



**H1**<sup>2023</sup>

KYOTO GROUP

# Half year report

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FIRST HALF 2023

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**KYOTO**<sup>TM</sup>

# Contents

About Kyoto Group .....	03
Key events H1 2023 .....	05
Shareholder information .....	06
Letter from our CEO .....	08
Board of Directors' report .....	09
Financial statements .....	16
Note Summary – Basis of preparation .....	24
Notes to half year financial statements .....	25



## About Kyoto Group

**Kyoto Group was founded on the idea that heat is the most commonly used form of energy in industrial applications. By storing energy as heat, we can decouple the time from when energy is produced to when it is applied in industry.**

Kyoto Group disconnects the time power is made from when it is used by leveraging increasing energy market fluctuations and excess power from wind and solar. We can offer reliable and efficient storage of energy and seamless delivery of heat to industrial customers when it is needed.

Two-thirds of industrial energy demand is tied to heat, not electricity, and only 9% of current heat generation comes from renewable sources. This is not sustainable. Our thermal battery, Heatcube, will make solar and wind more stable and reliable by adding storage to the system and has the potential to increase carbon-free renewable energy use. By reducing power generation carbon emissions, we are taking part in the ongoing global energy transition. The Heatcube technology is standardized, modular and designed for simple logistics, offering the potential to rapidly scale, reduce carbon footprint and save cost.

Kyoto Group aims to capture and manage the abundant energy from variable renewable sources such as solar and wind power and apply it to reduce the CO2 footprint for industrial thermal loads. The Company plans to sell and lease & operate Heatcube thermal batteries with capacity from 8MW, enabling industrial consumption of low-cost heat sourced from excess solar and wind energy.

**Our purpose**

Making green energy available  
for everyone

**Our values**

Caring | Enthusiastic | Determination

**Our product: the Kyoto Heatcube**

With a heart of molten salt, our thermal battery can be customized to meet the customer energy needs.

The Kyoto Heatcube can be configured with storage capacities from 16 MWh to over 96 MWh, with a discharge effect for each Heatcube from 5 MW to 20 MW. It is an innovative, low-cost, and modular storage solution for thermal energy that can use multiple renewable energy sources to heat molten salt to over 450 degrees Celsius. The high-temperature salt is then used to produce steam for industrial production processes.

The Kyoto Heatcube is modularized and can be delivered on-site, ready to be easily integrated into your production system. Since we only use abundant, non-toxic components in our battery, Kyoto Heatcube can be recycled without leaving any harmful chemicals in the environment.



## Key events H1 2023

### First full-scale Heatcube successfully installed, ready for commissioning and operation in July/August

- NJV heatcube installation on schedule for commercial handover to Nordjyllandsværket A/S early August.
- Final hot commissioning to circulate molten salt through Heatcube to discharge steam from steam generator on schedule for second half of July.
- First commercial Heatcube installation at Nordjyllandsværket (NJV) is on schedule for connection to grid in mid-July.

### Game-changing strategic alliances

- Strategic alliance and investment agreement with world leading electricity utility Iberdrola and global leader in thermal energy management Spirax-Sarco Engineering to accelerate decarbonization of industrial process heat.
- Iberdrola invested NOK 35.1 million in return for a 12.8 percent share of Kyoto's issued share capital, while Spirax-Sarco Engineering invested NOK 41.0 million in return for a 15.0 percent share. Both will join the Kyoto board.
- MoU with Iberdrola to jointly commercialize Heatcube to Iberdrola's and Kyoto's customers.
- Partnership agreement with Spirax-Sarco Engineering to develop world leading heater for next generation Heatcube.
- Quadrupling of the discharge capacity of its Heatcube thermal energy storage solution from 5 MW to 20 MW through strategic partnership with Steinmüller engineering.
- Letter of intent with Alfa Laval AB to explore joint research and development related to heat exchangers for molten salt technology.
- LOI with Kyotherm SAS covering financing for projects involving Kyoto Group's Heatcube thermal energy storage solution.

### Continued strong interest from industrial clients and trust from credible institutions and investors

- Storage pipeline of more than 2 600 MWh storage, representing 40 projects.
- Letter of Intent (LOI) with leading company within the agrifood industry in Spain and LOI with a food ingredient company based in Hungary for a Heatcube thermal storage battery.
- LOI with Kaura Coproducts of Seville, Spain, to supply a Heatcube thermal energy storage solution.
- EUR 4 million debt financing granted from Nefco, the international financial institution owned by the five Nordic countries, to support the scaling up of Kyoto's thermal energy storage offering.
- Private Placement successfully completed in January, raising NOK 60 million in gross proceeds.
- Kyoto's management system ("Kyoto Business System") certified by DNV according to ISO 14001 and ISO 9001.

## Shareholder information

### Share capital

Kyoto Group's registered share capital on 30 June 2023 amounted to NOK 359 709 divided between 11 990 313 shares with a nominal value of NOK 0.03 each.

Total equity for the group on 30 June 2023 was EUR 8 761 572, corresponding to an equity ratio of 70 per cent.

### Euronext Growth listing

The company's shares have been listed on Euronext Growth Oslo (ticker code: KYOTO) since 24 March 2021.

During H1 2023, the share price moved from NOK 18.2 to NOK 21.6. At the end of June 2023, the company's market capitalization was NOK 258 990 761.

### Shareholder structure

At the end of June 2023, Kyoto Group had 739 shareholders, and the foreign shareholding amounted to 10.8 percent.

KM New Energy AS was the largest shareholder, holding 11.9 percent of the Kyoto shares, followed by Valinor AS with 10.1 percent and KB Management AS with 7.5 percent. 100 per cent of the shares are free float. The 20 largest shareholders held a total of 71.4 percent of the company's shares at the end of June 2023.

