

Half-Year Report

1 JANUARY
– 30 JUNE
2020

Minesto in brief

Minesto develops technology for generating renewable electricity from the ocean. With patented technology, tidal and ocean currents with low-flow velocities are exploited. The technology, which goes by the name Deep Green, can be installed in areas where no other known technology can operate cost effectively.

The Group consists of the parent company Minesto AB, which is headquartered in Gothenburg and the subsidiaries Minesto UK Ltd, Minesto Taiwan Ltd, Sp/f Minesto Føroyar, Minesto Warrants One AB and Holyhead Deep Ltd.

The Group's registered office is in Gothenburg and the parent company's share (MINEST) is the subject of trading on Nasdaq First North Growth Market in Stockholm with G&W Fondkommission as Certified Adviser.

Read more at www.minesto.com.



Significant events 1 April–30 June 2020

- In early April, Minesto announced that the company and its partner, the Faroese electric utility company SEV, had been granted all necessary permits and consents for the installation of two marine power plants in Vestmannaund, Faroe Islands, where the power plants will be connected to the electricity grid.
- In June, Minesto installed the seabed foundation to be used for Minesto's first DG100 system in the company's tidal energy project in the Faroe Islands. This completed the project's first offshore installation phase in Vestmannaund.
- The subscription price for warrant TO3 in Minesto AB was set at SEK 15.79 in accordance with the applicable terms and conditions.

After the end of the period

- In early July, Minesto announced that the installation of the subsea cable in the Vestmannaund project in the Faroe Islands, which connects Minesto's power plant to the electricity grid, had not been completed as planned due to a technical issue that occurred during the cabling.
- In July, Minesto completed the installation of infrastructure onshore and offshore in the Vestmannaund project, including the fixed subsea cable. Minesto also successfully installed the first DG100 tidal energy converter, but during the initial commissioning phase a mechanical failure occurred in the powerplant's mooring interface which denied further operations.



During the second quarter, Minesto had a strong focus on the installation of the company's first DG100 system in Vestmannaund, Faroe Islands. The power plant has been named "Havfrúgvín", which means mermaid in Faroese.

This document is a translation of Minesto AB's Half-Year Report in Swedish that was published on 20 August 2020. In the event of any inconsistency between the English and the Swedish versions, the latter shall prevail.

The Group in summary

1 January–30 June 2020

- Total operating income amounted to SEK 23,551 thousand (18,367 thousand) and consisted mainly of capitalised work on own account of SEK 21,538 thousand (17,126 thousand).
- Loss after net financial items was SEK –8,722 thousand (–10,291 thousand). The negative result is largely attributable to business development and administration related to technology development and includes, among other things, personnel costs and consultants.
- Earnings per share were SEK –0.06 (–0.08). The corresponding earnings per share after taking into account dilution of existing warrants were SEK –0.05 (–0.07).
- At the end of the reporting period, capitalised development costs amounted to SEK 194,109 thousand (252,053 thousand), in addition to capitalised expenses for patents of SEK 12,916 thousand (11,322 thousand).
- Grants of up to SEK 32,516 thousand (18,583 thousand) were received during the reporting period, of which SEK 30,657 thousand (17,371 thousand) reduced the acquisition value of the capitalised development costs. During the reporting period, payments of SEK 43,390 thousand (29,840 thousand) were received from public funding schemes.
- Cash flow amounted to SEK 62,166 thousand (27,496 thousand).
- Equity amounted to SEK 404,083 thousand (340,240 thousand) at the end of the reporting period.

SEK Thousand	Jan–June 2020	Jan–June 2019	Full Year 2019
Net sales	—	—	—
Operating profit/loss	–6,310	–10,734	–126,793
Net profit/loss for the period	–6,951	–8,173	–99,960
Cash flow from operating activities	62,166	27,496	50,986



Comment from the CEO

Great value in progress and experience

During the spring and summer this year, Minesto has focussed fully on the tidal energy project in the Faroe Islands, which we run in conjunction with our customer SEV. It was of course frustrating when system commissioning was suspended of this first DG100 system at the end of July due to a mechanical failure in the power plant's mooring interface. Commissioning of this system for production to the electricity grid in the Faroe Islands contains several new elements for the technology and we gain significant experience towards continuous operation with each step.

