

The background of the entire page is a photograph of several wind turbines silhouetted against a vibrant sunset sky. The sky transitions from a deep purple at the top to a bright orange and yellow near the horizon. The turbines are of varying heights and are scattered across the landscape, with some in the foreground and others receding into the distance. The overall mood is serene and emphasizes renewable energy.

**H1**<sup>2022</sup>

KYOTO GROUP AS

# Half year report

---

FIRST HALF 2022

---

**KYOTO**

# Contents

About Kyoto Group AS .....	<b>03</b>
Key events H1 2022 .....	<b>05</b>
Shareholder information .....	<b>05</b>
Letter from our CEO .....	<b>07</b>
Board of Directors' report .....	<b>08</b>
Financial statements .....	<b>13</b>
Notes to half year financial statements .....	<b>18</b>



## About Kyoto Group AS

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 thereby 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 modular and comes in 20-foot containers, 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 lease & operate and sell 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 your energy needs.

The Kyoto Heatcube can be configured with capacities from 8 MWh to over 100 MWh, with charge- and discharge effect for each Heatcube up to 5 MW.

The energy efficiency with a thermal energy discharge is up to 90%, depending on the time between charge and discharge. 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.



ILLUSTRATION: FRIIS & MOLTKE

## Key events H1 2022

- Signed MoU with Hydro REIN to develop combined renewable energy and thermal energy storage solutions for industrial players
- Strengthened management team to support growth
- Moved to new offices to support growing organization
- Appointed Camilla Nilsson as permanent CEO
- Received building permits for the Heatcube at Nordjyllandsværket
- Established Danish subsidiary
- Established business unit in Spain by acquiring Mercury Energy

## Shareholder information

### Share capital

Kyoto Group's registered share capital on 30 June 2022 amounted to NOK 252 617, divided between 8 420 560 shares with a nominal value of NOK 0.03 each.

Total equity for the group on 30 June 2022 was EUR 10 494 497, corresponding to an equity ratio of 90 per cent.

### Euronext Growth listing

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

During the first half of 2022, the share price moved

from NOK 17.8 to NOK 19.3. At the end of June 2022, the company's market capitalization was NOK 162 095 780.

### Shareholder structure

At the end of H1 2022, Kyoto Group had 677 shareholders. At the end of June 2022, the foreign shareholding amounted to 4.88 percent.

On the balance sheet date, KB Management AS was the largest shareholder, holding 9.849 percent of the Kyoto shares, followed by HYDRO Energi Invest AS with 9.006 percent and Valinor AS with 8.551 percent. 100 per cent of the shares are free float. The 20 largest shareholders held a total of 67.58 percent of the company's shares at the end of June 2022.

### **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 29 June 2022, the board of directors was 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 9 000. 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 29 June 2024. 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.

### **Authorization to the board to acquire own shares**

The annual general meeting on 29 June 2022 authorized the board of directors of Kyoto Group to

acquire Kyoto Group's own shares. In accordance with the proposal by the board of directors, 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 15 000 000. 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 29 June 2024. 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.

### **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 Growth 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 first half of 2022 has been all about securing a solid foundation for the scale-up of the company and growing and maturing the commercial pipeline.

We received the building permit for our first full-scale Heatcube at Nordjyllandsværket, and the installation is well underway; equipment has started to arrive and will continue to do so until the fourth quarter, and final commissioning is scheduled for January 2023.

An international leadership team with a significant track record from the industry and a combination of large corporation and start-up experience has been established.

I was appointed permanent CEO in April, after having served as interim CEO since December 2021, and I am grateful for the opportunity and very motivated to realize the great potential I see in Kyoto Group.

The entire Kyoto team has grown to 29 full-time employees at the time of this report. This includes a sales organization as well as a technical team consisting of seven people that has been established in Spain, with world-class engineering competence in molten salt. The tech team in Spain is supported by a post-doc collaboration with one of the best tech universities in the world, The Royal Institute of Technology in Stockholm.

