

YEAR-END REPORT
1 JANUARY-31 DECEMBER

2022



Significant events October–December 2022

- At the beginning of October, Minesto announced that the site development of the world's first tidal energy kite array in Hestfjord, Faroe Islands, is progressing according to plan. The total planned capacity of the array is about 30 MW, and annual yield of the site is estimated to be 84 GWh. The assessment work undertaken covers all aspects of the site development, including environmental assessment studies, and the infield cable routing and grid connection works.
- In November, Minesto joined the Swedish business delegation at United Nations' climate change conference COP27 in Egypt. The participation was a partnership with Business Sweden and generated excellent opportunities to reach out with information about Minesto's technology to international utility companies and governments. Minesto's CEO Dr Martin Edlund took part in several panel discussions, meetings and interviews with wide publicity, amongst them are TT news agency, Spotify's Climate Action podcast etc.
- At the end of November, the company announced that the commissioned power plant Dragon 4 (100 kW) has delivered record-breaking results in terms of total electricity generated, peak performance, and energy conversion at large. The development of the first megawatt-scale power plant, Dragon 12 (1.2 MW) is making significant progress and installation is scheduled for spring 2023.
- As part of Minesto's broader market establishment in Southeast Asia, the company entered into a collaboration agreement for project development in the Nusa Tenggara Barat region in Indonesia. The collaboration with Eco Regions Indonesia aims to integrate Minesto's technology as a part of the 100 percent renewable energy mix in the region and is connected to Minesto's membership in the bilateral programme Sweden-Indonesia Sustainability Partnership (SISP) Energy Alliance. The initiative is a first step towards the buildout of several key interest areas in Indonesia.
- In December, Minesto doubled the production capacity of its grid-connected site in Vestmannaund in the Faroe Islands by installing a second foundation. The offshore infrastructure is thereby ready for the installation of a second power plant, which enables two Dragon 4 power plants in a first array set-up.
- At the end of the year, a long-term lease agreement for strategic port access and onshore operations and maintenance (O&M) work site is signed with the Vestmanna municipality and Faroese utility company SEV. The

agreement grants access to a 2050 m² site in the inner harbour of Vestmanna, Inni á Fjørð; including a new grid connection. The site will accommodate the O&M hub for tidal energy production at Minesto's existing site in Vestmannaund, as well as the company's planned build-out of commercial tidal energy arrays in Hestfjord and Skopunafjord.

After the end of the period:

- In January, the company reached a commercial milestone, having received a first historic sales order of tidal site development services in Asia with an initial order value of EUR 35 000. Minesto has been contracted to support a leading Asian corporation in the offshore energy sector for evaluation of a tidal current site targeting the deployment of Minesto's Dragon Class tidal energy power plants.
- Minesto and the Faroese utility company SEV strengthened the partnership through a renewed and expanded collaboration agreement related to tidal energy buildout in the Faroe Islands. An important add-on to the extended agreement stipulates the exclusive nature of the collaboration regarding the Hestfjord site development and buildout.
- At the beginning of February, a strategic collaboration with experienced project developer of tidal energy in the Philippines, Poseidon Renewable Energy Corporation, was initiated. The parties signed a collaboration agreement with the intention to collaborate on establishing tidal energy with Minesto's technology in the Philippines.
- On 2nd February, the company announced that the board of Minesto resolves, subject to the approval by an extraordinary general meeting, to carry out a partially secured rights issue of shares of approximately SEK 153.4 million before deduction of transaction costs. The subscription price has been set to SEK 5.20 per share.

This document is a translation of Minesto AB's Year-End Report in Swedish that was published on 24 February 2023. In the event of any inconsistency between the English and the Swedish versions, the latter shall prevail.

Minesto in short

Minesto develops technology for plannable generation of renewable electricity from the ocean. With patented technology, tidal and ocean currents with low-flow velocities are exploited. The technology 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 sub-sidiaries Minesto UK Ltd, Minesto Taiwan Ltd, Sp/f Minesto Føroyar, Minesto Warrants One AB and Holy-head 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.