All onshore and offshore infrastructure is in place and the production site in Vestmannaasund has been successfully connected to the Faroese electricity grid. The work to prepare the power plant for continued commissioning

continues as our highest priority in order to initiate grid-connected operation from Minesto's Deep Green technology as soon as possible.

Significant progress despite the corona pandemic

The Coronavirus pandemic has so far not had any critical impact on Minesto's operations, strategy, or cash flow. The restrictions introduced to limit the spread of infection have, as is true for most companies, made the planning and logistics around the project in the Faroe Islands and the company's other projects more difficult. We continue to work closely with our partners, suppliers, and local authorities to drive projects forward in the most efficient and secure way possible.

Any future impacts are at this stage difficult to assess as they depend on how the pandemic develops. Minesto is mainly financed through equity and public development funds, and we are in a good financial position as we work towards positive cash flow.

Public support in line with the company's strategy

The signals from the public sector remain positive in terms of financial support to accelerate the upscaling of renewable energy supply and to build the global economic recovery from a sustainable base. Recently, the first call for applications was opened for EU's Innovation Fund; the purpose of which exactly aligns with Minesto's technology and the company's commercialisation strategy. With a planned budget of ten billion euros, the Innovation Fund will finance flagship projects based on highly innovative technologies.

Minesto views this program and its criteria and goals very positively as an opportunity for funding for the next expansion phase in the Faroe Islands.

Great interest in Minesto and renewable energy

It is both gratifying and inspiring to note that the interest in renewable energy in general and Minesto in particular is great. The company currently has approximately 19,000 shareholders. Our vision and determination to become a world-leading and profitable equipment supplier of marine energy technology – and thereby create value for both owners and society at large – is more important than ever before.

Dr Martin Edlund, CEO



We gain significant experience towards continuous operation with each step.

Consolidated Income Statement

SEK Thousand	Jan–June 2020	Jan–June 2019	Full Year 2019
Operating income			
Capitalised work on own account	21,538	17,126	35,747
Other operating income	2,013	1,241	4,354
Total income	23,551	18,367	40,101
Operating expenses			
Direct costs	—	–54	–57
Other external expenses	–5,962	–5,651	–15,055
Personnel costs	–23,821	–23,344	–43,991
Depreciation	–78	–52	–114
Other operating costs	—	—	–107,678
Total costs	–29,860	–29,101	–166,894
Operating loss	–6,310	–10,734	–126,793
Profit/loss from financial items			
Interest income and similar income statement items	—	1,083	1,349
Interest expense and similar income statement items	–2,413	–640	–430
Total loss from financial items	–2,413	442	918
Loss after net financial items	–8,722	–10,291	–125,874
Tax	1,771	2,118	25,914
Net loss	–6,951	–8,173	–99,960

Consolidated Balance Sheet

SEK Thousand	30 June 2020	30 June 2019	31 Dec 2019
ASSETS			
Non-current assets			
Intangible assets	207,024	263,376	177,700
Tangible assets	1,002	880	934
Financial assets	56,025	28,533	54,270
Total non-current assets	264,051	292,789	232,905
Current assets			
Current receivables	55,497	38,061	141,679
Cash and cash equivalents	116,275	30,440	53,986
Total current assets	171,772	68,502	195,664
TOTAL ASSETS	435,823	361,291	428,569
EQUITY AND LIABILITIES			
Equity	404,083	340,240	398,703
Non-current liabilities	500	500	500
Current liabilities	31,240	20,551	29,366
TOTAL EQUITY AND LIABILITIES	435,823	361,291	428,569

