

YEAR-END REPORT 1 JANUARY-31 DECEMBER

2023

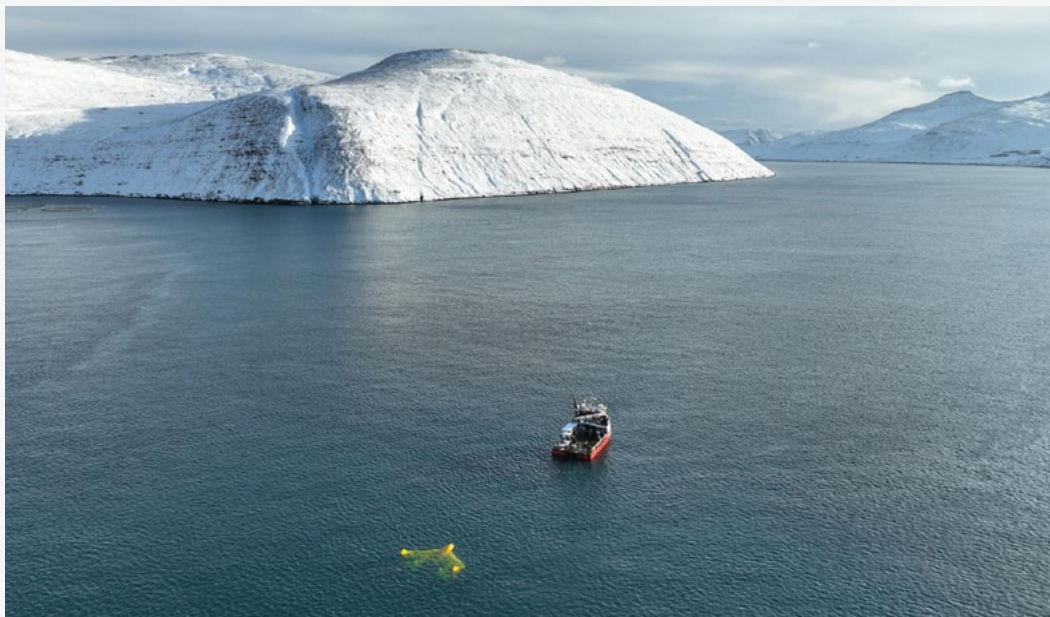


 Minesto

Significant events

October–December 2023

- In November, the onshore testing of the Dragon 12 kite is completed. The system is being shipped for installation and commissioning in the Faroe Islands.
 - In December, Minesto successfully completes the installation of a drilled and grouted seabed anchor solution for the Dragon 12, at the company's production site offshore in Vestmannaasund, Faroe Islands. The offshore infrastructure is completed and the production site for Dragon 12 is ready for power production.
 - In December, Minesto takes for the second time part in the Swedish official business delegation to United Nations' global climate change conference, COP28, this time held in Dubai.
- After the end of the period:**
- The Swedish Energy Agency awards Minesto a 2.8 MSEK grant to support development and testing of next generation mooring system. The grant co-funds a project through which Minesto will advance performance of the unique tether system that moors the powerplant to the seabed.
 - Minesto uses the existing Launch & Recovery method (LARS) for the first megawatt tidal kite Dragon 12 (1.2 MW, 25 tons). The operations developed for the Dragon 4 (100kW, 2.5 tons) were proven equally effective with the large-scale kites utilizing the same small work vessel.
 - In the early morning of February 9, Minesto reaches a key milestone: the tidal powerplant Dragon 12 – rated at 1.2 MW – is commissioned and generates its first electricity to the national grid in the Faroe Islands.
 - After the first two weeks of testing, the Dragon 12 functionality is verified and power production performance is satisfactory and as predicted. All core operating functions have been successfully verified in its first phase of operation. Given the stable system behaviour, Minesto concludes the technology risks of scale-up have been significantly reduced.



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.

This document is a translation of Minesto AB's Year-End Report in Swedish that was published on 26 February 2024. In the event of any inconsistency between the English and the Swedish versions, the latter shall prevail.