A legal entity with a country manager has been established in Denmark to be closer to our first customer, and future customers, in the country with the highest proportion of wind energy in the world.

Another milestone was the MoU we signed with Hydro REIN to develop combined renewable energy and thermal energy storage solutions for industrial players. Over the next two years, we are planning to carry out three to five pilot and commercial projects with industrial partners. I am very grateful

to have Hydro REIN as a strong industrial partner.

Looking beyond Kyoto Group, the first half of 2022 dramatically illustrated the need for new energy technologies. In addition to the long-term climate crisis, the current geopolitical situation is increasing the need for technologies such as Kyoto's Heatcube. And not the least for speed. Europe needs to increase the use of wind and solar, and these technologies need storage solutions to smooth out fluctuating production.

This is confirmed by what we are experiencing in the market. Together with other technology providers in the energy transition, we are working tirelessly to make our solution available.

Let me take this opportunity to express a warm and heartfelt thank you to the talented Kyoto team for doing just that, as well as to appreciated partners such as Aalborg CSP, Contratos Y Diseños Industriales SA, RPOW, Hydro REIN and The Royal Institute of Technology in Stockholm.

Let me also take this opportunity to ask our politicians to help us help the industry to choose the technologies that replace fossil fuels, including natural gas from Russia.

Let's get our acts together and act together!



**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 project 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 project pipeline reflects potential Battery and Heat as a Service (HaaS) customers, with Kyoto Group owning and operating the Heatcube modules and selling heat energy to the end users. The offering can potentially attract funding opportunities when the installed assets are returning recurring, stable and long-term revenue streams.

Starting with a HaaS-offering to demonstrate the technology, Kyoto Group expects to also expand its offering to more traditional product sales, Battery as a Product (BaaP) to certain clients, with additional support, maintenance, and service agreements.

The first commercial installation of the Heatcube 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 2022

In February Kyoto Group announced that it has received the necessary building permits from Aalborg Municipality for constructing the Kyoto Heatcube at Aalborg Forsyning and their green energy test centre at Nordjyllandsværket. In addition, an official address for the site has been assigned by the authorities.

In March, Kyoto Group acquired Mercury Energy S.L. from Andrés Barros Borrero, who is also the owner of RPOW Consulting. Mercury Energy will become a subsidiary of Kyoto and a new business unit named Kyoto Technology Spain S.L. The acquisition will significantly strengthen Kyoto's molten salt capabilities and development capacity, and expand the company's geographic footprint close to its key markets in Europe, to be able to serve the increasing demand for thermal energy storage in Europe.

In April, Camilla Nilsson was appointed as Kyoto Group's permanent CEO.

In May Kyoto Group and Hydro REIN signed an MoU to develop combined renewable energy and thermal energy storage solutions for industrial players. The parties agreed to jointly develop and offer a combined service to industrial partners. Hydro REIN will be offering its renewable energy services including Kyoto's Heatcube thermal energy storage. Over the next two years, the parties are planning to carry out three to five pilot and commercial projects with industrial partners.

## 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 AS for the period. The company's consolidated financial statements are presented in accordance with the Norwegian Accounting Act and NRS 8 - Good accounting practice for small companies.

## Profit and loss

There were no operating income in the first half of 2022, nor for the same period of 2021.

Total operating expenses in the first half of 2022 were EUR 3.0 million compared to EUR 1.6 million per 30 June 2021.

As part of the company's planned scale-up, personnel costs increased from EUR 0.7 million to EUR 1.2 million in the first half of 2022, sales and marketing expenses increased from EUR 0.03 million to EUR 0.2 million and other professional services from EUR 0.8 million to EUR 1.3 million.

EBITDA was negative EUR 3.0 million in the first half of 2022, compared to negative EUR 1.6 million for the same period in 2021.