Consolidated Statement of Changes in Equity

SEK Thousand	Share capital	Additional paid-up capital	Other equity incl. result for the year	Total equity
January–June 2020				
At beginning of the year	6,280	583,926	–191,504	398,703
<i>Changes</i>				
Loss after net financial items	–	–	–6,951	–6,951
Translation differences	–	–	123	123
New shares according to warrants	7	863	–	870
New shares according to warrants, ongoing	37	11,556	–	11,593
Issue expenses	–	–253	–	–253
Total changes	44	12,165	–6,828	5,381
Equity at the end of the period	6,324	596,092	–198,332	404,083
2019				
At beginning of the year	4,993	390,800	–91,570	304,224
<i>Changes</i>				
Loss after net financial items	–	–	–99,960	–99,960
Translation differences	–	–	26	26
New issue	212	59,788	–	60,000
New shares according to warrants	769	56,576	–	57,346
Ongoing issue	305	85,738	–	86,043
Issue expenses, net of tax effect	–	–8,975	–	–8,975
Total changes	1,287	193,126	–99,934	94,479
Equity at year-end	6,280	583,926	–191,504	398,703

Consolidated Cash Flow

SEK Thousand	Jan–June 2020	Jan–June 2019	Full Year 2019
Cash flow from operating activities			
Loss after net financial items	–8,722	–10,291	–125,861
Adjustments for items not included in cash flow	78	52	105,622
Total cash flow from operating activities	–8,644	–10,239	–20,239
Cash flow from changes in working capital			
Changes in operating receivables	97,774	12,719	–88,475
Changes in operating liabilities	1,874	725	9,243
Total cash flow from changes in working capital	99,647	13,444	–79,232
Cash flow from investing activities			
Investments in intangible assets	–29,325	–19,329	–41,332
Investments in property, plant and equipment	–146	–129	–297
Changes in non-current receivables	17	–9	–
Total cash flow from investing activities	–29,453	–19,468	–41,629
Cash flow from financing activities			
Warrants	870	45,699	57,346
New issue	–	–	60,000
Ongoing issue	–	–	86,043
Issue expenses	–253	–1,940	–11,303
Total cash flow from financing activities	616	43,759	192,085
Cash flow for the period	62,166	27,496	50,986
Cash and cash equivalents at beginning of period	53,986	2,914	2,914
Exchange rate difference for cash equivalents	123	31	86
Cash and cash equivalents at end of period	116,275	30,440	53,986

Group Key Performance Indicators

	Jan–June 2020	Jan–June 2019	Full Year 2019
Profitability			
Operating income, SEK thousand	23,551	18,367	40,101
Operating loss, SEK thousand	–6,310	–10,734	–126,793
Operating loss after tax, SEK thousand	–6,951	–8,173	–99,960
Return on equity, %	neg.	neg.	neg.
Capital structure			
Equity ratio, %	93	94	93
Outstanding shares as of balance sheet date	125,748,804	106,219,041	119,501,130
Weighted average of outstanding shares	125,086,682	104,452,778	109,128,055
Potential shares attributable to outstanding warrants as of balance sheet date	15,309,202	17,218,928	9,394,824
Earnings per share, SEK	–0.06	–0.08	–0.92
Earnings per share after dilution, SEK	–0.05	–0.07	–0.84
Dividend per share, SEK	–	–	–
Personnel			
Average number of employees	59	57	51
Personnel costs, SEK thousand	–23,821	–23,344	–43,991

Comments on the Consolidated Income Statement and Balance Sheet

Position and results

The Group's operating income for the reporting period amounted to SEK 23,551 thousand (18,367 thousand) and consisted mainly of capitalised work on own account. Net sales were amounted to SEK 0 thousand (0 thousand) and loss after financial items was SEK –8,722 thousand (–10,291 thousand). The negative result is largely attributable to business development and administration related to technology development and includes, among other things, personnel costs and consultants. Of the personnel costs SEK 21,538 thousand (17,126 thousand) has been capitalised as work on own account.

At the end of the reporting period, the capitalised development costs amounted to SEK 194,109 thousand (252,053 thousand), plus expenses for patents of SEK 12,916 thousand (11,322 thousand). All expenses are attributable to the development of the Deep Green technology and have been capitalised at the Parent Company. Grants of up to SEK 32,516 thousand (18,583 thousand) were raised during the reporting period, of which SEK 30,657 thousand (17,371 thousand) reduced the acquisition value of the capitalised development costs.

Cash flow and financial position

During the reporting period, payments of SEK 43,390 thousand (29,840 thousand) were received from public funding schemes, of which the entire amount (SEK 23,790 thousand) relates to approved claims.

