

20 23

KYOTO GROUP

Annual report



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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 thereby stable 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 enabling the reduction of power generation carbon emissions, we are supporting the ongoing global energy transition. The Heatcube technology is standardized and modular, 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, while also offering a flexible asset for the grid. The Company plans to sell and lease & operate Heatcube thermal batteries with capacity from 16MWh, enabling industrial consumption of clean and low-cost heat, sourced from excess solar and wind energy. By this, Kyoto Group is supporting the industry to decarbonize and electrify its industrial processes requiring process heat.

Our purpose

Empower industries with renewable thermal energy.

Our values

Caring | Enthusiastic | Determination

Our product: Kyoto Heatcube

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

Kyoto Heatcube can be configured with storage capacities from 16 MWh to over 120 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 425 degrees Celsius. The high-temperature salt is then used to produce steam for industrial production processes.

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 2023

First full-scale Heatcube in operation in August, Heatcube installation for KALL Ingredients initiated

- Heatcube at Norbis Park in Denmark was taken into operation early August, following the grid connection and commissioning in July, and later also qualified as a flexible asset for the frequency regulating markets
- Heatcube at Norbis Park was connected to an AI powered DataOps platform in Q4, enabling best-in-class, predictive and preventive maintenance
- Towards the end of year, the construction project for the Heatcube installation for KALL Ingredients in Hungary was initiated
- On Kyoto's Capital Markets Day in November the company outlined the commercial progress and announced an increase in the guaranteed Round-Trip Efficiency (RTE) of Heatcube, from 90% to 93%

Game-changing strategic alliances

- Strategic alliance and investment agreement with world leading electricity utility Iberdrola and global leader in thermal energy management Spirax Group 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 Group invested NOK 41.0 million in return for a 15.0 percent share. Both companies joined the Kyoto board
- MoU with Iberdrola to jointly commercialize Heatcube to Iberdrola's and Kyoto's customers.
- Partnership agreement with Spirax Group 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
- Kyoto Group and Cognite synergize to drive digitalization and automation of renewable industrial process heat

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

- 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
- Letter of Intent (LoI) with Kaura Coproducts, Spain, to supply a Heatcube thermal energy storage solution
- EUR 4 million green debt financing approved by Nefco, the international financial institution owned by the four Nordic countries, to support the scaling up of Kyoto's thermal energy storage offering
- EUR 6.4 million commercial contract for the delivery of Heatcube to KALL Ingredients in Hungary, partnering up with Kyotherm and Energiabörze
- Klinge, one of Germany's largest paper & packaging manufacturer signed term sheet with Kyoto Group for Heatcube installation
- Kyoto honored with prestigious Energy Transition Changemakers award at COP28

Shareholder information

Share capital

Kyoto Group's registered share capital on 31 December 2023 amounted to NOK 498 329 divided between 16 610 959 shares with a nominal value of NOK 0.03 each.

Total equity for the group on 31 December 2023 was EUR 11 651 262, corresponding to an equity ratio of 79 per cent.

Euronext Growth listing

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

During 2023, the share price moved from NOK 12.5 to NOK 21.8. At the end of December 2023, the company's market capitalization was NOK 279 million.

Shareholder structure

At the end of December 2023, Kyoto Group had 708 shareholders, and the foreign shareholding amounted to 36.1 percent.

Spirax Group was the largest shareholder, holding 15 percent of the Kyoto shares, followed by Iberdrola (Perseo) with 12.8 percent and KM New Energy with 9 percent. 100 percent of the shares are free float. The 20 largest shareholders held a total of 79.2 percent of the company's shares at the end of December 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 to issue shares as part of the Company's share program

At the annual general meeting on 30 June 2023, the board of directors were 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. 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 of directors to increase the Company's share capital

At the annual general meeting on 30 June 2023, the board of directors were 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

The annual general meeting on 30 June 2023 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. 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.

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 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

Letter from our CEO

Dear Valued Stakeholders,

As we reflect on 2023, I am thrilled to highlight our strides in shaping the future of energy. This past year was truly transformative for us, marked by significant milestones and strategic partnerships. But before we look at the past year's highlights, let us put those highlights in context. The electrification of the society has started, largely through the growth of intermittent energy sources such as wind and solar. This electrification is impossible without a massive increase in energy storage.

This energy storage will take many forms. Kyoto focuses on a huge, but often overlooked, segment: industrial process heat, which accounts for about a quarter of total energy demand.

Today, virtually all process heat is based on fossil fuels. Our Heatcube changes this. It provides large-scale heat storage and makes it feasible to electrify process heat. One of the standout achievements of 2023 was the successful inauguration of our first full-scale Heatcube installation, at Norbis Park in Denmark. This milestone marked the beginning of a new era, as we started to operationalize our innovative thermal energy storage technology.

In addition to establishing this operational fundament, we were proud to announce strategic partnerships with industry leaders that further solidified our position in the market. Iberdrola, the world leader in renewable energy, joined us as a shareholder, upping the game and ushering in a new chapter of collaboration. Together, we've established a business model that leverages our technology alongside Iberdrola's renewable electricity, transforming the way energy, in the form of heat, is stored and utilized by industry. Our partnership with Spirax Group, a world leader in thermal energy management for industries, is a testament to our commitment to innovation. Through this collaboration, we're spearheading the development of future electrical heaters for the Heatcube together, paving the way for enhanced efficiency and performance.

Further, in terms of technological breakthroughs, 2023 saw a significant milestone for our Steam Generator System (SGS), where we quadrupled the discharge capacity from 5 MWh to 20 MWh without significant changes to the design of Heatcube, in a partnership with Steinmüller Engineering.

Those achievements showcase our dedication to pushing boundaries and also underscore our ability to deliver tangible results.

Moreover, earning the trust and credibility of the Nordic green bank, Nefco, further validates our mission and vision. Their support through a loan to facilitate our market expansion speaks about the impact and potential of our endeavors.

As we look to the future, our momentum continues with the commencement of our second installation of a Heatcube, slated for completion later this year. This project reaffirms our commitment to delivering cutting-edge solutions that drive tangible impact and value for our customers.

In closing, I want to express my heartfelt gratitude to our shareholders, partners, and dedicated team members who have played an instrumental role in our journey thus far. Together, we will continue to push boundaries, drive innovation, and shape a brighter, more sustainable future for generations to come.

With enthusiasm and determination,




Camilla Nilsson
CEO, Kyoto Group

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 intermittent 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.

Heatcube is a standardized and modular thermal battery based on molten salt and may be customized to meet the industry's energy needs and offer multiple services such as the delivery of clean heat as well as being used as a flexible asset to balance 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 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 and its financing partners owning and operating Heatcubes to sell heat to the end users.

The first commercial installation of Heatcube at Norbis Park has provided 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 2023

The company continued its efforts along the long-term funding plan. A private placement was successfully completed in January, raising NOK 60 million in gross proceeds, followed by a strategic alliance with Spirax Group and Iberdrola in June, successfully raising another NOK 76 million in gross proceeds. Spirax Group and Iberdrola are now working closely together with Kyoto both on commercialization of Heatcube as well as technology development of critical equipment.

A strategic technology development partnership was also entered into with Steinmüller Engineering mid-2023, leading to a quadrupling of the discharge capacity of steam from Heatcube, from 5 MW to 20 MW.

The first full scale installation of Heatcube, at Norbis Park in Denmark, was commissioned, connected to the grid, and taken into operation in 2023, with Aalborg Forsyning starting to pay the lease fee in September. This Heatcube now serves as a demonstration unit for new industrial clients, in addition to delivering heat to Aalborg district heating system and providing operational data and key insights for Kyoto, especially in relation to operating as a flexible asset on the grid.

The company is at the doorstep of market breakthrough and has matured a commercial pipeline of more than 2 900 MWh storage during the year, representing a portfolio of more than 40 projects throughout Europe.

Towards year-end, the construction project for Heatcube for KALL Ingredients in Hungary was mobilized, following the signing of a EUR 6.4 million commercial contract for the delivery of Heatcube to KALL Ingredients, partnering up with Kyotherm and Energiabörze.

In December Kyoto Group and Klingele, one of Germany's largest paper & packaging manufacturer signed a term sheet for a Heatcube installation, aimed at signing a commercial contract in Q2 2024.

Kyoto Group also announced the final approval of a EUR 4 million green debt financing from Nefco, the international financial institution owned by the four Nordic countries, to support the scaling up of Kyoto's thermal energy storage offering.

Kyoto has established and is now orchestrating a strong European supply chain, securing production capacity and high-quality and competitive suppliers for upcoming commercial installations.

On Kyoto's Capital Markets Day in November the company outlined the commercial progress and announced an increase in the guaranteed Round-Trip Efficiency (RTE) of Heatcube, from 90% to 93%.

Financial statements

The Board of Directors believes that the year-end 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 EUR 0.05 million of operating income in 2023, compared to EUR 0.03 million for the same period of 2022.

Total operating expenses for the Group in 2023 were EUR 7.4 million compared to EUR 7.2 million in 2022.

As part of the Group's planned scale-up, personnel costs increased from EUR 3.2 million to EUR 3.7 million in 2023. Other professional services amounted to EUR 2.6 million both in 2023 and 2022.

Operating loss was EUR 7.4 million in 2023, compared to a loss of EUR 7.2 million for the same period in 2022.

The net financial income was EUR 0.08 million in 2023, mainly reflecting foreign exchange gain, compared to a net financial income of EUR 0.03 million in 2022.

Net loss in 2023 was EUR 7.3 million compared to EUR 7.2 million in 2022.

Financial situation

As of 31 December 2023, the Group has total assets of EUR 14.7 million, compared to total assets of EUR 11.3 million as of 31 December 2022.

Total non-current assets increased from EUR 9.2 million in 2022 to EUR 12.8 million in 2023. The increase is related to machinery & equipment EUR 2.2 million in addition to research and development amounting to EUR 1.4 million.

Total current assets as per 31 December 2023 amounted to EUR 2.0 million which is at the same level as per 31 December 2022.

Total equity amounted to EUR 11.7 million on 31 December 2023, which is an increase from EUR 7.0 million on 31 December 2022.

Total liabilities were reduced to EUR 3.1 million by the end of December 2023 compared to EUR 4.3 million in 2022. The decrease is mainly related to accounts payable.

Cash flow

Net cash flow from operating activities was negative and amounted to EUR 8.3 million for 2023 compared to negative cash flow of EUR 4.8 million for 2022.

Net cash flow from investing activities was negative and amounted to EUR 3.8 million for 2023 compared to negative cash flow of EUR 5.6 million for 2022.

Net cash flow from financing activities amounted to EUR 11.9 million for 2023, an increase of EUR 12.1 million compared to 2022 and is mainly related to proceeds from equity.

Risk factors

The Group is in a scale-up stage. While Heatcube technology is proven through the successful operation

of the pilot installation, the Group has yet to install and operate the technology at a large commercial scale.

The first Heatcube thermal battery installation and operation was delayed, from initial expected start-up in Q1 2023 to Q3 2023. There are inherent technical risks connected to the installation and start-up of any such installations 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 2023, R&D expenses of EUR 1.5 million were capitalized.

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

Environment, Social and Governance

Kyoto Group is committed to Health, Safety, Security, and Environment excellence and to set health, safety, security, and environment as core elements of the Group's identity and business success.

The Group shall 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.

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.

Kyoto Group has yet to implement a complete ESG strategy, but we aim at having this done in 2024.

Environment

In line with our identity and overall strategy, we will focus on our environmental footprint, including making sure our operations are environmentally sustainable, the materials and parts used to build Heatcube are sourced responsibly, and this with as low a carbon footprint as possible.

The Group's business purpose is to enable industry with clean heat, thus contributing to reducing climate emissions from industry. 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 is working systematically to improve resource efficiency, reduce emissions and implement the waste mitigation hierarchy, working towards the concept of a circular economy.

Kyoto is also working systematically to prevent pollution and address our impacts where necessary, protecting and restoring both the environment and the value of our assets.

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 minimize 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.

Social

Kyoto Group is dedicated to the well-being of its employees. We are dedicated to offering everyone equal opportunities irrespective of background, including ethnicity, gender, religion, sexual orientation, or age.

At the end of 2023, Kyoto Group had a total staff of 37, of which 23 was employed in Kyoto Group AS and 14 employed in Kyoto Technology Spain S.L.

67% of the staff was male, while 33% was female, up from 30% in 2022. Our office in Spain, where most of the recruitment has taken place, has 40% female employees.

