

# Interim Management Statement

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1 JANUARY  
– 30 SEPTEMBER  
**2020**

## Minesto in short

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](http://www.minesto.com).





## Significant events July–September 2020

- In early July, Minesto announced that the installation of the subsea cable in the Vestmanna Sund 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 Vestmanna Sund 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.
- In August, the last of the warrant programs in Minesto AB aimed at the European investor EIT InnoEnergy was completed. Through the warrant programs, a total of 8,513,595 shares have been subscribed for in Minesto AB by EIT InnoEnergy.
- In the beginning of September, Minesto announced that the company plans to continue commissioning activities in its tidal energy project in Vestmanna Sund, Faroe Islands in mid-October. At the same time, Minesto also announced that the company has verified the area for the first proposed array installation of its tidal kite technology in the Faroe Islands.



**Above:** During the autumn, Minesto completed the fitting out of the company's assembly hall in Holyhead, which is now fully operational.

**Left:** Minesto's marine energy converter DG100 on the quay in Vestmanna Sund, Faroe Islands, before reinstallation in October.

This document is a translation of Minesto AB's Interim Management Statement in Swedish that was published on 22 October 2020. In the event of any inconsistency between the English and the Swedish versions, the latter shall prevail.

## The Group in summary

### January–September 2020

- Total operating income amounted to SEK 33,078 thousand (28,503 thousand) and consisted mainly of capitalised work on own account.
- Operating loss amounted to SEK –9,470 thousand (–15,439 thousand). The negative result is largely attributable to business development and administration related to technology development and includes, among other things, personnel costs, rents, and services. Of the personnel costs, SEK 30,069 thousand (25,862 thousand) has been capitalised as work on own account.
- At the end of the reporting period, capitalised development costs amounted to SEK 204,486 thousand (266,090 thousand), in addition to patent expenses of SEK 13,091 thousand (11,609 thousand).
- Grants of up to SEK 46,512 thousand (SEK 40,204 thousand) were received during the reporting period, of which SEK 43,697 thousand (SEK 37,635 thousand)

reduced the acquisition value of the capitalised development costs. During the reporting period, payments of SEK 53,682 thousand (59,203 thousand) were received from public funding schemes, of which SEK 50,097 thousand (59,203 thousand) relates to approved claims and the remaining part relates to advances.

- Cash flow amounted to SEK 65,743 thousand (SEK 27,630 thousand). At the end of the reporting period, cash and cash equivalents amounted to SEK 115,398 thousand (31,092 thousand).
- At the end of the reporting period, equity amounted to SEK 412,231 thousand (348,730 thousand) divided into 128,281,555 shares (114,918,402 shares), of which loss for the period amounted to SEK –9,404 thousand (–10,967 thousand). During the reporting period, SEK 108,750 thousand (55,020 thousand) was added to the company's equity through the exercise of employee stock options and warrants.

SEK thousand	Jan-Sep 2020	Jan-Sep 2019	Full Year 2019
Operating income	—	—	—
Operating profit/loss	–9,470	–15,439	–126,793
Net profit/loss for the period	–9,404	–10,967	–99,960
Cash flow from operating activities	65,743	27,630	50,986



The Northern Lights over the Faroe Islands in October 2020, taken a few miles north of the capital Tórshavn.  
Photo: Warren Cardwell.



## CEO Comment

# Progress towards commercial upscaling

Minesto is currently mobilising for reinstalling our DG100 tidal kite system as part of the Vestmannastrandir project in the Faroe Islands. The installation activities during the summer showed good progress towards the realisation of cost-effective procedures for the installation and maintenance of Minesto's power plants. We are now looking forward to completing the kite commissioning activities and grid-connected operation to demonstrate the commercial viability of our technology and the customer values that this product creates.

### The next step in the Faroe Islands

In parallel with the project in Vestmannastrandir, we are continuing the development work on Minesto's planned first 30 MW



*The assembly hall facility in Holyhead significantly strengthens our capacity for handling hardware with assembly and testing.*

commercial tidal array in the Faroe Islands. This development is the next step in our collaboration with the electric utility company SEV to establish tidal energy as a key power source in the Faroe Islands' energy mix, as part of their strategy to reach 100% renewable electricity production by 2030.

