

Kyoto signs strategic investment agreement with Iberdrola and Spirax-Sarco Engineering to accelerate electrification

Oslo, Norway 22 June 2023 – Iberdrola, Europe’s largest electricity utility by market capitalization, and Spirax-Sarco Engineering, a world-leading specialist in thermal energy management, join Kyoto Group as strategic investors and commercial partners in an alliance to accelerate the decarbonization of industrial process heat with Kyoto’s Heatcube, a thermal energy storage solution.

“This is a defining moment for Kyoto Group. Beyond the increased equity, having Iberdrola and Spirax-Sarco Engineering put their plans, market access, and credibility behind the commercialization of Heatcube opens huge market opportunities and provides us with world-class technological backing. We are already working on several specific commercial customer projects with Iberdrola and expect positive results shortly,” says Camilla Nilsson, CEO of Kyoto Group.

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. Both will join the Kyoto board, pending approval by Kyoto’s annual general meeting on 30 June.

In addition, the agreements outline extensive commercial and technical cooperation on the commercialization and market adoption of Heatcube.

Iberdrola

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 with Kyoto and its Heatcube thermal storage solution is a further step for Iberdrola in its mission to decarbonize the economy through electrification. Storage is one of the major challenges in the energy transition, hence this collaboration with the Norwegian group will be key to our strategy," said Fernando Mateo, Global Head of Industrial Decarbonization at Iberdrola.

With this step, Iberdrola advances in the strategy to provide industrial customers with solutions to decarbonize their heat demand. Industry heat demand represents more than 50 percent of the final energy needs for industry, and thermal storage solutions is a key technology to supply green heat at competitive cost. This technology, jointly with green hydrogen, ammonia and other derivatives where

Iberdrola is a world leader, complements the portfolio of solutions that Iberdrola offers to its industrial customers.

Headquartered in Bilbao (Spain), for over 20 years Iberdrola has been committed to clean energy with the goal of exceeding 52,000 MW of renewable capacity by 2025. Iberdrola recently presented its Climate Transition Plan to the United Nations, in response to the UN Secretary General's call, with the goal of achieving net zero emissions by 2040 following a realistic, ambitious and responsible path.

Spirax-Sarco Engineering

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.

Spirax-Sarco Engineering is a UK-listed multi-national industrial engineering Group providing thermal energy management and fluid technology solutions for critical industrial processes and equipment. The Group has a direct presence in 67 countries worldwide, including 40 manufacturing plants and employs more than 10,000 people. Through its One Planet: Engineering with Purpose Sustainability Strategy, the Group is committed to achieving net zero emissions for scopes 1 and 2 by 2030 and for scope 3 by 2050.

“Spirax-Sarco Engineering is actively investing in developing new-to-world solutions to decarbonize industrial heat and steam generation to meet our customers’ changing needs. Kyoto’s Heatcube fits perfectly with this strategy, and we are pleased to support its entry into the commercial market and to invest in Kyoto Group,” says Nicholas Anderson, Group Chief Executive of Spirax-Sarco Engineering.

Heatcube

Kyoto Heatcube provides thermal energy storage and heat generation in one product. It supplies industrial customers with the technology needed to lower both their costs for producing process heat and their CO2 emissions using intermittent renewable energy sources instead of fossil fuels for heat production.

Heatcube can be configured with storage capacities from 16 MWh to over 96 MWh, with a discharge effect for each Heatcube of up 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 415 degrees Celsius. The high-temperature salt is then used to produce steam for industrial production processes.

Details on the contemplated investment

Upon the terms and subject to the conditions of the investment agreement, the investors shall invest in the company through a directed share of 4.620.646 new shares in the company at a subscription price of

NOK 16.4847 per share, which corresponds to the volume weighted average price traded in the shares on Euronext Growth Oslo in the period from 1 January 2023 until the date of the investment agreement, raising gross proceeds of NOK 76.2 million.

The net proceeds from the investment will be used to (i) cover the company's liquidity needs, including pre-ordering of long lead-time items for production of Heatcube, continued market expansion and the related upscaling activities, building project execution capacity combined with partnering setups, (ii) repayment of below mentioned short-term financing provided by two shareholders, and (iii) general corporate purposes.

Settlement of the new shares is expected to take place on or about 5 July 2023, but not before the share capital increase pertaining to the Investment has been registered with the Norwegian Register of Business Enterprises (NRBE), and subject to correct information on VPS account or nominee account for delivery of the new shares.