The corporate management team had five male and three female members at year end. As Kyoto Group scales up going forward, diversity will continue to be a key priority in recruitment processes. At the end of December 2023, 15 nationalities were represented in Kyoto Group.

There were no serious work-related accidents in 2023 and absence due to illness was 3 percent.

All employees shall have signed and undertaken training in the code of conduct and relevant policies as part of their on-boarding training.

Kyoto Group aims to become a Great Place to Work (GPTW) by 2025 and achieve an employee Net Promoter Score (eNPS) above 50%. The eNPS was measured in January 2023 and scored 82%.

Governance

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

a governance structure based on Norwegian corporate law and other regulatory requirements. Kyoto Group has a strong focus on ethical leadership, that fosters a culture of ethics and integrity, promotes transparency in its decision making, and has a strong Code of Conduct.

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 Board of Directors has six male and no female members.

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 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.

Sustainable Development Goals

Kyoto Group's business operations contribute directly to the UN Sustainable Development Goals.

Our main contribution is to SDG 9 – Industry, 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”.

We also contribute to SDG 7 – Affordable Clean Energy, target 7.a “By 2030, enhance international cooperation to facilitate access to clean energy research and technology, including renewable energy, energy efficiency and advanced and cleaner fossil-fuel technology, and promote investment in energy infrastructure and clean energy technology”. As the company grows and ventures into new markets, we aim at contributing more significantly to other SDGs.

Transparency Act

The Board is responsible for the Group’s implementation of applicable laws and regulations, including the Transparency Act. All employees have a responsibility to protect human rights and decent working conditions. If Kyoto Group causes, contributes to, or is linked to adverse impacts on human rights, the Group will take necessary steps to cease, prevent and/or mitigate the adverse impacts. The Group will publish an account of the due diligence assessment on its webpage 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 2023 have been prepared on the basis of this assumption.

Significant events after closing

The Group announced on 26 January 2024 the signing of a loan agreement with Nefco, the Nordic Green Investment Bank for a green loan of EUR 4 million.

On 30 January 2024 the Group announced entering into a MoU with Schneider Electric to decarbonize and electrify the industry together.

On 15 March 2024 the Group announced a Directed share issue of new shares in the company to increase capital. The Board of Directors allocated subscriptions for 2 297 187 shares at a subscription price of NOK 17, raising NOK 39 million in gross proceeds.

On 21 March 2024 the Group announced that a global leader in energy management has ordered

an engineering study for a Heatcube at one of their industrial sites in Europe.

On 25 April 2024 the company published that Kyoto Group and an Energy Partner jointly signed a term sheet for a Heat Purchase Agreement with global leading consumer goods company in Europe. The Heatcube at the site in Europe will be supplied with renewable electricity from an off-grid 25 MWp solar photovoltaics (PV) complemented with renewable electricity from the energy partner portfolio assets, leading to an annual CO2 reduction of more than 10,000 tons.

Allocations

The Group had a net loss of EUR 7.3 million in 2023. The Board of Directors proposes the following allocations:

Loss brought forward: EUR 7.3 million.

Outlook

The construction project for our second Heatcube in Hungary is mobilized, and the commercial installation is expected to be completed by the end of 2024. The company expect to sign a significant number of new contracts the coming two-three years, to be installed at large industrial companies. In order to handle the increased activity, the organisation is expected to still increase during the period.

Oslo, 24 April 2024
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 comprehensive income

1 January - 31 December

(Amounts in EUR)

	Note	2023	2022
Lease income	3	49 910	0
Revenue	3	0	26 860
Total operating income		49 910	26 860
Operating expenses			
Personnel expenses	4, 5, 6	3 744 438	3 194 591
Depreciation, amortizations and impairment	7, 8, 9	331 422	603 003
Other operating expenses	10	3 371 105	3 446 736
Total operating expenses		7 446 964	7 244 331
Operating profit/loss (-)		-7 397 054	-7 217 471
Financial items			
Financial income	11	183 801	67 423
Financial expenses	11	103 625	37 006
Profit/loss (-) before tax		-7 316 878	-7 187 053
Tax expense	12	2 500	0
Profit/loss (-)		-7 319 378	-7 187 053
Other comprehensive income			
<i>Items which may be reclassified to profit and loss in subsequent periods</i>			
Exchange differences		-328 078	-231 121
Total comprehensive income for the year		-7 647 456	-7 418 174

Consolidated statement of comprehensive income (continued)

1 January - 31 December

(Amounts in EUR)

	Note	2023	2022
Profit/loss (-) for the year attributable to:			
Equity holders of the parent company		-7 319 378	-7 187 053
Non-controlling interests		0	0
Total		-7 319 378	-7 187 053
Total comprehensive income attributable to:			
Equity holders of the parent company		-7 647 456	-7 418 174
Non-controlling interests		0	0
Total		-7 647 456	-7 418 174
Earnings per share:			
- Basic	13	-0,52	-0,85
- Diluted	13	-0,52	-0,85

Consolidated statement of financial position

(Amounts in EUR)

	Note	31.12.2023	31.12.2022
ASSETS			
Non-current assets			
Patents	7, 8	36 884	26 598
Intangible assets	7	3 952 089	2 501 797
Right-of-use assets	8	450 734	572 053
Machinery and equipment	9	8 142 420	0
Construction in progress	9	0	5 925 290
Other non-current assets	14, 15	184 270	192 857
Total non-current assets		12 766 397	9 218 595
Current assets			
Accounts receivable		76 498	26 860
Other current assets	14	1 020 601	891 805
Cash and cash equivalents	16	856 753	1 113 766
Total current assets		1 953 852	2 032 431
TOTAL ASSETS		14 720 249	11 251 025

Consolidated statement of financial position (continued)

(Amounts in EUR)

	Note	31.12.2023	31.12.2022
EQUITY AND LIABILITIES			
Equity			
Paid in capital			
Issued capital	17	47 180	25 290
Share premium	5	10 485 924	5 747 979
Other capital reserves	5	1 118 158	1 203 822
Total paid in capital		11 651 262	6 977 091
Total equity		11 651 262	6 977 091
Non-current liabilities			
Non-current lease liabilities	15	234 027	298 383
Other non-current financial liabilities	15	320 720	477 938
Total non-current liabilities		554 747	776 320
Current liabilities			
Current lease liabilities	18	237 023	290 104
Accounts payable	18	808 204	1 909 334
Public duties payable	18	375 132	245 883
Tax payable	12, 18	2 500	0
Other current liabilities	18	1 091 381	1 052 292
Total current liabilities		2 514 240	3 497 614
Total liabilities		3 068 987	4 273 934
TOTAL EQUITY AND LIABILITIES		14 720 249	11 251 025

Oslo, 24 April 2024
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

Consolidated statement of cash flows

(Amounts in EUR)

	Note	2023	2022
Cash flow from operating activities			
Profit/loss (-) before tax		-7 316 878	-7 187 053
Depreciation, amortizations and impairments	8, 9, 14	331 422	603 003
Financial expenses	8	12 067	19 892
Share-based payment expense	5, 7	130 647	334 966
Net foreign exchange differences		-328 078	-231 121
Change in accounts payable	18	-1 101 130	1 177 503
Change in accounts receivables	14	-49 638	-26 860
Other changes	14, 18	21 815	517 232
Net cash flow from operating activities		-8 299 772	-4 792 438
Cash flow from investing activities			
Change in construction in progress	9	0	-3 783 306
Purchase of tangible assets	9	-2 329 609	0
Purchase of intangible assets	6	-1 464 117	-1 773 460
Net cash flow used in investing activities		-3 793 726	-5 556 765
Cash flow from financing activities			
Proceeds from equity		12 190 979	0
Payment of lease installment	8, 19	-284 356	-199 319
Interests on lease liabilities	8, 19	-12 067	-19 892
Net cash flow from financing activities		11 894 556	-219 210
Net foreign exchange difference		-58 071	-90 613
Net increase/(decrease) in cash and cash equivalents		-198 943	-10 568 412
Cash and cash equivalents at beginning of period		1 113 766	11 772 792
Cash and cash equivalents at end of period	16	856 753	1 113 766

Statement of changes in equity

(Amounts in EUR)

	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 capital reserves	Retained earnings	Total other equity			
Equity as at 01.01 2022:	25 290	13 130 572	0	712 773	0	0	13 868 635	0	13 868 635
Effect of implementing IFRS		35 581					35 581		35 581
Adjusted equity as at 01.01 2022	25 290	13 166 153	0	712 773	0	0	13 904 216	0	13 904 216
Profit/loss (-)					-7 187 053	-7 187 053	-7 187 053		-7 187 053
Other comprehensive income		39 740			-270 861	-270 861	-231 121		-231 121
Coverage of uncovered loss		-7 457 914			7 457 914	7 457 914	0		0
Purchase of own shares			-27 613			0	-27 613		-27 613
Sale of own shares			27 613	-57		0	27 556		27 556
Share subscription programme				156 139		0	156 139		156 139
Share based payment expense				334 966		0	334 966		334 966
Total	0	-7 418 174	0	491 049	0	0	-6 927 125	0	-6 927 125
Equity as at 31.12 2022	25 290	5 747 979	0	1 203 822	0	0	6 977 091	0	6 977 091
Equity as at 01.01 2023:	25 290	5 747 979	0	1 203 822	0	0	6 977 091	0	6 977 091
Effect of implementing IFRS							0		0
Adjusted equity as at 01.01 2023	25 290	5 747 979	0	1 203 822	0	0	6 977 091	0	6 977 091
Profit/loss (-)					-7 319 378	-7 319 378	-7 319 378		-7 319 378
Other comprehensive income		317 222		-216 312	-428 988	-428 988	-328 078		-328 078
Coverage of uncovered loss		-7 748 366			7 748 366	7 748 366	0		0
Capital increase 20.01 2023	9 601	5 590 810				0	5 600 411		5 600 411
Capital increase 22.02 2023	386	218 388				0	218 774		218 774
Capital increase 05.07 2023	11 903	6 533 504				0	6 545 407		6 545 407
Share issue expenses		-173 613				0	-173 613		-173 613
Share subscription programmes				200 195		0	200 195		200 195
Share based payment expense				-69 547		0	-69 547		-69 547
Currency adjustment						0	0		0
Total	21 890	4 737 945	0	-85 665	0	0	4 674 171	0	4 674 171
Equity as at 31.12 2023	47 180	10 485 924	0	1 118 158	0	0	11 651 262	0	11 651 262

Summary of significant accounting policies

Kyoto Group AS is a limited liability company, incorporated in Norway, headquartered in Bærum and listed on the Euronext Growth, Address headquarters: Fornebuveien 1, 1366 Lysaker.

The consolidated financial statements of Kyoto Group AS for the fiscal year 2023 were approved in the board meeting of 24 April 2024.

The Group's activities are described in the Board of Directors Report.

Basis for preparation of the annual accounts

The Kyoto Group AS's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) which have been adopted by the EU and are mandatory for financial years beginning on or after 1 January 2023, and Norwegian disclosure requirements listed in the Norwegian Accounting Act as of 31 December 2023.

The consolidated financial statements are solely based on historical cost.

Changes in accounting policies and disclosures

Changes in IAS 1 and PS 2 are implemented this financial year. The amendments have had an impact on the Group's disclosures of accounting policies, but not on the measurement, recognition, or presentation of any items in the Group's financial statements.

Functional currency and presentation currency

Functional currency

The functional currency is determined in each entity in the Group based on the currency within the entity's primary economic environment. Transactions in foreign currency are translated to functional currency using the exchange rate at the date of the transaction. At the end of each reporting period foreign currency monetary items are translated using the closing rate, non-monetary items that are measured in terms of historical cost are translated using the exchange rate

at the date of the transaction and non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. Changes in the exchange rate are recognized continuously in the accounting period.

Presentation currency

The Group's presentation currency is EUR since a large proportion of users of the consolidated financial statements relate to this currency.

The statement of financial position figures of entities with a different functional currency are translated at the exchange rate prevailing at the end of the reporting period for balance sheet items, and the exchange rate at the date of the transaction for profit and loss items. The monthly average exchange rates are used as an approximation of the transaction exchange rate. Exchange differences are recognized in other comprehensive income ("OCI").

Consolidation principles

The Group's consolidated financial statements comprise the parent company and its subsidiaries as of 31 December 2023. An entity has been assessed as being controlled by the Group when the Group is exposed for or have the rights to variable returns from its involvement with the entity and has the ability to use its power over the entity to affect the amount of the Group's returns.

Thus, the Group controls an entity if and only if the Group has all the following:

- Power over the entity
- Exposure, or rights to variable returns from its involvement with the entity; and
- The ability to use its power over the entity to affect the amount of the Group's returns.