The Group's cash flow amounted to SEK 62,166 thousand (27,496 thousand). At the end of the reporting period, cash and cash equivalents amounted to SEK 116,275 thousand (30,440 thousand). Warrants have been exercised during the reporting period, which will bring in an additional SEK 11,593 thousand in cash and cash equivalents.

Changes in equity

At the end of the reporting period, the Group's equity amounted to SEK 404,083 thousand (340,240 thousand). During the reporting period, a total of SEK 12,210 thousand (43,759 thousand), after issue expenses, was added to the company's equity through the exercise of warrants, of which SEK 11,593 thousand was registered after the end of the reporting period. 6,247,674 (6,562,631) new shares were issued during the reporting period and a further 734,179 will be issued. In addition, equity was affected by the loss for the period of SEK 6,951 thousand (8,173 thousand).

At the end of the reporting period, there were 125,748,804 (106,219,041) registered shares with a quota value of SEK 0.05.

Parent Company Income Statement

SEK Thousand	Jan–June 2020	Jan–June 2019	Full Year 2019
Operating income			
Capitalised work on own account	13,356	10,214	21,176
Other operating income	63	29	41
Total income	13,419	10,243	21,217
Operating expenses			
Other external expenses	-6,370	-3,718	-10,254
Personnel costs	-15,341	-16,115	-28,636
Depreciation	-78	-52	-114
Other operating costs	—	—	-107,678
Total costs	-21,789	-19,885	-146,682
Operating loss	-8,370	-9,642	-125,464
Profit/loss from financial items			
Interest income and similar income statement items	—	—	1
Interest expense and similar income statement items	-228	-640	-430
Total loss from financial items	-228	-640	-430
Loss after net financial items	-8,598	-10,283	-125,894
Tax on net loss for the year	1,771	2,118	25,916
Net loss for the year	-6,827	-8,164	-99,978

Parent Company Balance Sheet

SEK Thousand	30 June 2020	30 June 2019	31 Dec 2019
ASSETS			
Non-current assets			
Intangible assets	207,024	263,376	177,700
Tangible assets	535	307	388
Financial assets	92,042	54,333	93,240
Total non-current assets	299,601	318,016	271,328
Current assets			
Current receivables	34,381	12,308	102,906
Cash and cash equivalents	97,412	28,764	51,273
Total current assets	131,793	41,073	154,179
TOTAL ASSETS	431,394	359,089	425,506
EQUITY AND LIABILITIES			
Equity	403,956	340,132	398,574
Non-current liabilities	500	583	603
Current liabilities	26,938	18,373	26,330
TOTAL EQUITY AND LIABILITIES	431,394	359,089	425,506

Parent Company Statement of Changes in Equity

SEK Thousand	Share capital	Fund for development	Share premium	Balanced results	Loss for the year	Total equity
January–June 2020						
At beginning of the year	6,280	165,346	193,126	133,798	-99,978	398,574
<i>Changes</i>						
Allocation of previous year's result	—	—	-193,126	93,149	99,978	—
New shares according to warrants	7	—	863	—	—	870
New shares according to warrants, ongoing	37	—	11,556	—	—	11,593
Issue expenses	—	—	-253	—	—	-253
Fund for development	—	28,762	—	-28,762	—	—
Loss for the period	—	—	—	—	-6,827	-6,827
Total changes	44	28,762	-180,961	64,387	93,151	5,382
Equity at the end of the period	6,324	194,109	12,165	198,185	-6,827	403,956
2019						
At beginning of the year	4,993	125,258	62,328	122,488	-10,930	304,138
<i>Changes</i>						
Allocation of previous year's result	—	—	-62,328	51,399	10,930	—
New issue	212	—	59,788	—	—	60,000
New shares according to warrants	769	—	56,576	—	—	57,346
Ongoing issue	305	—	85,738	—	—	86,043
Issue expenses, net of tax effect	—	—	-8,975	—	—	-8,975
Fund for development	—	40,088	—	-40,088	—	—
Loss for the year	—	—	—	—	-99,978	-99,978
Total changes	1,287	40,088	130,798	11,310	-89,048	94,436
Equity at year-end	6,280	165,346	193,126	133,798	-99,978	398,574