The Group in summary

1 January–31 December 2023

- Total operating income amounted to SEK 45,590 thousand (45,749 thousand) and mainly included capitalised development work of SEK 41,393 thousand (42,818 thousand).
- Operating loss was SEK -28,680 thousand (-23,745 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 -0.17 (-0.61). The corresponding earnings per share after taking into account dilution of existing warrants were SEK -0.17 kr (-0.61).
- At the end of the year, capitalised development costs amounted to SEK 476,608 thousand (377,172 thousand), in addition to capitalised patent expenses of SEK 16,320 thousand (15,285 thousand) within the intangible assets of SEK 492,928 thousand (392,457 thousand).
- Grants of up to SEK 23,189 thousand (71,794 thousand) were accrued during the year, of which SEK 20,006 thousand (69,152 thousand) reduced the acquisition value of the capitalised development costs. During the year, payments of SEK 43,675 thousand (54,638 thousand) were received from public funding schemes, of which SEK 42,408 thousand (54,638 thousand) relates to approved claims and the remainder relates to advances.
- Cash flow amounted to SEK -20,015 thousand (-116,766 thousand).
- At the end of the year, equity amounted to SEK 522,746 thousand (453,343 thousand).

SEK thousand	Jan–Dec 2023	Jan–Dec 2022
Net sales	391	–
Operating loss	-28,680	-23,745
Net loss	-27,123	-84,439
Cash flow for the period	-20,015	-116,766



CEO comment

Historic milestone reached – Dragon 12 energy production to the grid paves the way for buildout of commercial arrays



We now have a full-scale production site in operation, which demonstrates our unique technology to utility customers and site investors.

The megawatt-scale Dragon 12 powerplant now producing electricity to the Faroese grid, shows the way for the global exploitation of tidal and ocean currents as a renewable natural resource, in many parts of the world. For Minesto, the Dragon 12 is highly valuable to showcase electricity production from a full-scale powerplant, in attracting both private and public financing of the first larger customer projects – arrays of underwater kites.

The site in the Faroe Islands – a strategic asset

Testing and electricity production of the Dragon 12 continues with a high priority. We're learning through our experience the knowledge and capabilities required to deliver a first series of megawatt systems for energy-producing arrays in the Faroes, and other entry markets. The Dragon Class powerplants have delivered all functionality and at satisfactory performance and so form a basis for buildout in commercial sites.

We now have a full-scale production site in operation, which demonstrates our unique technology to utility customers and site investors. This is a great asset in the business creation process.

Sales and financing of production sites

Large energy projects have long sales cycles, especially so for first large-scale tidal arrays. Therefore, the sales process work is running in parallel towards closing deals. Minesto is currently engaged in several in-depth dialogues with potential customers to achieve this. We are working systematically with our partners to develop buildout plans based on the available natural resource, similar to the 200MW plan in the Faroe Islands. The smaller entry-level projects are perfect starting points for large-scale buildout, potentially generating good profitability and enhanced value-creation to the total energy mix. It should be noted that these "smaller" entry-level projects are assessed to be worth 50–200 MSEK to Minesto.

The cost and risk profile for the first sites often makes it desirable to offer private investors complementary public financing. Therefore, Minesto is working actively to tie public financing to the first production sites. The successful commissioning of Dragon 12 has provided a good foundation for competing for public financing, both in and outside of the EU. The size of public funding available illustrates that the political will is more explicit and powerful than ever before to reshape the energy system. This in turn increases the level of engagement of

the private energy corporations' wishing to lead and drive the energy transition globally. The potential funding for Minesto's technology the coming years is around 90–120M EUR.

A complementary entry-level business opportunity is based on smaller reference installations. These installations aim to create local market acceptance and will support environmental permitting of future larger site projects. In our key markets, we are offering to collaboration partners an upgraded version of the Dragon 4, into microgrid projects. This offering can be a step towards large-scale buildout. It also paves the way for a substantial market for small-scale installations for niche applications and smaller islands.