The assessments are done for each individual investment.

The Group re-assesses whether it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses, and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The use of estimates and assessment of accounting policies when preparing the annual accounts

Estimates and assumptions

The management has used estimates and assumptions that have affected assets, liabilities, income, expenses, and information on potential liabilities. This particularly applies to the depreciation of fixed assets and evaluations related to acquisitions. Future events may lead to these estimates being changed. Estimates and their underlying assumptions are reviewed on a regular basis and are based on best estimates and historical experience.

Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position as either current or non-current.

The Group classifies an asset as current when it:

- Expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
- Holds the asset primarily for the purpose of trading

- Expects to realize the asset within twelve months after the reporting period

All other assets are classified as non-current.

The Group classifies a liability as current when it:

- Expects to settle the liability in its normal operating cycle
- Holds the liability primarily for the purpose of trading
- Is due to be settled within twelve months after the reporting period

All other liabilities are classified as non-current.

Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of the services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the services before transferring them to the customer.

Revenue from sale of services

The Group recognizes revenue from rendering of services over time, because the customer simultaneously receives and consumes the benefits provided by the Group. The Group recognizes revenue over time by measuring the progress towards complete satisfaction of the services, using either an input or output method. The method applied is the one that most faithfully depicts our progress towards complete satisfaction of the performance obligation.

Income tax

The tax expense consists of the tax payable and changes to deferred tax. Deferred tax/tax assets are calculated on all differences between the book value and tax value of assets and liabilities, except for:

- Temporary differences linked to goodwill that are not tax deductible

- Temporary differences related to investments in subsidiaries, associates, or joint ventures when the Group controls when the temporary differences are to be reversed and this is not expected to take place in the foreseeable future.

Deferred tax assets are recognized when it is probable that the company will have a sufficient profit for tax purposes in subsequent periods to utilize the tax asset. The companies recognize previously unrecognized deferred tax assets to the extent it has become probable that the company can utilize the deferred tax asset. Similarly, the company will reduce a deferred tax asset to the extent that the company no longer regards it as probable that it can utilize the deferred tax asset.

Deferred tax and deferred tax assets are measured based on the expected future tax rates applicable to the companies in the Group where temporary differences have arisen.

Deferred tax and deferred tax assets are recognized at their nominal value and classified as non-current asset investments (long-term liabilities) in the balance sheet.

Taxes payable and deferred taxes are recognized directly in equity to the extent that they relate to equity transactions.

Development expenses

Expenses relating to development activities are capitalized to the extent that the product or process is technically and commercially viable and the Group has sufficient resources to complete the development work. Expenses that are capitalized include the costs of materials, direct wage costs and a share of the directly attributable common expenses. Capitalized development costs are recognized at their cost less accumulated amortization and impairment losses.

Amortization of the asset begins when development is complete, and the asset is available for use.

The development expenses are assessed annually for impairment or for a reversal of previous impairments.

Tangible assets

Tangible assets, except for investment property and buildings, are valued at their cost less accumulated depreciation and impairment losses. When assets are sold or disposed of, the carrying amount is derecognized and any gain or loss is recognized in the statement of comprehensive income.

The depreciation period and method are assessed each year. A residual value is estimated at each year-end, and changes to the estimated residual value are recognized as a change in an estimate.

The tangible assets are assessed annually for impairment or for a reversal of previous impairments.

Leases

Identifying a lease

At the inception of a contract, The Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration.

The Group as a lessee

Recognition of leases and exemptions

At the lease commencement date, the Group recognizes a lease liability and corresponding right-of-use asset for all lease agreements in which it is the lessee, except for the following exemptions applied:

- Short-term leases (defined as 12 months or less)
- Low value assets

For these leases, the Group recognizes the lease payments as other operating expenses in the statement of profit or loss when they incur.

Lease liabilities

The lease liability is recognized at the commencement date of the lease. The Group measures the lease liability at the present value of the lease payments for the right to use the underlying asset during the lease term that are not paid at the commencement date. The lease term represents the non-cancellable period of the lease, together with periods covered by an option either to extend or to terminate the lease when the Group is reasonably certain to exercise this option.

The lease payments included in the measurement comprise of:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- Amount expected to be payable by the Group under residual value guarantees
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect adjustments in lease payments due to an adjustment in an index or rate.

The Group does not include variable lease payments in the lease liability. Instead, the Group recognizes these variable lease expenses in profit or loss.

The Group presents its lease liabilities as separate line items in the statement of financial position.

Right-of-use assets

The Group measures the right-of use asset at cost, less any accumulated depreciation and impairment losses, adjusted for any remeasurement of lease liabilities. The cost of the right-of-use asset comprise:

- The amount of the initial measurement of the lease liability recognized
- Any lease payments made at or before the commencement date, less any incentives received
- Any initial direct costs incurred by the Group. An estimate of the costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The Group applies the depreciation requirements in IAS 16 Property, Plant and Equipment in depreciating the right-of-use asset, except that the right-of-use asset is depreciated from the commencement date to the earlier of the lease term and the remaining useful life of the right-of-use asset.

Intangible assets

Intangible assets that have been acquired separately are carried at cost. The costs of intangible assets acquired through an acquisition are recognized at their fair value in the Group's opening balance sheet. Capitalized intangible assets are recognized at cost less any amortization and impairment losses.

Internally generated intangible assets, excluding capitalized development costs, are not capitalized but are expensed as occurred.

The economic life is either definite or indefinite. Intangible assets with a definite economic life are amortized over their economic life and tested for impairment if there are any indications. The amortization method and period are assessed at least once a year. Changes to the amortization method and/or period are accounted for as a change in estimate.

Intangible assets with an indefinite economic life are tested for impairment at least once a year, either individually or as a part of a cash-generating unit. Intangible assets with an indefinite economic life are not amortized. The economic life is assessed annually

about whether the assumption of an indefinite economic life can be justified. If it cannot, the change to a definite economic life is made prospectively.

Patents

Amounts paid for patents are capitalized and amortized in a straight line over the expected useful lifetime.

Public grants

Government grants are recognized when it is reasonably certain that the company will meet the conditions stipulated for the grants and that the grants will be received. Operating grants are recognized systematically during the grant period. The grants are recognized when the conditions from the grantor are met and accrued in step with the implementation of the grant-eligible activities.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

The Group's financial assets are cash and cash equivalents.

The Group classified its financial assets in one category, financial assets at amortized cost.

Financial assets at amortized cost

The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets to collect contractual cash flows and,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial liabilities

Financial liabilities are classified, at initial recognition, as loans and borrowings, payables, or as derivatives

designated as hedging instruments in an effective hedge, as appropriate. Derivatives are recognized initially at fair value. Loans, borrowings, and payables are recognized at fair value net of directly attributable transaction costs.

Derivatives are financial liabilities when the fair value is negative, accounted for similarly as derivatives as assets.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

Payables are measured at their nominal amount when the effect of discounting is not material.

Cash and cash equivalents

Cash includes cash in hand and at bank. Cash equivalents are short-term liquid investments that can be immediately converted into a known amount of cash and have a maximum term to maturity of three months.

In the statement of cash flows, the overdraft facility is stated minus the balance of cash and cash equivalents.

Equity

Equity and liabilities

Financial instruments are classified as liabilities or equity in accordance with the underlying economic realities.

Costs of equity transactions

Transaction costs directly related to an equity

transaction are recognized directly in equity after deducting tax expenses.

Employee benefits

Defined contribution plans

The Group's companies have made contributions to local pension plans. These contributions have been made to the pension plan for full-time employees. The pension premiums are charged to expenses as they are incurred.

Events after the reporting period

New information on the company's financial position at the end of the reporting period which becomes known after the reporting period is recorded in the annual accounts. Events after the reporting period that do not affect the company's financial position at the end of the reporting period, but which will affect the company's financial position in the future are disclosed if significant.

Notes to the Financial Statements (consolidated)

Note 1 - Significant accounting judgement, estimates and assumptions

In the process of applying the Group's accounting policies according to IFRS, management has made several judgements and estimates. All estimates are assessed to the most probable outcome based on the managements best knowledge. Changes in key assumptions may have significant effect and may cause material adjustments to the carrying amounts of assets and liabilities, equity and the profit for the year.

The company's most important accounting estimates are the following items:

- Depreciation of tangible and intangible fixed assets.
- Machinery and equipment - development and assessment of lifetime.
- Leases - determining the lease term of contracts with renewal options.
- Deferred conditional payments - best estimate of the expenditure required to settle the obligation at the reporting date, reflecting the current market assessments of the time value of money and risks specific to the liability.

Depreciation of tangible and intangible fixed assets

The Group applies the depreciation requirements in IAS 16 Property, Plant and Equipment in depreciating the right-of-use asset, except that the right-of-use asset is depreciated from the commencement date to the earlier of the lease term and the remaining useful life of the right-of-use asset.

All leases are balanced with the right-of-use asset and corresponding lease obligation, unless they are considered immaterial.

The depreciation period and method are assessed each year. A residual value is estimated at each year-end, and changes to the estimated residual value are recognized as a change in an estimate.

Intangible assets include cost related to research and development of new Heatcubes in addition to acquired patents and application for patents. Intangible assets are carried at cost, and recognized at their fair value. The economic life is either definite or indefinite. The management assesses the amortization method and period at least once a year.

The intangible assets are assessed annually for impairment or for a reversal of previous impairments.

The patents in use are depreciated over the useful lifetime.

Machinery and equipment

Development of the Heatcube at Norbis Park (NJV) was completed with commercial handover in August 2023.

The asset has been assessed and has an expected useful lifetime of 25 years. The Heatcube is assessed annually for impairment.

The Heatcube is an innovative product consisting of a number of components that have a lifespan significantly longer than 25 years. The product has only been in operation for about 6 months, and there is thus little experience with the final product. Over time, management will gain experience with the nature of the product and assess whether certain components have a shorter lifespan. The management has made an overall assessment of the product to have a lifespan of 25 years.

Leases

The group has several offices and other facilities leases with options to extend the lease agreements.

The renewal options have been included in the calculation of the lease liability if management is reasonably certain to exercise the option to renew the contract.

Management has used judgment when considering all relevant factors that create an economic incentive to extend the lease. In this assessment Management has considered the original lease term and the significance of the underlying assets, i.e. the offices and other facilities.

Deferred conditional payments

As part of the purchase agreement for the purchase of the subsidiary Kyoto Technology Spain S.L., a deferred payment has been agreed based on the number of sales generated from Spain. The seller of the company in Spain is now employed in the Spanish subsidiary, and the management has settled a deferred payment with shares in Kyoto Group AS.

Note 2 - Segment Information

Kyoto Group is still in a growth phase as per 31 December 2023. The company has finalized the project and development of the Heatcube with commercial handover in August 2023. Development is still the main segment of the group'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. Ongoing projects are related to following generations of Heatcubes that are under development and includes both hardware development and software development.

Please see note 7 and 9 for further information about intangible assets and property, plant and equipment.

Note 3 - Revenue and lease income from contracts with customers

Disaggregated revenue and lease income information

The Group's revenue from contracts with customers has been disaggregated and presented in the tables below:

	2023	2022
Lease income	49 910	0
Mechanical services	0	26 860
Total	49 910	26 860
Geographical region		
Denmark	49 910	0
Hungary	0	26 860
Total	49 910	26 860
Timing of revenue recognition		
Services transferred over time	0	26 860
Total	0	26 860

Sale of services (Installation services)

The Group provide service agreements related to the Heatcube. The Group has determined that installation services should be accounted for as a separate performance obligation as the services are separately identifiable. The performance obligation is satisfied over time because the customer simultaneously receive benefits provided by the Group. The Group recognises revenue on the basis of the labour hours incurred relative to the total expected labour hours to complete the installation.

Lease income

Lease income are related to the Heatcube in Denmark, which was completed with a commercial handover in August 2023. According to the agreement, income are based on a fixed monthly fee and performance of Heatcube.

The lease agreement is considered to be an operational lease agreement. Kyoto bears the risk for the facility, and takes care of maintenance and physical operation. Kyoto is responsible for dismantling the facility at the end of the leasing period.

Note 4 - Salary and personnel expense and management remuneration

	2023	2022
Salaries and holiday pay	2 730 054	2 252 237
Social security cost	654 336	392 549
Board remuneration	31 137	118 174
Share-based payment expenses	158 064	334 966
Severance payment	44 574	-114 968
Pension costs defined contribution plans	112 189	100 121
Other personnel costs	14 084	111 512
Total salaries and personnel expense	3 744 438	3 194 591
The number of man-years that has been employed during the financial year:	33,2	20,9
Norway	21,1	16,2
Denmark	0,3	1,0
Spain	11,8	3,8
Total	33,2	20,9

Management remuneration

The management team consists of the group directors, who are all employed by the parent company.

