KEMPOWER Corporation

# Half Year Financial Report

1 January–30 June 2022


KEMPOWER

# Kempower Corporation Half Year Financial Report, 1 January–30 June 2022 (unaudited)

## Strong order intake and revenue growth in Q2

### April–June 2022 highlights, IFRS

**(comparison figures in parenthesis April-June 2021)**

- Order backlog increased to EUR 62.4 million (EUR 14.9 million)
- Order intake increased to EUR 55.0 million (EUR 11.6 million)
- Revenue increased by 225% to EUR 21.6 million (EUR 6.7 million)
- Gross margin increased to 45% (42%)
- Operative EBIT increased to EUR 1.8 million (EUR 0.7 million), 8% of revenue (10%)
- Cash flow from operating activities was EUR -1.6 million (EUR -2.6 million)
- Amount of personnel at the end of the period grew to 260 (87)

### January–June 2022 highlights, IFRS

**(comparison figures in parenthesis January-June 2021)**

- Order intake increased to EUR 81.9 million (EUR 20.1 million)
- Revenue increased by 268% to EUR 33.2 million (EUR 9.0 million)
- Gross margin increased to 46% (45%)
- Operative EBIT increased to EUR 0.8 million (EUR 0.2 million), 3% of revenue (2%)
- Cash flow from operating activities was EUR -3.7 million (EUR -4.0 million)

## IFRS KEY FIGURES

| MEUR | Q2/2022 | Q2/2021 | H1/2022 | H1/2021 | 2021 |
|---|---|---|---|---|---|
| Order backlog | 62.4 | 14.9 | 62.4 | 14.9 | 13.7 |
| Order intake | 55.0 | 11.6 | 81.9 | 20.1 | 37.4 |
| Revenue | 21.6 | 6.7 | 33.2 | 9.0 | 27.4 |
| Revenue growth, % | 225% | 1175% | 268% | 1107% | 741% |
| Gross margin | 9.8 | 2.8 | 15.3 | 4.1 | 12.9 |
| Gross margin, % | 45% | 42% | 46% | 45% | 47% |
| EBITDA | 2.7 | 0.7 | 2.4 | 0.5 | 0.5 |
| EBITDA margin, % | 12% | 11% | 7% | 6% | 2% |
| Operating profit/loss (EBIT) | 1.8 | 0.5 | 0.8 | -0.0 | -0.7 |
| EBIT margin, % | 8% | 7% | 3% | -0% | -3% |
| Operative EBIT | 1.8 | 0.7 | 0.8 | 0.2 | 1.0 |
| Operative EBIT margin, % | 8% | 10% | 3% | 2% | 4% |
| Profit/loss for the period | 0.6 | 0.2 | -0.5 | -0.3 | 0.3 |
| Equity ratio, % | 75% | 9% | 75% | 9% | 91% |
| Cash flow from operating activities | -1.6 | -2.6 | -3.7 | -4.0 | -2.6* |
| Investments | 1.8 | 0.2 | 2.4 | 0.6 | 1.6 |
| Net debt | -66.5 | 6.1 | -66.5 | 6.1 | -89.3 |
| Items affecting comparability | | 0.2 | | 0.2 | 1.7 |
| Earnings per share, basic, EUR | 0.01 | 0.01 | -0.01 | -0.01 | 0.01 |
| Earnings per share, diluted, EUR | 0.01 | 0.01 | -0.01 | -0.01 | 0.01 |
| Headcount end of period | 260 | 87 | 260 | 87 | 136 |

* *Cash flow from operating activities for 2021 has been adjusted compared to the key figures published in the 23.6.2022 release "Kempower Corporation's transition to IFRS reporting and unaudited comparative IFRS information"*

# Refined short term outlook regarding seasonality

New outlook for 2022:

Kempower anticipates continued good demand and favorable market development for the products it offers. As we have successfully expanded our footprint outside the Nordic region, we do not expect material seasonality in our quarterly revenue.

Kempower will continue to expand its business in Europe according to its strategic growth targets. In 2022, Kempower is also exploring different options for expansion into the North American market, in order to meet its goal of having established operations in the United States by the end of the year 2023.

Previous outlook for 2022:

Kempower anticipates continued good demand and favorable market development for the products it offers. Kempower expects seasonality to affect its revenue on the first quarter and fourth quarter of the year. Seasonality relates mainly to the slowdown of the installation of chargers in the Nordics caused by the winter season.

Kempower will continue to expand its business in Europe according to set strategic growth targets. In 2022, Kempower is also exploring different alternatives for expansion into the North American markets.

# CEO TOMI RISTIMÄKI COMMENTS ON THE Q2 RESULTS:

Our business performance was strong during the second quarter of 2022. In the Q2 of 2022, our revenue grew 225% year-on-year driven by strong demand in all customer groups. Expansion outside the Nordics has been part of Kempower's growth targets, and in Q2 of 2022, the revenue in the European countries outside Nordics increased to EUR 8.4 million which is 39% of total revenue during the quarter compared to 9% in Q2 of 2021. Our order backlog reached record high EUR 62.4 million at the end of the quarter thanks to high demand of our products. Our operative EBIT turned positive during the quarter, and also in the first half of the year despite the significant expansion of our operations and increased amount of personnel according to our growth strategy.

In the end of Q2, we made an important decision regarding the expansion to the North American market. In our updated growth strategy, we target to establish operations in the United States already by the end of 2023. The plan includes Kempower's own legal entity and a local assembly of Kempower charging solutions. The decision was a natural continuation to earlier steps taken this year: the launch of Kempower C- and S-series products in the region and the signed contracts during the quarter in the US with GreenCore EV Services and with EV charging infrastructure and software developer ZEF Energy.

In this half year financial report, we publish our financial performance for the first time according to the International Financial Reporting Standards (IFRS) which target is to increase the comparability of our financials with other companies in the EV charging and to increase international investors interest in Kempower as an investment.

During the quarter, we continued to make investments according to our growth strategy. In H1 of 2022, we recruited 124 people, of which 20 are located outside Finland. During the quarter, our new 10 300m$^2$ factory became our main manufacturing site producing Kempower charging systems to all our customers globally. All assembly lines in the new factory are now up and running but we will continue to invest in capacity increase according to the market demand. The risk of reduced availability of electronic components has increased in 2022 and finding the right components as volumes grow requires even more efforts from our sourcing and R&D teams than in the past. We are following the component situation closely and will take necessary actions to have the needed buffer in our stock in addition to our dual sourcing strategy. We are mitigating possible increases in material and component prices through price increases and by unit cost reductions enabled by economies of scale.

During the quarter we signed new important customer contracts that further strengthen the existing solid customer base. In the charge point operators (CPO) and retail chains customer group one of the leading charging point operators in Europe, Mer, chose Kempower as one of its new electric vehicles (EV) fast charging partners in Norway. Moreover, Kempower's charging technology is now available to the Swedish EV drivers, as several public charging hubs built with Kempower technology were opened in Sweden. During the quarter, we delivered Kempower ChargEye's Depot Master to several sites in bus and truck operators customer group. The ChargEye Depot Master is a charging management and optimization system.

In Q2 2022, we launched a new version of the Kempower S-Series charging satellite system featuring liquid-cooled charging. The system can deliver 400kW of continuous charging power until the actual megawatt charging standard gets approved to the market and is ideal for heavy-duty vehicles. We also launched a new adaptive voltage charging solution which allows our chargers to operate with EV batteries up to 1000V. We developed the solution in response to an increasing number of private electric vehicles with higher battery voltages and capacity in order to reduce charging times. In addition, we also launched new products such as Kempower ChargEye for CPOs and a new version of our pantograph system.

I would like to thank our great people for our outstanding performance in H1 2022, which included winning the Finnish growth company of the year award by Kauppalehti. I wish our personnel, customers, EV drivers, suppliers, and shareholders a good and relaxing rest of the summer. Let's continue the work to create the world's most desired EV charging solutions for everyone, everywhere.

# Financial targets

In 2021, Kempower set the following mid- and long-term financial targets.

- **Growth:** revenue of EUR 200 million in the medium term (years 2025-2027).
- **Profitability:** operative EBIT margin of 10 percent reached in the medium term (years 2025-2027) and operative EBIT margin of at least 15 percent in the long term

Sustainability is at the core of Kempower's business and Kempower wants to be forerunner in this area. Electric Vehicle charging solutions could reduce mobility emissions in traffic by 86 percent based on the data provided by The Finnish Transport and Communications Agency Traficom. This means that the more Kempower charging solutions are sold the greener traffic becomes trough reduced $CO_2$ emissions.

Regarding Kempower's sustainability targets Kempower is targeting a 99 percent end of lifetime recyclability rate for EV chargers. According to a recycling rate analysis carried out by Kuusakoski Oy in August 2021, the recycling rate of a Kempower T-Series DC charger is over 99 percent. Kempower will carry out similar recycling assessments for all its products. Kempower has a local, short and fast supply chain to minimize emissions, and the majority of Kempower's materials are sourced locally from Finland. Kempower also have been granted ISO 14001 (Environmental Management System standard), ISO 45001 (Occupational Health & Safety Management System standard and the ISO 9001. Kempower's vehicle fleet is fully electric.

# Sustainability

Kempower is committed to the UN 2030 Agenda for Sustainable Development and its Sustainable Development Goals (SDGs) and has identified six SDGs that best connect with its operations:

(i) Affordable and Clean Energy
(ii) Sustainable Cities and Communities
(iii) Responsible Consumption and Production
(iv) Good Health and Well-being
(v) Quality Education
(vi) Climate Action


## SUSTAINABILITY COMMITMENTS AND LONG-TERM TARGETS

| Commitment 1 | Targets: |
|---|---|
| **100% carbon neutrality by 2035** | • Reducing the relative carbon footprint annually<br>• Using 100 per cent fossil free electricity by 2025 in operations and production<br>• Compensating the carbon footprint of personnel's business flight travel<br>• Reducing the amount of landfill waste to zero by 2025 |

| Commitment 3 | Targets: |
|---|---|
| **Sustainable products that enable a society functioning with 100% electric transportation** | • Reducing plastic packaging by 50 per cent by 2025 from the level of 2021 and transferring to bio plastics and biodegradable plastics when economically viable<br>• 99 per cent end of lifetime recyclability rate for EV chargers |

| Commitment 3 | Targets: |
|---|---|
| **Best workplace for future professionals** | • Reducing the workplace accident rate to zero and maintaining it<br>• Securing high work satisfaction<br>• Training personnel with first aid skills to reduce serious harm in case of accidents and other medical emergencies |

Kempower is committed to be the best workplace for current and future professionals and eNPS in H1 2022 personnel satisfaction survey was 80 which we are very proud of.

