

# H1 2021 Report

Financial Results for Fiscal 1<sup>st</sup> Half 2021

## Desert Control AS

**DSRT**

EURONEXT  
GROWTH

**Making Earth Green Again**

Offices: Stavanger – Abu Dhabi – Dubai



**DESERT**  
CONTROL

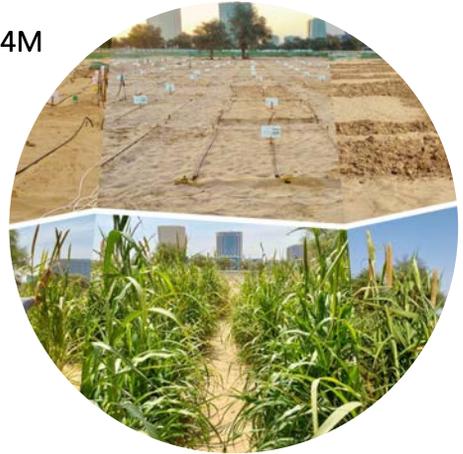
# H1 2021 Report and Financial Results

Stavanger, Norway, 3 September 2021 – Desert Control AS (DSRT) today announced its H1 Report and Financial Results for the fiscal first half of 2021, ending 30 June 2021.

Desert Control is a company specialized in climate-smart agri-tech solutions to combat desertification, soil degradation, and water scarcity. Its patented Liquid Natural Clay (LNC) restores and protects soil, reducing water usage for agriculture, forests, and green landscapes.

Desert Control continued focused execution to build the foundation for operational scale-up in the first half of 2021, achieving several milestones, including:

- Raised NOK 200M and completed successful IPO
- Was awarded first commercial contract valued at NOK 3.4M
- Entered MoU for strategic partnership with Abu Dhabi, UAE based agriculture and nature conservation giant Mawarid Holding and Barari Natural Resources
- Exceeded water-saving KPI's for pilot projects
- Established subsidiary in Abu Dhabi, UAE
- Won global award for green innovation
- Increased LNC production capacity by  $\approx 15,000$  l/h (launch of 2nd generation prototype)
- Was awarded R&D grant of NOK 11.9M by Innovation Norway
- Achieved traction to increase LNC production capacity in 2H by anticipated  $\approx 150,000$  l/h, reaching total capacity of  $\approx 180,000$  l/h by end of 2021
- Accelerated front-loading of organizational resources for the second half of 2021 to build operational capability to deliver projects and utilize the growing LNC production capacity
- Planning US subsidiary in H2 2021 for activities in California, Arizona, and Nevada
- Desert Control maintains a solid net cash position of NOK 204M as of 30 June 2021, and EBITDA was NOK -8.2M, primarily reflecting the increased activity level compared to 2020



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Webcast presentation for Desert Control H1 2021 Report and Financial Results is hosted on 3 September 2021 at 10.00 AM, Central European Time (CET). Registration details on page 5.

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## Financial Highlights per 30 June 2021

(30 June 2020 in brackets)

- Net proceeds from capital injection: NOK 190M
- Total cash balance: NOK 204M
- Equity: NOK 221M (equity ratio 96% as of 30 June 2021)
- EBITDA: NOK -8.2M [NOK -2.6M]
- Net Income: NOK -8M [NOK -2.6M]
- Gross R&D Investments: NOK 7.5M [NOK 1.6M]

## Company Update: First Half 2021

Desert Control accelerated progress in the first half of 2021 after successfully completing the second year of LNC validation by the independent research organization International Center for Biosaline Agriculture (ICBA). The patented product Liquid Natural Clay (LNC) has proven to achieve 20-50% water and fertilizer savings for agricultural crops combined with yield increase from 17-62% and water savings for trees, forests, and green landscapes ranging from 35-50%.

R&D efforts further delivered results, including launching the first industrial prototype for LNC production in January 2021. The prototype proved the ability to reach the production capacities required to achieve the unit economics to support the company's business plan.