### Mandates

There is only one class of shares, and all shares have equal voting rights. The nominal amount per share is NOK 0.03. The articles of Association place no restriction on voting rights. Each share carries one vote at the company's general meeting. The shares are freely transferable pursuant to the company's articles of association.

### Authorization to the board of directors to increase the Company's share capital

At the annual general meeting on 30 June 2023, the board of directors is authorized pursuant to the Companies Act section 10-14 (1) to increase the Company's share capital by up to NOK 74,749. Subject to this aggregate amount limitation, the authority may be used on more than one occasion. The authorization may be used to issue shares for, inter alia, financing of further growth, strengthening the Company's equity, or as consideration in connection with acquisitions. The authority shall be valid until the earlier of 30 June 2024 and the annual general meeting of the Company in 2024. The pre-emptive rights of the shareholders under section 10-4 of the Companies Act may be set aside. The authority covers capital increases against contributions in cash and contributions other than in cash. The authority covers the right to incur special obligations for the Company, ref. section 10-2 of the Companies Act. The authority covers resolutions on mergers in accordance with section 13-5 of the Companies Act.

### Authorization to the board to acquire own shares

At the annual general meeting on 30 June 2023, the board of directors is authorized pursuant to the Norwegian Private Limited Liability Companies Act section 9-4 to acquire shares in the Company ("own shares") with an aggregate nominal value of up to NOK 15,000. When acquiring own shares, the consideration per share may not be less than NOK 10.00 and may not exceed NOK 50.00. The board of directors determines the methods by which own shares can be acquired or disposed of. The authorization shall be valid for a period of 24 months from the date of this general meeting, i.e. until 30 June 2025. With effect from the time of registration of this authority with the Norwegian Register of Business Enterprises, all previous authorities to the board of directors to acquire own shares are revoked.

### **Authorization to the board of directors to increase the Company's share capital to issue shares as part of the Company's share program**

At the annual general meeting on 30 June 2023, the board of directors is authorized pursuant to the Norwegian Private Limited Liability Companies Act section 10-14 (1) to increase the Company's share capital by up to NOK 34,500. Subject to this aggregate amount limitation, the authorization may be used on more than one occasion. The authorization can only be used to issue shares to employees and board members as part of the Company's share program. The authorization shall be valid for a period of 24 months from the date of this general meeting, i.e., until 30 June 2025. 6/9. The pre-emptive rights of the shareholders under section 10-4 of the Norwegian Private Limited Liability Companies Act may be set aside. The authorization covers share capital increases against contributions in cash and contributions in kind. With effect from the time of registration of this authority with the Norwegian Register of Business Enterprises, all previous authorities to the board of directors to increase the share capital are revoked.

### **Dividend policy**

Kyoto Group is in a growth phase and does not expect to pay any dividends in the near future. Any future decision to pay a dividend will depend on the company's financial position, operating profit and capital requirements.

### **Information and investor relations**

Kyoto Group wishes to maintain open communications with its shareholders and other stakeholders. Shareholders and stakeholders are kept informed by announcements to Euronext Oslo Børs and press releases. Kyoto's website [www.kyotogroup.no](http://www.kyotogroup.no) provides information on the company's business and financial situation. Interim financial statements are presented at meetings open to the general public and are available as webcasts at [www.kyotogroup.no](http://www.kyotogroup.no)

## Letter from our CEO

The year so far has been marked by strong, solid progress and game-changing evolution for Kyoto Group, such as the successful handover in the early days of August of the first full-scale commercial Heatcube to Nordjylland Power Station in Aalborg, Denmark as well as the welcoming of the largest electricity utility in Europe, Iberdrola and the global leader in industrial thermal energy management, Spirax-Sarco Engineering to the cap table and to the board of Kyoto Group.

This was backed by a total investment of NOK 76.1 million from the two new and now largest shareholders and followed a successful private placement in the beginning of the year that raised NOK 60 million to support the scaling of the company. Most of the larger existing shareholders expressed continued belief in and support to the company through participation.

In addition, the Nordic Green Bank (Nefco) owned by the five Nordic countries that was established to support globally set environmental and climate targets that do accelerate the green transition, approved a EUR 4 million financing facility this summer to support the scale-up of Kyoto Group. We are grateful for the trust and belief in our company and technology, also from credible financial institutions and proud about the ISO 9001 and ISO 14001 certification recently received from DNV, without non-conformities.

Another IP application was filed in July, protecting the Heatcube 2.0 technology and we are definitely experiencing that the Heatcube is taking a pole position in the energy transition. The strong interest from the market keeps increasing and the storage pipeline now in August consists of 2 700 MWh storage capacity and prospects throughout Europe, including prominent large international corporations in the pulp & paper, chemicals & petrochemical, pharmaceutical and the food & beverage industries, of which we are aiming to bring five to the signing table within this year.

We are carefully optimistic about the regulatory support that is now on the doorstep with voting in the EU Parliament in September and designed to accelerate the implementation of an electricity market in Europe that includes energy storage and also to boost the implementation of clean-tech in Europe, as a response to the US Inflation Reduction Act. On national level Spain recently doubled its renewable energy targets and is now also including energy storage in its ambitions. This is a great fit for us, with around 50 percent of our pipeline in Spain, and we are expecting to start seeing the impact of this already in 2024.

Our skilled and highly experienced organization is now represented by 35 FTEs, consisting of 12 nationalities, 68/32 percent males/females and 62 percent engineers. Around two-thirds of the Kyoto team is based in Oslo, Norway and one-third in Sevilla, Spain, and we all believe in a world powered by Nature (our Vision) and to contribute to that by empowering industries with renewable thermal energy (our Mission). The most recent push towards that was made by our dedicated and determined project execution team, internally now called “The Invincibles”, by professionally installing and commissioning our first full-scale Heatcube without major hick-ups, while Europe was on vacation this summer!



