliospectra's LED lighting solutions for medicinal plant research. The order is for Heliospectra's fully adjustable ELIXIA LED lighting solution and the value is SEK 1.2 million (EUR € 117,855).
- Global Fortune 500 AgTech leader selects Heliospectra intelligent LED lighting solutions. The year-end order is for Heliospectra's EOS series lamps and the order value is SEK 1.2 million (\$134,850 USD). The company is a long-term customer of Heliospectra.



- Heliospectra announces the cancellation of a 5 Letters DOO order. The order was for Heliospectra's EOS series and the order value was SEK 1.6 million (USD \$ 179,760).
- Heliospectra announces the cancellation of a 5 Letters DOO order. The order was for Heliospectra's EOS series and the order value was SEK 1.6 million (USD \$ 179,760).
- Heliospectra announces a new order from F&M 2017 DOO. The company is starting a new state-of-the-art medicinal cannabis facility in Macedonia. The order is for Heliospectra's fully adjustable spectrum ELIXIA LED grow lights and HeliocORE™ light control software. The order value is SEK 2.4 million (€ 250,300).
- John Innes Centre continues retrofit with new order of Heliospectra intelligent lighting solutions. This order of ELIXIA and EOS lights complements the previous orders made by the customer. The order value is SEK 1.3 million (£ 113,600).

SIGNIFICANT EVENTS AFTER THE PERIOD

- Heliospectra's helioCORE™ light control system gains recognition by the American Society of Agricultural and Biological Engineers with a 2019 AE50 Award for "Outstanding Innovations in Product or System Technology."
- Heliospectra's Technical Services portfolio becomes re-branded under helioCARE™.
- Leading European Research Facility Continues Investment in Heliospectra's LED Lighting Solutions. The company is expanding its greenhouse production, and has placed an additional order of Heliospectra's fully adjustable ELIXIA LED lighting solution. The value of the new order is SEK 2,0 million (€ 189,000).

FINANCIAL REPORT

TSEK	JANUARY - DECEMBER		
	2018	2017	
ORDER INTAKE	47,806	43,814	9%
NET SALES	45,370	36,039	26%
OPERATING LOSS	-33,251	-33,089	0%
LOSS BEFORE TAX	-33,303	-33,171	0%

SALES AND FINANCIAL PERFORMANCE, OCTOBER – DECEMBER

Net sales amounted to SEK 11,083 thousand (16,489). The operating loss amounted to SEK -12,020 thousand (-7,478), signifying a negative operating margin. The loss after tax was SEK -12,030 thousand (-7,470), or SEK -0,34 (-0,21) per share.

SALES AND FINANCIAL PERFORMANCE, JANUARY – DECEMBER

Net sales amounted to SEK 45,370 thousand (36,039). The operating loss amounted to SEK -33,251 thousand (-33,089), signifying a negative operating margin. The loss after tax was SEK -33,303 thousand (-33,171), or SEK -0,95 (-0,94) per share. During 2018, lights that were on loan or used for marketing purposes have been written off as they no longer have any commercial value. They were charged to the income statement in the amount of SEK 1,325 thousand.

CASH FLOW, OCTOBER – DECEMBER

Operating cash flow was SEK -4,790 thousand (-3,556). Total cash flow was SEK -7,025 thousand (-4,543).

CASH FLOW, OCTOBER – DECEMBER

Operating cash flow was SEK -25,588 thousand (-29,511). Total cash flow was SEK -29,468 thousand (-32,307).

SIGNIFICANT RISKS AND UNCERTAINTIES

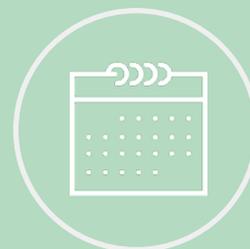
For a comprehensive – but not complete – summary of risks, we refer to Heliospectra's 2017 Annual Report <http://ir.heliospectra.com/en/reports-downloads/>.