A growing interest for ocean energy in general and for Minesto in particular

It is very positive to see the growing understanding and increasing support for innovative energy technology. Ocean energy is now depicted in growth forecasts connected to the global energy transition outlined in IRENA and IEA reports. It is most welcome and important to see focus on innovation as a necessity to transform the global energy system. Another observation is that Minesto, to an increasing extent, is invited to high-level forums within the global energy sector. At one of these recent occasions, the IEA's (International Energy Agency) Innovation Forum, in Paris, it was stated that innovation is needed as soon as possible, but also good to see that the world is now acting powerfully to drive the transition.

A well-defined market potential and a sharpened investment case

Minesto's global long-term market for larger sites adds up to a 650 GW in powerplant sales with associated aftermarket. For every planned and ordered megawatt, Minesto generates sales of about 1 M EUR, constituting about 50% of the production site investment. The aftermarket is considerable and is estimated to generate, during the project life span (20 years), more than twice as much sales as the initial investment. Applying the same logic to the proposed buildout of 200 MW in the Faroe Islands, Minesto would generate product sales of about 200 M EUR.

In March 2024, Minesto plans to carry out a Rights Issue to continue the commercial development. The rights issue is secured as planned by approximately 83% subscription- and guarantee commitments. The rights issue will provide the company with a solid financial base for the ongoing commercial roll-out.

More than ever, we look forward to pushing the commercial development further, to build a new industry within ocean energy and create industrial value for our owners and collaboration partners.

Martin Edlund, VD

Group Income Statement

SEK thousand	Jan-Dec 2023	Jan-Dec 2022
Operating income		
Revenue	391	-
Capitalised development work	41,393	42,818
Other operating income	3,806	2,931
Total income	45,590	45,749
Operating expenses		
Other external expenses	-22,991	-16,778
Personnel costs	-50,958	-52,456
Depreciation	-321	-260
Total costs	-74,270	-69,494
Operating loss	-28,680	-23,745
Profit/loss from financial items		
Interest income and similar income statement items	1,583	1,272
Interest expense and similar income statement items	-25	-1
Total profit/loss from financial items	1,558	1,271
Loss after net financial items	-27,122	-22,474
Tax on net loss	-1	-61,965
Net loss	-27,123	-84,439
Attributable to		
Shareholders in the Parent Company	-27,123	-84,439

Group Balance Sheet

SEK thousand	31 Dec 2023	31 Dec 2022
ASSETS		
Non-current assets		
Intangible assets	492,928	392,457
Tangible assets	534	1,025
Financial assets	291	287
Total non-current assets	493,753	393,769
Current assets		
Current receivables	43,228	57,827
Cash and cash equivalents	15,160	34,579
Total current assets	58,388	92,406
TOTAL ASSETS	552,141	486,175
EQUITY AND LIABILITIES		
Equity	522,746	453,343
Non-current liabilities	500	500
Current liabilities	28,896	32,332
TOTAL EQUITY AND LIABILITIES	522,141	486,175

Group

Statement of Changes in Equity

SEK thousand	Share capital	Additional paid-up capital	Other equity incl. result for the year	Total equity
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	–	–	-84,408	-84,408
Equity at year-end	6,883	750,436	-303,976	453,343
2023				
At beginning of the year	6,883	750,436	-303,976	453,343
<i>Changes</i>				
Net loss	–	–	-27,123	-27,123
Translation differences	–	–	-203	-203
Rights issue	1,154	118,849	–	120,003
New shares according to warrants	–	–	–	–
Issue expenses, net of tax effect	–	-23,274	–	-23,274
Total changes	1,154	95,575	-27,327	69,402
Equity at year-end	8,037	846,011	-331,302	522,746