	Board remuneration	Salary	Other benefits	Benefits in kind	Total remuneration
Management					
Chief Executive Officer		230 310	1 013		231 323
Management Team		1 173 463	7 096	6 051	1 186 610
Board of Directors	31 137				31 137
Total remuneration	31 137	1 403 773	8 109	6 051	1 449 070

The company maintain an occupational pension scheme under the Mandatory Occupational Pensions Act. Kyoto Group has a defined contribution pension scheme and it satisfies the requirements of this Act. There are 22 people included in the pension scheme as of 31.12.2023. Total pension expenses in 2023 was EUR 112 189.

The current CEO is entitled to 6 months severance payment based on the annual base salary. Severance payment does not qualify for pension, nor for any holiday compensation pay or other benefits. No member of the management team has received remuneration or economical benefits from other companies in the group, other than what is stated above. No additional remuneration has been given for services outside the normal functions.

Certain employees and members of the board of directors have received share options through Share option programmes. The share option plan is further presented in note 5.

Note 5 - Share and option programmes

Subscription of shares for key personell

By subscription of shares through this model, the shares are subscribed for in a discounted price. At the subscription, the market value of the shares is considered to be the volume weighted average of the listed share price for the company's shares on Euronext Growth on the last trading day prior to the employee's subscription of shares. The residual amount between the subscription market value of the shares and the discounted price, with the addition of any interest calculated, constitutes an unconditional, deferred consideration for the shares to be paid to the company. The residual amount constitutes a receivable for the company against the employee, and it is interest bearing from the time of subscription, with an interest rate corresponding to the standard interest rate applicable according to the rules on subsidised loans under employment in the Norwegian Taxation Act section 5-12(4). The interest is calculated annually as of 31 January, and paid in arrears on 31 January of the following year, and no later than at the due date of the residual amount. As security for the residual Amount, Kyoto Group AS shall have the best available collateral in the employees shares.

Prior to 2022, Kyoto had different terms for the subscription programme agreements than those that apply now. Among other things, the residual amount was not unconditional, and thus did not fulfill the requirements for balance sheet entry. At 31.12.2023, the residual amount in balance sheet is EUR 141 653, and presented as other non-current assets in the consolidated financial statement. The residual amount comes exclusively from the subscription programme agreements in 2022 under the new conditions.

The residual amount is due for payment upon the earlier of:

- (i) 25 August 2025
- (ii) the employee's settlement on the sale of the shares
- (iii) the company's exercise of the right of purchase

As at 31.12.2023, 8 employees were included in the subscription programme, and the following was in hands of the management team;

Name	Purchase date	Purchase price	Shares	Paid (NOK)	Rest (NOK)
Cuare Invest AS, Camilla Nilsson (CEO)	01.02.2021	25	50 000	187 500	1 062 500
Bjarke Buchbjerg	25.02.2022	16,5	25 000	61 875	350 625
Agnieszka Sledz	25.02.2022	16,5	25 000	61 875	350 625
Henrik Holck-Clausen	25.02.2022	16,5	25 000	61 875	350 625
Tim de Haas	25.02.2022	16,5	25 000	61 875	350 625
			150 000	435 000	2 465 000

Share option programme - Board members

In March 2021, Kyoto Group AS approved issuance of up to 300 000 share options, whereby up to 150 000 share options may be issued to the board members. One option grants the holder the right to acquire one share in the company. The subscription price per share shall equal the subscription price per share in the Private Placement, plus 10%. The options may be exercised between 1 July 2022 and 15 May 2024.

On 1 July 2022, the Chairman of the Board and two board members were granted the share options:

	Number of options				Ending balance 2023
	Opening balance 2023	Granted	Forfeited	Exercised	
Eivind Reiten (Chairman of the Board)	64 000	0	0	0	64 000
Hans Olav Kvalvaag (Board member)	32 000	0	0	0	32 000
Thorleif Enger (Board member)	32 000	0	0	0	32 000
Total	128 000	0	0	0	128 000

The fair value of the options is set on the grant date and expensed over the vesting period.

EUR 30 315 have been expensed in 2023 (EUR 48 634 in 2022). The fair value of options granted in 2022 was NOK 6,66 per option.

No options were forfeited or exercised during 2023. The outstanding options are subject to the following conditions:

Expiry date	Average strike price (NOK)	Number of share options
15 May 2024	19,18	128 000
	19,18	128 000

Share price on the grant date

The share price is set to the stock exchange price on the grant date.

Volatility

It is assumed that historic volatility is an indication of future volatility. The expected volatility is therefore stipulated to be the same as the historic volatility, which equals a volatility of 62,3%.

The term of the option

It is assumed that 100 % of the holders will exercise the options once they are exercisable. The options are expected to have a term of two years.

Dividend

Dividend is not considered in this share option programme.

Risk-free interest rate

The risk-free interest rate is set equal to the interest rate on government bonds during the term of the option, i.e. 3,95% for 2023.

Share option programme - Employees and other leading personell

In June 2023, Kyoto Group AS approved issuance of up to 250 000 share options. The options may be exercised between 21 June 2023 and 21 June 2025.

There are 15 employees who have been granted options according to the programme. Employees in leading positions:

	Number of options				Ending balance 2023
	Opening balance 2023	Granted	Forfeited	Exercised	
Camilla Nilsson (CEO)	0	100 000	0	0	100 000
Håvard Haukdal (CFO)	0	25 000	0	0	25 000
Susanne Vinje	0	25 000	0	0	25 000
Total	0	150 000	0	0	150 000

The fair value of the options is set on the grant date and expensed until 21 June 2025.

EUR 201 045 have been expensed in 2023. The fair value of options granted in 2023 was NOK 7.7 per option.

No options were forfeited or exercised during 2023. The outstanding options are subject to the following conditions:

Expiry date	Average strike price (NOK)	Number of share options
21 June 2025	16,48	240 000
	16,48	240 000

Share price on the grant date

The share price is set to the stock exchange price on the grant date.

Volatility

It is assumed that historic volatility is an indication of future volatility. The expected volatility is therefore stipulated to be the same as the historic volatility, which equals a volatility of 70%.

The term of the option

It is assumed that 100 % of the holders will exercise the options once they are exercisable.

The options are expected to have a term of two years.

Dividend

Dividend is not considered in this share option programme.

Risk-free interest rate

The risk-free interest rate is set equal to the interest rate on government bonds during the term of the option, i.e. 3.95% for 2023.

Share option programme - Sale based

In August 2022, Kyoto Group AS acquired 100% of the voting shares in Kyoto Technology Spain S.L. for EUR 100 000. The acquisition was financed in cash consideration of EUR 100 000, and by a deferred consideration described below.

In addition to the cash consideration, it is agreed a conditional deferred payment for the shares upon the satisfaction of specific milestones on terms and conditions. The conditional deferred payment shall equal 1% of the sales price of each Heatcube sold by Kyoto Technology Spain S.L. until 31 December 2025, but maximum EUR 5,000,000 in total. The deferred payment will be settled by granting the seller options to subscribe for new shares in Kyoto Group AS. The deferred payment is therefore treated as a share based expense in accordance with IFRS 2. The expense is accrued over the period of 31 May 2022 to 31 December 2025.

To calculate the fair value of the estimated consideration per Heatcube sale at the time of allocation, the estimated price per Heatcube is discounted with a required rate of return. The interest rate requirement takes into account the uncertainty related to future sales price and time value. The discount rate is set at 8%.

Note 6 - Public grants

Innovation Norway

In 2023 Kyoto Group AS received a government grant from Innovation Norway in relation to a Heatcube project. Grants related to project cost that is capitalized is presented as deferred income in the Balance Sheet, while grants related to expensed items are treated as cost reduction.

The grant from Innovation Norway in 2023 amounts to EUR 301 442.

Tax Rebate - SkatteFUNN

In 2023 Kyoto Group AS received a government grant from the Norwegian SkatteFUNN scheme in relation to a Heatcube project. Grants related to project cost that is capitalized is presented as deferred income in the Balance Sheet, while grants related to expensed items are treated as cost reduction.

The grant from SkatteFUNN in 2023 amounts to EUR 422 579.

Short-term receivables	2023	2022
SkatteFUNN	422 579	371 089

European Union

In 2023, Kyoto has been granted support for a four-year development project from the European Union. First instalment was received in december 2023, with an amount of EUR 144 990.

Short-term liabilities	2023	2022
Deferred income	144 990	0

Note 7 - Intangible assets

	Development costs	Patents	2022 Total
Acquisition cost as of 1 January 2022	1 038 859		1 038 859
Additions	1 773 460	127 000	1 900 460
Accumulated depreciation and impairment	-310 522	-100 402	-410 924
Carrying value as of 31 December 2022	2 501 797	26 598	2 528 395
	Development costs	Patents	2023 Total
Acquisition cost as of 1 January 2023	2 812 319	127 000	2 939 319
Additions	1 450 292	13 825	1 464 117
Acquisition cost as of 31 December 2023	4 262 611	140 825	4 403 436
Accumulated depreciation and impairment as of 1 January 2023	310 522	100 402	410 924
Depreciation and impairment of the year		3 539	3 539
Accumulated depreciation and impairment as of 31 December 2023	310 522	103 941	414 463
Carrying value as at 31 December 2023	3 952 089	36 884	3 988 973
Economic life		8 years	
Depreciation method		Linear	

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

Capitalized 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, which includes both development of hardware and software.

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

Development expenses are capitalized at 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 cost in the fiscal year 2023 amounts to EUR 1 450 292 and EUR 132 683 are recognized as cost in the consolidated statement of comprehensive income.

The patents in use are 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. These patents was acquired by Kyoto in 2022 and are depreciated over the remaining useful life of 8 years.

In addition, Kyoto is developing new patents and file application for patents. The cost related to this is capitalized.

Kyoto applies the method Technology readiness level for segregating between research and development. Level 1 – 4 (from basic principles observed - technology validated in lab) are considered to be related to research and expensed. Expenses incurred related to activities after level 4 are considered to be development cost and capitalized in the Balance Sheet.

Note 8 - Leases

The Group as a lessee

Right-of-use assets

The Group leases several assets such as offices and other facilities, machinery and equipment. The Group's right-of-use assets are categorised and presented in the table below:

Right-of-use assets	Property	Non-property	Total
Acquisition cost 1 January 2022	236 563	108 164	344 727
Addition of right-of-use assets	628 420	15 647	644 067
Disposals	-229 042		-229 042
Currency exchange differences	-945	-5 401	-6 346
Acquisition cost 31 December 2022	634 996	118 410	753 406
Accumulated depreciation and impairment 1 January 2022	225 208	7 546	232 755
Depreciation	161 766	30 313	192 079
Disposals	-229 042		-229 042
Currency exchange differences	-12 900	-1 540	-14 440
Accumulated depreciation and impairment 31 December 2022	145 033	36 319	181 352
Carrying amount of right-of-use assets 31 December 2022	489 963	82 091	572 053
Lower of remaining lease term or economic life	1-2 years	3 years	
Depreciation method	Linear	Linear	

Right-of-use assets	Property	Non-property	Total
Acquisition cost 1 January 2023	634 996	118 410	753 406
Disposals	-61 236	-102 763	-163 999
Transfers and reclassifications	154 156		154 156
Currency exchange differences	18 497		18 497
Acquisition cost 31 December 2023	746 412	15 647	762 059
Accumulated depreciation and impairment 1 January 2023	145 033	36 319	181 352
Depreciation	210 481	4 922	215 403
Disposals	-39 404	-35 848	-75 251
Transfers and reclassifications	-14 786		-14 786
Currency exchange differences	4 608		4 608
Accumulated depreciation and impairment 31 December 2023	305 932	5 394	311 325
Carrying amount of right-of-use assets 31 December 2023	440 481	10 253	450 734
Lower of remaining lease term or economic life	1 year	2 years	
Depreciation method	Linear	Linear	

Lease liabilities

Undiscounted lease liabilities and maturity of cash outflows	Total
Less than 1 year	0
1-2 years	558 068
2-3 years	57 667
3-4 years	0
4-5 years	0
More than 5 years	0
Total undiscounted lease liabilities at 31 December 2022	615 735

Undiscounted lease liabilities and maturity of cash outflows	Total
Less than 1 year	333 575
1-2 years	133 044
2-3 years	15 923
3-4 years	0
4-5 years	0
More than 5 years	0
Total undiscounted lease liabilities at 31 December 2023	482 542

Summary of the lease liabilities	Total
At initial application 01.01.2022	116 990
Net new lease liabilities recognised in the year	681 617
Cash payments for the principal portion of the lease liability	-199 319
Interest expense on lease liabilities	19 892
Currency exchange differences	-30 694
Total lease liabilities at 31 December 2022	588 486
Current lease liabilities	290 104
Non-current lease liabilities	298 383
Total lease liabilities	588 487

Summary of the lease liabilities	Total
At initial application 01.01.2023	588 487
Transfers and reclassifications	154 156
Cash payments for the principal portion of the lease liability	-284 356
Interest expense on lease liabilities	12 067
Currency exchange differences	696
Total lease liabilities at 31 December 2023	471 050
Current lease liabilities	237 023
Non-current lease liabilities	234 027
Total lease liabilities	471 050

The leases do not contain any restrictions on the Group's dividend policy or financing. The Group does not have significant residual value guarantees related to its leases to disclose.