**Camilla Nilsson**  
Chief Executive Officer  
Kyoto Group AS

## Board of Directors' Report

### Business and location

Headquartered at Lysaker outside Oslo, Norway, Kyoto Group is a Norwegian company founded in 2016 with the aim to capture and manage the abundant energy from variable renewable sources such as solar and wind power and apply it to reduce the CO2 footprint for industrial thermal loads.

The company operates and sells Heatcube thermal batteries, enabling industrial consumption of low-cost heat sourced from excess solar and wind energy.

The Heatcube is based on molten salt and may be customized to meet the industry's energy needs and offer multiple services such as the delivery of heat and electric power as well as being used for balancing the electricity grid.

Kyoto Group continues to progress its existing commercial pipeline. Strengthening the commercial organisation is a priority in the coming months to accelerate commercialization of the Heatcube and meet the expected growing demand for electrification and thermal energy solutions.

The current commercial pipeline reflects heatcubes delivered based on two commercial offerings; the Heat as a Product (HaaP) and the Heat as a Service (HaaS).

Kyoto Group expects to deliver traditional product sales, Heat as a Product (HaaP) to certain clients, with additional support, maintenance, and service agreements. In addition, we expect potential Heat as a Service (HaaS) customers, with Kyoto Group owning and operating the Heatcube modules and selling heat to the end users. The offering can potentially attract funding opportunities when the installed assets are returning recurring, stable and long-term revenue streams.

The first commercial installation of the Heatcube at NJV is expected to provide important technical and commercial validation for new industry partners considering electrification and thermal energy

solutions to decarbonize their energy and heat supply.

### Significant events in first half of 2023

#### NJV heatcube installation

By year-end 2022 foundation was casted, tanks were installed, filled and melted. The steam generation system was installed and completed. NJV has been progressing well through first half of 2023 and by early July the Heatcube has been connected to the grid and the high voltage connection between the transformer building and the world's largest electrical heater for molten salt, as a key equipment of Heatcube, has been successfully commissioned.

The Heatcube is also monitored and controlled by using the Battery Management System (BMS) from a remote-control room or locally at the panels, by the commissioning engineers. The BMS enables all equipment and assets for testing and protects Heatcube using automatic safety measures which are now installed.

The final step in the hot commissioning process for Heatcube at Norbis Park is to circulate molten salt through Heatcube to discharge steam from the steam generator, planned for the second half of July. The commercial hand-over to Nordjyllandsværket A/S is expected to follow early August once the hot commissioning process is completed. Following the commissioning, the Kyoto heatcube at NJV is established as a full-scale commercial installation while also offering extended benefits and values to Kyoto Group through being available as a demo installation for potential clients as well as a test centre for future technology developments.

#### Funding achievements

In January the Company announced that the Private Placement had successfully been placed, and that its Board of Directors have allocated subscriptions for 3,428,571 offer shares at a subscription price of NOK 17.50, raising NOK 60 million in gross proceeds.

Kyoto Group signed a Letter of intent with Kyotherm SAS covering financing for projects involving Kyoto Group's Heatcube thermal energy storage solution. The intent is to identify suitable projects in Kyoto's existing pipeline that Kyoto will build and operate with financing provided by Kyotherm.

In April Kyoto Group signed a Memorandum of Understanding with world-leading renewable energy company Iberdrola to decarbonize industrial heat. The companies will cooperate on introducing Kyoto's thermal energy storage solutions to industrial customers and have already submitted co-developed offers to several specific customers.

In June Kyoto Group signed strategic investment agreement with Iberdrola and Spirax-Sarco Engineering to accelerate electrification. The commercial agreement with Iberdrola builds on the memorandum of understanding reported by Kyoto on a no-name basis on 20 April 2023. Iberdrola and Kyoto are cooperating on introducing Kyoto's thermal energy storage solutions to both Kyoto's and Iberdrola's industrial customers and have already submitted co-developed offers to several specific customers. The partnership agreement with Spirax-Sarco Engineering covers commercial and technological development of electrical heaters for existing and future generations of Heatcube, with the opportunity to expand the cooperation to other key technologies. Iberdrola will invest NOK 35.1 million in return for a 12.8 percent share of Kyoto's issued share capital, while Spirax-Sarco Engineering will invest NOK 41.0 million in return for a 15.0 percent share. The agreed transaction price was 16.48 NOK per share.

At end of June, the Company announced that the general meeting adopted all the proposed resolutions with the requisite majority. Consequently, the Company is pleased to officially welcome Iberdrola and Spirax-Sarco Engineering as new shareholders and Iberdrola through Oscar Cantalejo and Spirax-Sarco through Christopher Molnar, will be represented in the board of directors.

Two existing shareholders agreed to grant the company short-term financing of NOK 9 million, to cover potential funding needs in the period up to completion of the investments and payment of the funds pertaining thereto. The shareholder loans were entered into on market terms and otherwise in accordance with market practice for such agreements. The loans were fully repaid in July 2023.

The Company received final board approval of debt financing from Nefco, an international financial institution owned by the five Nordic countries, to support the scaling up of its thermal energy storage offering, Heatcube. The final approval implies that Nefco can provide debt financing of EUR 4 million to support Kyoto's growth.

### Technology

In January the Company signed a Letter of Intent with Alfa Laval AB to explore joint research and development related to heat exchangers for molten salt technology. The intent is to sign a technology development agreement shortly for areas such as recovery, transfer and storage of waste heat and heat transfer from electrical heater to various sources of heat using molten salt. As a world leader in heat transfer, centrifugal separation and fluid handling, Alfa Laval is active in the areas of Energy, Marine, and Food & Water.