### Successful IPO

On 26 March 2021, Desert Control raised NOK 200M, followed by IPO on 14 April 2021, listing on Euronext Growth Oslo Stock Exchange under the ticker DSRT. The IPO received significant interest from Norwegian and international investors, focusing on Environmental, Social, and Governance (ESG), sustainability, climate change, and green innovation. The capital raised will finance the company's growth plan and operational scale-up in the United Arab Emirates and further enable market expansion to the United States.

### First commercial contract

On 8 June 2021, Desert Control was awarded its first commercial contract with the agriculture and nature conservation giant Mawarid Holding in Abu Dhabi, United Arab Emirates. The initial contract value is NOK 3.4M and includes implementing Liquid Natural Clay (LNC) for agriculture and forestry applications, serving as a pilot for collaboration and potential strategic partnership. In anticipation of a successful pilot, Mawarid and Desert Control has entered an MoU with the intention to establish a strategic partnership for the region. Mawarid employs over 11,000 staff and owns a fleet of more than 3,000 vehicles, specialty equipment, and machinery for their forestry and agriculture operations, all of which are highly suitable for LNC deployment.

### Exceeded water-saving KPI's

During the first half, several pre-commercial pilots exceeded KPI's for water savings. The pilot for ≈1,000 m<sup>2</sup> of a 200-hectare VIP property in Abu Dhabi delivered 35% water savings. The In5 Tech pilot with Tecom Group and Dubai Holding maintained >45% water savings, and another pilot for improving the sustainability of trees and forest came in at 50% water savings.

### Won global award for green innovation

On 18 June 2021, Desert Control won the prestigious award for green innovation for its Liquid Natural Clay (LNC) at the global climate impact event Greentech Festival.

### Increased LNC production capacity

On 27 June 2021, the second prototype for LNC production passed initial tests, running at a capacity of ≈15,000 l/h. The prototype was scheduled for training of personnel in its operation in time to prepare for the Mawarid project. Total production capacity including previous equipment was end of H1 ≈25,000 l/h, sufficient to deliver for the upcoming Mawarid project. Production and application of LNC for Mawarid may experience some Covid related delays, and delivery is expected to continue into the last half of September for the first pilot phase.

### Solid cash position of NOK 204M

Desert Control maintains a solid net cash position of NOK 204M as of 30 June 2021, and EBITDA was NOK -8.2M [vs. NOK -2,6M for H1-2020], primarily reflecting the scale-up of organization and increased activity level in 2021 compared to a Covid affected 2020. Despite continued Covid impact on business operations in 2021, overall organization, technology, and production capacity development progress according to plan with some Covid related delays.

The financial R&D grant from Innovation Norway contributed to offset payroll costs by NOK 1M and reduced net R&D investment costs by NOK 3.4M. Grants worth NOK 7.5M remain available to offset further R&D investment costs for the second half of 2021.

## Outlook: Second Half 2021

Desert Control targets significant acceleration of operational scale-up, execution of projects, and market activities during the second half of 2021. Key objectives include:

- Successful delivery of the initial Mawarid pilot
- Launch strategic partnership with Mawarid
- Convert pilots into commercial contracts
- Exhibit at EXPO 2020 and build sales pipeline for 2022
- Increase LNC production capacity to targeted  $\approx 180,000$  l/h
- Scale-up operational capacity and capability
- Establish US subsidiary to prepare for H2 2021 activities
- Develop enhanced ESG and impact reporting framework



### The Mawarid opportunity

The initial pilot project valued at NOK 3.4M is underway. Implementation is planned through September (Covid related delays can occur). During October, water-savings KPI reports are expected. In parallel, Desert Control and Mawarid will prepare agreements and business structure for the strategic partnership to be established pending a successful pilot outcome.

Mawarid manages more than 200,000 hectares of nature conservation land, 13 million trees, and 80 farms. Mawarid is further dedicated to significant national food security, climate resilience, and sustainability initiatives in the region. In partnership, Desert Control and Mawarid aim to serve the entire UAE market and wider Middle-East and North Africa region.

### Other commercial opportunities

During the second half of 2021, Desert Control aims to convert some of the recent pilots into commercial contracts. Opportunities include the 200-hectare VIP property in Abu Dhabi, parks and landscapes of Tecom/Dubai Holding, a green community project in Dubai, and farmlands.