The net financial income was EUR 15.5 thousand, mainly reflecting interest and other financial income, compared to EUR 5.5 thousand as of 30 June 2021.

Net loss was EUR 3.0 million, with no tax expenses.

## Financial situation

As of 30 June 2022, Kyoto Group has total assets of EUR 11.6 million, compared to total assets of EUR 17.9 million as of 30 June 2021.

Total fixed assets increased from EUR 1.5 million in the first half of 2021 to EUR 4.4 in the first half of 2022. This increase is driven by research and development, with a EUR 3.4 million increase.

Total current assets decreased from EUR 16.0

million by 30 June 2021 to EUR 7.2 million on 30 June 2022. This is mainly attributed to a net decrease in cash and bank deposits of EUR 8.7 million. The cash position was EUR 6.9 million by 30 June 2022.

The increase in fixed assets and the decrease in cash and bank deposits are as expected according to the strategy and planning of the company.

Total equity amounted to EUR 10.5 million on 30 June 2022, down from EUR 17.1 million on 30 June 2021.

Total liabilities increased to EUR 1.2 million by the end of June 2022 compared to EUR 0.7 million on 30 June 2021. The increase is driven by higher accrued liabilities.

## Cash flow

Net cash flow from operating activities was negative EUR 3.3 million by 30 June 2022 compared to negative EUR 1.4 million on 30 June 2021. Cash consumption is increasing as Kyoto Group scales up the organization and business activity, including projects, in anticipation of future revenues.

## Risk factors

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

The first Heatcube thermal battery installation and operation is expected to start in January 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 company 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.

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

Please see the Information Document dated 23 March 2021, 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 Kyoto Group's strategy. In the first half of 2022, R&D expenses of EUR 1.4 million were capitalized.

Moving forward, the company expects R&D expenses to remain substantial.

### Environment, health and safety

Kyoto believes in Health, Safety, Security and Environment (HSE) excellence. Our ambition is to set health, safety, security and environment as core elements of Kyoto's identity and business success. The company 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 company 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 the first half of 2022, Kyoto Group had a total staff of 22, of which 21 are fixed employees. There were no serious work-related accidents in the first half of 2022. Absence due to illness was 4 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.

### 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 the first half of 2022, 68 percent of the staff was male, while 32 percent was female. The corporate management team has five male and three female members. The Board of Directors has six male and no female members.

As Kyoto Group scaled up the organization during the first half of 2022, and will continue to scale up during the rest of the year, diversity will be a key priority in the recruitment processes. At the end of June 2022, eleven nationalities are currently represented in Kyoto Group.

### External environment

Kyoto'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 **nr 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.

Kyoto 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, Kyoto 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**

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 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's 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.

### **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 2022 have been prepared on the basis of this assumption.

### **Significant events after closing**

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

## Outlook

The first commercial installation of the Heatcube is expected to be completed in January 2023. The company also expects to sign several more commercial agreements for Heatcubes in the

second half of 2022, to be installed at large industrial companies. In order to handle the increased activity, the organisation is expected to still increase during the rest of the year.

**Oslo, 24. august 2022**  
The Board of Kyoto Group AS

(Electronically signed)

---

**Eivind Reiten**  
Chairman

(Electronically signed)

---

**Thorleif Enger**  
Board member

(Electronically signed)

---

**Arne Erik Kristiansen**  
Board member

(Electronically signed)

---

**Pål Selboe Valseth**  
Board member

(Electronically signed)

---

**Ivar Andreas Valstad**  
Board member

(Electronically signed)

---

**Hans Olav Kvalvaag**  
Board member

(Electronically signed)

---

**Camilla Nilsson**  
CEO

# Financial statements

## Statement of comprehensive income

All figures in EUR (unaudited)