In June Kyoto Group announced a quadrupling of the discharge capacity of its Heatcube thermal energy storage solution from 5 MW to 20 MW. This is achieved without changing Heatcube design and is enabled by a new modular steam-generator system developed for Kyoto Group by the engineering partner Steinmüller Engineering of Germany, with whom Kyoto has entered into a collaboration agreement to supply the steam generator system for Heatcube. Steinmüller and Kyoto's steam generator system will deliver considerably greater output capacities at a reduced cost and hence reduces the Levelized Cost of Heat (LCOH) significantly for larger loads while also expanding Heatcube's appeal to a broader customer

base, also including demand profiles beyond 5 MW and up to 20 MW. This long-term strategic collaboration is based on complementary expertise and provides an important step in the ongoing optimization of Heatcube.

### Commercial

In January Kyoto Group signed Letter of Intent for a Heatcube thermal storage battery at the production facility of a leading company within the agrifood industry in Spain. The facility produces olive pomace oil, which is made by processing residual material from the initial production of olive oil. This processing requires substantial energy, which is today provided by natural gas.

The Company also signed a Letter of intent with a food ingredient company based in Hungary for a Heatcube thermal storage battery. The food ingredient company, which is part of a major listed group, has already made a greenfield investment and aims to rely entirely on sustainable energy in the future.

In February Kyoto Group signed a Letter of Intent with Kaura Coproducts in Spain to supply a Heatcube thermal energy storage solution. Kaura Coproducts is dedicated to the production of high-added-value raw materials for pet food and aquafeed, as well as the revaluation of animal by-products for the energy sector. The intention is to substitute 40 percent of the current consumption of fossil fuels with the Heatcube so to provide stable and sustainable heat generation for the production process.

At the end of first half of 2023 Kyoto has matured a storage pipeline of more than 2 600 MWh storage, representing a portfolio of 40 projects. The company is at the doorstep of market breakthrough.

### Financial statements

The Board of Directors believes that the half-year financial statements provide a true and fair view of the net assets, financial position and results of Kyoto Group for the period. The group's consolidated financial statements are presented in accordance with the

International Financial Reporting Standards (IFRS).

### Profit and loss

The Group had zero income for the first half of 2023, like zero income for the same period of 2022.

The Company received EUR 0.3 million in Public Grants received from Innovation Norway, which is recognized as cost reduction.

Total operating expenses for the Group in first half of 2023 were EUR 3.8 million compared to EUR 3.0 million for the same period in 2022.

As part of the Group's planned scale-up, personnel costs increased from EUR 1.2 million to EUR 1.9 million in H1 2023, audit and accounting services increased from EUR 0.13 million to EUR 0.25 million and other professional services from EUR 0.66 million to EUR 0.94 million. The increase is reduced with sales & marketing expenses decreasing from EUR 0.18 million to EUR 0.05 million, and IT & office expenses decreasing from EUR 0.28 million to EUR 0.09 million.

EBITDA was negative EUR 3.8 million in the first half of 2023, compared to negative EUR 3.0 million for the same period in 2022.

The net financial income was EUR 55.8 thousand, mainly reflecting interest and other financial income, compared to EUR 12.4 thousand as of 30 June 2022.

Net loss was EUR 3.8 million, with no tax expenses.

### Financial situation

As of 30 June 2023, the Group has total assets of EUR 12.5 million, compared to total assets of EUR 11.6 million as of 30 June 2022.

Total non-current assets increased from EUR 4.6 million as of 30 June 2022 to EUR 11.6 million per 30 June 2023. This increase is mainly driven by construction in progress increasing with EUR 4.2 million and research and development with EUR 2.1 million.

Total current assets decreased from EUR 7.1 million by 30 June 2022 to EUR 1.0 million on 30 June 2023. This is mainly attributed to a net decrease in cash and bank deposits of EUR 6.7 million. The cash position was EUR 0.2 million by 30 June 2023.

The increase in non-current assets and the decrease in cash and bank deposits are as expected according to the strategy and planning of the Group.

Total equity amounted to EUR 8.8 million on 30 June 2023, down from EUR 10.4 million on 30 June 2022.

Total liabilities increased to EUR 3.8 million by the end of June 2023 compared to EUR 1.3 million by 30 June 2022. The increase is driven by higher lease liabilities related to conversion to IFRS of EUR 0.3 million, short term loan from shareholders of EUR 0.8 million and accounts payable of EUR 1.0 million.

### Cash flow

Net cash flow from operating activities was negative EUR 4.1 million by 30 June 2023 compared to negative EUR 3.5 million on 30 June 2022.

Net cash flow from investing activities was negative EUR 2.3 million by first half 2023 compared to negative EUR 1,4 million for the same period in 2022.

Cash consumption is increasing as the Group scales up the organization and business activity, including projects, in anticipation of future revenues.

### Risk factors

The Group is in a scale-up stage. While the Heatcube technology is proven through the successful operation of the pilot installation, the Group has yet to install and operate the technology at a commercial scale.

The first Heatcube thermal battery installation and operation has been delayed from initial expected to start in Q1 2023 to Q3 2023. There are inherent technical risks connected to the installation and start-up of any such installation that may affect timing and costs, as well as operations and cash flow generation

under a battery leasing revenue model. The Group is also subject to various risks, including long lead times, related to securing potential additional commercial contracts which are required to build a profitable business over time.

The Group is in a growth phase and will likely require additional equity capital in the future to finance the execution of its long-term growth strategy.

Please visit the Investor presentation from the private placement successfully executed in January 2023, which is available on the Kyoto Group website, for more detailed information about risk factors.

### Research and development

Investment in research and development (R&D) is a key part of the Group's strategy. During first half 2023, R&D expenses of EUR 0.85 million were capitalized. Moving forward, the Group expects R&D expenses to remain substantial.

### Environment, health and safety

Kyoto Group believes in Health, Safety, Security and Environment (HSE) excellence. Our ambition is to set health, safety, security and environment as core elements of the Group's identity and business success. The Group will be recognized for its outstanding performance, demonstrating a strong sense of responsibility for people and the environment, and through innovation and efficient production, contributing to the creation of a sustainable society.

The Group supports a precautionary approach to environmental challenges, undertakes initiatives to promote greater environmental responsibility, and encourages the development of environmentally friendly technologies.