### Increasing total LNC production capacity to targeted $\approx 180,000$ l/h

Production capacity is expected to increase by  $\approx 150,000$  l/h in 2nd half. Two units ( $\approx 30,000$  l/h) are expected ready by Q4, and 2 clusters of 4 units each ( $\approx 120,000$  l/h) by the end of the year.

### Scaling-up operational capacity and capabilities

During the second half, the organization is expected to grow by approximately 40 FTEs to ensure capacity to execute critical priorities, operate units, and deliver projects. Majority share of new hires are field workforce and operators, and the associated costs are in line with plan.

### Establishing subsidiary in the United States

Desert Control US subsidiary will be established during Q4 2021. The company will thereafter hire its first US based FTEs to prepare for planned activities in California, Arizona, and Nevada, including a field study with Arizona University.

### ESG and impact reporting framework

Powered by operational data, an updated ESG and impact reporting framework will be under development during Q4 to align with ESG reporting standards for investors and stakeholders.

### Financial outlook

Desert Control is well funded for future development and growth. The nature of the business allows flexibility for investments and cost to be aligned with customer demand and revenue.

## Webcast Presentation: 3 September 2021

Desert Control H1 2021 Report and Financial Results

Desert Control is hosting a webcast presentation following its H1 2021 Report and Financial Results on Friday, 3 September 2021, at 10:00 AM Central European Time (Oslo).

Registration: [https://us06web.zoom.us/webinar/register/WN\\_5vS6HEhaQbiCjI9L63ZGcw](https://us06web.zoom.us/webinar/register/WN_5vS6HEhaQbiCjI9L63ZGcw)

After the presentation, there will be a moderated question and answers session.

Questions for Q&A can be submitted in advance to [erling.rasmussen@desertcontrol.com](mailto:erling.rasmussen@desertcontrol.com)

## About Desert Control

Desert Control is a company specialized in climate-smart Agri-tech solutions to combat desertification, soil degradation, and water scarcity. Its patented Liquid Natural Clay restores and protects soil, reducing water usage for agriculture, forests, and green landscapes.

Liquid Natural Clay (LNC) enables sand and degraded soil to retain water and nutrients. LNC increases crop yields while reducing water and fertilizer consumption by up to 50%.

## Inquiries

For more information, please contact:

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## Cautionary Note

Disclaimer related to forward-looking statements

This release contains forward-looking information and statements relating to the business, performance, and items that may be interpreted to impact the results of Desert Control and/or the industry and markets in which Desert Control operates.

Forward-looking statements are statements that are not historical facts and may be identified by words such as "aims", "anticipates", "believes", "estimates", "expects", "foresees", "intends", "plans", "predicts", "projects", "targets", and similar expressions. Such forward-looking statements are based on current expectations, estimates and projections, reflect current views with respect to future events, and are subject to risks, uncertainties, and assumptions, and may be subject to change without notice.

Forward-looking statements are not guaranteeing any future performance, and risks, uncertainties and other important factors could cause the actual business, performance, results or the industry and markets in which Desert Control operates in to differ materially from the statements expressed or implied in this release by such forward-looking statements.

No representation is made that any of these forward-looking statements or forecasts will come to pass or that any forecasted performance, capacities, or results will be achieved, and you are cautioned not to place any undue reliance on any forward-looking statements.

## H1 Report 2021

The information enclosed is subject to the disclosure requirements pursuant to section 5-12 in the Norwegian Securities Trading Act.

## Statement by Management and Board of Directors

Management and the Board of Directors have considered and approved the interim consolidated financial statements of Desert Control AS (“the Company”) and its subsidiaries (collectively, “the Group”) for the fiscal first half-year ended 30 June 2021. The interim report, which has not been audited by the Company’s independent auditor, has been prepared in accordance with NGAAP (Norwegian Generally Accepted Accounting Principles), Accounting Act, and NRS 8 (Good Accounting Practice for Small Companies), and interim financial reporting requirements for Euronext listed companies. The same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statement issued on 1 March 2021.