	Note	H1 2022	H1 2021
<b>OPERATING INCOME AND OPERATING EXPENSES</b>			
Employee benefits expense	1	1 196 580	694 829
Other expenses	1	1 847 915	900 655
<b>Total expenses</b>		<b>3 044 495</b>	<b>1 595 484</b>
<b>Operating profit</b>		<b>-3 044 495</b>	<b>-1 595 484</b>
<b>FINANCIAL INCOME AND EXPENSES</b>			
Interest income from group companies		47	0
Other interest income		322	3 988
Other financial income		19 678	2 959
Other interest expenses		2 166	478
Other financial expenses		2 381	977
<b>Net financial items</b>		<b>15 500</b>	<b>5 492</b>
Net profit before tax		-3 028 994	-1 589 993
Income tax expense		0	0
<b>Net profit after tax</b>		<b>-3 028 994</b>	<b>-1 589 993</b>
<b>Half-year result</b>	<b>3</b>	<b>-3 028 994</b>	<b>-1 589 993</b>

## Statement of financial position

All figures in EUR (unaudited)

	Note	30.06.2022	30.06.2021
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Intangible assets</b>			
Research and development	8	4 396 222	1 034 525
Deferred tax assets		0	507 568
<b>Total intangible assets</b>		<b>4 396 222</b>	<b>1 542 093</b>
<b>Property, plant and equipment</b>			
Equipment and other movables	8	8 235	8 378
<b>Total property, plant and equipment</b>		<b>8 235</b>	<b>8 378</b>
<b>Non-current financial assets</b>			
Investments in associated companies	2	5 414	0
Other long-term receivables	6	73 831	372 816
<b>Total non-current financial assets</b>		<b>79 245</b>	<b>372 816</b>
<b>Total non-current assets</b>		<b>4 483 702</b>	<b>1 923 288</b>
<b>Current assets</b>			
<b>Debtors</b>			
Other short-term receivables	6	306 049	356 887
Receivables from group companies	7	9 881	0
<b>Total receivables</b>		<b>315 931</b>	<b>356 887</b>
Cash and cash equivalents	4	6 859 973	15 621 769
<b>Total current assets</b>		<b>7 175 904</b>	<b>15 978 656</b>
<b>Total assets</b>		<b>11 659 605</b>	<b>17 901 944</b>

## Statement of financial position (continued)

All figures in EUR (unaudited)

	Note	30.06.2022	30.06.2021
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<b>Paid-in capital</b>			
Share capital	3	25 290	24 835
Share premium reserve	3	10 141 129	16 105 268
Other paid-up equity	3	328 078	1 040 903
<b>Total paid-up equity</b>		<b>10 494 497</b>	<b>17 171 006</b>
<b>Total equity</b>		<b>10 494 497</b>	<b>17 171 006</b>
<b>Liabilities</b>			
<b>Other non-current liabilities</b>			
Other non-current liabilities	9	231 918	235 949
<b>Total non-current liabilities</b>		<b>231 918</b>	<b>235 949</b>
<b>Current liabilities</b>			
Trade payables	6	357 878	353 612
Public duties payable	6	189 856	86 834
Other current liabilities	6	385 456	54 542
<b>Total current liabilities</b>		<b>933 190</b>	<b>494 988</b>
<b>Total liabilities</b>		<b>1 165 108</b>	<b>730 937</b>
<b>Total equity and liabilities</b>		<b>11 659 605</b>	<b>17 901 944</b>

## Statement of cash flow

All figures in EUR (unaudited)