Group Cash Flow Statement

SEK thousand	Jan–Dec 2023	Jan–Dec 2022
Operating activities		
Loss after net financial items	-27,122	-22,474
Adjustments for items not included in cash flow	-472	-825
Cash flow from operating activities before changes in working capital	-27,596	-23,299
Changes in working capital		
Changes in operating receivables	15,432	-24,013
Changes in operating liabilities	-4,038	10,731
Cash flow from changes in working capital	11,394	-13,282
Cash flow from operating activities	-16,201	-36,581
Investing activities		
Investments in intangible assets	-72	-79,619
Investments in property, plant and equipment	-100,471	-566
Cash flow from investing activities	-100,543	-80,185
Financing activities		
Rights Issue	120,003	–
Warrants	–	–
Issue expenses	-23,274	–
Cash flow from financing activities	96,729	–
Cash and cash equivalents at beginning of period	34,579	150,890
Cash flow for the period	-20,015	-116,766
Exchange rate difference for cash equivalents	596	455
Cash and cash equivalents at end of period	15,160	34,579

Group

Key Performance Indicators

	Jan–Dec 2023	Jan–Dec 2022
Profitability		
Operating income, SEK thousand	45,590	45,749
Operating loss, SEK thousand	-28,680	-23,745
Net loss for the year, SEK thousand	-27,123	-84,439
Return on equity, %	neg.	neg.
Capital structure		
Equity ratio, %	95	93
Weighted average of outstanding shares	155,168,791	137,655,143
Potential shares attributable to outstanding warrants as per close of balance	1,320,250	1,320,250
Earnings per share, SEK	-0.17	-0.61
Earnings per share after dilution, SEK	-0.17	-0.61
Dividend per share, SEK	–	–
Personnel		
Average number of employees	58	63
Personnel costs, SEK thousand	-50,958	-52,457

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 45,590 thousand (45,749) and consisted mainly of capitalised development work. Net sales amounted to SEK 391 thousand (0) and the operating loss was SEK -28,680 thousand (-23,745 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 41,393 thousand (42,818 thousand) has been capitalised as development work.

At the end of the year, the capitalised development costs amounted to SEK 476,608 thousand (377,172 thousand), in addition to capitalised patent expenses of SEK 16,320 thousand (15,285 thousand) within the intangible assets of SEK 492,928 thousand (392,457 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 23,189 thousand (71,794 thousand) were accrued during the year, of which SEK 20,006 thousand (69,152 thousand) reduced the acquisition value of capitalised development costs.

Cash flow and financial position

During the year, payments of SEK 43,675 thousand (54,638 thousand) were received from public funding schemes, of which SEK 42,408 thousand (54,638 thousand) relates to approved claims and the remainder relates to advances.

The Group's cash flow amounted to SEK -20,015 thousand (-116,766 thousand). At the end of the year, cash and cash equivalents amounted to SEK 15,160 thousand (34,579 thousand).

Changes in equity

At the end of the year, the Group's equity amounted to SEK 522,746 thousand (453,343 thousand).

At the end of the year, there were 160,732,694 (137,655,143) registered shares, each with a quota value of SEK 0.05 (0.05).

Parent Company

Income Statement

SEK thousand	Jan–Dec 2023	Jan–Dec 2022
Operating income		
Revenue	391	–
Capitalised development work	28,721	27,459
Other operating income	5	106
Total income	29,117	27,565
Operating expenses		
Other external expenses	-20,721	-13,727
Personnel costs	-37,268	-36,380
Depreciation	-302	-260
Total costs	-58,291	-50,367
Operating loss	-29,174	-22,802
Profit/loss from financial items		
Interest income and similar income statement items	1,849	311
Interest expense and similar income statement items	-25	–
Total profit/loss from financial items	1,824	311
Loss after net financial items	-27,350	-22,491
Tax on net loss	–	-61,963
Net loss	-27,350	-84,454
Attributable to		
Shareholders in the Parent Company	-27,350	-84,454