### Working environment

At the end of H1 2023, Kyoto Group had a total staff of 34, of which 24 was employed in Kyoto Group AS, no employee in Kyoto Technology Denmark ApS and 10 employees in Kyoto Technology Spain S.L.

There were no serious work-related accidents in H1 2023, and absence due to illness was 3.0 percent.

All employees shall have signed and undertaken training in the code of conduct and relevant policies as part of their onboarding training. Kyoto Group aims to become a Great Place to Work (GPTW) by 2025 and achieve an employee Net Promoter Score (eNPS) of above 50 by the end of 2022. The eNPS was measured in June 2023 and scored 84%.

### Equal opportunity

Kyoto Group is dedicated to offering everyone equal opportunities irrespective of background, including ethnicity, gender, religion, sexual orientation or age.

At the end of June 2023, 70 percent of the staff was male, while 30 percent was female. The corporate management team has four male and three female members. The Board of Directors has six male and no female members.

Kyoto Group scaled up the organization during H1 2023 and will continue to scale up during the upcoming half-year. Diversity will be a key priority in the recruitment processes. At the end of June 2023, twelve nationalities are currently represented in Kyoto Group.

### External environment

The Group's business purpose is to make renewable energy available for everyone, thus contributing to reducing climate emissions from industry.

Our business operations directly impact UN Sustainable Development Goals nr 7: Affordable and clean energy; and nr 9: Industry, innovation and infrastructure.

Target 7.1 By 2030, ensure universal access to affordable, reliable and modern energy services.

Target 7.2 By 2030, increase substantially the share of renewable energy in the global energy mix.

Target 9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.

Through this, we also aim to contribute to Goal 13 Climate action.

Kyoto recognizes its role in contributing to a sustainable society and is committed to minimizing its environmental footprint at all stages of the thermal battery value chain. Kyoto will work systematically to improve resource efficiency, reduce emissions and implement the waste mitigation hierarchy, working towards the concept of a circular economy. Kyoto will also work systematically to prevent pollution and address our impacts where necessary, protecting and/or restoring both the environment and the value of our assets.

The Group's work with sustainability is governed by our Code of Conduct which covers the company's responsibility and approach to human rights, worker's rights, working conditions, equal opportunities and anti-corruption as well as HSE and environmental responsibility. Health, safety and environmental responsibilities are further described in the Kyoto Group HSE Policy.

At this stage, the Group's activities have a limited effect on the external environment. As the company enters a commercial production phase, it is committed to minimizing its environmental footprint at all stages of the thermal battery value chain. Since the batteries only use abundant, non-toxic components, they can be recycled without leaving any harmful chemicals in the environment.

### Corporate governance

The Group's parent company, Kyoto Group AS is a private limited company organized under Norwegian

law, with a governance structure based on Norwegian corporate law and other regulatory requirements.

The company has only one class of shares. All shares carry equal rights in all respects, including voting rights and rights to dividends. All shares are freely transferable, meaning that a transfer of shares is not subject to the consent of the Board of Directors or rights of first refusal.

Kyoto Group AS has six Board members, none of whom are members of the company's management. The majority of Board members are independent of company management and significant business partners.

The board members and the Chief Executive Officer are covered by liability insurance (D&O). The insurance policy is based on market standard terms and conditions and comprises the directors' and officers' personal legal liabilities, including defense and legal costs.

Kyoto Group AS ambition is to follow the Norwegian Code of Practice for Corporate Governance and explain any deviations from the code.

For further details, please see the Corporate Governance Report, which can be found on the Kyoto Group website.

### **DNV verification of Kyoto management system**

During H1 2023 the Company executed a certification of the Kyoto management system based on the ISO 14001 and ISO 9001 standards. The certification was executed by DNV, and the Kyoto management system is considered effective and in compliance with the standards. Nonconformities were not identified during the audit.

### **Transparency Act Report**

The Transparency Act is a Norwegian law that requires larger companies to report on the work they conduct to ensure compliance with fundamental human rights and decent working conditions in their organization, supply chain and with their business partners.

This report covers Kyoto's obligation to account for the due diligence assessments Kyoto has conducted from July 1, 2022, until the present date. In the report, Kyoto also outlines the measures that have been evaluated and implemented to reduce the risk of adverse consequences that Kyoto's activities may have on fundamental human rights and decent working conditions.

The report is published under Ethics & compliance on the Company's website, [www.kyotogroup.no](http://www.kyotogroup.no)

### **Going concern**

The Board confirms that the conditions for the going concern assumption have been satisfied and that the financial statements for the first half of 2023 have been prepared on the basis of this assumption.

### **Significant events after closing**

The financial implications following from the transaction related to the investment agreement with Ibedrola and Spirax-Sarco Engineering occurred in July 2023.

In August 2023 - As part of Kyoto Group's employee benefit program and in accordance with the authorization granted by the annual general meeting on 30 June 2023, senior executives and employees of the company have been granted 250,000 share options in Kyoto Group AS.

On 22 August 2023 Kyoto announced that Kyoto partners up with financing partner Kyotherm and energy partner Energiabörse to deliver Heat as a Service to KALL Ingredients in Hungary. A term sheet was signed between the four parties, incl the client KALL Ingredients, and the parties aim to sign a commercial contract by the end of October.

### **Allocations**

The Group had a net loss of EUR 3.8 million in first half of 2023. The Board of Directors proposes the following allocations:

Loss brought forward: EUR 3.8 million.

## Outlook

The installation of the Heatcube at NJV was commercially handed over to Nordjyllandsværket A/S on 4 August 2023, and Kyoto is now supporting in training NJV staff, completing outstanding documentations and punch list items prior to the technical handover during Q3 2023. The Kyoto heatcube at NJV is established as a full-fledged commercial installation, and Kyoto will continue to realize the extended benefits and values attached to the installation, being available as a demo installation for potential clients as well as a test centre for future technology developments.