Completion of the investment is conditional upon (i) necessary corporate resolutions by the company to consummate the investment and allocate the new shares, such as the resolution by the AGM to resolve the share capital increase pertaining to the new shares, and election of the two new board members, (ii) the share capital increase pertaining to the new shares being registered with the NRBE and the new shares having been validly issued in the VPS.

In consultation with the company's management, the board has considered various transaction alternatives to secure new financing. Based on an overall assessment, considering inter alia the need for funding, execution risk and possible alternatives, the board has on the basis of careful considerations decided that the investment is the alternative that best protects the company's and the shareholders' joint interests. By structuring the transaction as a directed share issue, the company was able to raise capital in an efficient manner with significantly lower completion risks compared to a rights issue. Thus, the waiver of the preferential rights inherent in a share capital increase through issuance of new shares is considered necessary.

As part of and subject to completion of the directed share issue, the new investors Iberdrola and Spirax-Sarco together with the existing shareholders KM New Energy AS, Valinor AS, Altitude Capital AS (for 800,000 shares), KB Management and Møsbu AS have all agreed to a lock-up on their shareholding with customary exceptions for a period of 180 days after the date of the annual general meeting.

The annual general meeting will be held on 30 June 2023. The notice will be published in due course.

Short-term shareholder loans

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

Reference is also made to the separate announcement published today regarding the significant increase in discharge capacity of Kyoto's Heatcube, as a result of the collaboration with Steinmüller Engineering.

This information is considered to be inside information pursuant to the EU Market Abuse Regulation and is subject to the disclosure requirements pursuant to Section 5-12 the Norwegian Securities Trading Act. This stock exchange notice was published by Håvard Haukdal, CFO of the Company, on 23 June 2023 at the time set out herein.

Kyoto Group will host a webcast to elaborate on the new agreements on Tuesday 27 June at 14:00 CEST. A separate notice with login details will follow.

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About Kyoto Group

Heat accounts for two thirds of industrial energy consumption. Traditionally, nearly all of it is based on fossil fuels. Kyoto Group's Heatcube, a thermal energy storage (TES) solution, provides a sustainable and cost-effective alternative by capturing and storing abundant but variable energy from sources such as solar and wind. Founded in 2016, Kyoto Group is headquartered in Oslo, Norway, and has subsidiaries in Spain and Denmark. The Kyoto share is listed on Euronext Growth (ticker: KYOTO). www.kyotogroup.no

About Iberdrola

Iberdrola, Europe's largest electricity utility by market capitalization and one of the world's top three electricity companies, is a leader in renewables, spearheading the energy transition to a low carbon economy. The group supplies energy to almost 100 million people in dozens of countries. With a focus on renewable energy, smart networks and smart solutions for customers, Iberdrola's main markets include Europe (Spain, the United Kingdom, Portugal, France, Germany, Italy and Greece), the United States, Brazil, Mexico and Australia. The company is also present in growth markets such as Japan, Taiwan, Ireland, Sweden and Poland, among others.

The company has a workforce of over 40,600 and assets in excess of €154.6 billion. In 2022, Iberdrola posted revenues of nearly €54 billion, net profit of €4.34 billion, with €7.5 billion paid in tax contributions in the countries where it operates. The company helps to support more than 400,000 jobs

in communities across its supply chain, and global supplier purchases topped €17.8 billion in 2022. A benchmark in the fight against climate change, Iberdrola has invested more than €130 billion over the past two decades to help build a sustainable energy model, based on sound environmental, social and governance (ESG) principles. www.iberdrola.com/home

About Spirax-Sarco Engineering

Spirax-Sarco Engineering plc is a leading global thermal energy management and fluid technology solutions Group that aims to deliver sustainable value to all its stakeholders through engineering a more efficient, safer and sustainable world. Headquartered in Cheltenham (UK), the Group comprises three world-leading Businesses: Steam Specialties, for the control and management of steam; Electric Thermal Solutions, for advanced electrical process heating and temperature management solutions; and Watson Marlow, for peristaltic pumping and associated fluid path technologies. In 2022, the Group launched its TargetZero solutions for the decarbonisation of critical industrial processes.

The Company's shares have been listed on the London Stock Exchange since 1959 (symbol: SPX) and it is a constituent of the FTSE 100 and the FTSE4Good Indexes. www.spiraxsarcoengineering.com