In H1 2022 Kempower conducted value chain impact and materiality analysis and is targeting to include seperate sustainability report in 2022's annual report.

Kempower is in the process of applying Green Equity Designation from Nasdaq. Green Equity Designation is for equity issuers listed on the Nordic markets in Nasdaq that have more than 50 percent of their revenue deriving from business activities considered green. Furthermore, more than 50 percent of the company's investments must be allocated to activities considered green and revenue derived from fossil fuel activities must be less than 5 percent.

## War in Ukraine and its impact on Kempower

Kempower does not have customers or employees neither in Russia nor in Ukraine. Kempower has no direct suppliers or production in Ukraine, Russia or Belarus. Kempower has stopped business development regarding Russian market.

Delays in international logistics may cause a risk to certain components. We have identified a few critical components and have already taken the necessary steps to re-route the logistics.

## Financial reporting and geographical regions

Kempower's product portfolio covers DC charging solutions and services. The entire product and service portfolio is reported under a single segment.

Kempower reports revenue according to geographical regions below:

- Nordics
- Rest of Europe
- Rest of the World

# Revenue

## REVENUE BY GEOGRAPHICAL REGIONS

| MEUR | Q2/2022 | Q2/2021 | Change % | H1/2022 | H1/2021 | Change % | 2021 |
|---|---|---|---|---|---|---|---|
| Nordics | 12.4 | 6.0 | 106% | 20.6 | 7.9 | 159% | 23.1 |
| Rest of Europe | 8.4 | 0.6 | 1,264% | 11.6 | 1.0 | 1,107% | 4.1 |
| Rest of the World | 0.9 | 0.0 | 1,803% | 0.9 | 0.1 | 870% | 0.2 |
| **Total** | **21.6** | **6.7** | **225%** | **33.2** | **9.0** | **268%** | **27.4** |

Kempower's revenue mainly consists of sales of electric vehicle chargers and charging stations the company manufacturers, charger maintenance services and project sales involving turnkey deliveries of installed charging equipment to customers. Kempower also provides its customers with the Kempower ChargEye SaaS service, a cloud-based charging equipment management system.

Kempower's revenue for the second quarter amounted to EUR 21.6 million (EUR 6.7 million), an increase of 225 percent compared to Q2 2021. Kempower's revenue for the first half of 2022 amounted to EUR 33.2 million (EUR 9.0 million), an increase of 268 percent compared to previous year.

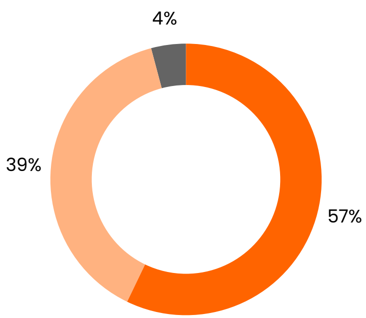
Kempower's main geographical markets include the Nordics, which accounted for 57 (90) percent of Kempower's revenue for the second quarter of 2022, and the Rest of Europe, which accounted for 39 (9) percent of Kempower's revenue for the second quarter of 2022. For the first half of 2022 the revenue generated from the Nordics accounted for 62 percent of Kempower's revenue compared to 88 percent for the comparative period 2021. The revenue from the Rest of Europe accounted for 35 percent of Kempower's revenue in H1 2022 compared to 11 percent in H1 2021.

Kempower's charging solutions have been delivered to more than 30 countries globally, and revenue outside Europe accounted for 4 (1) percent of Kempower's revenue for the second quarter of 2022 and 3 (1) percent of revenue for the first half of 2022. Kempower's growth during the Q2 2022 and H1 2022 has been most significant in the Nordics and in the Rest of Europe.

# Profitability

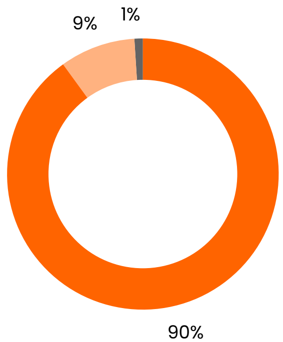
Kempower's operating profit (EBIT) for the second quarter amounted to EUR 1.8 million, an increase of EUR 1.4 million,

REVENUE Q2/2022



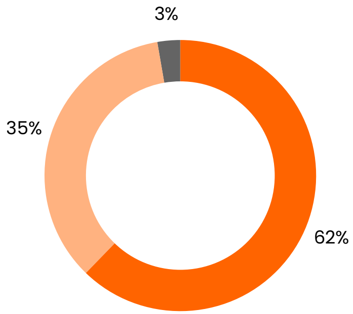

Nordics 12.4 MEUR
Rest of Europe 8.4 MEUR
Rest of the World 0.9 MEUR

REVENUE Q2/2021



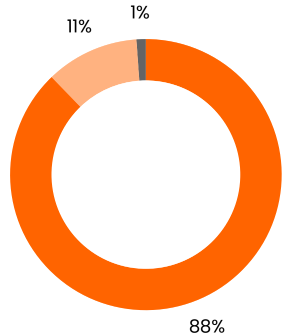

Nordics 6.0 MEUR
Rest of Europe 0.6 MEUR
Rest of the World 0.0 MEUR

REVENUE H1/2022



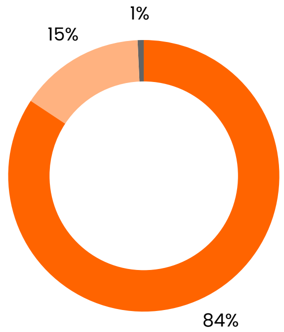

Nordics 20.6 MEUR
Rest of Europe 11.6 MEUR
Rest of the World 0.9 MEUR

REVENUE H1/2021




Nordics 7.9 MEUR
Rest of Europe 1.0 MEUR
Rest of the World 0.1 MEUR

REVENUE 2021




Nordics 23.1 MEUR
Rest of Europe 4.1 MEUR
Rest of the World 0.2 MEUR

as compared to an operating profit of EUR 0.5 million for the second quarter 2021. Kempower's operative EBIT for the second quarter amounted to EUR 1.8 million, an increase of EUR 1.2 million, as compared to EUR 0.7 million for the second quarter of 2021. The increased profit was mainly driven by strong demand in the Nordics and the Rest of Europe. Items affecting comparability in Q2 2021 amounted to EUR 0.2 million and related to First North listing expenses.

Kempower's operating profit (EBIT) for the first half of 2022 amounted to EUR 0.8 million, an increase of EUR 0.9 million, as compared to EUR -0.0 million for the first half of 2021. Kempower's operative EBIT for the first half of 2022 amounted to EUR 0.8 million, an increase of EUR 0.6 million, as compared to EUR 0.2 million for the first half of 2021. The increase was mainly due to increased revenue. Items affecting comparability in the first half of 2021 amounted to EUR 0.2 million and related to First North listing expenses.

Kempower's other operating income for the first half of 2022 amounted to EUR 0.1 million (EUR 0.0 million) and comprised mainly governmental grants received from Business Finland.

Kempower's total operating expenses for the first half of 2022 amounted to EUR 32.4 million, an increase of EUR 23.4 million, as compared to EUR 9.0 million for the first half of 2021. During the first half of 2022 the increases in Kempower's total expenses were mainly caused by the increases in material expenses, personnel expenses, and other operating expenses. Material expenses increased to large extent due to the increased manufacturing volume. Personnel expenses increased due the higher headcount and other operating expenses increased due to production capacity expansion and development of Kempower's operations. The growth of operations has led to increases in, for example, costs related to information and communications technology, R&D, marketing and communications and administration. Depreciation and amortization also contributed to the increase in Kempower's total expenses during the review period. Depreciations and amortizations increased mainly due to new lease contracts including the new production facilities and also due to investments in property, plant and equipment.

Kempower's net financial expenses for the first half of 2022 amounted to EUR 1.4 million, an increase of EUR 1.2 million, as compared to EUR 0.2 million for the first half of 2021. The increase was mainly due to EUR 1.1 million fair value change of money market investments and increase in interest expenses of lease contracts.

## Research and development

Research and development expenses excluding employee benefits amounted to EUR 0.9 million (EUR 0.4 million) for the first half of 2022, the equivalent of 3% (5%) of revenue. The carrying amount of capitalized development costs amounted to EUR 0.6 million (EUR 0.9 million) at the end of the first half of 2022.

## Cash flow, financing and balance sheet

Cash flow from operating activities amounted to EUR -3.7 million (EUR -4.0 million) in the first half of 2022. For the full year 2021 cash flow from operating activities amounted to EUR -2.6 million.

Cash flow from investing activities amounted to EUR -72.4 million (EUR -0.6 million) in the first half of 2022. For the full year 2021 cash flows from investing activities were EUR -1.6 million. Cash flows from investing activities include increase of money market investments EUR -70.0 million and investments EUR -2.4 million.

Net cash flows from financing activities were EUR -1.2 million (EUR 4.8 million) for the first half of 2022. During the review period, net cash flow from financing activities consisted of payments of lease liabilities of EUR -1.2 million. During the comparative period in 2021, net cash flow from financing activities included proceeds from non-current loans of EUR 2.6 million, group contribution received of EUR 2.5 million and payments of lease liabilities of EUR -0.3 million. Net cash flows from financing activities for the full year 2021 amounted to EUR 94.1 million and included gross proceeds from the initial public offering of EUR 100.1 million netted by the transaction costs recognized in equity of EUR 4.9 million, proceeds from the personnel offering of EUR 0.6 million, group contribution received of EUR 2.5 million and payments of lease liabilities of EUR -0.7 million and net repayment of borrowings of EUR -3.4 million.