Parent Company Cash Flow

SEK Thousand	Jan–June 2020	Jan–June 2019	Full Year 2019
Cash flow from operating activities			
Loss after net financial items	–8,598	–10,283	–125,894
Adjustments for items not included in cash flow	78	52	107,791
Total cash flow from operating activities	–8,520	–10,231	–18,102
Cash flow from changes in working capital			
Changes in operating receivables	80,118	7,607	–82,991
Changes in operating liabilities	608	2,678	10,635
Total cash flow from changes in working capital	80,726	10,285	–72,356
Cash flow from investing activities			
Investments in intangible assets	–29,325	–19,329	–41,332
Investments in property, plant and equipment	–225	–155	–297
Change of long-term receivable from Group companies	2,970	2,408	–10,706
Total cash flow from investing activities	–26,580	–17,077	–52,334
Cash flow from financing activities			
Warrants	870	–	57,346
New issue	–	45,699	60,000
Ongoing issue	–	–	86,043
Issue expenses	–253	–1,940	–11,303
Change of long-term receivable, Group companies	–103	48	–
Total cash flow from financing activities	514	43,807	192,085
Cash flow for the period	46,140	26,784	49,293
Cash and cash equivalents at beginning of period	51,273	1,980	1,980
Exchange rate difference for cash equivalents	–	–	–
Cash and cash equivalents at end of period	97,412	28,764	51,273

Parent Company Key Performance Indicators

	Jan–June 2020	Jan–June 2019	Full Year 2019
Profitability			
Operating income, SEK thousand	13,419	10,243	21,217
Operating loss, SEK thousand	–8,370	–9,642	–125,464
Operating loss after tax, SEK thousand	–6,827	–8,164	–99,978
Return on equity, %	neg.	neg.	neg.
Capital structure			
Equity ratio, %	94	95	94
Outstanding shares as of balance sheet date	125,748,804	106,219,041	119,501,130
Weighted average of outstanding shares	125,086,682	104,452,778	109,128,055
Potential shares attributable to outstanding warrants as of balance sheet date	15,309,202	17,218,928	9,394,824
Earnings per share, SEK	–0.05	–0.08	–0.92
Earnings per share after dilution, SEK	–0.05	–0.07	–0.84
Dividend per share, SEK	–	–	–
Personnel			
Average number of employees	34	30	29
Personnel costs, SEK thousand	–15,341	–16,115	–28,636

Accounting principles

The Half-Year Report has been prepared in accordance with the Swedish Annual Accounts Act and Swedish Accounting Standards Board standard BFNAR 2012:1 – Annual Reports and Consolidated Reports (K3). Please see the Company's Annual Report 2019 for more detailed principles.

This Half-Year Report has not been reviewed by the company's auditor.

Risks

The company's activity mainly involves developing and commercialising new technology. The company's development is therefore associated with technical, financial, and regulatory risks.

For more information on risks, please see the prospectus that was published in December 2019 in conjunction with Minesto's rights issue of units. The prospectus is available on the company's website.

Future information

2020-10-22 Interim Management Statement January–September 2020

2021-03-18 Year-End Report 2020

Gothenburg on the 20th of August 2020

Dr Martin Edlund
CEO

Definitions of Key Performance Indicators

Operating income

All income, including activated work for own account.

Operating result

Result after depreciation.

Operating result after tax

Result after taking into account deferred tax.

Return on equity

Profit after tax in relation to equity.

Equity ratio

Equity in relation to total assets.

Weighted average of outstanding shares

Outstanding shares at the beginning of the period adjusted with newly issued shares during the period multiplied by the time weighting factor.

Potential shares attributable to outstanding options

Outstanding options as of the balance sheet date converted to potential shares.

Earnings per share

Profit after tax in relation to the weighted average number of shares.

Earnings per share after dilution

Profit after tax in relation to the weighted average number of shares plus potential shares.

Dividend per share

Decided dividend per eligible share.

Average number of employees

Average number of employees during the period.

Personnel costs

Personnel costs during the period.

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