

Year-End Report 2019



Significant events October–December 2019

- Minesto is granted EU funding for site project in France.
- Minesto carries out a directed issue of units of SEK 60 million.

After the end of the fiscal year

- Minesto carries out an over-subscribed rights issue of units of SEK 86 million.
- Minesto signs a power purchase agreement with the electric utility company SEV for installations in the Faroe Islands.
- Establishment of subsidiary in the Faroe Islands.

This document is a translation of the Year-End Report in Swedish that was published on 19 March 2020. In the event of any inconsistency between the English and the Swedish versions of the Year-End Report, the Swedish version shall prevail.

The Group in summary

JANUARY–DECEMBER 2019

- Total operating income amounted to SEK 40,101 thousand (38,981 thousand) and consisted mainly of capitalised work on own account of SEK 35,747 thousand (34,549 thousand).
- Loss after net financial items was SEK –125,874 thousand (–12,005 thousand). The negative result largely consists of a one-off write down of previously capitalised technology development that differs significantly from Minesto's technology today (see also *Comments from the CEO* on the next page). In addition, the negative result is attributable to business development and administration related to technology development and includes, among other things, personnel costs, rents and services.
- Earnings per share were SEK –0.92 (–0.12). The corresponding earnings per share after taking into account dilution of existing warrants was SEK –0.84 (–0.10).
- At year-end, capitalised development costs amounted to SEK 165,346 thousand (232,936 thousand).
- Grants of up to SEK 55,551 thousand (71,401 thousand) were raised during the year, of which SEK 51,012 thousand (66,977 thousand) reduced the acquisition value of the capitalised development costs. During the year, payments of SEK 58,798 thousand (51,015 thousand) were received from public funding schemes, of which SEK 46,421 thousand (48,789 thousand) relates to approved claims and the remainder relates to advances.
- Cash flow amounted to SEK 50,986 thousand (–44,141 thousand).
- Equity amounted to SEK 398,703 thousand (304,224 thousand) at the end of the reporting period.

JULY–DECEMBER 2019

- Total operating income amounted to SEK 21,734 thousand (20,181 thousand) and consisted mainly of capitalised work on own account of SEK 18,622 thousand (18,753 thousand).
- Loss after net financial items was SEK –115,583 thousand (–6,054 thousand). The negative result largely consists of a one-off write down of previously capitalised technology development that differs significantly from Minesto's technology today (see also *Comments from the CEO* on the next page). In addition, the negative result is attributable to business development and administration related to technology development and includes, among other things, personnel costs, rents and services.
- Earnings per share were SEK –0.81 (–0.06). The corresponding earnings per share after taking into account dilution of existing warrants was SEK –0.75 (–0.05).
- At year-end, capitalised development costs amounted to SEK 165,346 thousand (232,936 thousand).
- Grants of up to SEK 36,968 thousand (33,133 thousand) were raised during the year, of which SEK 33,641 thousand (31,722 thousand) reduced the acquisition value of the capitalised development costs. During the year, payments of SEK 28,958 thousand (38,429 thousand) were received from public funding schemes, of which SEK 22,631 thousand (36,203 thousand) relates to approved claims and the remainder relates to advances.
- Cash flow amounted to SEK 23,490 thousand (–29,135 thousand).
- Equity amounted to SEK 398,703 thousand (304,224 thousand) at the end of the reporting period.

COMMENTS FROM THE CEO

Well positioned in the global energy transition

2019 was a successful year for Minesto, not least in the work to finance the roadmap towards commercialisation of the company's unique Deep Green technology.

In addition of being granted just over SEK 200 million in public development funds for our projects in the Faroe Islands, Wales and France, we raised approximately SEK 190 million during the year through a warrants program and two issues of units.

Consequently, at the beginning of 2020, Minesto holds a stronger cash position than ever. Additionally, this means that we can increase the company's commercial activity, with the goal of entering into further customer collaboration arrangements and secure project financing for the expansion of larger marine energy production arrays.

Three tracks for commercialisation

Minesto's agenda for commercialisation is based on three main areas.

Microgrids, which are smaller-scale energy systems that are operated in parallel to, or standalone from, centralised electricity grids. We see the microgrid application as an effective approach for local establishment of our technology as a step in a larger scale-up initiative, which is the purpose of the projects in both Vestmannastrandur, Faroe Islands and in Brittany, France together with EDF.