The Group in summary

1 January–31 December 2022

- Total operating income amounted to SEK 45,749 thousand (41,869 thousand) and mainly included capitalised development work of SEK 42,818 thousand (38,763 thousand).
- Operating loss was SEK –23,745 thousand (–20 136 thousand). The negative result is attributable to business development and administration related to technology development and includes costs such as personnel and consultants.
- Earnings per share were SEK –0.61 (–0.11). The corresponding earnings per share after taking into account dilution of existing warrants were SEK –0.61 (–0.11).
- At the end of the year, capitalised development costs amounted to SEK 377,172 thousand (298,405 thousand), in addition to capitalised patent expenses of SEK 15,285 thousand (14,432 thousand) within the intangible assets of SEK 392,457 thousand (312,838 thousand).
- Grants of up to SEK 71,794 thousand (26,796 thousand) were accrued during the year, of which SEK 69,152 thousand (24,245 thousand) reduced the acquisition value of the capitalised development costs. During the year, payments of SEK 54,638 thousand (20,758 thousand) were received from public funding schemes, of which SEK 54,638 thousand (19,809 thousand) relates to approved claims and the remainder relates to advances.
- Cash flow amounted to SEK –116,766 thousand (45,396 thousand).
- At the end of the year, equity amounted to SEK 453,343 thousand (537,751 thousand).

SEK thousand	Jan–Dec 2022	Jan–Dec 2021
Net sales	–	–
Operating loss	–23,745	–20,135
Net loss	–84,439	–14,929
Cash flow for the period	–116,766	45,396



CEO comment

Leading the way towards commercialisation of a new natural resource



Minesto's ocean energy technology is now part of the planning and evaluation in the renewable energy transition across the world.

Minesto as a company and our unique technology to harness energy from tidal streams and ocean currents are positioned stronger than ever today to lead the industry towards large scale commercialisation. The need for green transition is huge and following that, the quest for new energy technologies like ours.

Over the past year, Minesto's technology has been refined into products that have proven their competitiveness by continuous electricity production and unmatched performance. In combination with the increased demand for renewable, predictable and locally produced energy, this generates a vast amount of new market opportunities. We can also conclude that Minesto has the world's most complete and experienced team for site prospecting, technology development, installation, maintenance, and operation of tidal energy power plants. This capability is now being applied in installation projects together with strong partners and customers.

With this background, Minesto is in its strongest position ever to realise a new industry within ocean energy.

Minesto's strong position consist of:

- A verified and well-patented technology, with competitive production costs
- A microgrid product offering ready for the market, as complete solution or reference installation
- A commissioned and upgraded production site delivering electricity to customer in the Faroe Islands
- A first sales order of site development to an energy company in Southeast Asia
- A strategic and expanding project portfolio covering several geographical markets
- New commercial partners
- An organisation with excellence to deliver and install our systems for customers
- Production and test capacity established in Sweden and Wales

More market opportunities and local project developers joining

Minesto's ocean energy technology is now part of the planning and evaluation in the renewable energy transition across the world. The geographical distribution of the installation sites that are now being assessed is wide, reflecting the potential of Minesto's technology. We are now carefully selecting partners who can realise installation opportunities with long-term big buildout potential. We recently announced collaborations in the Philippines, Indonesia and progression in Taiwan, in addition to the European home markets, with Wales and the Faroe Islands at the head.

The Philippines' updated legislation to facilitate a transition to more renewable energy with increased opportunity for foreign investments and Taiwan's new subsidised prices on tidal electricity are positive examples of improved conditions for project developers to collaborate with Minesto.

Minesto drives towards large-scale buildout

Minesto aims to become a power plant manufacturer and provide a broad offering of service and expertise within marine energy. To create this position in the market, we are now developing the first production sites together with customers and project developers. This brings prerequisite to demonstrate the commercial potential of the technology on a large scale, and enable the first volume orders.

In the first quarter of 2023, we are carrying out a Rights Issue to enable this step.

In 2022, the capital market has evolved rapidly and the access to capital for development companies has decreased. We are counting on carrying out the rights issue in a satisfactory way, with approximately 80% of the Rights Issue being secured by subscription- and guarantee commitments.