	H1 2022	H1 2021
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit/loss before tax	-3 028 994	-1 589 993
Impairment of fixed assets	0	2 949
Change in accounts payable	-348 516	63 514
Change in intercompany balances	-99 458	0
Change in other accrual items	207 365	92 903
<b>Net cash flow from operating activities</b>	<b>-3 269 603</b>	<b>-1 430 626</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>		
Investments in subsidiaries	-5 414	0
Payments to buy intangible assets	-1 377 768	-530 771
<b>Net cash flow from investment activities</b>	<b>-1 383 182</b>	<b>-530 771</b>
<b>CASH FLOW FROM FINANCIAL ACTIVITIES</b>		
Change in convertible debt	0	-221 202
Proceeds from equity	21 522	17 122 507
Sale of own shares	0	649 899
Purchase of own shares	-22 962	0
Currency adjustments	-258 594	-784
<b>Net cash flow from financial activities</b>	<b>-260 034</b>	<b>17 550 420</b>
Net change in cash and cash equivalents	-4 912 819	15 589 022
Cash and cash equivalents per 01.01.	11 772 792	32 746
<b>Cash and cash equivalents per 30.06</b>	<b>6 859 973</b>	<b>15 621 768</b>

## Notes to half year financial statements

### Accounting principles

The half-year accounts have been prepared in conformity with the Accounting Act and NRS 8 - Good accounting practice.

Comperative figures for H1 2021 have been converted to Euro using the exchange rate per 30th June 2021 for the balance sheet and average exchange rate in first half 2021 for the profit & loss statement.

### Government grants

Government grants are included under operating revenues (gross recognition) as this gives the best picture of the companys activities. The grants are recognized when the conditions from the grantor are met and accrued in line with the implementation of the eligible activities. The development costs are activated to acquisition cost, and associated government grants are deducted from acquisition cost.

### Tax

The tax charge in the profit and loss account consists of tax payable for the period and the change in deferred tax. Deferred tax is calculated at the tax rate at 22 % on the basis of tax-reducing and tax-increasing temporary differences that exist between accounting and tax values, and the tax loss carried forward at the end of the accounting year. Tax-increasing and tax-reducing temporary differences that reverse or may reverse in the same period are set off and entered net.

The tax calculations and the change in deferred tax are caculated anually.

### Classification and valuation of fixed assets

Fixed assets include assets included for long-term ownership and use. Fixed assets are valued at acquisition cost. Property, plant and equipment are entered in the balance sheet and depreciated over the asset's economic lifetime. The depreciation

period for real property acquired after 2009 is divided into the part that represents the building and the part that represents fixed technical installations. Property, plant and equipment are written down to a recoverable amount in the case of fall in value which is expected not to be temporary. The recoverable amount is the higher of the net sale value and value in use. Value in use is the present value of future cash flows related to the asset. Write-downs are reversed when the basis for the write-down is no longer present.

### Classification and valuation of current assets

Current assets and short-term liabilities normally include items that fall due for payment within one year of the balance sheet date, as well as items that relate to the stock cycle. Current assets are valued at the lower of acquisition cost and fair value.

### Shares in subsidiaries

Subsidiaries are valued using the cost method in the company accounts. The investment is valued at acquisition cost for the shares unless a write-down has been necessary. A write-down to fair value is made when a fall in value is due to reasons that cannot be expected to be temporary and such write-down must be considered as necessary in accordance with good accounting practice. Write-downs are reversed when the basis for the write-down is no longer present.

Dividends, group contributions and other distributions from subsidiaries are posted to income in the same year as provided for in the distributor's accounts. To the extent that dividends/ group contributions exceed the share of profits earned after the date of acquisition, the excess amounts represents a repayment of invested capital, and distributions are deducted from the investment's value in the balance sheet of the parent company.

### Receivables

Receivables from customers and other receivables

are entered at par value after deducting a provision for expected losses. The provision for losses is made on the basis of an individual assessment of the respective receivables.

### Pension liabilities

Pension liabilities financed over operations are calculated and entered on the balance sheet under the provision for liabilities. Pension schemes financed through insured schemes are not entered

on the balance sheet. The pension premium is treated in these cases as a pension cost and classified together with wage costs.

### Cash flow statement

The cash flow statement has been prepared according to the indirect method. Cash and cash equivalents includes cash, bank deposits and other short-term, liquid investments.