Kempower's total assets on the balance sheet at the end of June 2022 were EUR 133.3 million (EUR 13.3 million) and EUR 108.5 million on 31 December 2021. Cash and cash equivalents of EUR 13.1 million excluded the money market investments of EUR 68.8 million.

Kempower's cash and cash equivalents at the end of the reporting period amounted to EUR 13.1 million (EUR 0.7 million) and EUR 90.4 million on 31 December 2021. Cash and cash equivalents of EUR 13.1 million excluded the money market investments of EUR 68.8 million. Money market investments includes the portion of the 2021 IPO funds, which are not needed in the short term to finance growth. When investing liquid assets, the objective is to gain a return on investment with a minimum risk of equity loss and to avoid negative interest rate on bank deposits. The investment portfolio can consist of deposits, money market investments and corporate loans.

For the reporting period the equity ratio was 75% (9%)

compared to 91% on 31 December 2021. Net debt for the reporting period amounted to EUR -66.5 million (EUR 6.1 million) compared to EUR -89.3 million on 31 December 2021. The increase in net debt was due to the growth of IFRS 16 lease liabilities amounting to EUR 15.4 million (EUR 0.9 million) at the end of the reporting period compared to EUR 1.1 million on 31 December 2021.

## Investments

Gross investments during the first half of 2022 totaled EUR 2.4 million (EUR 0.6 million) compared to EUR 1.6 million for the full year 2021. Kempower's investments for the first half of 2022 related mainly to the production expansions in the new factory and ICT development.

## Personnel

Kempower's headcount at the end of the period was 260 (87), of whom 233 (83) were employed by the parent company and 27 (4) by the subsidiaries. Kempower's average number of personnel converted into full-time employees amounted to 193 (63) at the end of the reporting period.

Kempower's headcount growth in the first half of 2022 is in line with the strategy of the company. Kempower's employee Net Promoter Score (eNPS) was 80 in the personnel satisfaction survey conducted in H1 2022.

| Headcount end of period | 30.6.2022 | 30.6.2021 | 31.12.2021 |
|---|---|---|---|
| Blue collars | 73 | 16 | 28 |
| Administration | 21 | 4 | 14 |
| Operations | 29 | 16 | 19 |
| Research, development and innovations | 61 | 29 | 38 |
| Sales and marketing | 76 | 22 | 37 |
| **Total** | **260** | **87** | **136** |

## Shares

Kempower's share is listed on the First North Growth Market Finland marketplace maintained by Nasdaq Helsinki. Kempower's registered share capital is EUR 80,000 and the total number of shares outstanding is 55,542,920. Average number of shares during the H1 2022 was 55,542,920.

The company does not hold any of the company's own shares at the end of the review period. Kempower acquired 121 664 own shares after review period relating mainly to its new long term incentive program.

The company has one series of shares. Each share entitles its holder to one vote at the Annual General Meeting. The shares have no nominal value. Kempower's shares are included in the book-entry system maintained by Euroclear Finland Oy. The trading code of the shares is KEMPOWR and the ISIN code is FI4000513593.

| Share indicators | H1/2022 | 2021 |
|---|---|---|
| Highest price (EUR) | 15.13 | 12.25 |
| L<br>owest price (EUR) | 8.52 | 7.95 |
| Average price (EUR) | 11.38 | 9.08 |
| Closing (EUR) | 11.64 | 11.55 |
| Turnover (EUR) | 112,712,641 | 50,742,283 |
| Turnover volume | 9,900,645 | 5,590,893 |
| | | |
| Market capitalization at end of the period MEUR | 646 | 642 |
| | | |
| Amount of shares at the end of the period | 55,542,920 | 55,542,920 |

## Major shareholders

At the end of the reporting period on 30 June 2022 the company had 28,394 shareholders.

15 largest shareholders on 30 June 2022:

| Shareholder | Number of shares | % of shares |
|---|---|---|
| 1. Kemppi Group Oy | 37,800,000 | 68.06% |
| 2. Varma Mutual Pension Insurance Company | 1,942,160 | 3.50% |
| 3. Ilmarinen Mutual Pension Insurance Company | 1,071,707 | 1.93% |
| 4. Evli Finnish Small Cap Fund | 707,953 | 1.28% |
| 5. Nordea Life Assurance Finland Ltd | 554,395 | 1.00% |
| 6. Julius Tallberg Corp. | 497,936 | 0.90% |
| 7. Heikintorppa Oy | 350,000 | 0.63% |
| 8. Wipunen Varainhallinta Oy | 350,000 | 0.63% |
| 9. Kempinvest Oy | 348,432 | 0.63% |
| 10. Veritas Pension Insurance Company Ltd. | 300,000 | 0.54% |
| 11. Danske Invest Finnish Equity Fund | 296,300 | 0.53% |
| 12. Fondita European Top Picks Sijoitusrahasto | 255,294 | 0.46% |
| 13. Säästöpankki Pienyhtiöt | 253,340 | 0.46% |
| 14. Alfred Berg Finland | 238,000 | 0.43% |
| 15. Evli Finland Select Fund | 186,411 | 0.34% |

Further information on the shares, major shareholders and management shareholdings is available on the company's website **https://investors.kempower.com/share-information/shareholders**.

# Resolution of the Annual general meeting and the Board of Directors of Kempower Corporation

The Annual General Meeting was held on 13 April 2022 in Helsinki. The Annual General Meeting adopted the annual accounts for the financial year 2021, handled the remuneration policy and remuneration report 2021 for governing bodies and discharged the members of the Board of Directors and the Managing Director from liability.

## Resolution on the use of the profit shown on the balance sheet and the payment of dividend

The Annual General Meeting resolved in accordance with the proposal of the Board of Directors that for the financial year that ended on 31 December 2021, no dividend is paid and that the loss of the financial year EUR 6,217,680.50 is transferred to the retained earnings / loss account.

## Election and remuneration of the members of the Board of Directors

The number of members of the Board of Directors was resolved to be seven (7). Tero Era, Juha-Pekka Helminen, Antti Kemppi, Kimmo Kemppi, Teresa Kemppi-Vasama, Vesa Laisi and Eriikka Söderström were elected as members of the Board of Directors. In accordance with Section 6 of the company's Articles of Association, Antti Kemppi was elected as the Chairman of the Board of Directors and Vesa Laisi was elected as the Vice Chair of the Board of Directors. The term of the members of the Board of Directors will end to the Annual General Meeting of 2023.

The Annual General Meeting resolved that the annual remuneration payable to the members of the Board of Directors is as follows: Chairman of the Board of Directors EUR 45,000, Vice Chair of the Board of Directors EUR 35,000 and Members of the Board of Directors EUR 35,000. In addition, a meeting fee in the amount of EUR 500 is paid to the attendees, excluding short meetings and email meetings. The Annual General Meeting resolved that an annual fee in the amount of EUR 5,000 is paid to the Chair of the Audit Committee and an annual fee in the amount of EUR 2,500 is paid to the Chair of the Remuneration and Nomination Committee.

## Election and remuneration of the auditor

Ernst & Young Oy was elected as the auditor of the company and Authorized Public Accountant Toni Halonen acts as the auditor in charge. It was resolved to pay remuneration for the auditor in accordance with an invoice approved by the company.

## Authorizing the Board of Directors to decide on the repurchase of the company's own shares

The Annual General Meeting resolved to authorize the Board of Directors to decide on the repurchase of the company's own shares in one or several instalments using funds belonging to the unrestricted equity of the company in such a way that the maximum number of shares repurchased is 2,777,146 shares. The proposed number of shares corresponds to approximately five (5) percent of all the shares in the company. The shares shall be repurchased through public trading at the market price as per the time of repurchase of the shares which is determined in the public trading organized by Nasdaq Helsinki Ltd.

The authorization also entitles the Board of Directors to resolve on a repurchase of shares otherwise than in proportion to the shares owned by the shareholders (directed purchase). In such event, there must exist a weighty financial reason for the company for the repurchase of its own shares. The shares may be repurchased in order to develop the capital structure of the company, to implement arrangements linked to the company's business operations, to implement the company's share-based incentive programmes or to be otherwise transferred, held by the company itself or cancelled. The Board of Directors resolves on all other conditions and matters pertaining to the repurchase of the shares.

The repurchase of the company's own shares will reduce the unrestricted equity of the company. The authorization remains in force until the conclusion of the following Annual General Meeting, however, until 30 June 2023 at the latest. The authorization replaces the company's previous authorizations regarding the repurchase of the company's own shares.

# Resolutions of the Board of Directors

Convening after the Annual General Meeting, the Board of Directors appointed from among its members the following members to committees:

- Audit Committee: Chair Eriikka Söderström, Antti Kemppi, Teresa Kemppi-Vasama and Juha-Pekka Helminen
- Remuneration and Nomination Committee: Chair Vesa Laisi, Tero Era, Antti Kemppi, Kimmo Kemppi and Teresa Kemppi-Vasama

# Kempower Oyj's Management team and Board of Directors

The members of Kempower's Management Team are:

- Chief Executive Officer Tomi Ristimäki
- Chief Financial Officer Jukka Kainulainen
- Chief Operating Officer Sanna Otava
- Chief Sales Officer Tommi Liuska
- Chief Technology Officer Mikko Veikkolainen
- Chief Marketing Officer Jussi Vanhanen
- Chief Service Business Officer Juha-Pekka Suomela (starts after review period in September 2022)
- Director, Communications Paula Savonen -member of extended management team
- Chief Engineer Petri Korhonen -member of extended management team

The members of Kempower's Board of Directors are:

- Chairman of the Board Antti Kemppi
- Vice Chairman of the Board Vesa Laisi
- Member of the Board Tero Era
- Member of the Board Juha-Pekka Helminen
- Member of the Board Kimmo Kemppi
- Member of the Board Teresa Kemppi-Vasama
- Member of the Board Eriikka Söderström

# Short-term risks and uncertainty factors

Kempower's annual risk management process consists of risk identification, risk assessment, risk management, risk monitoring and risk reporting. The risk management framework fosters awareness of risk and control throughout the organization and supports informed decision making. Continuous communication and dialog are necessary to promote risk awareness throughout Kempower and to ensure successful integration of risk management into strategic planning, budgeting, daily decision-making and operations.