We are now conducting the scale up of our products to megawatt capacity (Dragon 12), continuing the ongoing work on the Hestjford project of 30 MW, and expanding the project portfolio with new and existing partners.

We look forward to the new challenges and opportunities that 2023 will bring.

Martin Edlund, CEO

Group

Income Statement

SEK thousand	Jan-Dec 2022	Jan-Dec 2021
Operating income		
Capitalised development work	42,818	38,763
Other operating income	2,931	3,106
Total income	45,749	41,869
Operating expenses		
Other external expenses	-16,778	-15,114
Personnel costs	-52,456	-46,714
Depreciation	-260	-176
Total costs	-69,494	-62,004
Operating loss	-23,745	-20,136
Profit/loss from financial items		
Interest income and similar income statement items	1,272	1,379
Interest expense and similar income statement items	-1	-21
Total profit/loss from financial items	1,271	1,358
Loss after net financial items	-22,474	-18,777
Tax on net loss	-61,965	3,848
Net loss	-84,439	-14,929
Attributable to		
Shareholders in the Parent Company	-84 439	-14 929

Group Balance Sheet

SEK thousand	31 Dec 2022	31 Dec 2021
ASSETS		
Non-current assets		
Intangible assets	392,457	312,838
Tangible assets	1,025	809
Financial assets	287	62,241
Total non-current assets	393,769	375,888
Current assets		
Current receivables	57,827	32,724
Cash and cash equivalents	34,579	150,890
Total current assets	92,406	183,614
TOTAL ASSETS	486,175	559,501
EQUITY AND LIABILITIES		
Equity	453,343	537,751
Non-current liabilities	500	500
Current liabilities	32,332	21,251
TOTAL EQUITY AND LIABILITIES	486,175	559,501

Group

Statement of Changes in Equity

SEK thousand	Share capital	Additional paid-up capital	Other equity incl. result for the year	Total equity
2021				
At beginning of the year	6,429	610,011	-204,656	411,784
<i>Changes</i>				
Net loss	—	—	-14,929	-14,929
Translation differences	—	—	17	17
New shares according to warrants	454	142,799	—	143,252
Issue expenses, net of tax effect	—	-2,374	—	-2,374
Total changes	454	140,425	-14,912	125,967
Equity at year-end	6,883	750,436	-219,568	537,751
2022				
At beginning of the year	6,883	750,436	-219,568	537,751
<i>Changes</i>				
Net loss	—	—	-84,439	-84,439
Translation differences	—	—	31	31
New shares according to warrants	—	—	—	—
Issue expenses, net of tax effect	—	—	—	—
Total changes	0	0	-84,408	-84,408
Equity at year-end	6,883	750,436	-303,976	453,343

Group

Cash Flow Statement

SEK thousand	Jan-Dec 2022	Jan-Dec 2021
Operating activities		
Loss after net financial items	-22,474	-18,777
Adjustments for items not included in cash flow	-825	-2,412
Cash flow from operating activities before changes in working capital	-23,299	-21,189
Changes in working capital		
Changes in operating receivables	-24,013	-2,361
Changes in operating liabilities	10,731	3,139
Cash flow from changes in working capital	-13,282	778
Cash flow from operating activities	-36,581	-20,411
Investing activities		
Investments in intangible assets	-79,619	-74,365
Investments in property, plant and equipment	-566	-90
Cash flow from investing activities	-80,185	-74,455
Financing activities		
Warrants	0	143,252
Issue expenses	0	-2,990
Cash flow from financing activities	0	140,262
Cash and cash equivalents at beginning of period	150,890	104,358
Cash flow for the period	-116,766	45,396
Exchange rate difference for cash equivalents	455	1,136
Cash and cash equivalents at end of period	34,579	150,890

Group

Key Performance Indicators

	Jan–Dec 2022	Jan–Dec 2021
Profitability		
Operating income, SEK thousand	45,749	41,869
Operating loss, SEK thousand	-23,745	-20,136
Net loss for the year, SEK thousand	-84,439	-14,929
Return on equity, %	neg.	neg.
Capital structure		
Equity ratio, %	93	96
Weighted average of outstanding shares	137,655,143	134,438,674
Potential shares attributable to outstanding warrants as per close of balance	1,320,250	1,768,250
Earnings per share, SEK	-0.61	-0.11
Earnings per share after dilution, SEK	-0.61	-0.11
Dividend per share, SEK	0	0
Personnel		
Average number of employees	63	59
Personnel costs, SEK thousand	-52,457	-46,714

Definitions, see page 17.