Our Microgrid agenda is also a business in its own right with great expansion potential. For example, our microgrid devices can help island economies and societies without sustainable energy supply around the world to become electrified. In addition to our established collaborations with utility customers, we are in regular dialogue with stakeholders such as the United Nations Office for Project Services, UNOPS and several potential strategic partners in system integration and microgrid system installations.

Milestone in the partnership with the customer SEV

The second area, which is the major application for Minesto's technology, is the development of Deep Green systems in multi-megawatt marine energy farms for large-scale electricity generation – Utility Scale. Here we have a well-developed and constructive partnership with the electric utility company SEV in the Faroe Islands, which includes a significant milestone achievement of an agreed power purchase agreement signed mid-February. We look forward to supplying electricity to the grid in the Faroe Islands during the year.

We are also exploring the possibilities of installing utility-scale systems in France. In Wales, we continue to work with the established asset base built up to move towards a gradual upscaling in Holyhead Deep; where we have installed and tested our DG500 system during 2018 and 2019. The great cooperation and relationship we have with the Welsh Government is an essential factor in progressing the opportunities in realising the huge expansion potential in the Irish Sea.



The third area is centred on Minesto becoming the first company in the world to produce renewable baseload power from continuously flowing ocean currents. Here we are active in both Taiwan and Florida. We continue to develop these markets, mainly through cooperation with local academic expertise and with industrial players in need of a reliable, green power supply.

Upgraded technology platform triggers decision for one-off write-down

Today, Minesto's technology differs significantly from the small-scale systems of the company's early years. Since 2015, technology and product development has focused on commercial scale systems, such as DG500 and DG100, with significantly higher performance and competitiveness. For the fiscal year 2019, Minesto has therefore decided on a one-off write-down of capitalised development costs attributed to earlier years.

It is this technology development that forms the basis for the claim that the Deep Green technology redefines the concept of hydropower; we take the leap from rivers and transform the vast kinetic energy in the world's oceans into a new, sustainable and reliable energy source which will significantly contribute to the global energy transition.

Willingness to invest in renewable energy acceleration

In the wake of the climate crisis, never has there been a such a well-defined and urgent need to quickly change the world's energy systems on a significant scale. Both private and public actors are demonstrating a strong willingness to finance projects that can accelerate the expansion of power generation from renewable sources.

In financial terms, Minesto is the EU's largest investment in new renewable energy technology. Meaning that we are well positioned to take the step into commercial delivery and large-scale expansion of our technology.

Göteborg, March 2019

Dr Martin Edlund, CEO

Consolidated Income Statement

SEK thousand	Jan-Dec 2019	Jan-Dec 2018	July-Dec 2019	July-Dec 2018
Operating income				
Capitalised work on own account	35,747	34,549	18,622	18,753
Other operating income	4,354	4,432	3,113	1,427
Total income	40,101	38,981	21,734	20,181
Operating expenses				
Direct costs	-57	—	-3	—
Other external expenses	-15,055	-12,073	-9,404	-5,836
Personnel costs	-43,991	-38,705	-20,646	-19,072
Depreciation	-114	-94	-62	-46
Other operating costs	-107,678	—	-107,678	—
Total costs	-166,894	-50,871	-137,793	-24,955
Operating loss	-126,793	-11,889	-116,059	-4,774
Profit/loss from financial items				
Interest income and similar income statement items	1,349	461	266	-702
Interest expense and similar income statement items	-430	-577	210	-577
Total loss from financial items	918	-116	476	-1,279
Loss after net financial items	-125,874	-12,005	-115,583	-6,054
Tax on net loss for the year	25,914	1,004	23,796	-272
Net loss for the year	-99,960	-11,001	-91,787	-6,326
Attributable to				
Shareholders in the Parent	-99,960	-11,001	-91,787	-6,326

Consolidated Balance Sheet

SEK thousand	31 Dec 2019	31 Dec 2018
ASSETS		
Non-current assets		
Intangible assets	177,700	244,046
Tangible assets	934	803
Financial assets	54,270	26,006
Total non-current assets	232,905	270,855
Current assets		
Current receivables	141,679	50,780
Cash and cash equivalents	53,986	2,914
Total current assets	195,664	53,694
TOTAL ASSETS	428,569	324,549
EQUITY AND LIABILITIES		
Equity	398,703	304,224
Non-current liabilities	500	500
Current liabilities	29,366	19,826
TOTAL EQUITY AND LIABILITIES	428,569	324,549