We have identified and verified a suitable site location which has excellent tidal flows and is adjacent to a good connection to the Faroe Islands' main electricity grid. The site will support an array of utility-scale Deep Green power plants with a rated power of approximately 1–1.5 MW per device.

The tidal flow speed at the selected site location have previously been analysed. Verification measurements taken at the site during the autumn show that the tidal flow conditions are even better than previous simulations have indicated. We are convinced that we are perfectly positioned geographically to drive this commercial upscaling forward together with our partner SEV.

### Strengthened technical and operational capacity

In Wales, the fitting out of our assembly hall facility in Holyhead has been completed and it is now fully operational. The building is specifically designed for Minesto and contains an overhead gantry crane and other equipment required for the assembly, testing and maintenance of both complete Deep Green kite systems as well as subsystems and components.

The assembly hall in Holyhead serves as the hub for Minesto's technical and operational activities and significantly strengthens our capacity for handling hardware with assembly and testing. It is already being utilised for operational support to the Vestmannastrandir project and will be pivotal both for the next installation phase in the Faroe Islands and for the continued development of Minesto's Holyhead Deep Green project off the coast of North Wales.

### External factors

As previously communicated, the coronavirus pandemic has so far not had any critical impact on Minesto's operations. As for most companies, our logistical aspects and supply chain continue to be affected by the generally reduced mobility globally. Even so, thanks to the determined work of our employees, we have still been able to drive the technical and commercial agenda forward.

Martin Edlund, CEO

## Financial information in summary, Group

### Income

SEK thousand	Jan-Sep 2020	Jan-Sep 2019	Full Year 2019
Operating income	33,078	28,503	40,101
Operating costs	-42,548	-43,942	-166,894
<b>Operating profit/loss</b>	<b>-9,470</b>	<b>-15,439</b>	<b>-126,793</b>
Financial items	-2,352	1,631	918
Tax	2,418	2,841	25,914
<b>Net profit/loss for the period</b>	<b>-9,404</b>	<b>-10,967</b>	<b>-99,960</b>
Earnings per share, SEK	-0.07	-0.10	-0.92
Earnings per share after dilution, SEK	-0.07	-0.10	-0.84

### Balance

SEK thousand	30 Sep 2020	30 Sep 2019	31 Dec 2019
Total non-current assets	275,262	307,802	232,905
Total current assets	163,419	69,955	195,664
Total equity	412,231	348,730	398,703
Total liabilities	26,451	29,027	29,866
Equity ratio, %	94	92	93

### Cash flow

SEK thousand	Jan-Sep 2020	Jan-Sep 2019	Full Year 2019
Cash flow from operating activities before changes in working capital	-9,986	-15,594	-20,239
Changes in working capital	-5,191	302	-79,232
Cash flow from investing activities	-27,831	-12,098	-41,629
Cash flow from financing activities	108,750	55,020	192,085
Cash and cash equivalents at beginning of period	53,985	2,914	2,914
Exchange rate difference for cash equivalents	-4,331	548	86
Cash and cash equivalents at end of period	115,398	31,092	53,986

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## About the Interim Management Statement

Minesto has chosen to disclose Interim Management Statements for the first and third quarters of the financial year in accordance with Nasdaq's *Guidance for preparing interim management statements*, instead of disclosing quarterly financial reports in accordance with IAS 34.

Minesto does not include information on revenue, earnings and assets per segment as this is not applicable to the business.

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## Accounting principles

The Interim Management Statement 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 Interim Management Statement has not been reviewed by the company's auditor.

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## Future information

2021-03-18      Year-End Report 2020

2021-03-25      Annual Report 2020

Göteborg on 22 October 2020

**Martin Edlund**  
CEO

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## Definitions of Key Performance Indicators

**Total operating income**

All income, including activated work for own account.

**Operating profit/loss**

Result after depreciation.

**Net profit/loss**

Result after taking into account deferred tax.

**Equity ratio**

Equity in relation to total assets.

**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.

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## Contact

**Dr Martin Edlund, CEO**

+46 31-29 00 60

ir@minesto.com

**Minesto AB (publ)**

Corporate registration number 556719-4914

Vita gavelns väg 6

426 71 Västra Frölunda, Sweden

www.minesto.com

This information is such that Minesto AB (publ) shall announce publicly according to the EU Regulation No 596/2014 on market abuse (MAR). The information was submitted for publication, through the agency of the contact person set out above, at 07:30 CEST on 22 October 2020.