Comments on the Group's Income Statement and Balance Sheet

Position and results

The Group's operating income amounted to SEK 45,749 thousand (41,869 thousand) and consisted mainly of capitalised development work. Net sales amounted to SEK 0 thousand (0 thousand) and the operating loss was SEK -23,745 thousand (-20,136 thousand). The negative result is attributable to business development and administration related to technology development and includes costs such as personnel and consultants. Of the personnel costs, SEK 42,818 thousand (38,763 thousand) has been capitalised as development work.

At the end of the year, the capitalised development costs amounted to SEK 377,172 thousand (298,405 thousand), in addition to capitalised patent expenses of SEK 15,285 thousand (14 432 thousand) within the intangible assets of SEK 392 457 thousand (312 838 thousand). All expenses are attributable to the development of Minesto's technology and have been capitalised at the Parent Company.

Grants of up to SEK 71,794 thousand (26,796 thousand) were accrued during the year, of which SEK 69,152 thousand (24,245 thousand) reduced the acquisition value of capitalised development costs.

Cash flow and financial position

During the year, payments of SEK 54,638 thousand (20,758 thousand) were received from public funding schemes, of which SEK 54,638 thousand (19,809 thousand) relates to approved claims and the remainder relates to advances.

The Group's cash flow amounted to SEK -116,766 thousand (45,396 thousand). At the end of the year, cash and cash equivalents amounted to SEK 34,579 thousand (150,890 thousand).

Changes in equity

At the end of the year, the Group's equity amounted to SEK 453,343 thousand (537,751 thousand).

At the end of the year, there were 137,665,143 (137,655,143) registered shares, each with a quota value of SEK 0.05 (0.05).

Parent Company

Income Statement

SEK thousand	Jan–Dec 2022	Jan–Dec 2021
Operating income		
Capitalised development work	27,459	23,660
Other operating income	106	416
Total income	27,565	24,076
Operating expenses		
Other external expenses	-13,727	-10,876
Personnel costs	-36,380	-31,417
Depreciation	-260	-176
Total costs	-50,367	-42,468
Operating loss	-22,802	-18,392
Profit/loss from financial items		
Interest expense and similar income statement items	311	0
Interest income and similar income statement items		-434
Total profit/loss from financial items	311	-434
Loss after net financial items	-22,491	-18,827
Tax on net loss	-61,963	3,850
Net loss	-84,454	-14,977
Attributable to Shareholders in the Parent Company	-84,454	-14,977

Parent Company

Balance Sheet

SEK thousand	31 Dec 2022	31 Dec 2021
ASSETS		
Non-current assets		
Intangible assets	392,457	312,838
Tangible assets	765	459
Financial assets	43,102	88,022
Total non-current assets	436,324	401,318
Current assets		
Current receivables	12,389	9,932
Cash and cash equivalents	17,681	144,197
Total current assets	30,070	154,129
TOTAL ASSETS	466,394	555,448
EQUITY AND LIABILITIES		
Equity	453,099	537,553
Non-current liabilities	696	707
Current liabilities	12,599	17,188
TOTAL EQUITY AND LIABILITIES	466,394	555,448