As a result of the risk management process, Kempower's main risks have been identified for which mitigation plans and activities have been defined, implemented and is monitored throughout the year. According to the annual cycle, the Group management risk workshop concludes the main risks for Kempower, and those are reported to the Board of Directors.

Kempower's business is global and the Company is therefore exposed to macroeconomic risks and other macro-level trends, such as cyclical fluctuations or a slowdown in global economic growth. The global operating model also exposes Kempower to risks related to the supply chain, which may thus affect the company's operations for example in the form of risks related to the availability of raw materials and components which risk is among the highest at the moment.

Kempower has a growth strategy and its implementation involves risks, especially with regard to the scaling of operations. Failure of Kempower to effectively increase its production capacity and supply chain could have a negative impact on the company's ability to meet its short-term growth targets. To manage the risk, Kempower has significantly expanded its production capacity, and the capacity expansion will continue also from now on. Due to COVID-19 pandemic the risk of illness for personnel has increased and possible increasing restrictions on movement may make it more difficult to sell, assemble and deliver Kempower's products.

Kempower's business success and implementation of its strategy depend on the company's ability to recruit and engage qualified, motivated and skilled individuals. The availability and loss of key personnel could have a material adverse effect on Kempower's business. The shortage of skilled people in the labor market may also have a detrimental effect on the availability and retention of labor in Kempower.

Achieving Kempower's strong growth targets depends on the company's ability to respond to market changes and the actions of competitors. The company's business may also be affected if new or changed laws and regulations are introduced in the market of which the company would not have been aware and thus prepared for the changes.

The target in investing liquid assets is to gain a return on investment with a minimum risk of equity loss. The investment portfolio consists of deposits and money market investments. The important principle is the sufficient diversification across different investment instruments and counterparties. The investment portfolio is subject to interest rate risk, which is managed by minimizing the duration of the portfolio.

A failure of IT systems to perform as designed could disrupt Kempower's business and have a material adverse effect on its revenue and results of operations.

Risks related to Kempower's business are described in more detail on Kempower's investor pages in the governance section.

# Significant events during the period

## January 2022

- Kempower announced co-operation with JET Charge to accelerate the rollout of electric mobility in Australia. JET Charge is Australia's largest EV charging infrastructure specialist.
- Kempower was chosen to deliver electric bus fleet fast charging solutions to bus operator Bergkvarabuss AB's electric bus depot in Strängnäs, Sweden. The charging infrastructure is included in a total delivery that Scania will carry out to Bergkvarabuss.
- Kempower announced that it has become Scania's official supplier of DC fast charging equipment globally.
- Kempower was chosen to deliver fast charging technology to Scania for Swedish Falkenklev Logistik's new electric truck depot in Malmö. The Malmö truck depot will be Sweden's largest electric truck charging station

## February 2022

- Kempower confirmed an order to deliver EV fast-charging systems to Power Dot, an EV charging operator based in Portugal. The delivery of the fast-charging systems for electric passenger cars will take place in Q2 2022. The value of the order is over EUR 3 million.
- Kempower confirmed a delivery of DC fast charging technology to the electric bus depots of Helsingin Bussiliikenne Oy, owned by Koiviston Auto Group, in Vantaa and in Helsinki, Finland. The delivery includes Kempower C- and S-Series DC fast charging solutions and Kempower ChargEye backend and cloud solutions for 61 electric buses.
- Kempower announced that it will deliver DC fast charging technology to MINUSINES S.A. for several electric bus depots in Luxembourg. The value of the order is over EUR 2.5 million.
- Kempower announced that it will deliver DC fast charging technology to GodEnergi A/S for a new electric bus depot in Aalborg, Denmark. The Aalborg bus depot will have fast charging technology 121 buses, and it will be the biggest electric bus depot in the Nordic countries.

## March 2022

- Kempower launched its Kempower C- and S-Series product range to the North American market, a crucial milestone in its growth strategy.

## April 2022

- Mer, one of the leading charging point operators in Europe, chose Kempower as one of its new EV fast charging partners in Norway.
- Kempower announced it will deliver fast charging solutions to Swerock that will be used to charge the company's four new fully electric Volvo FE Electric concrete trucks.
- Kempower announced that the opening of its new factory is progressing on schedule and the first production lines are being put into operation. In addition to assembly lines, Kempower's new facilities in Lahti, covering an area of 10,300 square meters, will include a laboratory, test and demo charging fields and an office space.
- Kempower published its partnership with Virta, one of the biggest and fastest-growing electric vehicle charging platforms in Europe. The combined offering of the two Finnish companies will help the European EV charging service providers to answer the acute demand for fast charging in a fast and scalable manner.

## May 2022

- Kempower was awarded an Honourable Mention in Fennia Prize 22, one of Finland's most prominent design competitions. The award was given to the Kempower S-Series charging satellite system for its unique and innovative product design.
- Kempower confirmed an order to deliver EV fast-charging systems to GreenCore EV Services in the United States. The value of the first order is approximately EUR 5 million.
- Swerock showcased electric Volvo FE concrete trucks, in Stockholm, Sweden, charged with Kempower S-Series and C-Series charging technology.

## June 2022

- Kempower was awarded the Finnish Growth Company of the Year 2022 by Kauppalehti. The award is the main prize of Kauppalehti's Kasvajat 2022 search.
- Greenstation's first Norwegian charging hub was officially opened in Straume, Norway, with Kempower's charging technology.
- Kempower launched a new version of its Kempower S-Series charging satellite system featuring liquid-cooled charging. Capable of delivering 400kW of continuous charging power, the liquid-cooled charging satellite is ideal for heavy-duty vehicles such as trucks that require higher charging power than personal electric vehicles.
- Kempower launched a new adaptive voltage charging solution which allows its chargers to work with EV batteries up to 1000V. The company developed the solution in response to an increasing number of EVs with higher battery voltages and capacities being produced by electric car manufacturers to cut charging times.
- Kempower was chosen to deliver electric bus fleet fast charging technology to six bus depots in Belgium.
- Kempower's Board of Directors approved an update to Kempower's growth strategy. In the updated growth strategy Kempower targets to establish operations in the United States by the end of the year 2023.
- Kempower Corporation announced it will publish its first interim financial report in accordance with the IFRS standards for the financial period ending June 30, 2022.
- Recharge launched its first charging hub in Sweden with Kempower technology, located at Ljungskile.
- Elmacken charging hub was opened in Sweden with Kempower technology.

## Events after the balance sheet date

- Kempower Corporation acquired 121 664 own shares during July 2022 relating mainly to new long term incentive program.
- Kempower appoints Juha-Pekka Suomela as Chief Service Business Officer and member of management team.

## 2022 Financial calendar

- Business Review, January–September (Q3) is published October 28th 2022.

Lahti 10th of August, 2022

Kempower Corporation
Board of Directors

# Key figures, calculation of key figures and reconciliations

Kempower presents certain key figures, which mainly relate to business performance and profitability. All of these performance measures are not defined in IFRS standards and they are classified as alternative performance measures. Kempower follows ESMA's (European Securities and Market Authority) recommendations for its reporting on alternative performance measures.

Kempower uses alternative performance measures to reflect business performance and profitability. In Kempower's view, the alternative performance measures provide the investors, securities analysts and other parties with significant additional information related to Kempower's results of operations, financial position and cash flows and are widely used by analysts, investors and other parties. The alternative performance measures should not be considered in isolation or as substitute to the measures under IFRS. All companies do not calculate alternative performance measures in a uniform way, and, therefore, the alternative performance measures presented may not be comparable with similarly named measures presented by other companies.

Order backlog, order intake and revenue growth are used as key figures to reflect the development of the Group's business volume. Order backlog reflects the amount of legally binding orders received from the external customers, which are not yet delivered to customers nor recognized in the revenue. Order intake reflects the legally binding orders received from the external customers during the period. Revenue growth (%) describes the relative change of revenue compared to the revenue of the comparative period.

Operative EBIT is used to reflect the comparable profitability and improve the comparability of operational performance between periods. Material items outside the ordinary course of business including gains and losses on disposal, impairment charges and items relating to structural arrangements and capital reorganisations are identified as items affecting comparability.

## RECONCILIATION OF THE KEY FIGURES

| MEUR | Q2/2022 | Q2/2021 | H1/2022 | H1/2021 | 2021 |
|---|---|---|---|---|---|
| **Revenue growth, %** | | | | | |
| Revenue | 21.6 | 6.7 | 33.2 | 9.0 | 27.4 |
| Revenue of the comparative period | 6.7 | 0.5 | 9.0 | 0.7 | 3.3 |
| Change of revenue | 15.0 | 6.1 | 24.1 | 8.3 | 24.1 |
| **Revenue growth, %** | **225%** | **1,175%** | **268%** | **1,107%** | **741%** |
| | | | | | |
| **Gross margin** | | | | | |
| Revenue | 21.6 | 6.7 | 33.2 | 9.0 | 27.4 |
| Materials and services | -11.2 | -3.7 | -16.8 | -4.6 | -13.6 |
| Variable employee benefits | -0.7 | -0.2 | -1.0 | -0.3 | -0.9 |
| **Gross margin** | **9.8** | **2.8** | **15.3** | **4.1** | **12.9** |
| | | | | | |
| **Items affecting comparability** | | | | | |
| Capital reorganisation expenses related to First North Listing presented in other operating expenses | | 0.2 | | 0.2 | 1.7 |
| **Items affecting comparability** | | **0.2** | | **0.2** | **1.7** |
| | | | | | |
| **Operative EBIT** | | | | | |
| Operating profit/loss (EBIT) | 1.8 | 0.5 | 0.8 | -0.0 | -0.7 |
| Items affecting comparability | | 0.2 | | 0.2 | 1.7 |
| **Operative EBIT** | **1.8** | **0.7** | **0.8** | **0.2** | **1.0** |
| | | | | | |
| **Investments** | | | | | |
| Investments in intangible assets | 0.1 | | 0.1 | 0.0 | 0.2 |
| Investments in tangible assets excluding right-of-use assets | 1.7 | 0.2 | 2.3 | 0.6 | 1.4 |
| **Investments** | **1.8** | **0.2** | **2.4** | **0.6** | **1.6** |
| | | | | | |
| **Earnings per share, basic, EUR** | | | | | |
| Profit/loss for the period attributable to the equity holders of the company | 0.6 | 0.2 | -0.5 | -0.3 | 0.3 |
| Average number of shares, 1,000 pcs | 55,543 | 38,013 | 55,543 | 38,013 | 38,835 |
| **Earnings per share, basic, EUR** | **0.01** | **0.01** | **-0.01** | **-0.01** | **0.01** |
| | | | | | |
| **Earnings per share, diluted, EUR** | | | | | |
| Profit/loss for the period attributable to the equity holders of the company | 0.6 | 0.2 | -0.5 | -0.3 | 0.3 |
| Average number of shares adjusted for the dilutive effect, 1,000 pcs | 55,645 | 38,013 | 55,543 | 38,013 | 38,847 |
| **Earnings per share, diluted, EUR** | **0.01** | **0.01** | **-0.01** | **-0.01** | **0.01** |