Summary of other lease expenses recognised in profit or loss	2022
Variable lease payments expensed in the period	79 034
Operating expenses in the period related to short-term leases (including short-term low value assets)	55 485
Operating expenses in the period related to low value assets (excluding short-term leases included above)	31 117
Total lease expenses included in other operating expenses	134 519

Summary of other lease expenses recognised in profit or loss	2023
Variable lease payments expensed in the period	29 280
Operating expenses in the period related to short-term leases (including short-term low value assets)	
Operating expenses in the period related to low value assets (excluding short-term leases included above)	34 917
Total lease expenses included in other operating expenses	64 197

Practical expedients applied

The Group also leases personal computers, IT equipment and machinery with contract terms up to 3 years. The Group has elected to apply the practical expedient of low value assets for some of these leases and does not recognise lease liabilities or right-of-use assets. The leases are instead expensed when they incur. The Group has also applied the practical expedient to not recognise lease liabilities and right-of-use assets for short-term leases, presented in the table above.

Variable lease payments

In addition to the lease liabilities above, the Group is committed to pay variable lease payments for some of their leases. The variable lease payments are expensed as incurred.

Extension options

Kyoto Group's lease agreements of buildings involves a right of renewal which may be exercised during the last period of the lease. The Group assesses at the commencement whether it is reasonably certain to exercise the renewal right.

Purchase options

The Group leases machinery and equipment with lease terms of up to 3 years. Some of these contracts includes a right to purchase the assets at the end of the contract term. The Group assesses at the commencement whether it is reasonably certain to exercise the purchase option.

Note 9 - Property, plant and equipment

	Equipment	Machinery	Construction in progress	Total
Acquisition cost as of 1 January 2022	8 139		2 141 984	2 150 123
Additions			3 783 306	3 783 306
Impairment	-8 139			-8 139
Acquisition cost as of 31 December 2022	0	0	5 925 290	5 925 290
As at 1 January 2022				
Acquisition cost	8 139		2 141 984	2 150 123
Additions			3 783 306	3 783 306
Accumulated depreciation and impairment	-8 139			-8 139
Carrying amount as of 31 December 2022	0	0	5 925 290	5 925 290
	Equipment	Machinery	Construction in progress	Total
Acquisition cost as of 1 January 2023	0	0	5 925 290	5 925 290
Additions	47 768	2 281 841		2 329 609
Reclassification		5 925 290	-5 925 290	0
Acquisition cost as of 31 December 2023	47 768	8 207 131	0	8 254 899
Accumulated depreciation and impairment as of 1 January 2023				
Depreciation and impairment of the year	3 051	109 428	0	112 479
Accumulated depreciation and impairment as of 31 December 2023	3 051	109 428	0	112 479
Carrying amount as of December 31 2023	44 717	8 097 703	0	8 142 420
Economic useful life	3-5 years	25 years		
Depreciation method	Linear	Linear		

The construction in progress refers to the development and commissioning of the Heatcube at Norbis Park(NJV), that was completed with commercial handover in August 2023. The Heatcube is estimated to have a useful lifetime of 25 years, and has been depreciated from September 2023.

Note 10 - Other Operating Expenses

Other operating expenses	2023	2022
Advertising	72 660	328 475
Rental and leasing costs	64 197	134 519
Travel costs	212 443	170 804
Consultancy fees and external personnel	2 545 755	2 402 969
Office expenses	252 832	264 531
Other employee benefits	223 218	145 439
Total operating expenses	3 371 105	3 446 736

Specification auditor's fee	2023	2022
Statutory audit	113 962	87 962
Other non-assurance services	33 131	9 956
Total	147 094	97 919

VAT is not included in the fees specified above.

Note 11 - Financial income and expenses

Fincancial income	2023	2022
Interest on loans and receivable	7 860	339
Foreign exchange gains	175 715	66 713
Other financial income	227	371
Total financial income	183 801	67 423

Fincancial expenses	2023	2022
Interest of lease liabilities	12 067	19 892
Foreign exchange losses	67 656	15 362
Other financial expenses	23 901	1 752
Total financial expenses	103 625	37 006

Note 12 - Tax expense

The tax effect of temporary differences and loss to be carried forward that has formed the basis for deferred tax expense and deferred tax income, specified on type of temporary differences:

Temporary differences	2023	2022	Change
Tangible/intangible fixed assets	-146 132	-399 902	-253 770
Deferred income	-315 662	-259 792	55 870
Total temporary differences	-461 795	-659 694	-197 900
Loss carry forward	-20 591 799	-14 096 852	6 494 947
Net temporary differences	-21 053 594	-14 756 546	6 297 047
Temporary differences that may not be used	21 053 594	14 756 546	-6 297 047
Basis for calculation of deferred tax	0	0	0
Deferred tax (22%)	0	0	0

Deferred tax is not included in the balance sheet as the requirements for capitalization are not fulfilled.

Taxable income	2023	2022
Profit/loss (-)	-7 316 878	-7 187 053
Permanent differences	591 520	-13 778
Changes in temporary differences	-197 900	579 421
Foreign currency impact	428 311	-39 153
Taxable income	-6 494 947	-6 660 563

(*) Kyoto Technology ApS had a positive taxable income of EUR 11 367 in 2023. Tax expense and payable tax (22%) amounts to EUR 2 500.

Income tax expense	2023	2022
Payable tax (22%) (*)	2 500	0
Changes in deferred tax assets	0	0
Total tax expense (*)	2 500	0

Calculation of effective tax rate	2023	2022
Profit/loss (-)	-7 316 878	-7 187 053
Calculated tax on profit before tax (22%)	-1 609 713	-1 581 152
Tax effect of permanent differences	130 134	-3 031
Change in deferred tax not included in the balance sheet	1 385 350	1 592 796
Other differences	96 728	-8 614
Total	2 500	0
Effective tax rate	0%	0%

Note 13 - Earnings per share

The basic earnings per share are calculated as the ratio of the profit for the year that is due to the shareholders of the parent of EUR -7 319 378 (EUR -7 187 053 in 2022) divided by the weighted average number of ordinary shares outstanding, 16 610 959 (8 420 560 in 2022).

When calculating the diluted earnings per share, the profit that is attributable to the ordinary shareholders of the parent and the weighted average number of ordinary shares outstanding are adjusted for all the dilution effects relating to share options. In the calculations, share options are assumed to have been converted/ exercised on the first date in the fiscal year.

Share options issued this year are assumed to be converted/ exercised at the date of issue/ grant date. The dilution effect on share options are calculated as the difference between average fair value in an active market and the sum of not recognised cost portion of the options.

Profit for the year due to holders of ordinary shares	2023	2022
Profit/loss (-)	-7 319 378	-7 187 053
Profit for the year due to the holders of ordinary shares	-7 319 378	-7 187 053
Average number of shares outstanding (Note 17)	2023	2022
Effect of dilutive potential ordinary shares:		
Ordinary shares	16 610 959	8 420 560
Share options	368 000	128 000
Diluted average number of shares outstanding	16 978 959	8 548 560
Earnings per share:		
- Basic	-0,52	-0,85
- Diluted	-0,52	-0,85

Note 14 - Other current and non-current assets

Other non-current assets		2023	2022
Receivables on subscription programme	Reference to note 17	141 653	147 294
Long-term deposit		42 617	45 563
Total other non-current assets		184 270	192 857

Other current assets		2023	2022
Deposit		35 970	27 107
Government Grants (SkatteFunn)		422 579	371 089
VAT receivable		211 798	312 864
Prepaid expenses		234 397	10 938
Other current assets		115 857	169 807
Total other current assets		1 020 601	891 805

Note 15 - Long-term debt

	Effective interest rate	Maturity	Carrying amount	
			2023	2022
Secured				
Obligations under leases		2025/2026	234 027	298 383
Deferred income (Tax rebate)			320 720	249 666
Loan from Innovation Norway	1,70%	May 2024	0	228 271
Total secured long-term debt			554 747	776 320

Reference to note 26 for fair value evaluation of the liabilities.

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 by May 2024. The loan is interest bearing with a nominal rate of 4,2% and a 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 payment was due in February 2023.

In 2023, the loan from Innvoation Norway has been reclassified to current liability.

Reference to note 6 for unearned income from the Tax Rebate - SkatteFUNN.

Note 16 - Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at 31 December:

	2023	2022
Bank deposit	698 256	981 074
Restricted funds deposited in the tax deduction account	158 497	132 692
Cash and cash equivalents in the balance sheet	856 753	1 113 766

Note 17 - Share capital, shareholder information and dividend

	2023	2022
Ordinary shares, nominal amount NOK 0,03 per share	16 610 959	8 420 560
Total number of shares	16 610 959	8 420 560

All issued shares have equal voting rights and the right to receive dividend.

The 20 largest shareholders at 31.12.2023 are:

	Number of shares:	Ownership %:
SPIRAX-SARCO ENGINEERING PLC	2 489 580	14,99
IBERDROLA *	2 131 066	12,83
KLAVENESS MARINE **	1 490 249	8,97
VALINOR AS	1 208 600	7,28
ALTITUDE CAPITAL AS ***	1 160 323	6,99
KB MANAGEMENT AS	900 760	5,42
MØSBU AS	816 457	4,92
KONGSBERG INNOVASJON AS	485 161	2,92
CLEARSTREAM BANKING S.A. ****	387 729	2,33
ASIJU INVEST AS	369 081	2,22
Société Générale	278 457	1,68
AS CLIPPER	272 285	1,64
INTERTRADE SHIPPING AS	240 000	1,44
STELLA INDUSTRIER AS	219 614	1,32
OSLO IDEATION AS	139 889	0,84
CACEIS Bank Spain SA	130 626	0,79
UBS Switzerland AG	128 224	0,77
NORDNET LIVSFORSIKRING AS	114 981	0,69
U.S. Bank National Association ****	99 200	0,60
SKATTUM INVEST AS	98 571	0,59
Total owned by largest shareholders	13 160 853	79,2 %
Other shareholders	3 450 106	20,8 %
Total numbers of shares	16 610 959	100,0 %

* Iberdrola's investment vehicle Inversiones Financieras Perseo, S.L. represented through the nominee account in The Bank of New York Mellon SA/NV.

** Klaveness Marine shareholding includes the shareholding of KM New Energy AS and Klaveness Marine Finance AS.

*** Altitude Capital also includes the investment through the nominee account in DNB Bank ASA.

**** Investments by US-based Racon Capital Partners represented in two investment nominee accounts; Clearstream Banking S.A and U.S. Bank National Association.

Shares owned by leading personnel:

	Number of shares:	Ownership %:
Asiju Invest AS, Arne Erik Kristiansen (Former board member)	369 081	2,22%
Cuare Invest AS, Camilla Nilsson (CEO)	50 000	0,30%
Agnieszka Sledz (Management team)	42 142	0,25%
Henrik Holck-Clausen (Management team)	29 285	0,18%
Bjarke Buchbjerg (Management team)	26 428	0,16%
Tim de Haas (Management team)	30 714	0,18%
Thoeng AS, Thorleif Enger (Board member)	24 000	0,14%
Mocca Invest AS, Eivind Kristofer Reiten (Chairman of the board)	9 040	0,05%

Note 18 - Short-term loans and other payables

Other non-current liabilities	Due date	2023	2022
Trade accounts payables		808 204	1 909 334
Social security provision	15/01/2024	150 876	97 604
Tax payable	20/11/2024	2 500	0
Withheld tax on payroll	15/01/2024	224 256	173 888
Current lease liabilities		237 023	290 104
Provision for holiday pay	30/06/2024	270 245	185 044
Provision for severance pay		0	72 949
Loan from Innovation Norway	30/06/2024	213 514	0
Other current liabilities		607 623	768 690
Total		2 514 240	3 497 614

Trade payables are non-interest bearing and are normally settled on 30-day terms.