The company has earlier communicated the target of signing 5-10 commercial orders for Heatcubes during second half of 2023. The first two, one installation in the food industry in Hungary and one in Spain, are expected to be announced shortly; both replacing natural gas as a source for industrial process heat.

In parallel, we are maturing all the commercial offers that have been submitted to industrial clients together with Iberdrola and are targeting signing a number of those. Out of a total pipeline of 40 projects, we have sent offers to 23 clients of which 8 cases are in the final phases of negotiation, and the remaining is still being matured together with the client. While Kyoto's pipeline continues to grow, we experience that client decision making processes are thorough and time-consuming. We direct all our efforts to support our clients in concluding their assessments

In order to handle the increased activity, the organisation is planned to grow somewhat in line with achievements of commercial milestones.

We remain firm regarding the EBITDA break-even target by 2025, enabled by capex cost-out and gradually increasing margins.

**Lysaker, 23. august 2023**

The Board of Kyoto Group AS

(Electronically signed)

**Eivind Reiten**  
Chairman

(Electronically signed)

**Thorleif Enger**  
Board member

(Electronically signed)

**Pål Selboe Valseth**  
Board member

(Electronically signed)

**Hans Olav Kvalvaag**  
Board member

(Electronically signed)

**Oscar Cantalejo**  
Board member

(Electronically signed)

**Christopher Molnar**  
Board member

(Electronically signed)

**Camilla Nilsson**  
CEO

# Financial statements

CONSOLIDATED

## Consolidated statement of profit and loss

1 January - 30 June  
(EURO)

	Note	H1 2023	H1 2022	2022
<b>Continuing operations</b>				
Revenue		0	0	26 860
<b>Total revenue</b>		<b>0</b>	<b>0</b>	<b>26 860</b>
<b>Operating expenses</b>				
Personell expenses	3	1 903 083	1 196 580	3 194 591
Depreciation, amortizations and write downs	4, 5	166 422	18 880	603 003
Other operating expenses	2, 3	1 775 553	1 832 833	3 446 736
<b>Total expenses</b>		<b>3 845 058</b>	<b>3 048 292</b>	<b>7 244 331</b>
<b>Operating profit</b>		<b>-3 845 058</b>	<b>-3 048 292</b>	<b>-7 217 471</b>
<b>Financial items</b>				
Finance income		99 335	20 372	67 423
Finance costs		43 551	7 981	37 006
<b>Profit before tax</b>		<b>-3 789 274</b>	<b>-3 035 902</b>	<b>-7 187 053</b>
Tax expense		0	0	0
<b>Profit after tax from continuing operations</b>		<b>-3 789 274</b>	<b>-3 035 902</b>	<b>-7 187 053</b>
<b>Other comprehensive income</b>				
<i>Items which may be reclassified to profit and loss in subsequent periods</i>				
Exchange differences		-677 580	-384 695	-231 121
<b>Total comprehensive income for the year</b>		<b>-4 466 854</b>	<b>-3 420 597</b>	<b>-7 418 174</b>

## Consolidated statement of profit and loss (continued)

1 January - 30 June

(EURO)

	Note	H1 2023	H1 2022	2022
<b>Profit for the year attributable to:</b>				
Equity holders of the parent company		-3 789 274	-3 035 902	-7 187 053
Non-controlling interests		0	0	0
<b>Total</b>		<b>-3 789 274</b>	<b>-3 035 902</b>	<b>-7 187 053</b>
<b>Total comprehensive income attributable to:</b>				
Equity holders of the parent company		-4 466 854	-3 420 597	-7 418 174
Non-controlling interests		0	0	0
<b>Total</b>		<b>-4 466 854</b>	<b>-3 420 597</b>	<b>-7 418 174</b>

## Consolidated statement of financial position

(EURO)

	Note	H1 2023	H1 2022	2022
<b>ASSETS</b>				
<b>Non-current assets</b>				
Patents	4	24 742	0	26 598
Intangible assets	4	3 348 167	1 223 210	2 501 797
Right-of-use asset		596 050	89 756	572 053
Equipment	5	13 472	8 235	0
Construction in progress	5	7 392 899	3 173 012	5 925 290
Other non-current assets		176 973	73 831	192 857
<b>Total non-current assets</b>		<b>11 552 303</b>	<b>4 568 043</b>	<b>9 218 595</b>
<b>Current assets</b>				
Accounts receivable		0	0	26 860
Other current assets		782 040	216 473	891 805
Cash and cash equivalents		193 816	6 859 973	1 113 766
<b>Total current assets</b>		<b>975 856</b>	<b>7 076 446</b>	<b>2 032 431</b>
<b>TOTAL ASSETS</b>		<b>12 528 160</b>	<b>11 644 489</b>	<b>11 251 025</b>

## Consolidated statement of financial position (continued)

(EURO)

	Note	H1 2023	H1 2022	2022
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
<b>Paid in capital</b>				
Issued capital		35 277	25 290	25 290
Share premium		7 875 054	9 640 114	5 747 979
Other paid in capital		851 241	712 774	1 203 822
<b>Total paid in capital</b>		<b>8 761 572</b>	<b>10 378 178</b>	<b>6 977 091</b>
<b>Total equity</b>		<b>8 761 572</b>	<b>10 378 178</b>	<b>6 977 091</b>
<b>Non-current liabilities</b>				
Non-current lease liabilities	6	372 894	62 993	298 383
Other non-current financial liabilities	6	429 335	231 918	477 938
<b>Total non-current liabilities</b>		<b>802 230</b>	<b>294 911</b>	<b>776 320</b>
<b>Current liabilities</b>				
Current lease liabilities		231 504	38 210	290 104
Accounts payable		1 311 320	357 878	1 909 334
Public duties payable		201 838	189 856	245 883
Other current liabilities		1 219 697	385 456	1 052 292
<b>Total current liabilities</b>		<b>2 964 359</b>	<b>971 400</b>	<b>3 497 614</b>
<b>Total liabilities</b>		<b>3 766 588</b>	<b>1 266 311</b>	<b>4 273 934</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>12 528 160</b>	<b>11 644 489</b>	<b>11 251 025</b>