## HISTORICAL IFRS QUARTERLY AND HALF-YEAR KEY FIGURES

| MEUR | Q1/2022 | Q1/2021 | Q2/2021 | Q3/2021 | Q4/2021 | H1/2021 | H2/2021 |
|---|---|---|---|---|---|---|---|
| Order backlog | 29.1 | 10.0 | 14.9 | 10.6 | 13.7 | 14.9 | 13.7 |
| Order intake | 26.9 | 8.5 | 11.6 | 5.8 | 11.5 | 20.1 | 17.3 |
| Revenue | 11.5 | 2.3 | 6.7 | 10.0 | 8.4 | 9.0 | 18.4 |
| Revenue growth, % | 393% | 948% | 1 175% | 1 726% | 328% | 1 107% | 633% |
| Gross margin | 5.6 | 1.2 | 2.8 | 4.9 | 3.9 | 4.1 | 8.8 |
| Gross margin, % | 48% | 53% | 42% | 49% | 47% | 45% | 48% |
| EBITDA | -0.2 | -0.2 | 0.7 | 2.4 | -2.4 | 0.5 | -0.1 |
| EBITDA margin, % | -2% | -10% | 11% | 24% | -29% | 6% | -0% |
| Operating profit/loss (EBIT) | -1.0 | -0.5 | 0.5 | 2.1 | -2.7 | -0.0 | -0.7 |
| EBIT margin, % | -9% | -20% | 7% | 21% | -33% | -0% | -4% |
| Operative EBIT | -1.0 | -0.5 | 0.7 | 2.1 | -1.3 | 0.2 | 0.8 |
| Operative EBIT margin, % | -9% | -20% | 10% | 21% | -16% | 2% | 4% |
| Profit/loss for the period | -1.1 | -0.5 | 0.2 | 1.2 | -0.7 | -0.3 | 0.5 |
| Equity ratio, % | 78% | 11% | 9% | 13% | 91% | 9% | 91% |
| Cash flow from operating activities | -2.0 | -1.4 | -2.6 | -0.6 | 2.0 | -4.0 | 1.4* |
| Investments | 0.6 | 0.4 | 0.2 | 0.2 | 0.8 | 0.6 | 1.0 |
| Net debt | -71.5 | 4.9 | 6.1 | 7.2 | -89.3 | 6.1 | -89.3 |
| Items affecting comparability | | | 0.2 | 0.0 | 1.4 | 0.2 | 1.5 |
| Earnings per share, basic, EUR | -0.02 | -0.01 | 0.01 | 0.03 | -0.02 | -0.01 | 0.01 |
| Earnings per share, diluted, EUR | -0.02 | -0.01 | 0.01 | 0.03 | -0.02 | -0.01 | 0.01 |
| Headcount end of period | 176 | 57 | 87 | 103 | 136 | 87 | 136 |

* *Cash flow from operating activities for H2/2021 has been adjusted compared to the key figures published in the 23.6.2022 release "Kempower Corporation's transition to IFRS reporting and unaudited comparative IFRS information"*

## RECONCILIATION OF IFRS QUARTERLY AND HALF-YEAR KEY FIGURES 2021 AND Q1/2022

| MEUR | Q1/2022 | Q1/2021 | Q2/2021 | Q3/2021 | Q4/2021 | H1/2021 | H2/2021 |
|---|---|---|---|---|---|---|---|
| **Revenue growth, %** | | | | | | | |
| Revenue | 11.5 | 2.3 | 6.7 | 10.0 | 8.4 | 9.0 | 18.4 |
| Revenue of the comparative period | 2.3 | 0.2 | 0.5 | 0.5 | 2.0 | 0.7 | 2.5 |
| Change of revenue | 9.2 | 2.1 | 6.1 | 9.4 | 6.4 | 8.3 | 15.9 |
| **Revenue growth, %** | **393%** | **948%** | **1,175%** | **1,726%** | **328%** | **1,107%** | **633%** |
| | | | | | | | |
| **Gross margin** | | | | | | | |
| Revenue | 11.5 | 2.3 | 6.7 | 10.0 | 8.4 | 9.0 | 18.4 |
| Materials and services | -5.6 | -1.0 | -3.7 | -4.9 | -4.1 | -4.6 | -9.0 |
| Variable employee benefits | -0.3 | -0.1 | -0.2 | -0.2 | -0.3 | -0.3 | -0.6 |
| **Gross margin** | **5.6** | **1.2** | **2.8** | **4.9** | **3.9** | **4.1** | **8.8** |
| | | | | | | | |
| **Items affecting comparability** | | | | | | | |
| Capital reorganisation expenses related to First North Listing presented in other operating expenses | | | 0.2 | 0.0 | 1.4 | 0.2 | 1.5 |
| **Items affecting comparability** | | | **0.2** | **0.0** | **1.4** | **0.2** | **1.5** |
| | | | | | | | |
| **Operative EBIT** | | | | | | | |
| Operating profit/loss (EBIT) | -1.0 | -0.5 | 0.5 | 2.1 | -2.7 | -0.0 | -0.7 |
| Items affecting comparability | | | 0.2 | 0.0 | 1.4 | 0.2 | 1.5 |
| **Operative EBIT** | **-1.0** | **-0.5** | **0.7** | **2.1** | **-1.3** | **0.2** | **0.8** |
| | | | | | | | |
| **Investments** | | | | | | | |
| Investments in intangible assets | 0.1 | 0.0 | | 0.0 | 0.2 | 0.0 | 0.2 |
| Investments in tangible assets excluding right-of-use assets | 0.6 | 0.4 | 0.2 | 0.2 | 0.6 | 0.6 | 0.8 |
| **Investments** | **0.6** | **0.4** | **0.2** | **0.2** | **0.8** | **0.6** | **1.0** |
| | | | | | | | |
| **Earnings per share, basic, EUR** | | | | | | | |
| Profit/loss for the period attributable to the equity holders of the company | -1.1 | -0.5 | 0.2 | 1.2 | -0.7 | -0.3 | 0.5 |
| Average number of shares, 1,000 pcs | 55,543 | 38,013 | 38,013 | 38,013 | 41,311 | 38,013 | 39,644 |
| **Earnings per share, basic, EUR** | **-0.02** | **-0.01** | **0.01** | **0.03** | **-0.02** | **-0.01** | **0.01** |
| | | | | | | | |
| **Earnings per share, diluted, EUR** | | | | | | | |
| Profit/loss for the period attributable to the equity holders of the company | -1.1 | -0.5 | 0.2 | 1.2 | -0.7 | -0.3 | 0.5 |
| Average number of shares adjusted for the dilutive effect, 1,000 pcs | 55,543 | 38,013 | 38,013 | 38,013 | 41,311 | 38,013 | 39,667 |
| **Earnings per share, diluted, EUR** | **-0.02** | **-0.01** | **0.01** | **0.03** | **-0.02** | **-0.01** | **0.01** |

# Calculation of key figures

| Key figure | Definition |
|---|---|
| Order backlog | Received legally binding orders from external customers not yet delivered to customer |
| Order intake | Received legally binding orders from external customers during the period |
| Revenue growth, % | Change of revenue compared to the revenue of the comparative period presented as a percentage |
| Gross margin | Revenue - Materials and services - Variable employee benefits |
| Gross margin, % | Gross margin as a percentage of revenue |
| EBITDA | Earnings before interest, taxes, depreciation and amortisation |
| EBITDA margin, % | EBITDA as a percentage of revenue |
| EBIT margin, % | Operating profit/loss (EBIT) as a percentage of revenue |
| Operative EBIT | Operating profit/loss (EBIT) - Items affecting comparability |
| Operative EBIT margin, % | Operative EBIT as a percentage of revenue |
| Equity ratio, % | Total equity / (Total assets - Advance payments) |
| Investments | Investments in intangible assets and property, plant and equipment excluding right-of-use assets |
| Net debt | Non-current borrowings and leasing liabilities + Current borrowings and leasing liabilities - Cash and cash equivalents – Current financial assets |
| Items affecting comparability | Material items outside the ordinary course of business including gains/losses on disposal, impairment charges and items relating to structural arrangements and capital reorganisations |
| Earnings per share, basic | Profit/loss for the period attributable to the equity holders of the company divided by the weighted average number of shares outstanding during the period |
| Earnings per share, diluted | Profit/loss for the period attributable to the equity holders of the company divided by the weighted average number of shares outstanding adjusted for the dilutive effect |