Note 19 - Reconciliation for liabilities arising from financing activities

Reconciliation of changes in liabilities arising from financing activities is shown in the tables below:

	01.01.2022	Cash flows	Fair values changes	New leases	Interests	Change in exchange rate	31.12.2022
Loan from Innovation Norway	240 269					-11 998	228 271
Lease liabilities	116 991	-199 319	-	681 617	19 892	-30 694	588 487
Total liabilities from financing activities	357 260	-199 319	0	681 617	19 892	-42 692	816 758

	01.01.2023	Cash flows	Fair values changes	New leases	Interests	Change in exchange rate	31.12.2023
Loan from Innovation Norway	228 271					-14 758	213 514
Lease liabilities	588 487	-284 356	154 156	0	12 067	695	471 049
Total liabilities from financing activities	816 758	-284 356	154 156	0	12 067	-14 063	684 563

Note 20 - Financial instruments - Financial risk and management objectives and policies

The Group's principal financial liabilities comprise loans and borrowings, and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include trade receivables, cash and cash equivalents that derive directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Board of Directors reviews and agrees policies for managing market risk, credit risk, liquidity risk and equity price risk.

Market risk

Market risk is the risk that the future cash flows or fair value of a financial instrument will fluctuate because of changes in market prices. Market risk includes interest risk and currency risk. Financial instruments affected by market risk include loans and borrowings, deposits and debt.

Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating rates.

Interest rate sensitivity

The company has a very low exposure to interest rate sensitivity, and see note 18 for loan conditions.

Foreign currency risk

Foreign currency risk is the risk that the future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group is exposed to changes in the value of EUR relative to other currencies, primarily to the Group's operating activities (i.e. when revenue or expense is dominated in a foreign currency). Due to the low activity of the operations, the currency risk is assessed to be low.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to fulfill its financial obligation as they fall due. The Groups approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Groups reputation.

The table below sets out the maturity profile of the Groups for financial liabilities based on contractual undiscounted payments. When a counterparty has a choice of when an amount is paid, the liability is included on the basis of the earliest date on which the entity can be required to pay. Financial liabilities that can be required to be repaid on demand are included in the "within 1 year" column.

31.12.2022	Period left					Total
	Less than 1 year	1-2 years	2-3 years	3-4 years	More than 5 years	
Financial liabilities (non-derivatives)						
Loan from Innovation Norway		228 271				228 271
Accounts payable	1 909 334					1 909 334
Total	1 909 334	228 271	0	0	0	2 137 605

31.12.2023	Period left					Total
	Less than 1 year	1-2 years	2-3 years	3-4 years	More than 5 years	
Financial liabilities (non-derivatives)						
Loan from Innovation Norway	213 514					213 514
Accounts payable	808 204					808 204
Total	1 021 718	0	0	0	0	1 021 718

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities and from its financing activities, including deposits with banks and financial institutions.

The credit risk is considered low due to low activity and few outstanding receivables.

Capital management

For the purpose of the Group's capital management, capital includes issued capital, share premium and all other equity reserves attributable to the equity holders of the parent.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, issue new shares, or repay or issue new debt.

	2023	2022
Interest-bearing loans and borrowings	213 514	228 271
Accounts payable	808 204	1 909 334
Unrestricted cash and cash equivalents	856 753	1 113 766
Net debt	164 965	1 023 840

Net debt is calculated to determine the debt in relation to the Group's liquid assets.

Equity	11 651 262	6 977 091
Total capital	14 720 249	11 251 025
Sum capital and net debt	14 885 214	12 274 865
Equity ratio	79%	62%

Note 21 - Categories of financial assets and financial liabilities

31.12.2022	Financial instruments at amortised cost
Assets	
Other non-current assets	0
Other current assets	169 807
Unrestricted cash and cash equivalents	1 113 766
Total Financial assets	1 283 573
Liabilities	
Other non-current financial liabilities	228 271
Trade payables	1 909 334
Total financial liabilities	2 137 605

31.12.2023	Financial instruments at amortised cost
Assets	
Other non-current assets	0
Other current assets	115 857
Unrestricted cash and cash equivalents	856 753
Total Financial assets	972 609
Liabilities	
Other non-current financial liabilities	0
Trade payables	808 204
Total financial liabilities	808 204

The carrying amount of cash and cash equivalents is approximately equal to fair value since these instruments have a short term to maturity. Similarly, the carrying amount of account receivables and other current receivables and payables is approximately equal to fair value since they are short term and entered into on “normal” terms and conditions. The carrying amount of bank loans are assessed to be approximately equal to fair value because the floating interest rate are adjusted to reflect current conditions.

	2023		2022	
	Book value	Fair value	Book value	Fair value
Cash and cash equivalents	856 753	856 753	1 113 766	1 113 766
Total financial assets	856 753	856 753	1 113 766	1 113 766
Interest bearing loans and borrowings				
Interest-bearing loans and borrowings	213 514	213 514	228 271	228 271
Other financial liabilities				
Trade and other payables	808 204	808 204	1 909 334	1 909 334
Total financial liabilities	1 021 718	1 021 718	2 137 605	2 137 605

Note 22 - List of subsidiaries

The following subsidiaries are included in the consolidated financial statements:

Company	Country of incorporation	Functional currency	Business	Ownership interest 2023	Voting power 2023	Ownership interest 2022	Voting power 2022
Kyoto Group AS (parent company)	Norway	NOK	Energy production	-	-	-	-
Kyoto Technology Spain S.L.	Spain	EUR	Energy production	100%	100%	100%	100%
Kyoto Technology Denmark ApS	Denmark	DKK	Energy production	100%	100%	100%	100%

Note 23 - Transactions with related parties

All the transactions with related parties have been carried out as part of the ordinary operations and at arms-length prices. The most significant transactions are as follows:

Purchase of services	Services	Relation	2023	2022
Asiju Invest AS, Arne Erik Kristiansen	Advisory services	Investor, former board member	0	14 552
Vulcanic Termoelectrica S.L.U.	Materials	Subsidiary of majority shareholder	572 859	499 161
	Heatcube (NJV)	Spirax-Sarco Engineering PLC, represented in the board of directors by: Christopher Molnar		
Intercompany transactions	Services	Relation	2023	2022
Kyoto Technology Spain S.L.	Reimbursement personnel cost	Subsidiary	1 149 327	184 887
Kyoto Technology Spain S.L.	Purchase of patent	Subsidiary	30 000	0
Kyoto Technology Denmark ApS	NJV transfer agreement	Subsidiary	697 161	0
Kyoto Technology Denmark ApS	Pass-through costs	Subsidiary	422 335	0

See note 4 for information on remuneration to management and the board.

Note 24 - Events after the balance sheet date

The Group announced on 26 January 2024 the signing of a loan agreement with Nefco, the Nordic Green Investment Bank for a green loan of EUR 4 million.

On 30 January 2024 the Group announced entering into a MoU with Schneider Electric to decarbonize and electrify the industry together.

On 15 March 2024 the Group announced a Directed share issue of new shares in the company to increase capital. The Board of Directors allocated subscriptions for 2 297 187 shares at a subscription price of NOK 17, raising NOK 39 million in gross proceeds.

On 21 March 2024 the Group announced that a global leader in energy management has ordered an engineering study for a Heatcube at one of their industrial sites in Europe.

On 25 April 2024 the company published that Kyoto Group and an Energy Partner jointly signed a term sheet for a Heat Purchase Agreement with global leading consumer goods company in Europe. The Heatcube at the site in Europe will be supplied with renewable electricity from an off-grid 25 MWp solar photovoltaics (PV) complemented with renewable electricity from the energy partner portfolio assets, leading to an annual CO2 reduction of more than 10,000 tons.

There have been no other events to date in 2024 that significantly affect the result for 2023 or valuation of the company's assets and liabilities at the balance sheet date.

Note 25 - Funding plans and going concern

The company pursues funding efforts to secure the growth ambitions as Kyoto now accelerates the commercialization. This implies to secure a robust cash runway through a combination of equity from strategic industrial partners, corporate debt solutions, public funding and various working capital options, maximizing the value for Kyoto's shareholders.

The financial statements for 2023 have been prepared on the conditions for the going concern assumption.

Financial statements

KYOTO GROUP AS

Statement of income

KYOTO GROUP AS

Amounts in NOK

	Note	2023	2022
OPERATING INCOME AND OPERATING EXPENSES			
Lease income	1	561 663	0
Revenue	1	0	282 401
Total operating income		561 663	282 401
Personnel expenses	2, 3	44 781 045	25 694 889
Depreciation, amortizations and impairment	4, 5	1 250 645	3 264 766
Other operating expenses	2, 3, 6, 7	46 270 795	36 956 281
Total operating expenses		92 302 485	65 915 935
Operating profit/loss (-)		-91 740 822	-65 633 535
FINANCIAL INCOME AND EXPENSES			
Interest income from group companies	7, 8	717 127	94 482
Other interest income	8	87 998	3 399
Other financial income	8	2 641 460	717 036
Other financial expenses	8	2 304 408	881 188
Net financial items		1 142 176	-66 271
Net profit/loss (-) before tax		-90 598 646	-65 699 806
Income tax expense	9	0	0
Net profit/loss (-) after tax		-90 598 646	-65 699 806
Net result		-90 598 646	-65 699 806
ATTRIBUTABLE TO			
Loss brought forward	10	90 598 646	65 699 806
Total		-90 598 646	-65 699 806

Statement of financial position

KYOTO GROUP AS

Amounts in NOK

	Note	2023	2022
ASSETS			
NON-CURRENT ASSETS			
INTANGIBLE ASSETS			
Development	3, 4	41 479 607	25 142 028
Patents	4	429 098	0
Total intangible assets		41 908 705	25 142 028
PROPERTY, PLANT AND EQUIPMENT			
Construction in progress	4	0	54 051 942
Machinery and equipment	5	86 565 372	0
Total property, plant and equipment		86 565 372	54 051 942
NON-CURRENT FINANCIAL ASSETS			
Investments in subsidiaries	11	4 141 171	4 056 254
Loan to group companies	12	3 602 633	13 234 319
Other non-current assets	13	2 071 289	2 027 655
Total non-current financial assets		9 815 093	19 318 228
Total non-current assets		138 289 170	98 512 197
CURRENT ASSETS			
DEBTORS			
Account receivable		859 880	282 401
Other current assets	3	11 537 814	7 481 116
Total receivables		12 397 694	7 763 516
Cash and cash equivalents	14	7 943 338	11 097 013
Total current assets		20 341 032	18 860 529
Total assets		158 630 201	117 372 726

Statement of financial position (continued)

KYOTO GROUP AS

Amounts in NOK

	Note	2023	2022
EQUITY AND LIABILITIES			
EQUITY			
PAID-IN CAPITAL			
Issued capital	10, 15, 16	498 329	252 617
Share premium	10, 16	111 729 514	65 868 306
Other paid-in capital	10, 13, 16	14 033 225	12 188 529
Total paid-in equity		126 261 067	78 309 452
Total equity		126 261 067	78 309 452
LIABILITIES			
OTHER NON-CURRENT LIABILITIES			
Other provisions	3	3 605 055	2 624 941
Other non-current financial liabilities	17	0	2 400 000
Total non-current liabilities		3 605 055	5 024 941
CURRENT LIABILITIES			
Accounts payable		7 885 503	19 113 500
Public duties payable		2 935 099	2 028 637
Liabilities to group companies	12	4 885 034	0
Other current liabilities	17	13 058 442	12 896 197
Total current liabilities		28 764 079	34 038 333
Total liabilities		32 369 134	39 063 274
Total equity and liabilities		158 630 201	117 372 726

Oslo, 24 April 2024
The Board of Kyoto Group AS

(Electronically signed)

Eivind Reiten
Chairman of the board

(Electronically signed)

Hans Olav Kvalvaag
Member of the board

(Electronically signed)

Thorleif Enger
Member of the board

(Electronically signed)

Oscar Cantalejo
Member of the board

(Electronically signed)

Camilla Nilsson
General Manager

(Electronically signed)

Pål Selboe Valseth
Member of the board

(Electronically signed)

Christopher Molnar
Member of the board

Statement of cash flows

KYOTO GROUP AS

Amounts in NOK

	2023	2022
CASH FLOW FROM OPERATING ACTIVITIES		
Profit/loss before tax	-90 598 646	-65 699 806
Depreciation, amortizations and write downs	1 250 645	3 264 766
Share based payments expense	2 202 546	511 146
Change in accounts receivable	-577 479	-282 401
Change in accounts payable	-11 227 997	11 803 388
Other changes	-1 517 090	8 786 121
Net cash flow from operating activities	-100 468 023	-41 616 786
CASH FLOW FROM INVESTMENT ACTIVITIES		
Capitalized development expenses	-16 337 579	-50 600 708
Payments to buy shares and participations in other companies	0	-1 049 307
Purchase of intangible assets	-509 940	0
Purchase of tangible assets	-33 683 232	0
Net cash flow from investment activities	-50 530 751	-51 650 015
CASH FLOW FROM FINANCING ACTIVITIES		
Changes in intercompany balances	11 139 533	-13 234 319
Proceeds from equity	136 705 566	273 300
Repayments of equity	0	-271 232
Net cash flow from financing activities	147 845 099	-13 232 251
Net change in cash and cash equivalents	-3 153 675	-106 499 052
Cash and cash equivalents at the start of the period	11 097 013	117 596 065
Cash and cash equivalents at the end of the period	7 943 338	11 097 013

Accounting principles

The annual accounts have been prepared in conformity with the Norwegian Accounting Act and generally accepted accounting principles.