Consolidated Statement of Changes in Equity

SEK thousand	Share capital	Additional paid-up capital	Other equity incl. result for the year	Total equity
2018				
At beginning of the year	3,697	328,472	-80,685	251,484
<i>Changes</i>				
Loss after net financial items	—	—	-11,001	-11,001
Translation differences	—	—	117	117
New issue	1,295	62,178	—	63,473
Warrants	1	150	—	151
Total changes	1,296	62,328	-10,885	52,739
At year-end	4,993	390,800	-91,570	304,224
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
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
At year-end	6,280	583,926	-191,504	398,703

Consolidated Cash Flow

SEK thousand	Jan-Dec 2019	Jan-Dec 2018	July-Dec 2019	July-Dec 2018
Cash and cash equivalents at beginning of period	2,914	46,868	30,440	31,950
Operating activities				
Loss after net financial items	-125,861	-12,005	-115,569	-6,054
Adjustments for items not included in cash flow	105,622	94	105,570	46
Cash flow from operating activities before changes in working capital	-20,239	-11,912	-9,999	-6,007
<i>Changes in working capital</i>				
Changes in operating receivables	-88,475	-15,270	-101,194	15,464
Changes in operating liabilities	9,243	-6,456	8,518	-13,465
Cash flow from changes in working capital	-79,232	-21,726	-92,676	1,999
Cash flow from operating activities	-99,471	-33,637	-102,675	-4,009
Investing activities				
Acquisition of intangible assets	-41,332	-67,744	-22,002	-21,200
Purchase of property, plant and equipment	-297	-26	-168	-26
Changes in non-current receivables	—	-10	9	5
Cash flow from investing activities	-41,629	-67,781	-22,161	-21,222
Financing activities				
Warrants	57,346	151	11,646	151
New issue	60,000	72,520	60,000	—
Ongoing issue	86,043	—	86,043	—
Issue expenses	-11,303	-11,394	-9,363	-55
Loans raised	—	-4,000	—	-4,000
Cash flow from financing activities	192,085	57,277	148,326	-3,904
Cash flow for the period	50,986	-44,141	23,490	-29,135
Exchange rate difference for cash equivalents	86	186	55	98
Cash and cash equivalents at end of period	53,986	2,914	53,986	2,914

Group Key Performance Indicators

	Jan-Dec 2019	Jan-Dec 2018	July-Dec 2019	July-Dec 2018
Profitability				
Operating income, SEK thousand	40,101	38,981	21,734	20,181
Operating loss, SEK thousand	-126,793	-11,889	-116,059	-4,774
Operating loss after tax, SEK thousand	-99,960	-11,001	-91,787	-6,326
Return on equity, %	neg.	neg.	neg.	neg.
Capital structure				
Equity ratio, %	93	94	93	94
Weighted average of outstanding shares	109,128,055	95,217,475	113,727,104	99,852,399
Potential shares attributable to outstanding warrants*	9,394,824	16,625,513	9,394,824	16,625,513
Earnings per share, SEK	-0.92	-0.12	-0.81	-0.06
Earnings per share after dilution, SEK	-0.84	-0.10	-0.75	-0.05
Dividend per share, SEK	—	—	—	—
Personnel				
Average number of employees	51	51	45	54
Personnel costs, SEK thousand	-43,991	-38,705	-20,646	-19,072

* At the end of the reporting period.

See definitions of key performance indicators on page 15.

Comments on the Consolidated Income Statement and Balance Sheet

Position and results

The Group's operating income amounted to SEK 40,101 thousand (38,981 thousand) and mainly consisted of capitalised work on own account. Net sales amounted to SEK 0 (0) and loss after financial items was SEK -125,874 thousand (-12,005 thousand). The negative result largely consists of a one-off write down of previously capitalised technology development that differs significantly from Minesto's technology today. In addition, the negative result is attributable to business development and administration related to technology development and includes, among other things, personnel costs, rents and services. Of personnel costs, SEK 35,747 thousand (34,549 thousand) has been capitalised as work on own account.