# Financial statement information (IFRS) 1 January 2022–30 June 2022

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| MEUR | H1/2022 | H1/2021 | Change | 2021 |
|---|---|---|---|---|
| **Revenue** | **33.2** | **9.0** | **24.1** | **27.4** |
| Other operating income | 0.1 | | 0.1 | 0.3 |
| Materials and services | -16.8 | -4.6 | -12.2 | -13.6 |
| Employee benefits | -8.1 | -2.4 | -5.7 | -7.5 |
| Depreciation, amortization and impairment losses | -1.6 | -0.5 | -1.1 | -1.1 |
| Other operating expenses | -5.9 | -1.5 | -4.5 | -6.2 |
| **Total operating expenses** | **-32.4** | **-9.0** | **-23.4** | **-28.4** |
| **Operating profit/loss (EBIT)** | **0.8** | **0.0** | **0.8** | **-0.7** |
| Finance income | 0.0 | 0.0 | 0.0 | 0.0 |
| Finance expenses | -1.4 | -0.2 | -1.2 | -0.2 |
| **Total finance income and expenses** | **-1.4** | **-0.2** | **-1.2** | **-0.2** |
| **Profit/loss before taxes** | **-0.6** | **-0.3** | **-0.3** | **-0.9** |
| Income tax | 0.1 | 0.0 | 0.1 | 1.1 |
| **PROFIT/LOSS FOR THE PERIOD** | **-0.5** | **-0.3** | **-0.2** | **0.3** |
| **Profit/loss for the period attributable to the equity holders of the company** | **-0.5** | **-0.3** | **-0.2** | **0.3** |
| **Other comprehensive income for the period** | | | | |
| Items that may be subsequently reclassified to profit or loss | | | | |
| Translation difference | -0.0 | -0.0 | 0.0 | 0.0 |
| Other comprehensive income, that will not be reclassified to profit or loss | | | | |
| Remeasurement of defined benefit plan | | | | 0.0 |
| Taxes | | | | -0.0 |
| **Total other comprehensive profit/loss for the period** | **-0.0** | **-0.0** | **0.0** | **0.0** |
| **Comprehensive profit/loss for the period** | **-0.5** | **-0.3** | **-0.3** | **0.3** |
| **Comprehensive profit/loss for the period attributable to the equity holders of the company** | **-0.5** | **-0.3** | **-0.3** | **0.3** |
| **Earnings per share for profit/loss attributable to the equity holders of the company** | | | | |
| Basic and diluted earnings per share, EUR | -0.01 | -0.01 | 0.0 | 0.01 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| MEUR | 30.6.2022 | 30.6.2021 | 31.12.2021 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Intangible assets | 1.1 | 1.0 | 1.1 |
| Property, plant and equipment | 19.2 | 1.9 | 2.9 |
| Non-current receivables | 0.0 | | 0.0 |
| Deferred tax assets | 1.4 | 0.0 | 1.3 |
| **Total non-current assets** | **21.7** | **2.9** | **5.2** |
| | | | |
| **Current assets** | | | |
| Inventories | 11.8 | 3.9 | 6.4 |
| Trade receivables | 14.1 | 5.1 | 4.7 |
| Other receivables | 1.6 | 0.0 | 0.0 |
| Prepaid expenses and accrued income | 2.1 | 0.6 | 1.9 |
| Other financial assets | 68.8 | | |
| Cash and cash equivalents | 13.1 | 0.7 | 90.4 |
| **Total current assets** | **111.5** | **10.4** | **103.3** |
| | | | |
| **TOTAL ASSETS** | **133.3** | **13.3** | **108.5** |

| MEUR | 30.6.2022 | 30.6.2021 | 31.12.2021 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | 0.1 | 0.0 | 0.1 |
| Reserve for invested unrestricted equity | 95.7 | 0.0 | 95.7 |
| Translation differences | -0.0 | -0.0 | 0.0 |
| Retained earnings | 2.3 | 1.4 | 1.5 |
| Profit/loss for the period | -0.5 | -0.3 | 0.3 |
| **Total equity** | **97.5** | **1.2** | **97.5** |
| | | | |
| **Non-current liabilities** | | | |
| Non-current interest-bearing liabilities | | 6.0 | |
| Lease liabilities | 13.1 | 0.4 | 0.5 |
| Provisions | 0.6 | 0.1 | 0.2 |
| Deferred tax liabilities | 0.4 | 0.2 | 0.3 |
| **Total non-current liabilities** | **14.1** | **6.7** | **1.0** |
| | | | |
| **Current liabilities** | | | |
| Lease liabilities | 2.3 | 0.5 | 0.6 |
| Advance payments | 4.0 | 0.4 | 0.8 |
| Trade payables | 10.4 | 3.0 | 5.5 |
| Other liabilities | 1.1 | 0.3 | 0.6 |
| Accruals and deferred income | 4.0 | 1.3 | 2.5 |
| **Total current liabilities** | **21.7** | **5.4** | **10.0** |
| | | | |
| **Total liabilities** | **35.8** | **12.1** | **11.0** |
| | | | |
| **TOTAL EQUITY AND LIABILITIES** | **133.3** | **13.3** | **108.5** |

# CONSOLIDATED STATEMENT OF CASH FLOW

| MEUR | H1/2022 | H1/2021 | Change | 2021 |
|---|---|---|---|---|
| **Cash flow from operating activities** | | | | |
| Profit/loss for the period | -0.5 | -0.3 | -0.3 | 0.3 |
| Adjustments: | | | | |
| Depreciation, amortisation and impairment | 1.6 | 0.5 | 1.1 | 1.1 |
| Financial income and expenses | 1.4 | 0.2 | 1.2 | 0.2 |
| Unrealised foreign exchange gains and losses | 0.0 | 0.0 | 0.0 | 0.0 |
| Income taxes | -0.1 | 0.0 | -0.1 | -1.1 |
| Share-based payments | 0.5 | | 0.5 | 0.1 |
| Change in provisions | 0.4 | 0.0 | 0.4 | 0.2 |
| **Cash flow before changes in working capital** | **3.4** | **0.5** | **2.8** | **0.7** |
| | | | | |
| **Changes in working capital** | | | | |
| Change in trade and other receivables | -11.4 | -4.4 | -7.0 | -5.2 |
| Change in inventories | -5.5 | -2.6 | -2.9 | -5.0 |
| Change in trade payables and short-term debts | 10.1 | 2.8 | 7.3 | 7.1 |
| **Cash flow from operating activities before financial items and taxes** | **-3.4** | **-3.7** | **0.3** | **-2.5** |
| Interest paid | -0.3 | -0.2 | -0.1 | 0.0 |
| Taxes | 0.0 | -0.1 | 0.1 | -0.1 |
| **Cash flow from operating activities** | **-3.7** | **-4.0** | **0.3** | **-2.6** |

| MEUR | H1/2022 | H1/2021 | Change | 2021 |
|---|---|---|---|---|
| **Cash flow from investing activities** | | | | |
| Increase (-)/ decrease (+) of other financial assets | -70.0 | | -70.0 | |
| Investments in tangible and intangible assets | -2.4 | -0.6 | -1.9 | -1.6 |
| **Cash flow from investing activities** | **-72.4** | **-0.6** | **-71.9** | **-1.6** |
| | | | | |
| **Cash flow from financing activities** | | | | |
| Proceeds from non-current loans | | 2.6 | -2.6 | |
| Repayment of non-current borrowings | | | | -3.4 |
| Payment of lease liabilities | -1.2 | -0.3 | -0.8 | -0.7 |
| Proceeds from issue of share capital | | | | 95.7 |
| Group contribution received | | 2.5 | -2.5 | 2.5 |
| **Cash flow from financing activities** | **-1.2** | **4.8** | **-5.9** | **94.1** |
| | | | | |
| **Net change in cash and cash equivalents** | **-77.3** | **0.2** | **-77.5** | **89.9** |
| | | | | |
| Cash and cash equivalents beginning of the period | 90.4 | 0.5 | 89.9 | 0.5 |
| Effects of exchange rate fluctuations on cash held | 0.0 | 0.0 | 0.0 | 0.0 |
| Cash and cash equivalents end of the period | 13.1 | 0.7 | 12.3 | 90.4 |
| **Net change in cash and cash equivalents** | **-77.3** | **0.2** | **-77.5** | **89.9** |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| MEUR | Share capital | Invested unrestricted equity fund | Translation differences | Retained earnings | Total |
|---|---|---|---|---|---|
| **Consolidated statement of changes in equity on 30 June 2022** | | | | | |
| **Shareholder's equity 1.1.2022** | **0.1** | **95.7** | **0.0** | **1.8** | **97.5** |
| Profit/loss for the period | | | | -0.5 | -0.5 |
| Currency translation differences | | | -0.0 | | -0.0 |
| **Total comprehensive income for the period, net of tax** | | | **-0.0** | **-0.5** | **-0.5** |
| Transactions with owners | | | | | |
| Share-based payments | | | | 0.5 | 0.5 |
| **Transactions with owners, total** | | | | **0.5** | **0.5** |
| **Shareholder's equity 30.6.2022** | **0.1** | **95.7** | **-0.0** | **1.8** | **97.5** |
| | | | | | |
| **Consolidated statement of changes in equity on 30 June 2021** | | | | | |
| **Shareholder's equity 1.1.2021** | **0.0** | | | **1.4** | **1.4** |
| Profit/loss for financial period | | | | -0.3 | -0.3 |
| Currency translation differences | | | -0.0 | | -0.0 |
| **Total comprehensive income for the period, net of tax** | | | **-0.0** | **-0.3** | **-0.3** |
| **Shareholder's equity 30.6.2021** | **0.0** | | **-0.0** | **1.2** | **1.2** |
| | | | | | |
| **Consolidated statement of changes in equity on 31 December 2021** | | | | | |
| **Shareholder's equity 1.1.2021** | **0.0** | | | **1.4** | **1.4** |
| Profit/loss for financial period | | | | 0.3 | 0.3 |
| Remeasurement of defined benefit plans | | | | 0.0 | 0.0 |
| Currency translation differences | | | 0.0 | | 0.0 |
| **Total comprehensive income for the period, net of tax** | | | **0.0** | **0.3** | **0.3** |
| Transactions with owners | | | | | |
| Share capital increase | 0.1 | 95.7 | | 0.0 | 95.7 |
| Share-based payments | | | | 0.1 | 0.1 |
| **Transactions with owners, total** | **0.1** | **95.7** | | **0.1** | **95.8** |
| **Shareholder's equity 31.12.2021** | **0.1** | **95.7** | **0.0** | **1.8** | **97.5** |

## EFFECT OF IFRS TRANSITION TO CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AND COMPREHENSIVE INCOME

| MEUR | Share capital | Invested unrestricted equity fund | Translation differences | Retained earnings | Total |
|---|---|---|---|---|---|
| **Shareholder's equity 1.1.2021 FAS** | **0.0** | | | **0.6** | **0.6** |
| Effect of IFRS transition | | | | 0.8 | 0.8 |
| **Shareholder's equity 1.1.2021 IFRS** | **0.0** | | | **1.4** | **1.4** |

| MEUR | H1/2021 | 2021 |
|---|---|---|
| **Comprehensive profit/loss for the period FAS** | **-0.3** | **-4.5** |
| Effect of IFRS transition | 0.0 | 4.8 |
| **Comprehensive profit/loss for the period IFRS** | **-0.3** | **0.3** |

# Notes to the financial statements

## 1. Accounting policies for the consolidated financial statements

### 1.1 Basic information about the Group

Kempower Corporation ("the Parent Company") is a Finnish public liability limited company and the parent company of the Kempower Group ("Kempower", "the Kempower Group" or "the Group"). Kempower Corporation's registered address is Hennalankatu 71, 15810 Lahti.