Operating revenues

Revenue from contracts with customers is recognised when control of the services is transferred to the customer at an amount that reflects the consideration to which the company expects to be entitled in exchange for those services. The company has generally concluded that it is the principal in its revenue arrangements, because it typically controls the services before transferring them to the customer.

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.

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. 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.

Direct maintenance of fixed assets is expensed on an ongoing basis under operating costs, while costs or improvements are added to the fixed asset's cost price and depreciated accordingly.

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 operating 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.

Classification

Assets intended for permanent ownership or use, as well as receivables maturing more than one year after the balance sheet date are included as fixed assets. Other assets are classified as current assets. Debts that fall due later than one year after the end of the accounting period are listed as long-term debt.

Intangible assets

Development expenses are capitalized to the extent that a future economic benefit related to the development of an identifiable intangible asset can be identified and the expenses can be measured reliably. Otherwise, such expenses are expensed on an ongoing basis. Capitalized development is depreciated on a

straight-line basis over its economic life.

Cash flow statement

The cash flow statement has been prepared using the indirect method. Cash and cash equivalents consist of cash, bank deposits and other short-term, liquid investments.

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.

Foreign currency

Foreign currency transactions are translated at the exchange rate on the date of the transaction. Monetary foreign currency items are translated to NOK at the exchange rate on the balance sheet date. Non-monetary items that are measured at historical cost in a foreign currency are translated to NOK using the exchange rate on the transaction date. Non-monetary items that are measured at fair value in a foreign currency are translated to NOK using the exchange rate on the measurement date. Exchange rate fluctuations are posted to the profit and loss account as they arise under other financial items.

Public Grants

Public grants related to project costs that are recognized in the balance sheet are presented as deferred income in the balance sheet. Grants for the part of the project costs that are expensed are entered as cost reduction.

Note 1 - Revenue and lease income from contracts with customers

Activity distribution	2023	2022
Leasing income	561 663	0
Revenues from services performed	0	282 401
Total	561 663	282 401

Geographical distribution	2023	2022
Hungary	0	282 401
Denmark	561 663	0
Total	561 663	282 401

Note 2 - Salary costs and benefits, remuneration to the chief executive, board and auditor

Salary costs	2023	2022
Salaries and holiday pay	36 370 262	18 872 678
Social security cost	4 890 233	3 505 205
Pension costs	1 283 087	1 001 944
Other benefits	2 237 463	2 315 061
Total	44 781 045	25 694 889

Number of man-years employed during the financial year	21,1	16,2
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Pension liabilities

The company is liable to maintain an occupational pension scheme under the Mandatory Occupational Pensions Act. Kyoto has a defined contribution pension scheme and it satisfies the requirements of this Act. There are 22 people included in the pension scheme as of 31.12.2023. Total pension expenses in 2023 was 1 283 087.

Remuneration to leading personnel	General Manager	Board
Salaries	2 630 276	0
Board remuneration	0	350 000
Pension costs	75 768	0
Other remuneration	11 572	0
Total	2 717 616	350 000

The CEO is entitled to 6 months severance payment based on the annual base salary. Severance payment does not qualify for pension, nor for any holiday compensation pay or other benefits.

Auditor

Audit fees expensed for 2023 amount to 1 538 765 exclusive VAT, with the following split between statutory audit fees and other non-assurance services.

Specification auditor's fee	2023	2022
Statutory audit	1 170 000	890 400
Other non-assurance services	366 765	100 480
Total	1 536 765	990 880

Note 3 - Public grants

Innovation Norway

In 2023 Kyoto Group AS received a government grant from Innovation Norway in relation to a Heatcube project. Grants related to project cost that is capitalized is presented as deferred income in the Balance Sheet, while grants related to expensed items are treated as cost reduction.
The grant from Innovation Norway in 2023 amounts to NOK 3 500 000.

Tax Rebate - SkatteFUNN

In 2023 Kyoto Group AS received a government grant from the Norwegian SkatteFUNN scheme in relation to a Heatcube project. Grants related to project cost that is capitalized is presented as deferred income in the Balance Sheet, while grants related to expensed items are treated as cost reduction.

The annual grant from SkatteFunn is a total of NOK 4 750 000.

Short-term receivables	2023	2022
Tax rebate - SkatteFUNN	4 750 000	3 901 551

European Union

In 2023, Kyoto has been granted support for a four-year development project from European Union. First payment was received in December 2023, with an amount of NOK 1 629 740.

Short-term liabilities	2023	2022
Deferred income	1 629 740	0

Note 4 - Intangible assets

	Patents	Development expenses	Total
Acquisition cost 01.01	0	29 175 604	29 175 604
Additions	509 940	16 337 579	16 847 519
Acquisition cost 31.12	509 940	45 513 183	46 023 123
Acc. depreciation/ impairment 31.12	-80 842	-768 810	-849 652
Write downs		-3 264 766	-3 264 766
Book value 31.12	429 098	41 479 607	41 908 705
Depreciation in the year	80 842	0	80 842
Amortisation plan	Linear		
Economic useful life	8 year		

Costs related to projects that are expected to provide a future financial benefit have been capitalized. Those cost are related to development of the new generation heatcube, which includes both development of hardware and software.

Development expenses are capitalized at 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 fiscal year 2023 amounts to NOK 16 337 579 and NOK 1 431 012 are entered into the profit and loss statement.

In addition, Kyoto is developing new patents. The cost related to this is capitalized.

Note 5 - Tangible assets

	Construction in progress	Machinery	Total
Acquisition cost 01.01.2023	54 051 942	0	54 051 942
Additions	0	33 683 232	33 683 232
Reclassification	-54 051 942	54 051 942	0
Acquisition cost 31.12	0	87 735 174	87 735 174
Acc. depreciation/ impairment 31.12	0	-1 169 802	1 169 802
Book value 31.12	0	86 565 372	86 565 372
Depreciation in the year	0	1 169 802	1 169 802
Depreciation plan		Linear	
Economic useful life		25 year	

The construction in progress refers to the development and commissioning of the Heatcube at Norbis Park (NJV), that was completed with commercial handover in August 2023. The heatcube is estimated to have a useful lifetime of 25 years, and has been depreciated since September 2023.

Note 6 - Leasing and rent

In 2023, Kyoto Group had operational leasing agreements for tenancy and for hardware. The expense related to this was NOK 3 584 508. The duration of the leasing agreements varies between 1-3 years.

Note 7 - Related party transactions

Related-party transactions:			2023	2022
Purchase of services:	Relation	Services		
Asiju Invest AS	Former board Member	Advisory services	0	147 328
Interest income from intercompany loans	Relation			
Kyoto Technology Denmark ApS	Subsidiary		544 380	56 116
Kyoto Technology Spain S.L.	Subsidiary		172 747	38 367
Total			717 127	94 482
Intercompany transactions	Relation	Services		
Kyoto Technology Denmark ApS	Subsidiary	NJV transfer agreement	7 836 438	0
Kyoto Technology Denmark ApS	Subsidiary	Pass-through costs	4 747 258	0
Kyoto Technology Spain S.L.	Subsidiary	Operating costs	16 191 164	1 943 867
Kyoto Technology Spain S.L.	Subsidiary	Patent	351 120	0
Total			29 125 981	1 943 867

All transactions have been carried out as part of the ordinary operations and at arm's length prices.

See note 2 for information on remuneration to management and the board.

Note 8 - Specification of financial income and financial expenses

Financial income	2023	2022
Interest income from group companies	717 127	94 482
Other interest income	87 998	3 399
Other financial income	2 634	3 555
Currency exchange gain	2 638 826	713 481
Total financial income	3 446 584	814 917

Financial expenses	2023	2022
Other financial expenses	255 422	16 589
Currency exchange loss	2 048 986	864 599
Total financial expenses	2 304 408	881 188

Note 9 - Tax

This year's tax expense	2023	2022
Entered tax on ordinary profit/loss:		
Payable tax	0	0
Changes in deferred tax assets	0	0
Tax expense on ordinary profit/loss	0	0
Taxable income:		
Ordinary profit/loss (-) before tax	-90 598 646	-65 699 806
Permanent differences	-2 371 035	-3 171 462
Changes in temporary differences	-1 391 582	5 849 593
Taxable income	-94 361 264	-63 021 675
Payable tax in the balance:		
Payable tax on this year's result	0	0
Total payable tax in the balance	0	0

The tax effect of temporary differences that has formed the basis for deferred tax and deferred tax advantages, specified on type of temporary differences:

	2023	2022	Difference
Tangible assets	-1 668 916	-4 040 612	-2 371 696
Allocations and more	-3 605 055	-2 624 941	980 114
Total	-5 273 971	-6 665 553	-1 391 582
Accumulated loss to be brought forward	-232 971 330	-138 610 066	94 361 264
Not included in the deferred tax calculation	238 245 301	145 275 620	-92 969 681
Deferred tax assets (22 %)	0	0	0

Deferred tax is not included in the balance sheet as the requirements for capitalization are not fulfilled.

Note 10 - Equity capital

	Issued capital	Share premium	Other paid-in capital	Total equity
As at 01.01.2023	252 617	65 868 306	12 188 529	78 309 452
Capital increase 20.01.2023	102 857	59 897 143		60 000 000
Capital increase 22.02.2023	4 235	2 392 330		2 396 565
Capital increase 05.07.2023	138 619	76 030 381		76 169 000
Share issue expenses		-1 860 000		-1 860 000
Share based payment expense			-932 459	-932 459
Share subscription programmes			2 777 155	2 777 155
Coverage of uncovered loss		-90 598 646		-90 598 646
As at 31.12.2023	498 329	111 729 514	14 033 225	126 261 067

Note 11 - Investments in subsidiaries

Investments in subsidiaries are booked according to the cost method.

Company	Location	Ownership/ voting rights	Acquisition cost	Result 2023	Equity 2023
Kyoto Technology Spain S.L.	Spain	100 %	4 086 499	344 305	1 085 403
Kyoto Technology Denmark ApS	Denmark	100 %	54 672	1 841 573	147 472
Total			4 141 171		

The acquisition cost of Kyoto Technology Spain S.L. of NOK 4 086 499 includes a variable consideration of NOK 3 091 864, ref. note 13. The reason for this is that the seller of Kyoto Technologies Spain S.L. is employed by this company and the shares linked to the deferred consideration are issued by Kyoto Group AS.

Note 12 - Intercompany balances

Receivables (Non-current):	2023	2022
Kyoto Technology Denmark ApS	0	8 083 148
Kyoto Technology Spain S.L.	3 602 633	5 151 171
Total	3 602 633	13 234 319

Payables (Current):	2023	2022
Kyoto Technology Denmark ApS	1 507 848	0
Kyoto Technology Spain S.L.	3 377 186	0
Total	4 885 034	0

Note 13 - Share and option programmes

Subscription of shares for key personell

By subscription of shares through this model, the shares are subscribed for in a discounted price. At the subscription, the market value of the shares is considered to be the volume weighted average of the listed share price for the company's shares on Euronext Growth on the last trading day prior to the employee's subscription of shares. The residual amount between the subscription market value of the shares and the discounted price, with the addition of any interest calculated, constitutes an unconditional, deferred consideration for the shares to be paid to the company. The residual amount constitutes a receivable for the company against the employee, and it is interest bearing from the time of subscription, with an interest rate corresponding to the standard interest rate applicable according to the rules on subsidised loans under employment in the Norwegian Taxation Act section 5-12(4). The interest is calculated annually as of 31 January, and paid in arrears on 31 January of the following year, and no later than at the due date of the residual amount. As security for the residual Amount, Kyoto Group AS shall have the best available collateral in the employees shares.