## Note 1: Employee benefit expenses and other expenses

Salary costs	H1 2022	H1 2021
Salaries	859 940	543 990
Employment tax	148 347	79 409
Pension costs	49 785	19 200
Other benefits	138 507	52 230
<b>Total</b>	<b>1 196 580</b>	<b>694 829</b>

Average employees	7	8
-------------------	---	---

Remuneration to leading personnel	Chief Executive	Board
Salaries	97 273	0
Pension costs	0	0
Other remuneration	98 195	0
<b>Total</b>	<b>195 468</b>	<b>0</b>

Remuneration to board members will be paid in July 2022.

### Pension liabilities

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

Other expenses	H1 2022	H1 2021
Travel cost	44 117	8 168
Office expenses	157 252	77 764
IT expenses	139 062	71 329
Sales & Marketing	177 353	33 935
External services & other expenses	1 330 131	709 460
<b>Total</b>	<b>1 847 915</b>	<b>900 655</b>

### Auditor

Audit fees expensed for Q2 2022 amount to EUR 72 529 excl. VAT.

### Note 2: Subsidiaries

Kyoto Group established the Danish subsidiary Kyoto Technology Denmark ApS June 1st, 2022. The subsidiary had been established to be closer to partners and customers in the key Danish market, building on the company's first commercial contract. Kyoto Technology Denmark ApS has as of June 30th one employee and no activity. No consolidated financial statements are prepared as Kyoto Group AS with the Danish subsidiary, both individually and overall, are of insignificant importance in assessing the group's position and result.

### Note 3: Equity

	Share capital	Share premium reserve	Other paid-up equity	Total equity
<b>Equity 01.01.2022</b>	<b>25 290</b>	<b>13 171 563</b>	<b>712 774</b>	<b>13 909 627</b>
Purchase own shares		-22 962		-22 962
Kruse Smith Share based compensation		21 522		21 522
Currency adjustment 30.06			-384 695	-384 695
Half-year result		-3 028 994		-3 028 994
<b>Equity 30.06.2022</b>	<b>25 290</b>	<b>10 141 129</b>	<b>328 079</b>	<b>10 494 497</b>

#### Note 4: Bank deposits

Funds standing on the tax deduction account (restricted funds) are EUR 117 197 at 30.06.2022. It is adequately set aside to cover the liable withheld tax as of this date.

#### Note 5: Shareholders

The share capital in Kyoto Group AS as of 30.06.2022 consist of:

	Total	Face value	Entered
Ordinary shares	8 420 560	0,03	NOK 252 617
<b>Total</b>	<b>8 420 560</b>	<b>0</b>	<b>NOK 252 617</b>

Ownership structure (Shareholder with ownership > 1%)

The largest shareholders in % as of 30.06.2022 was:

	Ordinary	Owner interest	Share of votes
KB MANAGEMENT AS	829 358	9,85	9,85
HYDRO ENERGI INVEST AS	758 332	9,01	9,01
VALINOR AS	720 000	8,55	8,55
MØSBU AS	508 000	6,03	6,03
KONGSBERG INNOVASJON AS	485 161	5,76	5,76
ASIJU INVEST AS	431 751	5,13	5,13
DnB NOR Bank ASA	335 446	3,98	3,98
INTERTRADE SHIPPING AS	240 000	2,85	2,85
AS CLIPPER	158 000	1,88	1,88
OSLO IDEATION AS	139 889	1,66	1,66
NORDNET LIVSFORSIKRING AS	124 956	1,48	1,48
UBS Switzerland AG	123 000	1,46	1,46
FREMR AS	123 000	1,46	1,46
Société Générale	120 000	1,43	1,43
CORPORATE INVESTMENT CONSULTING AS	114 000	1,35	1,35
MIDAS CAPITAL AS	112 500	1,34	1,34
EKS SERV AS	100 000	1,19	1,19
DSB HOLDING AS	98 334	1,17	1,17
HELVIG HOLDING AS	92 230	1,1	1,1
<b>Total &gt;1% ownership share</b>	<b>5 613 957</b>	<b>67%</b>	<b>67%</b>
Total other	2 806 603	33%	33%
<b>Total number of shares</b>	<b>8 420 560</b>	<b>100%</b>	<b>100%</b>