OUTLOOK

The launch of helioCORE™ combined with the installed base of our intelligent lighting portfolio, mainly ELIXIA (formerly LX-series), will create growth opportunities by generating recurring revenue. Sales effort and geographical expansion will be intensified further. While the board makes no quantified predictions for 2018, its general assessment is that the company is well-positioned for accelerated sales and deliveries.

FINANCIAL CALENDAR

- | | |
|----------------------------|------------|
| • Interim Report Jan-Mar | 2019-04-26 |
| • General Annual Meeting | 2019-06-13 |
| • Half Year Report Jan-Jun | 2019-08-23 |
| • Interim Report Jan-Sep | 2019-10-25 |



Gothenburg, February 22, 2019

The Board

CONSOLIDATED INCOME STATEMENT	2018	2017	2018	2017
Amounts in SEK thousand	OCT-DEC	OCT-DEC	JAN-DEC	JAN-DEC
Net Sales	11 083	16 489	45 370	36 039
Other operating income	25	125	615	729
	11 108	16 614	45 985	36 768
OPERATING EXPENSES				
Cost of goods sold	-7 598	-10 817	-30 057	-22 347
Other external expenses	-7 217	-7 025	-22 480	-22 993
Personnel expenses	-7 595	-5 188	-23 854	-19 476
Depreciations, amortizations and impairments	-735	-1 062	-2 725	-4 319
Other operating expenses	17	0	-120	-722
Operating profit/loss	-12 020	-7 478	-33 251	-33 089
Operating margin	neg	neg	neg	neg
Total financial items	-10	8	-52	-82
Profit/Loss before tax	-12 030	-7 470	-33 303	-33 171
Taxes	-	-	-	-
Profit/Loss after tax	-12 030	-7 470	-33 303	-33 171
CONSOLIDATED CASH FLOW STATEMENT	2018	2017	2018	2017
Amounts in SEK thousand	OCT-DEC	OCT-DEC	JAN-DEC	JAN-DEC
Profit/Loss after financial items	-12 030	-7 470	-33 303	-33 171
Adjustments for items not included in the cash flow, impairment, depreciation and amortization, assets	762	1 062	2 932	4 319
Change in working capital	6 478	2 852	4 783	-659
Operating cash flow	-4 790	-3 556	-25 588	-29 511
Cash flow from investing activities	-2 086	-937	-3 280	-2 296
Cash flow from financing activities	-150	-50	-600	-500
Cash flow for the period	-7 025	-4 543	-29 468	-32 307
Cash and cash equivalent at beginning of period	18 191	45 176	40 633	72 940
Cash and cash equivalents at end of period	11 165	40 633	11 165	40 633
KEY INDICATORS	2018	2017	2018	2017
	OCT-DEC	OCT-DEC	JAN-DEC	JAN-DEC
Sales per share, SEK	0,32	0,47	1,29	1,05
Earnings per share after tax, SEK	-0,34	-0,21	-0,95	-0,94
Operating margin, %	neg	neg	neg	neg
EBITDA, SEK thousands	-11 285	-6 416	-30 526	-28 770
EBITDA margin, %	neg	neg	neg	neg

CONSOLIDATED BALANCE SHEET	2018-12-31	2017-12-31
Amounts in SEK thousand		
ASSETS		
Intangible assets	15 316	14 934
Tangible assets	1 320	1 148
Total fixed assets	16 636	16 082
Inventories	5 499	7 589
Current receivables	6 857	10 021
Cash and cash equivalents	11 165	40 633
Total current assets	23 521	58 243
Total assets	40 157	74 325
EQUITY AND LIABILITIES		
Equity	15 207	48 303
Non-current liabilities	9 800	10 400
Current liabilities	15 151	15 622
Total equity and liabilities	40 158	74 325

CHANGE IN CONSOLIDATED EQUITY	2018-12-31	2017-12-31
Amounts in SEK thousand		
	JAN-DEC	JAN-DEC
Opening equity	48 303	81 474
Profit/Loss for the period after tax	-33 303	-33 171
Exchange rate differences	207	-
Closing equity	15 207	48 303

KEY INDICATORS	2018-12-31	2017-12-31
Number of shares, thousands	35 112	35 112
Equity/share, SEK	0,43	1,38
Equity/assets ratio	38%	65%
Quick ratio	119%	324%

ACCOUNTING POLICIES AND NOTES

This interim report has been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Accounting Standards Board's general guidelines BFNAR 2012:1 Annual Accounts and Consolidated Accounts (K3). The accounting policies are unchanged from the 2017 annual report and remain as described in said report. All amounts are reported in SEK thousands unless otherwise indicated.