Prior to 2022, Kyoto had different terms for the subscription programme agreements than those that apply now. Among other things, the residual amount was not unconditional, and thus did not fulfill the requirements for balance sheet entry. At 31.12.2023, the residual amount in balance sheet is NOK 1 592 249 , and presented as other non-current assets in the financial statement. The residual amount comes exclusively from the subscription programme agreements in 2022 under the new conditions.

The residual amount is due for payment upon the earlier of:

- (i) 25 August 2025
- (ii) the employee's settlement on the sale of the shares
- (iii) the company's exercise of the right of purchase

As at 31.12.2023, 8 employees were included in the subscription programme, and the following was in hands of the management team;

Name	Purchase date	Purchase price	Shares	Paid (NOK)	Rest (NOK)
Cuare Invest AS, Camilla Nilsson (CEO)	01.02.2021	25	50 000	187 500	1 062 500
Bjarke Buchbjerg	25.02.2022	16,5	25 000	61 875	350 625
Agnieszka Sledz	25.02.2022	16,5	25 000	61 875	350 625
Henrik Holck-Clausen	25.02.2022	16,5	25 000	61 875	350 625
Tim de Haas	25.02.2022	16,5	25 000	61 875	350 625
			150 000	435 000	2 465 000

Share option programme - Board members

On March 2021, Kyoto Group AS approved issuance of up to 300 000 share options, whereby up to 150 000 share options may be issued to the board members. One option grants the holder the right to acquire one share in the company. The subscription price per share shall equal the subscription price per share in the Private Placement, plus 10%. The options may be exercised between 1 July 2022 and 15 May 2024.

On 1 July 2022, the Chairman of the Board and two board members were granted the share options:

	Number of options				Ending balance 2023
	Opening balance 2023	Granted	Forfeited	Exercised	
Eivind Reiten (Chairman of the Board)	64 000	0	0	0	64 000
Hans Olav Kvalvaag (Board member)	32 000	0	0	0	32 000
Thorleif Enger (Board member)	32 000	0	0	0	32 000
Total	128 000	0	0	0	128 000

The fair value of the options is set on the grant date and expensed over the vesting period.

EUR 30 315 have been expensed in 2023. The fair value of options granted in 2022 was NOK 6,66 per option.

No options were forfeited or exercised during 2023. The outstanding options are subject to the following conditions:

Expiry date	Average strike price (NOK)	Number of share options
15 May 2024	19,18	128 000
	19,18	128 000

The fair value of the options has been calculated using Black & Scholes option-pricing model.

The calculations are based on the following assumptions:

Share price on the grant date

The share price is set to the stock exchange price on the grant date.

Volatility

It is assumed that historic volatility is an indication of future volatility. The expected volatility is therefore stipulated to be the same as the historic volatility, which equals a volatility of 62,3%.

The term of the option

It is assumed that 100 % of the holders will exercise the options once they are exercisable. The options are expected to have a term of two years.

Dividend

Dividend is not considered in this share option programme.

Risk-free interest rate

The risk-free interest rate is set equal to the interest rate on government bonds during the term of the option, i.e. 3,95% for 2023.

Share option programme - Employees and other leading personell

On June 2023, Kyoto Group AS approved issuance of up to 250 000 share options. The options may be exercised between 21 June 2023 and 20 June 2025.

There are 15 employees who have been granted options according to the programme. Employees in leading positions:

	Number of options				Ending balance 2023
	Opening balance 2023	Granted	Forfeited	Exercised	
Camilla Nilsson (CEO)	0	100 000	0	0	100 000
Håvard Haukdal (CFO)	0	25 000	0	0	25 000
Susanne Vinje	0	25 000	0	0	25 000
Total	0	150 000	0	0	150 000

The fair value of the options is set on the grant date and expensed over the vesting period. NOK 2 277 289 have been expensed in 2023. The fair value of options granted in 2023 was NOK 7.7 per option.

No options were forfeited or exercised during 2023. The outstanding options are subject to the following conditions:

Expiry date	Average strike price (NOK)	Number of share options
21 June 2025	16,48	240 000
	16,48	240 000

Share price on the grant date

The share price is set to the stock exchange price on the grant date.

Volatility

It is assumed that 100 % of the holders will exercise the options once they are exercisable. The options are expected to have a term of two years.

Dividend

Dividend is not considered in this share option programme.

Risk-free interest rate

The risk-free interest rate is set equal to the interest rate on government bonds during the term of the option, i.e. 3.95% for 2023.

Share option programme - Sale based

In August 2022, Kyoto Group AS acquired 100% of the voting shares in Kyoto Technology Spain S.L. for EUR 100 000. The acquisition was financed in cash consideration of EUR 100 000, and by a deferred consideration described below.

In addition to the cash consideration, it was agreed a conditional deferred payment for the shares upon the satisfaction of specific milestones on terms and conditions. The conditional deferred payment shall equal 1% of the sales price of each Heatcube sold by Kyoto Technology Spain S.L. until 31 December 2025, but maximum EUR 5,000,000 in total. The deferred payment will be settled by granting the seller options to subscribe for new shares in Kyoto Group AS. The deferred payment is therefore treated as a share based expense in accordance with IFRS 2. The expense is accrued over the period of 31 May 2022 to 31 December 2025.

To calculate the fair value of the estimated consideration per Heatcube sale at the time of allocation, the estimated price per Heatcube is discounted with a required rate of return. The interest rate requirement takes into account the uncertainty related to future sales price and time value. The discount rate is set at 8%.

Note 14 - Restricted bank deposits, cash in hand etc.

	2023	2022
Bank deposit	6 161 757	9 701 918
Restricted funds deposited in the tax deduction account	1 781 581	1 395 095
Total cash in hand and restricted funds	7 943 338	11 097 013

Note 15 - Shareholders

The share capital in Kyoto Group AS as of 31.12.2023 consist of:

	Total	Face value	Entered
Ordinary shares	16 610 959	0,03	498 329
Total	16 610 959		498 329

The 20 largest shareholders as of 31.12.2023 are:

	Ordinary	Owner interest	Share of votes
SPIRAX-SARCO ENGINEERING PLC	2 489 580	14,99	14,99
IBERDROLA *	2 131 066	12,83	12,83
KLAVENESS MARINE **	1 490 249	8,97	8,97
VALINOR AS	1 208 600	7,28	7,28
ALTITUDE CAPITAL AS ***	1 160 323	6,99	6,99
KB MANAGEMENT AS	900 760	5,42	5,42
MØSBU AS	816 457	4,92	4,92
KONGSBERG INNOVASJON AS	485 161	2,92	2,92
CLEARSTREAM BANKING S.A. ****	387 729	2,33	2,33
ASIJU INVEST AS	369 081	2,22	2,22
Société Générale	278 457	1,68	1,68
AS CLIPPER	272 285	1,64	1,64
INTERTRADE SHIPPING AS	240 000	1,44	1,44
STELLA INDUSTRIER AS	219 614	1,32	1,32
OSLO IDEATION AS	139 889	0,84	0,84
CACEIS Bank Spain SA	130 626	0,79	0,79
UBS Switzerland AG	128 224	0,77	0,77
NORDNET LIVSFORSIKRING AS	114 981	0,69	0,69
U.S. Bank National Association ***	99 200	0,60	0,60
SKATTUM INVEST AS	98 571	0,59	0,59
Total owned by largest shareholders	13 160 853	79.2 %	79.2 %
Total other	3 450 106	20,8 %	20,8 %
Total number of shares	16 610 959	100,0 %	100,0 %

* Iberdrola's investment vehicle Inversiones Financieras Perseo, S.L. represented through the nominee account in The Bank of New York Mellon SA/NV.

** Klaveness Marine shareholding includes the shareholding of KM New Energy AS and Klaveness Marine Finance AS.

*** Altitude Capital also includes the investment through the nominee account in DNB Bank ASA.

**** Investments by US-based Racon Capital Partners represented in two investment nominee accounts; Clearstream Banking S.A and U.S. Bank National Association.

Shares owned by leading personnel:

	Position	Ordinary
Asiju Invest AS, Arne Erik Kristiansen	Former board member	369 081
Cuare Invest AS, Camilla Nilsson	CEO/General Manager	50 000
Agnieszka Sledz	Management team	42 142
Henrik Holck-Clausen	Management team	29 285
Bjarke Buchbjerg	Management team	26 428
Tim de Haas	Management team	30 714
Thoeng AS, Thorleif Enger	Board member	24 000
Mocca Invest AS, Eivind Kristoffer Reiten	Chairman of the board	9 040
Total number of shares		580 690

Note 16 - Funding plans and going concern

The company pursues funding efforts to secure the growth ambitions as Kyoto now accelerates the commercialization. This implies to secure a robust cash runway through a combination of equity from strategic industrial partners, corporate debt solutions, public funding and various working capital options, maximizing the value for Kyoto's shareholders.

The financial statements for 2023 have been prepared on the conditions for the going concern assumption.

Note 17 - Current liabilities

In 2020, Kyoto Group AS received a loan of NOK 2 400 000 from Innovation Norway. The loan has been treated as a serial loan and is to be repaid in full by May 2024. The loan is interest bearing with a nominal rate of 4,2% and a effective rate of 1,7% per year. The loan has been free for installments for the first 15 terms and free of interest for the first 10 terms. Each term consists of three months and the first payment of interest was due in February 2023.

In 2023 the loan has been reclassified to current liability.

Note 18 - Events after the balance sheet date

The Group announced on 26 January 2024 the signing of a loan agreement with Nefco, the Nordic Green Investment Bank for a green loan of EUR 4 million.

On 30 January 2024 the Group announced entering into a MoU with Schneider Electric to decarbonize and electrify the industry together.

On 15 March 2024 the Group announced a Directed share issue of new shares in the company to increase capital. The Board of Directors allocated subscriptions for 2 297 187 shares at a subscription price of NOK 17, raising NOK 39 million in gross proceeds.

On 21 March 2024 the Group announced that a global leader in energy management has ordered an engineering study for a Heatcube at one of their industrial sites in Europe.

On 25 April 2024 the company published that Kyoto Group and an Energy Partner jointly signed a term sheet for a Heat Purchase Agreement with global leading consumer goods company in Europe. The Heatcube at the site in Europe will be supplied with renewable electricity from an off-grid 25 MWp solar photovoltaics (PV) complemented with renewable electricity from the energy partner portfolio assets, leading to an annual CO2 reduction of more than 10,000 tons.

There have been no other events to date in 2024 that significantly affect the result for 2023 or valuation of the company's assets and liabilities at the balance sheet date.

INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Kyoto Group AS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Kyoto Group AS (the Company) which comprise the financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries (the Group). The financial statements of the Company comprise the balance sheet as at 31 December 2023, the income statement and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies. The consolidated financial statements of the Group comprise the balance sheet as at 31 December 2023, the income statement, statement of comprehensive income, statement of cash flows and statement of changes in equity for the year then ended and notes to the financial statements, including material accounting policy information.

In our opinion

- the financial statements comply with applicable legal requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2023 and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway,
- the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2023 and its financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the requirements of the relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Other information consists of the information included in the annual report other than the financial statements and our auditor's report thereon. Management (the board of directors and the general manager) is responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the board of directors' report contains the information required by applicable legal requirements and whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that the other information is materially inconsistent with the financial statements, there is a material misstatement in this other information or that the information required by applicable legal requirements is not included in the board of directors' report, we are required to report that fact.

We have nothing to report in this regard, and in our opinion, the board of directors' report is consistent with the financial statements and contain the information required by applicable legal requirements.

Responsibilities of management for the financial statements

Management is responsible for the preparation of the financial statements of the Company that give a true and fair view in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation of the consolidated financial statements of the Group that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU. Management is responsible for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or the Group, or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Drammen, April 24th 2024
ERNST & YOUNG AS

The auditor's report is signed electronically

Thomas Karlsen
State Authorised Public Accountant (Norway)

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Karlsen, Thomas

Statsautorisert revisor

På vegne av: Ernst & Young AS

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