### 1.2 Basis of preparation

This interim report has been prepared in accordance with the IAS 34 Interim Financial Reporting standard and the International Financial Reporting Standards (IFRS) approved in the EU. The comparison information from previous years as converted to comply with the IFRS standards and the changes in them compared with FAS reporting have been presented in the IFRS transition release published on 23 June 2022. This interim report of the Group should be reviewed and read together with the IFRS transition release, which presents the effects of the IFRS transition in the Kempower Group.

Kempower's Board of Directors confirmed this interim information on 10.8.2022. The interim report is unaudited.

The interim report presents all monetary information in euros, as the euro is the Kempower Group's operating currency and reporting currency.

The figures shown in the interim report are rounded, which means that the sum total of given individual figures may deviate from the sums shown in the tables. The items included at the time of the Group companies' reporting are measured in the currency of the company's main financial operating environment (operating currency). The consolidated financial statements are presented in millions of euros, unless otherwise stated. The Kempower Group's interim report has been prepared based on original cost.

#### Translation of items denominated in foreign currency

Business transactions denominated in foreign currency are translated into amounts representing the operating currency at the exchange rates of the transaction completion date. Exchange rate gains and losses arising from payments associated with such business transactions and from translation of foreign currency denominated monetary assets and liabilities into the exchange rate of the closing date are recognized through profit or loss.

The income statements and balance sheets of foreign units that apply a different operating currency than the reporting currency are converted so that the amounts shown represent the reporting currency as follows:

- The assets and liabilities of each balance sheet presented are converted into the exchange rate of the reporting date in question
- The income and expenses in each income statement are converted into the average exchange rates of the period, and
- All the exchange differences thereby arisen are recognized in other comprehensive income

#### Consolidation principles

The interim report comprises the parent company Kempower Corporation and its subsidiaries Kempower GmbH, Kempower AS, Kempower B.V., Kempower Charging Ltd, Kempower SAS, Kempower Charging Spain S.L.U. and Kempower Italy S.R.L.

Subsidiaries are entities where the Group has a controlling interest. The Group has a controlling interest when it, through its participation in the entity, becomes exposed or is entitled to the entity's variable returns and is able to affect the amount of return it receives by exercising authority over the entity.

Intra-group shareholding has been eliminated using the acquisition cost method. The acquisition cost is considered to include the transferred funds at fair value, the liabilities that arose or were assumed and the equity instruments issued. Acquired subsidiaries are consolidated from when the Group has gained a controlling interest, and divested subsidiaries are consolidated until the Group ceases to have a controlling interest. All intra-group business transactions, receivables, liabilities and unrealized gains as well as internal profit distribution are eliminated in the preparation of the consolidated financial statements. Distribution of the financial period's profit to parent company shareholders and non-controlling shareholders is presented in conjunction with the income statement, and the share of equity belonging to non-controlling shareholders is presented as a separate item in equity. The subsidiaries' reporting principles have been amended to correspond to the Group's reporting principles. Kempower has no goodwill in the balance sheet on 30 June 2022.

## 1.3 Revenue

Kempower's revenue mainly consists of sales of electric vehicle chargers and charging stations it manufacturers, charger maintenance services and project sales involving turnkey deliveries of installed charging equipment to customers. Kempower also provides its customers with the ChargEye SaaS service, a cloud-based charging equipment management system. Kempower's customers mainly consist of CPOs, commercial vehicle and bus fleet operators, original equipment manufacturers ("OEMs") and other customer groups that are served through Kempower's distributor and installer partner network

The payment terms and payment periods applied in the agreements are typically 14-90 days. The payment periods are clearly less than a year, which means that no significant financial component is recognized for the agreements.

### Determining the transaction price and allocating it to performance obligations

The transaction prices are based on customer-specific agreements. Sales proceeds are recognized at the amount to which the Group considers itself to be entitled against the products and services it offers. If different performance obligations are identified in the agreements, Kempower allocates the agreement's fixed transaction price to different performance obligations based on the prices applied when these are sold separately.

The amount presented as revenue is deducted by discounts. Volume-based discounts are applied in product sales, based on actual sales over 12 months. Sales are recognized based on the price stated in the agreement less estimated volume-based discounts. For volume-based discounts expected to be given to customers before the end of the reporting period, a liability based on the agreement is recognized.

Evaluation and recognition of discounts are based on previous experience, and revenue is only recognized up to an amount which is highly probable to be realized.

### Revenue recognition

Kempower records sales revenue from the charging equipment it sells, when control of the products is transferred to the buyer. This takes place when the products have been delivered to the customer. The revenue from maintenance services is recognized for the reporting period during which the service is produced. The revenue from ChargEye SaaS services is recognized over time as the services are provided. When the agreement is a fixed-price agreement relating to project sales, what is recognized is the share of the entire service that has been realized by the end of the reporting period. This share is determined based on the share of actual costs out of the expected total costs.

## 1.4 Segment reporting

Kempower is a manufacturer and provider of electric vehicle fast-charging equipment and solutions. Its revenue consists of engineering, manufacture and sales of electric vehicles' DC fast-charging equipment, solutions and services. Kempower's CEO, who regularly reviews the company's business performance to make decisions on resource allocation and evaluate the operational result, has been designated as the top operational decision-maker in the Group. The CEO leads the Kempower Group as a single integrated business entity, and thereby Kempower has one operating segment and reporting segment.

## 1.5 Government grants

Government grants are recognized in profit or loss at fair value, when it is reasonably certain that they will be obtained and the company meets the criteria for the grant. Government grants are accrued and recognized in the statement of comprehensive income for the reporting period during which the criteria for the grant are met corresponding to the actual costs.

## 1.6 Inventories

Inventories consist of DC chargers and charging systems, charging components needed in the manufacture of products, charger spare parts as well as unfinished products.

Inventories are measured at weighted average cost or standard cost.

If the value of inventories falls below the above, inventories are measured at net realizable value. The acquisition cost of inventories consists of all purchase costs, production and logistics costs, handling costs and other costs directly attributable to inventories. The acquisition cost of purchased inventories is deducted by quantity discounts and cash discounts. The net realization value is the estimated sales price obtained in ordinary business less direct sales costs.

## 1.7 Employee benefits

Employee benefits consist of payments based either on the performance of work or termination of employment. Pension plans are classified as defined-benefit plans or defined-contribution plans. In defined-contribution plans, the Kempower Group pays fixed contributions to a separate unit, and the Group has no legal or factual obligation to make supplementary contributions, should the recipient of the contributions fail to pay out the pension benefits in question. All such arrangements that do not meet the above terms are defined-benefit plans. Contributions paid to defined-contribution plans are recognized through profit or loss for the financial period during which they are charged. Kempower's pension plans are primarily defined-contribution plans, including the employer's pension insurance (TyEL insurance) applied in Finland that is based on fixed contributions.

Kempower applies a defined-benefit plan in a Group subsidiary. The current value of the defined-benefit obligation is the current value of the contributions expected in the future in order to fulfil the obligation based on the performance of work during the financial period and previous financial periods before deduction of the funds belonging to the plan. The defined-benefit obligation is calculated annually by an actuary and recognized in the balance sheet as asset or liability. Net interest expense is the increase in the fair value of the defined benefit obligation during the financial period due to the fact that the payout of the benefits is one period closer than before. This expense is recognized under personnel expenses in the income statement. Actuarial gains and losses caused by increases or decreases in the fair value of the obligation or in the fair value of the associated funds belonging to the plan are recognized in the statement of comprehensive income for the period during which they are realized.

## 1.8 Intangible assets

The Kempower Group's intangible assets comprise capitalized product development costs and intangible rights consisting of patents and brands. An intangible asset is measured at cost, when it is probable that the intangible asset will produce financial benefit in the future and its acquisition cost can be reliably determined. Intangible assets have a limited useful economic life.

The intangible assets have the following estimated useful economic lives and depreciation periods:

- Intangible rights 10 years
- Product development costs 5 years

Intangible assets are reviewed for amortization whenever there are indications that their value may have reduced. An impairment loss is recognized for an amount by which the asset's book value exceeds the recoverable amount. Recoverable amount is the asset's fair value less sales cost or value in use, whichever is higher. The value in use represents the discounted net cash flows that the asset is expected to produce.

Product development costs are capitalized in the balance sheet in intangible assets, when product development costs will probably generate future financial benefit, product completion is technologically feasible, available and saleable, the costs to be capitalized can be reliably determined and the Group has adequate technological and financial resources to successfully complete the development work.

## 1.9 Property, plant and equipment

The Kempower Group's property, plant and equipment consist of leased operating premises and vehicles (right-of-use asset items), improvement costs pertaining to leased premises and machinery and equipment. Property, plant and equipment are measured at cost less depreciation and any impairment losses. The acquisition cost includes any direct costs arising from the acquisition that are necessary considering the asset item's location and production for it to operate as planned by the management. Ordinary maintenance and repair costs are recognized as expenses on an accrual basis.