At the end of the fiscal year, capitalised development costs amounted to SEK 165,346 thousand (232,936 thousand), plus expenses for patents of SEK 12,353 thousand (11,110 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 55,551 thousand (71,401 thousand) were raised during the year, of which SEK 51,012 thousand (66,977 thousand) reduced the acquisition value of the capitalised development costs.

Cash flow and financial position

During the year, payments of SEK 58,798 thousand (51,015 thousand) were received from public funding schemes, of which SEK 46,421 thousand (48,789 thousand) relates to approved claims and the remainder relates to advances.

The Group's cash flow amounted to SEK 50,986 thousand (-44,141 thousand). At the end of the reporting period, cash and cash equivalents amounted to SEK 53,986 thousand (2,914 thousand).

Changes in equity

At the end of the reporting period, the Group's equity amounted to SEK 398,703 thousand (304,224 thousand). During the year, SEK 203,388 thousand (61,277 thousand), after issue expenses, was added to the company's equity through a new share issue and the issuance of new shares according to warrants. At the end of the reporting period, there were 119,501,130 outstanding shares with a quota value of SEK 0.05. In addition, there was an ongoing issue over the turn of the year, which was registered on 14 and 16 January 2020 respectively, involving 6,105,326 new shares corresponding to a share capital of SEK 305,266.30.

Parent Company Income Statement

SEK thousand	Jan-Dec 2019	Jan-Dec 2018	July-Dec 2019	July-Dec 2018
Operating income				
Capitalised work on own account	21,176	21,847	10,963	12,100
Other operating income	41	—	12	—
Total income	21,217	21,847	10,975	12,100
Operating expenses				
Other external expenses	-10,254	-7,955	-6,536	-6,243
Personnel costs	-28,636	-25,473	-12,521	-12,115
Depreciation	-114	-94	-62	-46
Other operating costs	-107,678	—	-107,678	—
Total costs	-146,682	-33,522	-126,797	-18,404
Operating loss	-125,464	-11,675	-115,822	-6,303
Profit/loss from financial items				
Interest income and similar income statement items	1	316	1	316
Interest expense and similar income statement items	-430	-577	210	-51
Total loss from financial items	-430	-261	211	265
Loss after net financial items	-125,894	-11,936	-115,611	-6,039
Tax on net loss for the year	25,916	1,007	23,798	-269
Net loss for the year	-99,978	-10,930	-91,813	-6,308
Attributable to				
Shareholders in the Parent	-99,978	-10,930	-91,813	-6,308

Parent Company Balance Sheet

SEK thousand	31 Dec 2019	31 Dec 2018
ASSETS		
Non-current assets		
Intangible assets	177,700	244,046
Tangible assets	388	204
Financial assets	93,240	54,222
Total non-current assets	271,328	298,473
Current assets		
Current receivables	102,906	19,915
Cash and cash equivalents	51,273	1,980
Total current assets	154,179	21,895
TOTAL ASSETS	425,506	320,368
EQUITY AND LIABILITIES		
Equity	398,574	304,138
Non-current liabilities	603	535
Current liabilities	26,330	15,695
TOTAL EQUITY AND LIABILITIES	425,506	320,368

Parent Company Statement of Changes in Equity

SEK thousand	Share capital	Fund for development	Share premium	Balanced results	Loss for the year	Total equity
2018						
At beginning of the year	3,697	58,884	73,471	123,257	-7,866	251,443
<i>Changes</i>						
Last year's result	—	66,374	-73,471	-769	7,866	—
New issue	1,295	—	62,178	—	—	63,473
Warrants	1	—	150	—	—	151
Fund for development	—	—	—	—	—	—
Loss for the year	—	—	—	—	-10,930	-10,930
Total changes	1,296	66,374	-11,143	-769	-3,063	52,695
At year-end	4,993	125,258	62,328	122,488	-10,930	304,138
2019						
At beginning of the year	4,993	125,258	62,328	122,488	-10,930	304,138
<i>Changes</i>						
Last year's result	—	—	-62,328	51,399	10,930	—
New issue	212	—	59,788	—	—	60,000
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
At year-end	6,280	165,346	193,126	133,798	-99,978	398,574