**Lysaker, 23. august 2023**  
The Board of Kyoto Group AS

(Electronically signed)

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**Eivind Reiten**  
Chairman

(Electronically signed)

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**Thorleif Enger**  
Board member

(Electronically signed)

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**Pål Selboe Valseth**  
Board member

(Electronically signed)

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**Hans Olav Kvalvaag**  
Board member

(Electronically signed)

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**Oscar Cantalejo**  
Board member

(Electronically signed)

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**Christopher Molnar**  
Board member

(Electronically signed)

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**Camilla Nilsson**  
CEO

## Consolidated statement of cash flows

(EURO)

	Note	H1 2023	H1 2022	2022
<b>Cash flow from operating activities</b>				
Profit before tax		-3 789 274	-3 035 902	-7 187 053
Depreciation, amortizations and write downs	4, 5	166 422	18 880	603 003
Share based payment expense		213 093	0	334 966
Exchange differences		-275 876	-357 292	-231 121
Change in accounts payable		-598 014	-348 516	1 177 503
Change in accounts receivable		26 860	0	-26 860
Other changes		200 405	207 365	537 123
<b>Net cash flow from operating activities</b>		<b>-4 056 385</b>	<b>-3 515 465</b>	<b>-4 792 438</b>
<b>Cash flows from investing activities</b>				
Change in construction in progress	5	-1 467 609	0	-3 783 306
Purchase of intangible assets	4	-846 370	-1 377 768	-1 773 460
<b>Net cash flow used in investing activities</b>		<b>-2 313 979</b>	<b>-1 377 768</b>	<b>-5 556 765</b>
<b>Cash flows from financing activities</b>				
Proceeds from equity		5 645 572	21 522	0
Purchase of own shares		0	-22 962	0
Payment of lease installment		-183 095	-15 082	-199 319
Interests on lease liabilities		-12 062	-3 063	-19 892
<b>Net cash flow from financing activities</b>		<b>5 450 415</b>	<b>-19 586</b>	<b>-219 210</b>
Net currency translation effect		0	0	-90 613
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>-919 949</b>	<b>-4 912 819</b>	<b>-10 568 414</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>1 113 765</b>	<b>11 772 792</b>	<b>11 772 792</b>
<b>Cash and cash equivalents at end of period</b>		<b>193 816</b>	<b>6 859 973</b>	<b>1 113 765</b>

## Statement of changes in equity

(EURO)

	Attributable to equity holders of the parent company						Non-controlling interests	Total equity	
	Paid in capital				Other Equity				Total Equity holders of the parent company
	Share capital	Share premium reserve	Treasury shares	Other paid-in capital	Retained earnings	Total other equity			
<b>Equity as at 01.01.2023</b>	<b>25 290</b>	<b>5 747 979</b>	<b>0</b>	<b>1 203 822</b>	<b>0</b>	<b>0</b>	<b>6 977 091</b>	<b>0</b>	<b>6 977 091</b>
Capital increase 20.01.2023	9 601	5 417 197				0	5 426 798		5 426 798
Capital increase 23.02.2023	387	218 388				0	218 774		218 774
Half year result					-3 789 274	-3 789 274	-3 789 274		-3 789 274
Other comprehensive income					-677 580	-677 580	-677 580		-677 580
Coverage of uncovered loss		-4 466 854			4 466 854	4 466 854	0		0
Share based option programme		32 850				0	32 850		32 850
Share based payment expense		180 243				0	180 243		180 243
IFRS and currency effects		745 264		-352 581		0	392 683		392 683
<b>Equity as at 30.06.2023</b>	<b>35 277</b>	<b>7 875 053</b>	<b>0</b>	<b>851 241</b>	<b>0</b>	<b>0</b>	<b>8 761 572</b>	<b>0</b>	<b>8 761 572</b>

## Note Summary – Basis of preparation

Kyoto Group AS is a private limited company, incorporated in Norway, headquartered in Bærum and listed on the Euronext Growth. The Company's registered office is at Fornebuveien 1, 1366 Lysaker, Norway.

The interim consolidated financial statements consist of Kyoto Group AS and its subsidiaries in Denmark and Spain. These interim consolidated financial statements for the first half year ended June 30th, 2023, have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim report does not include all the information and disclosures required in the annual financial

statements and should be read in conjunction with the annual consolidated financial statement for 2022. The consolidated financial statement for 2022 is available at the company's website [www.kyotogroup.no](http://www.kyotogroup.no).

The comparing figures from the first half year of 2021 have been adjusted and includes amendments to IFRS 16.

The interim consolidated financial statements are unaudited.

## Note 1 - Segment Information

Kyoto Group is in a growth phase and as per 30th June 2023, development is the main segment of the company's strategy.

Development costs are considered to fulfil the criteria for capitalization in accordance with IAS 38, and are expected to provide a future financial benefit. Those projects are related to the first commercial installation at Nordjyllandsværket in Denmark as well as development of the following generations of Heatcube (Heatcube 1.1 and Heatcube 2.0) that are under development and includes both hardware development and software development.

Refer to note 4 and 5 for information about the presentation of the development in the accounts of the group.

## Note 2 - Government grants

### Innovation Norway

Kyoto Group AS has been given grants from Innovation Norway in relations with the Heatcube project. The grants were recognized as cost reduction in the first half year of 2023.