Shares and options owned by members of the board and general manager:

<b>Name</b>	<b>Position</b>	<b>Ordinary</b>
Asiju Invest AS, Arne Erik Kristiansen	Board member	431 751
Thoeng AS, Thorleif Enger	Board member	24 000
Mocca Invest AS, Eivind Reiten	Chairman of the board	8 000
Curae Invest AS, Camilla Nilsson	CFO/General manager	50 000
<b>Total number of shares</b>		<b>513 751</b>

## Note 6: Other receivables and debt

Long-term receivables	H1 2022	H1 2021
Tenancy deposit	73 831	28 019
*Kruse Smiths share incentive discount	0	344 797
<b>Total long-term receivables</b>	<b>73 831</b>	<b>372 816</b>

\* Kyoto Group AS has entered into a share incentive agreements with its employees through their holding companies according to the Kruse Smiths model. settled. The discount is interest-bearing.

A total of EUR 344 797 has been given in discount to the employees for the purchase of shares in Kyoto Group AS in H1 2021. For H1 2022 the discount is reversed and will be entered in the accounts of Kyoto once the discount is

Current receivables	H1 2022	H1 2021
Grants from Innovation Norway	0	222 347
VAT receivable	129 745	86 215
Prepaid expenses	54 039	42 859
Other short-term receivables	122 266	5 466
<b>Total short-term receivables</b>	<b>306 049</b>	<b>356 887</b>

Short-term debt	H1 2022	H1 2021
Accounts payables	357 878	353 612
Withholding tax	117 197	52 013
Social security tax	72 659	34 821
Holiday pay	75 627	54 378
Other short-term debt	309 829	165
<b>Total short-term debt</b>	<b>933 190</b>	<b>494 988</b>

## Note 7: Intercompany balances

Receivables	H1 2022	H1 2021
Kyoto Technologies Denmark ApS	9 881	0
<b>Total receivables</b>	<b>9 881</b>	<b>0</b>

## Note 8: Fixed assets / Research and development

	Research and develop- ment expenses	Equipment, fixtures & fittings & other movables	Total
Acquisition cost 01.01.2022	3 257 811	38 465	3 296 275
Additions	1 377 768	0	1 377 768
Disposals	0	0	0
<b>Acquisition cost 30.06.2022</b>	<b>4 635 579</b>	<b>38 465</b>	<b>4 674 043</b>
Acc. depreciation/impairment 30.06.2022	-76 967	-29 934	-106 901
Currency adjustment 30.06.22	-162 390	-296	-162 686
<b>Book value 30.06.2022</b>	<b>4 396 222</b>	<b>8 235</b>	<b>4 404 457</b>

The Research and Development expenses are related to a storage system for thermal energy from renewable sources. Accrued R&D expenses in 2022 are capitalized from the period in which it is assessed that the company meets the criteria for capitalization of intangible assets in accordance with NRS 19 point 2.3.1.

The R&D expenses are capitalized at acquisition cost, and the associated government grant is deducted in acquisition cost. In the event of significant impairment, write-downs of capitalized assets have been made when the impairment is due to causes that cannot be expected to be temporary, and is considered necessary in accordance with generally accepted accounting principles.

The capitalized R&D expenses will be depreciated when the projects can be compounded with income.

## Note 9: Long-term debt

A loan of NOK 2 400 000 has been granted from Innovation Norway. The loan is treated as a serial loan with a maturity time of 4 years, and the interest is calculated at 4.2% nominal interest rate and 1.7% effective interest rate per year. The loan is instalment-free in the first 15 instalments and interest-free for the first 10 instalments.

**KYOTO**

[www.kyotogroup.no](http://www.kyotogroup.no)