Parent Company

Balance Sheet

SEK thousand	31 Dec 2023	31 Dec 2022
ASSETS		
Non-current assets		
Intangible assets	492,928	392,457
Tangible assets	534	765
Financial assets	33,744	43,102
Total non-current assets	527,206	436,324
Current assets		
Current receivables	4,306	12,389
Cash and cash equivalents	10,576	17,681
Total current assets	14,882	30,070
TOTAL ASSETS	542,088	466,394
EQUITY AND LIABILITIES		
Equity	522,477	453,099
Non-current liabilities	801	696
Current liabilities	18,810	12,599
TOTAL EQUITY AND LIABILITIES	542,088	466,394

Parent Company

Statement of Changes in Equity

SEK thousand	Share capital	Fund for development	Share premium	Balanced results	Loss for the year	Total equity
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
2023						
At beginning of the year	6,883	377,173	–	153,497	-84,454	453,099
<i>Changes</i>						
Allocation of previous year's result	–	–	–	-84,454	84,454	–
Fund for development	–	98,519	–	-98,519	–	–
Rights issue	1,154	–	118,849	–	–	120,003
Issue cost	–	–	-23,274	–	–	-23,274
Net loss for the period	–	–	–	–	-27,350	-27,350
Total changes	1,154	98,159	95,575	-29,476	-27,350	69,377
Equity at year-end	8,037	475,691	95,575	-29,476	-27,350	522,477

Parent Company

Cash Flow Statement

SEK thousand	Jan–Dec 2023	Jan–Dec 2022
Operating activities		
Loss after net financial items	-27,350	-22,491
Adjustments for items not included in cash flow	300	260
Cash flow from operating activities before changes in working capital	-27,050	-22,231
Changes in working capital		
Changes in operating receivables	8,084	-2,457
Changes in operating liabilities	6,315	-4,588
Cash flow from changes in working capital	14,399	-7,045
Cash flow from operating activities	-12,651	-29,276
Investing activities		
Investments in intangible assets	-100,471	-79,619
Investments in property, plant and equipment	-71	-566
Change of receivables from Group companies	9,358	-17,044
Cash flow from investing activities	-91,184	-97,229
Financing activities		
Warrants	–	–
Rights issue	120,003	–
Issue expenses	-23,274	–
Change of liabilities, Group companies	–	-11
Cash flow from financing activities	96,729	-11
Cash and cash equivalents at beginning of period	17,681	144,197
Cash flow for the period	-7,107	-126,516
Exchange rate difference in cash and cash equivalents	2	–
Cash and cash equivalents at end of period	10,576	17,681

Parent Company

Key Performance Indicators

	Jan-Dec 2023	Jan-Dec 2022
Profitability		
Operating income, SEK thousand	29,117	27,565
Operating loss, SEK thousand	-29,174	-22,802
Net loss for the year, SEK thousand	-27,350	-84,454
Return on equity, %	neg.	neg.
Capital structure		
Equity ratio, %	96	97
Weighted average of outstanding shares	155,168,791	137,655,143
Potential shares attributable to outstanding warrants as per close of balance	1,320,250	1,320,250
Earnings per share, SEK	-0.17	-0.61
Earnings per share after dilution, SEK	-0.17	-0.61
Dividend per share, SEK	–	–
Personnel		
Average number of employees	41	40
Personnel costs, SEK thousand	-37,268	-36,380

Definitions, see page 17.

Proposed allocation of results

After taking the loss for the year of SEK –27,350 thousand into account, non-restricted equity of SEK 37,832 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 24th of April 2024 in Gothenburg.

The Annual Report for the fiscal year 2023 will be published on the Company's website on 14 March 2024.

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 review.

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.

Risks and uncertainties are described on pages 4–5 of the Annual Report of 2022, which is available on the company's website, www.minesto.com. At the time of publication of this interim report, these have not changed significantly.

Future information

2024-03-14	Annual Report 2023
2024-04-24	Annual General Meeting 2024
2024-04-25	Interim Management Statement Jan–Mar 2024
2024-08-22	Half-Year Report 2024
2024-10-24	Interim Management Statement Jan–Sep 2024

Göteborg on 26 February 2024

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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