Parent Company Cash Flow

SEK thousand	Jan-Dec 2019	Jan-Dec 2018	July-Dec 2019	July-Dec 2018
Cash and cash equivalents at beginning of period	1,980	30,131	28,764	30,400
Operating activities				
Loss after net financial items	-125,894	-11,936	-115,611	-6,039
Adjustments for items not included in cash flow	107,791	94	107,739	46
Cash flow from operating activities before changes in working capital	-18,102	-11,843	-7,872	-5,993
<i>Changes in working capital</i>				
Changes in operating receivables	-82,991	-4,571	-90,598	-1,319
Changes in operating liabilities	10,635	-6,924	7,957	-4,016
Cash flow from changes in working capital	-72,356	-11,496	-82,641	-5,334
Cash flow from operating activities	-90,458	-23,338	-90,512	-11,327
Investing activities				
Acquisition of intangible assets	-41,332	-67,744	-22,002	-21,200
Purchase of property, plant and equipment	-297	-26	-142	-26
Change of long-term receivable from Group companies	-10,706	5,680	-13,113	8,056
Cash flow from investing activities	-52,334	-62,090	-35,257	-13,171
Financing activities				
Warrants	57,346	151	57,346	151
New issue	60,000	72,520	14,301	—
Ongoing issue	86,043	—	86,043	—
Issue expenses	-11,303	-11,394	-9,363	-55
Loans raised	—	-4,000	-48	-4,019
Cash flow from financing activities	192,085	57,277	148,278	-3,923
Cash flow for the period	49,293	-28,151	22,508	-28,421
Exchange rate difference for cash equivalents				
Cash and cash equivalents at end of period	51,273	1,980	51,273	1,980

Parent Company Key Performance Indicators

	Jan-Dec 2019	Jan-Dec 2018	July-Dec 2019	July-Dec 2018
Profitability				
Operating income, SEK thousand	21,217	21,847	10,975	12,100
Operating loss, SEK thousand	-125,464	-11,675	-115,822	-6,303
Operating loss after tax, SEK thousand	-99,978	-10,930	-91,813	-6,308
Return on equity, %	neg.	neg.	neg.	neg.
Capital structure				
Equity ratio, %	94	95	94	95
Weighted average of outstanding shares	109,128,055	95,217,475	113,727,104	99,852,399
Potential shares attributable to outstanding warrants*	9,394,824	16,625,513	9,394,824	16,625,513
Earnings per share, SEK	-0.92	-0.11	-0.81	-0.06
Earnings per share after dilution, SEK	-0.84	-0.10	-0.75	-0.05
Dividend per share, SEK	—	—	—	—
Personnel				
Average number of employees	29	29	29	29
Personnel costs, SEK thousand	-28,636	-25,473	-12,521	-12,115

* At the end of the reporting period.

See definitions of key performance indicators on page 15.

Proposed allocation of results

After taking a loss for the year of SEK 99,977,596 into account, non-restricted equity of SEK 226,946,860 is available to the Annual General Meeting.

The Board of Directors proposes that the entire amount should be carried forward.

Accounting principles

The Interim 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 2018 for more detailed principles.

AGM and Annual Report

The Annual General Meeting will be held on June 9 2020 in Gothenburg.

The Annual Report for the fiscal year 2019 will be published on the company's website on 26 March 2020 and will also be available at Minesto's head office in Gothenburg.

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.

Please see the prospectus published in December 2019 in conjunction with Minesto's rights issue of units for more detailed information about the company's risks. The prospectus is available on the company's website.

Future information

2020-04-23 Interim Management Statement Jan–Mar 2020

2020-06-09 Annual General Meeting 2020

2020-08-20 Half-Year Report 2020

2020-10-22 Interim Management Statement Jan–Sep 2020

This Year-End Report has not been the subject of an audit. The figures in this report are taken from the Minesto AB (publ) Annual Report 2019, for which an audit report was presented by Ernst & Young on 19 March 2020.

Göteborg on 19 March 2020

Bengt Adolfsson
Chairman of the Board

Dr Martin Edlund
CEO

Definitions of Key Performance Indicators

Operating income

All income, including activated work for own account.

Operating profit

Profit after depreciation.

Operating result after tax

Results after taking into account deferred tax.

Return on equity

Profit after tax in relation to equity.

Solidity

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.

Average number of employees

Average number of employees during the period.

Personnel costs

Personnel costs during the period.

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, Minesto Føroyar ApS, Holyhead Deep Ltd and Minesto Warrants One AB.

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.

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