In our opinion, the accounting policies used are appropriate, and the interim report gives an accurate and fair view of the Company's consolidated financial position as of 30 June 2021. In our opinion, Management’s review provides an accurate and fair presentation of performance, developments, and results for the respective fiscal period, and overall financial position of the Group's operation in addition to a description of the most significant risks and elements of uncertainty facing the Group. Notwithstanding the disclosures included in the interim report, no changes in the Group’s most significant risks and uncertainties have occurred relative to the disclosures in the Information Document filed for the listing on Euronext Growth Oslo Stock Exchange, last published with completed annexes on 11 June 2021.

### The Board of Directors Desert Control AS

Sandnes, Norway, 3 September 2021

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**KNUT NESSE**

*Chairman of the Board*

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**KRISTIAN P. OLESEN**

*Member of the Board*

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**BRAGE W. JOHANSEN**

*Member of the Board*

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**ARNFINN MATRE**

*Member of the Board*

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**MARIT RØED ØDEGAARD**

*Member of the Board*

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**GEIR HJELLVIK**

*Member of the Board*

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**OLE KRISTIAN SIVERTSEN**

*Chief Executive Officer*

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## Financial Statements

Interim group consolidated financial statements (pages 7-12 including notes)

### Interim Consolidated Profit and Loss (P&L) Statement

Unaudited NOK (in thousands)

	For the six months ended	
	30 June 2021	30 June 2020
<b>Total Revenue</b>		<b>821</b>
Cost of Goods Sold (COGS)	194	4
Gross Margin	(194)	817
Payroll	4 047	2 809
Other Expenses	3 997	635
Operating Expenses	8 044	3 443
<b>EBITDA</b>	<b>(8 238)</b>	<b>(2 626)</b>
Depreciation	126	
EBIT	(8 364)	(2 626)
Finance Expenses	(356)	(5)
<b>Net Income</b>	<b>(8 009)</b>	<b>(2 621)</b>

Overview of the company's business activities, business model, revenue sources, market segments, geographic regions, and corporate structure is described under "Note 1" page 10.

EBITDA: Earnings Before Interest Taxes Depreciations and Amortizations

EBIT: Earnings Before Interests and Taxes

## Interim Consolidated Statement of Financial Position

Unaudited NOK (in thousands)

For the six months ended

30 June 2021      30 June 2020

### Fixed assets

Research & development	7 566	3 441
Goodwill	6 413	6 562
Total intangible assets	13 979	10 003
Machinery and equipment	1 059	1 188
Equipment and other movables	740	197
Total tangible assets	1 799	1 385
<b>Total fixed assets</b>	<b>15 778</b>	<b>11 388</b>

### Current assets

Debtors	-	-
Other short-term receivables	10 383	2 002
Total receivables	10 383	2 002
Fixed income funds	90 000	-
Cash and bank deposits	114 552	28 935
<b>Total current assets</b>	<b>214 934</b>	<b>30 937</b>
<b>Total assets</b>	<b>230 712</b>	<b>42 325</b>

### Equity

Share capital (40 626 639 shares at 0.003)	122	70
Other paid-up capital	230 845	40 994
Total paid-up equity	230 967	41 064
Retained earnings	(10 118)	(2 090)
<b>Total equity</b>	<b>220 849</b>	<b>38 974</b>

### Liabilities

Current debt		
Trade creditors	1 339	838
Public duties payable	(558)	363
Other current debt	9 082	2 151
Total current debt	9 863	3 351
<b>Total liabilities</b>	<b>9 863</b>	<b>3 351</b>
<b>Total assets, equity, and liabilities</b>	<b>230 712</b>	<b>42 325</b>

## Consolidated Statement of Cash Flows

Unaudited NOK (in thousands)

For the six months ended

30 June 2021

### Cash flow from operating activities

Profit before taxes	(8 009)
Taxed paid	-
Depreciation and amortization	126
Changes in working capital	(1 869)
<b>Cash used in operating activities</b>	<b>(9 751)</b>

### Cash flow from investment activities

Investments in research and development, gross	(7 500)
Soft funding from Innovation Norway / skattefunn	3 375
Investments in research and development, net	(4 125)
Investments in good will	149
Investments in fixed assets	(414)
Investments in fixed income funds	(90 000)
<b>Net cash used in investment activities</b>	<b>(94 389)</b>