Public grants	H1 2023	H1 2022
Innovation Norway	239 204	-

### Note 3 - Salary and personnel expenses and other expenses

Salary and personnel expenses	H1 2023	H1 2022
Salaries and holiday pay	1 378 846	859 940
Payroll tax	316 471	148 347
Board remuneration	0	0
Share based payment expenses	29 115	0
Severance payment	-28 375	0
Pension costs defined contribution plans	75 273	49 785
Other personnel costs	131 753	138 507
<b>Total salaries and personnel expense</b>	<b>1 903 083</b>	<b>1 196 580</b>

Average employees	33,4	7,0
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	H1 2023	H1 2022
Norway	21,9	7,0
Denmark	1,0	1,0
Spain	10,5	3,8
<b>Total</b>	<b>33,4</b>	<b>11,8</b>

Remuneration to leading personnel	Chief Executive Officer	Board
Salaries	75 918	0
Pension costs	0	0
Other remuneration	2 882	0
<b>Total</b>	<b>78 800</b>	<b>0</b>

Remuneration to board members will be paid in December 2023 and first half of 2024.

#### Pension liabilities

The company is liable to maintain an occupational pension scheme under the Mandatory Occupational Pensions Act. The company's pension scheme satisfies the requirements of the Act.

Other expenses	H1 2023	H1 2022
Travel cost	95 866	44 117
Office expenses	11 446	142 170
IT expenses	83 024	139 062
Sales & Marketing	49 379	177 353
External services other expenses	1 535 838	1 330 131
<b>Total</b>	<b>1 775 553</b>	<b>1 832 833</b>

## Note 4 - Intangible assets

	Development costs	Patents	H1 2023
<b>Accumulated cost as at 1 January 2023</b>	<b>2 501 797</b>	<b>26 598</b>	<b>2 528 395</b>
Additions	846 370		846 370
Disposals, and assets classified as held for sale		-26 598	-26 598
Additions from acquisition of companies		30 000	30 000
Write downs			0
Reversal of previous write downs			0
Depreciation		-5 258	-5 258
Exchange differences			0
<b>Carrying value as at 30 June 2023</b>	<b>3 348 167</b>	<b>24 742</b>	<b>3 372 909</b>
Economic life		7.5 years	
Depreciation method		Linear	

Investments in development is a key part of Kyoto Group's strategy.

Costs related to projects are considered to fulfil the criteria for capitalization in accordance with IAS 38 and are expected to provide a future financial benefit. Those costs are related to development of the new generation heatcube, Heatcube 2.0, which includes both development of hardware and software. Development expenses related to the technology behind the Heatcube is presented as an intangible asset, and the expenses related to installation at Nordjyllandsværket is presented as Construction in progress.

Costs that are related to research are expensed while costs that are related to concrete technology development are capitalized.

Development expenses are capitalized as acquisition cost. In the event of significant impairment, capitalized development costs have been written down when impairment is due to reasons that cannot be expected to be temporary and must be considered necessary in accordance with generally accepted accounting principles.

Total capitalized development expenses in the first half year of 2023 amounts to EUR 846 370. Amortization of the asset begins when development is complete, and the asset is available for use.

The capitalized development cost will be amortized to the next 10 commercial projects estimated to be executed within 2 years.

The patents were issued by the Spanish Patent and Trademark Office in April 2020, with a term of the utility model to be ten years from the date of issue. The patents were purchased from Kyoto Technology Spain by Kyoto Group AS in June 2023.

## Note 5 - Property, plant and equipment

	Machinery and equipment	Construction in progress	H1 2023
<b>Accumulated cost as at 1 January 2023</b>	<b>0</b>	<b>5 925 290</b>	<b>5 925 290</b>
Additions	13 587	1 467 609	1 481 196
Write downs			0
<b>Accumulated cost as at 30 June 2023</b>	<b>13 587</b>	<b>7 392 899</b>	<b>7 406 486</b>
<b>As at 1 January 2023</b>			
Acquisition cost		5 925 290	5 925 290
Additions	13 587	1 467 609	1 481 196
Accumulated depreciation and write downs	-115		-115
<b>Carrying amount as at June 30 2023</b>	<b>13 472</b>	<b>7 392 899</b>	<b>7 406 371</b>

(1) Construction in progress is in relation to the commercial installation of the Heatcube in Nordjyllandsværket.

## Note 6 - Long-term debt

	Effective interest rate	Maturity	Carrying amount	
			H1 2023	H1 2022
<b>Secured</b>				
Obligations under leases		2024/2025	372 894	62 993
Unearned revenue (Tax rebate)			224 277	0
Loan from Innovation Norway	1,70%	2024 + 6	205 058	231 918
<b>Total secured long-term debt</b>			<b>802 230</b>	<b>294 911</b>

The rate of interest of the lease liability is calculated on a weighted average.

In 2020, Kyoto Group AS received a loan of NOK 2 400 000 from Innovation Norway. The loan is treated as a serial loan and is to be repaid over 4 years. The loan is interest bearing with a nominal rate of 4,2% and an effective rate of 1,7% per year. The loan is free for installments for the first 15 terms and free of interest for the first 10 terms, with each term covering three months. The first interest payment was made in February 2023.

### Note 7 - Events after the balance sheet date

The financial implications following from the transaction related to the investment agreement with Ibedrola and Spirax-Sarco Engineering occurred in July 2023.

In August 2023 - As part of Kyoto Group's employee benefit program and in accordance with the authorization granted by the annual general meeting on 30 June 2023, senior executives and employees of the company have been granted 250,000 share options in Kyoto Group AS. Based on this, obligations in existing employee contracts have been settled.

On 22 August 2023 Kyoto announced that Kyoto partners up with financing partner Kyotherm and energy partner Energiaborse to deliver Heat as a Service to Kall Ingredients in Hungary. A term sheet was signed between the four parties, incl the client Kall Ingredients, and the parties aim to sign a commercial contract by the end of October.

There have been no other events to date in 2023 that significantly affect the result for 2022 or valuation of the company's assets and liabilities at the balance sheet date.

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