DEFINITIONS

SALES PER SHARE

Net sales in relation to the number of shares

OPERATING MARGIN

Operating loss in relation to net sales

EBITDA MARGIN

EBITDA in relation to net sales

EQUITY/ASSETS RATIO

Equity in relation to total assets

EARNINGS PER SHARE AFTER-TAX

Earnings after tax in relation to the number of shares

EBITDA

Operating profit/loss excl. depreciation and amortisation

EQUITY/SHARE

Equity in relation to number of shares

QUICK RATIO

Current receivables plus cash and cash equivalents in relation to current liabilities

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THE SHARE

The shares are issued in accordance with Swedish law and are denominated in Swedish kronor. There is only one class of shares. Shares are made out to the holder and the share register is maintained digitally by Euroclear Sweden.

Heliospectra's share capital totals SEK 3,511,157.60 split between 35,111,576 shares, each with a quota value of SEK 0.10.

Heliospectra's shares and warrants are traded on First North as of June 18, 2014.

The share's First North ticker symbol is **HELIO**

The share's ISIN code is **SE0005933082**

Heliospectra may also be traded via a so-called ADR in the United States on the OTC Markets through BNYMellon. The ADR ticker symbol on the OTC Markets OTCQB is **HLSPY**

CUSIP code for ADR: **423281104**

LIST OF OWNERS

PER 2018-12-28

STOCK OWNERS	NR. OF STOCKS	SHARE
WELAND VÄRDEPAPPER AB	6 952 841	19.8%
WELAND STÅL AB	5 114 811	14.6%
MIDROC NEW TECHNOLOGY AB	3 547 686	10.1%
ADMA FÖRVALTNINGS AB	2 000 000	5.7%
FÖRSÄKRINGSAKTIEBOLAGET, AVANZA PENSION	1 804 655	5.1%
THE BANK OF NEW YORK MELLON	1 429 332	4.1%
PIBA AB	386 000	1.1%
MAGOWNY INVEST AB	340 689	1.0%
ARNEWID ANDREAS	302 740	0.9%
NORDNET PENSIONS FÖRSÄKRING AB	302 176	0.9%
OTHER OWNERS	12 930 646	36.7%
TOTAL SUM:	35 111 576	100,0%

STOCK WARRANT FOR SENIOR EXECUTIVES

The Annual General Meeting of June 14, 2016 approved a stock warrant program for senior executives and personnel. It comprises 770,000 warrants, where each warrant confers the right to subscribe for one new share at the price of SEK 14 during the period September 1, 2018 through October 31, 2018. Based on this, dilution will be around 2%.

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HELIOSPECTRA IN BRIEF

Heliospectra AB (publ) (OTCQB: HLS, FIRST NORTH: HELIO) is the global leader in intelligent lighting technology, light control systems and related services for greenhouse and controlled plant growth environments. With the vision to make commercial crop production more connected and resource-efficient, Heliospectra integrates customized LED spectral strategies with real-time response and artificial intelligence to create predictable and reliable business forecasts and harvest results. Founded in 2006, Heliospectra is committed to helping growers and commercial producers across six continents consistently increase yields and produce crops with quality appearance, superior nutritional or medicinal value and longer shelf life, harvest after harvest. Heliospectra is the recipient of multiple international awards and recognitions.

For more information, we refer to Heliospectra's 2017 Annual Report, <http://ir.heliospectra.com/en/reports-downloads/> and the heliospectra website www.heliospectra.com.



FOR FURTHER INFORMATION, PLEASE CONTACT

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This report has not been reviewed by the company's auditors.



heliospectra