### Cash flow from financing activities

Net borrowing	
Capital injection	189 903
<b>Net cash flow from financing activities</b>	<b>189 903</b>

Net change in cash equivalents	85 763
Net foreign exchange differences	(112)
Cash and cash equivalents at beginning of period	28 935
<b>Cash and cash equivalents at end of period</b>	<b>114 585</b>

## Notes to the Financial Statements

Unaudited NOK (in thousands) except per share amounts

### Note 1: Summary of Significant Accounting Policies

#### Company Overview

Desert Control is a company specialized in climate-smart agri-tech solutions to combat desertification, soil degradation, and water scarcity. Its patented Liquid Natural Clay restores and protects soil, reducing water usage for agriculture, forests, and green landscapes.

Liquid Natural Clay (LNC) enables sand and degraded soil to retain water and nutrients. LNC increases crop yields while reducing water and fertilizer consumption by up to 50%.

Desert Control's business model is service-based and targets turnkey projects for LNC treatment of land areas, vegetation, crops, plants and trees etc. LNC is produced on-site at customer locations using mobile factories. Further, the LNC is applied across the customer's land areas using existing irrigation systems and techniques. LNC is sprayed or applied directly onto the surface and percolates into the ground forming a soil structure that retains water and nutrient like a sponge. One LNC treatment may last 3-5 years, followed by periodic top-up to maintain the optimal ability to retain water and nutrients. The Company's revenue model is pre-paid project deliveries direct (B2B) to customers within the segments; agriculture, forestry, and landscaping. Project pricing considers size of land, type of vegetation, crops, number of trees, etc. Additional revenue sources may come from (1) periodic maintenance and (2) digital subscription services related to soil health monitoring, water management optimization, and digital farming services for precision agriculture and sustainable land management.

Desert Control AS is a private limited liability company incorporated under the laws of Norway. The Group has active subsidiaries in Abu Dhabi and Dubai, the United Arab Emirates.

United Arab Emirates is Desert Control's first geographic market, to be followed by broader expansion in the Middle East region. In 2022 the Company aims to expand operations to the United States, focusing on California, Arizona, and Nevada. More than 110 countries worldwide suffer accelerating desertification, loss of fertile soil, and water scarcity. Desert Control's ambition is to develop a global business with its vision of making earth green again.

#### Basis for Preparation

The interim report, which has not been audited by the Company's independent auditor, has been prepared in accordance with NGAAP (Norwegian Generally Accepted Accounting Principles), the Accounting Act, and NRS 8 (Good Accounting Practice for Small Companies), and interim financial reporting requirements for Euronext listed companies. The same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statement issued 1 March 2021.

## Note 2: Fixed Assets

Unaudited NOK (in thousands)

	Plant, machinery, fixtures	R&D	Goodwill
Net acquisition costs 31.12.20	1 520	3 441	6 562
+ inflow purchased fixed assets	414	7 500	
+ other adjustments			(149)
- Innovasjon Norge grants & skattefunn		(3 375)	
Acquisition costs 30.06.2021	1 934	7 566	6 413
Accumulated depreciation 30.06.2021	135	-	-
<b>Book value 30.06.2021</b>	<b>1 799</b>	<b>7 566</b>	<b>6 413</b>
This year's ordinary depreciations	126	-	-
Economic life	3-5 years	10 years	

The company has not yet started depreciating R&D

The goodwill represents the unallocated purchase price of the Desert Control UAE business and it is not amortized as the value is deemed intact as per 30.06.2021

## Note 3: Bank deposits and fixed incomes funds

Unaudited NOK (in thousands)

	30.06.2021	31.12.2020
Bank deposits	44 251	28 697
Bank deposits redeemable at 30 days	60 100	
Bank deposits redeemable at 90 days	10 000	
Tax deduction account	201	238
<b>Total bank deposits</b>	<b>114 552</b>	<b>28 935</b>
<b>Fixed Income funds</b>		
Fixed income funds can be redeemed at short notice	90 000	
<b>The total liquidity represented by bank deposits and funds</b>	<b>204 552</b>	<b>28 935</b>

## Note 4: Equity

Unaudited NOK (in thousands)