Parent Company

Statement of Changes in Equity

SEK thousand	Share capital	Fund for development	Share premium	Balanced results	Loss for the year	Total equity
2021						
At beginning of the year	6,429	225,077	26,085	167,217	-13,156	411,651
<i>Changes</i>						
Allocation of previous year's result	—	—	-26,085	12,929	13,156	—
Warrants	454	—	142,799	—	—	143,252
Issue expenses, net of tax effect	—	—	-2,374	—	—	-2,374
Fund for development	—	73,329	—	-73,329	—	—
Net loss for the period	—	—	—	—	-14,977	-14,977
Total changes	454	73,329	114,340	-60,400	- 1,821	125,902
Equity at year-end	6,883	298,405	140,425	106,817	-14,977	537,553
2022						
At beginning of the year	6,883	298,405	140,425	106,817	-14,977	537,553
<i>Changes</i>						
Allocation of previous year's result	—	—	-140,424	125,447	14,977	—
Fund for development	—	78,767	—	-78,767	—	—
Net loss for the period	—	—	—	—	-84,454	-84,454
Total changes	—	78,767	-140,424	46,680	-69,477	-84,454
Equity at year-end	6,883	377,173	—	153,497	-84,454	453,099

Parent Company

Cash Flow Statement

SEK thousand	Jan-Dec 2022	Jan-Dec 2021
Operating activities		
Loss after net financial items	-22,491	-18,826
Adjustments for items not included in cash flow	260	176
Cash flow from operating activities before changes in working capital	-22,231	-18,651
Changes in working capital		
Changes in operating receivables	-2,457	1,180
Changes in operating liabilities	-4,588	1,707
Cash flow from changes in working capital	-7,045	2,887
Cash flow from operating activities	-29,276	-15,764
Investing activities		
Investments in intangible assets	-79,619	-74,365
Investments in property, plant and equipment	-566	-90
Change of receivables from Group companies	-17,044	5,435
Cash flow from investing activities	-97,229	-69,019
Financing activities		
Warrants		143,252
Issue expenses		-2,990
Change of liabilities, Group companies	-11	51
Cash flow from financing activities	-11	140,314
Cash and cash equivalents at beginning of period	144,197	88,667
Cash flow for the period	-126,516	55,530
Cash and cash equivalents at end of period	17,681	144,197

Parent Company

Key Performance Indicators

	Jan–Dec 2022	Jan–Dec 2021
Profitability		
Operating income, SEK thousand	27,565	24,076
Operating loss, SEK thousand	-22,802	-18,392
Net loss for the year, SEK thousand	-84,454	-14,977
Return on equity, %	neg.	neg.
Capital structure		
Equity ratio, %	97	97
Weighted average of outstanding shares	137,655,143	134,438,674
Potential shares attributable to outstanding warrants as per close of balance	1,320,250	1,768,250
Earnings per share, SEK	-0.61	-0.11
Earnings per share after dilution, SEK	-0.61	-0.11
Dividend per share, SEK	0	0
Personnel		
Average number of employees	40	35
Personnel costs, SEK thousand	-36,380	-31,417

Definitions, see page 17.

Proposed allocation of results

After taking the loss for the year of SEK –84,454 thousand into account, non-restricted equity of SEK 69,043 thousand is available to the Annual General Meeting. The Board of Directors proposes that the entire amount should be carried forward.

AGM and Annual Report

The Annual General Meeting will be held on 7th of June 2023 in Gothenburg.

The Annual Report for the fiscal year 2022 will be published on the Company's website on 24 February 2023.

Accounting principles and audit

This Year-End 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 2022 for more detailed principles.

Due to rounding, figures presented in this report might not in some cases add up to the total.

The Year-End Report has not been the subject to an audit. The figures in this report are taken from the Minesto AB (publ) Annual Report 2022, for which an audit report was presented by Ernst & Young on 24 February 2023.

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 detailed information regarding the Company's risks, we refer to the prospectus that is planned to be published in connection with Minesto's rights issue on 27 February 2023. The prospectus will be available on the company's website.

Future information

2023-02-24	Annual Report 2022
2023-04-20	Interim Management Statement Jan–Mar 2023
2023-06-07	Annual General Meeting 2023
2023-08-17	Half-Year Report 2023
2023-10-19	Interim Management Statement Jan-Sep 2023

Göteborg on 24 February 2023

Jonas Millqvist
Chairman of the Board

Dr Martin Edlund
CEO

Definitions of Key Performance Indicators

Operating income

All income, including capitalised development work.

Operating result

Result after depreciation.

Net loss for the year

Result after taking into account actual tax and 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 warrants

Outstanding warrants 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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