	Share capital	Share premium	Total equity
As at 01.01.2021	70	38 974	39 044
Result for the year		(8 009)	(8 009)
Capital increase gross	52	199 946	199 998
Cost of capital increase		(10 098)	(10 098)
Other adjustments		35	
<b>Equity as of 30.06.2021</b>	<b>122</b>	<b>220 848</b>	<b>220 935</b>

## Note 5: Top 20 Shareholders as of 30 June 2021

Shareholder	Number of shares	% of total
OLESEN CONSULT HVAC AS	5 900 000	14,52
JAKOB HATTELAND HOLDING AS	2 154 715	5,30
MONSUNEN FORVALTNING AS	2 154 715	5,30
J.P. Morgan Bank Luxembourg S.A.	1 881 950	4,63
KONTRARI AS	1 750 000	4,30
OLESEN	1 650 000	4,06
BEYOND CENTAURI AS	1 543 371	3,79
JPMorgan Chase Bank, N.A., London	1 500 000	3,69
NESSE & CO AS	1 360 000	3,34
LITHINON AS	1 355 431	3,33
INVESTORE FINANS AS	1 283 147	3,15
DnB NOR Bank ASA	1 283 147	3,15
IDLAND	1 135 843	2,79
KRISTIAN FALNES AS	1 075 000	2,64
CACEIS Bank	1 026 518	2,52
SOBER AS	855 431	2,10
LIN AS	855 431	2,10
URBAN COWBOY AS	590 000	1,45
OKS CONSULTING AS	560 000	1,37
SORTUN INVEST AS	527 715	1,29
<b>Total number owned by top 20</b>	<b>30 442 414</b>	<b>74,93</b>
<b>Total numbers of shares</b>	<b>40 626 639</b>	<b>100</b>

## ESG and Impact

### Impact on External Environment and Sustainability

Liquid Natural Clay (LNC) can reduce water consumption for agriculture, forests, and green landscapes by up to 50%. The amount of water required to produce LNC is recovered within 2-3 weeks (offset by irrigation water savings). Increased crop yields with improved water efficiency contribute significantly to the United Nations Sustainable Development Goals (SDGs), including reducing hunger and securing access to clean water. Arid regions using energy-intensive desalination of seawater can further significantly reduce CO<sub>2</sub> and greenhouse gas (GHG) emissions.

LNC enables sandy soil and desert land to retain water and nutrients. Reduction of water consumption further allows for reducing fertilizer usage. Reduced leaching of fertilizers and pesticides through the soil can further minimize the risk of chemical run-off reaching through to natural water systems and oceans. Stopping fertilizer and pesticide leaching can further improve life below the water by reducing ocean acidification and eutrophication.

According to the Intergovernmental Panel on Climate Change (IPCC), restoring degraded soil ecosystems can globally offset 5-6 Gt of CO<sub>2</sub> annually. Even degraded soils have degrees of stored carbon. When tilling or mechanically working amendments into the ground, carbon exposed to oxygen may turn into CO<sub>2</sub> and escape into the atmosphere. LNC can be applied directly to the surface of the ground without intervention to the soil. LNC percolates into the ground in a non-intrusive way without exposing any carbon to surface air oxygen; safeguarding the carbon storage of soil ecosystems and fostering increased carbon sequestration.

Non-intrusive soil treatment is further gentle to fragile soil-ecosystems, which is the home of 95% of all biological species on earth. Reclaiming and protecting soil is therefore critical to preserve and restore essential biodiversity.

Mining clay and the production of LNC requires energy. Logistics and transportation of material, equipment, and personnel, and manufacturing of equipment also require energy. Desert Control strives to reduce energy consumption in all stages of the process and facilitate the use of renewable energy sources wherever available. These negative impact factors are, by far, surpassed by the sum of positive impact from stopping and reversing desertification and soil degradation, reducing water consumption, and other environmental benefits.

LNC has no adverse impact on any of the 17 United Nations Sustainable Development Goals (SDGs). Further, LNC has a significant direct positive impact on 9 of the SDGs.

Powered by operational data, an updated ESG and impact reporting framework will be under development during Q4 to align with ESG reporting standards for investors and stakeholders.

Investors:

<https://www.desertcontrol.com/investors>

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