Property, plant and equipment have the following estimated useful economic lives and depreciation periods for the reporting period and comparison periods:

- Machinery and equipment 3-8 years
- Leased premises and apartments (right-of-use asset items) the agreed-on lease term or useful economic life, whichever is shorter
- Improvement costs pertaining to leased premises 5 years

The depreciation will begin, when the asset item is ready for use, i.e. when its location and condition are such that it operates as intended by the Group's management.

The leases are recognized in the balance sheet as right-of-use asset items and corresponding lease liabilities beginning from the day when the leased asset item is at the Group's disposal. Lease payments are recognized as amortization of the lease liability and the related interest expense. Right-of-use asset items are depreciated over the useful economic life of the asset item or according to the lease term.

The right-of-use asset items capitalized based on leases and the corresponding lease liability are measured upon the commencement of the lease at the current value of those minimum lease payments that remain outstanding on that day. Considered in the calculation are the minimum lease payments at their discounted value as well as the lease payments for optional additional lease terms, if it is fairly certain that an option for such additional lease term will be exercised. The Group applies the incremental borrowing rate as the discount rate for lease payments. The lease payments for the premises are tied to the inflation index. The index-based variable lease payments are part of the liability that is related to the lease, and their value is calculated based on the index at the beginning of the lease term. Index changes are considered for the accounting period during which the index changes. The cash flows related to leases are reported as amortization of lease liabilities in the cash flow statement under cash flow from financing activities, and the interests paid on lease liabilities are reported under cash flow from operating activities. The Group holds short-term leases as well as leases where the asset item in question is low in value. These leases are recognized during the lease term as an expense in the income statement.

Property, plant and equipment are reviewed for amortization whenever there are indications that their value may have reduced. An impairment loss is recognized for an amount by which the asset's book value exceeds the recoverable amount. Recoverable amount is the asset's fair value less sales cost or value in use, whichever is higher. The value in use represents the discounted net cash flows that the asset is expected to produce.

## 1.10 Share-based payments

The Kempower Group has an existing stock option program, a share purchase arrangement and a share reward scheme in place. These arrangements are long-term incentive programs launched to enhance the personnel's commitment.

The benefits granted in share and stock option arrangements are measured at fair value at the time of their granting and are recognized as an expense in the income statement for the period during which the entitlement arises. The terms and conditions based on performance of service are not considered at the fair value of the benefit on the date of its granting; instead, their actual outcomes are assessed and they are considered by adjusting both the number of those equity instruments to which an entitlement is expected to arise and the amount thereby to be recognized as expense. An expense will be recognized cumulatively only with respect to those granted instruments to which an entitlement arises. The profit and loss effect of share and stock option arrangements is presented in personnel expenses, and the corresponding increase is presented in equity.

The expense determined at the time when the shares and stock options were granted is based on the Group's estimate on the number of those shares and stock options, to which an entitlement is expected to arise during the earning period. The Group annually updates the assumption on the ultimate number of shares and stock options. The changes in valuations are treated as profit or loss. The fair value of the stock option arrangements is determined based on the Black-Scholes option pricing model. When stock options are exercised, the funds gained from share subscriptions are recognized in the invested unrestricted equity fund. Shares are measured at fair value at the share price of the date of their granting.

In the share purchase arrangement, the personnel were granted an entitlement to subscribe shares at a reduced price. The shares subscribed have been measured at fair value applying the share price of the date of their granting, and the difference between the subscription price and the fair value is recognized as an expense for the earning period of the benefit.

## 1.11 Financial instruments

### Financial assets

The Group's financial assets are classified either as measured at amortized cost or measured at fair value through profit or loss. The financial assets are classified in the context of their initial acquisition. The purchases and sales of financial assets are recognized in the balance sheet on the transaction date when the Group commits to buy or sell a financial instrument. Financial assets are derecognized, when the Group has lost its contractual right to cash flows or when it has materially transferred the risks and returns outside the Group.

Classified as financial assets measured at fair value through profit or loss are forward exchange contracts hedging against currency risks associated with foreign currency denominated procurement agreements as well as short-term money market investments. Derivative instruments and money market investments are measured at fair value, and all valuation changes are recognized in the income statement for the period during which they occur. Hedge accounting has not been applied to derivative contracts.

Financial assets measured at amortized cost comprise ordinary trade receivables and other receivables. Trade receivables are measured at amortized cost less any impairment losses. In measuring trade receivables, Kempower has applied the simplified approach involving expected credit losses as laid down in IFRS 9, according to which a deduction is recognized on all trade receivables based on lifetime expected credit losses. Impairment of trade receivables are recognized as an expense in other operating expenses.

Cash and cash equivalents consist of bank account funds, some of which are foreign currency denominated. Changes in the valuation of foreign-currency-denominated bank account funds occur when the funds are translated into the exchange rate of the closing date. Exchange rate gains and losses are recognized as profit or loss in financial income and expenses.

### Financial liabilities

The Group's financial liabilities are classified as liabilities measured at amortized cost. The drawdowns of financial liabilities as well as purchases and sales thereof are recognized in the balance sheet on the contract date of the contract that pertains to them. A financial liability is derecognized, when the obligation specified in the contract has been fulfilled or revoked or its validity has discontinued. Financial liabilities are classified as non-current, if they are payable beyond 12 months, and they are classified as current, if they are payable within 12 months.

The Group's lease liabilities and trade payables are classified as liabilities measured at amortized cost. Trade payables and other payables are classified as current liabilities, unless the company has an unconditional right to push back their repayment to a point in time that is at least 12 months beyond the end of the financial period, in which case they would be classified as non-current liabilities.

Derivatives are included in financial liabilities measured at fair value through profit or loss. Kempower's derivative instruments are discussed more specifically in the Financial assets section above. Hedge accounting has not been applied to derivative contracts.

### Transaction costs related to the company's listing

Kempower has recognized those costs of listing that are directly associated with the issuance of new shares by netting them off against the balance of the invested unrestricted equity fund under equity. Those transactions costs that are associated with all the shares in the listing are allocated to each share. The costs that are associated to existing shares are recognized in the statement of comprehensive income, and the costs related to new shares are recognized in equity.

## 1.12 Provisions

Provisions are recognized, when the Group has a legal or constructive obligation resulting from a past event, a payment obligation is likely to arise and the amount of obligation can be reliably estimated. The Group's provisions are warranty provisions based on the volume of actual warranty work in the past.

The projected amount of warranty provision is based on past experience from actual warranty work and the costs arising from it. Should the actual costs of warranty work exceed the said provision, such excess will be recognized as an expense. If the actual costs of warranty work fall below the provision, the difference will be recognized as profit.

## 1.13 Income taxes

The Group recognizes as tax expenses the taxes calculated on the Group companies' financial results for the period, tax adjustments for previous years and changes in deferred tax liabilities and deferred tax assets. The tax incidence that is related to items recognized directly in equity is correspondingly recognized in equity.

The change in deferred taxes is recognized based on the temporary differences between carrying amount and taxable value, applying either the tax rate as valid on the closing date or an established tax rate to be effective later. Deferred tax assets are recognized up to the extent of probable future taxable profit, against which the temporary difference can be utilized. The most substantial temporary differences arise from losses carried forward, capitalized product development costs and accelerated depreciation.

Tax-deductible losses are recognized as tax assets to the extent that the company can probably utilize them in the future.

## 1.14 Accounting policies requiring management judgement and key uncertainties relating to the estimates

Preparation of the consolidated financial statements requires the management's judgment as well as estimates and assumptions concerning the future that have an effect on the reported assets and liabilities and other information, such as contingent assets and liabilities, revenue recognition and recognition of expenses in the income statement. Although these estimates and assumptions are based on the management's best knowledge of current events and actions, the actual results may ultimately differ from the estimates.

### Share-based payments

The Group recognizes the expense arising from share-based payments in the consolidated income statement. With regard to stock options, the Group's management makes estimates on certain factors required for the option pricing model, such as volatility, the number of stock options that will probably be issued for subscription and the probable stock option exercise date. In regard to stock compensation, the management estimates the number of shares that will probably be granted.

### Research and development expenses

Such development expenses that meet the capitalization criteria will be recognized in the balance sheet. Capitalization of development expenses is based on the management's consideration, according to which the technological and financial feasibility of the project has been ascertained.

### Deferred tax assets

Recognizing deferred tax assets in the balance sheet requires particular prudence. A deferred tax asset is recognized, when it is likely that the company will have enough taxable profit in the future to allow for utilization of deferred tax assets exceeding deferred tax liabilities. The Group's management exercises consideration in deciding whether to recognize deferred tax assets based on tax losses carried forward. Projection of future taxable cash flows is based on the Kempower Group's strategy, forecasts and assessment of uncertainties. Group management monitors the Group's financial position and evaluates future development on the last day of each reporting period. Deferred tax assets are recognized up to the extent of probable future taxable profit, against which the tax losses carried forward can be utilized.

### Provisions

The Group recognizes provisions for warranty work to be performed, and the projected amount of these provisions is based on the actual volume of similar work done in the past. The provisions are regularly reviewed and revised as necessary to represent the best estimate available at the time of observation. The actual cost may deviate from the estimate.

## 1.15 New and amended standards and interpretations

*Classification of Liabilities as Current or Non-current – Amendments to IAS 1 Presentation of Financial Statements** (effective for financial years beginning on or after 1 January 2023, early application is permitted)

The amendments are to promote consistency in application and clarify the requirements on determining if a liability is current or non-current.

*Disclosure of Accounting Policies – Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements** (effective for financial years beginning on or after 1 January 2023, earlier application is permitted)

The amendments clarify the application of the materiality to disclosure of accounting policies.

*Definition of Accounting Estimates – Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors** (effective for financial years beginning on or after 1 January 2023, earlier application is permitted)

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates, with a primary focus on the definition of and clarifications on accounting estimates.

*Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12 Income Taxes** (effective for financial years beginning on or after 1 January 2023)

The amendments narrow the initial recognition exemption (IRE) and clarify that the exemption does not apply to transactions such as leases and decommissioning obligations which give rise to equal and offsetting temporary differences.

It is estimated that the amendments will have no material effect on the preparation of Kempower's consolidated financial statements.

** not yet endorsed for use by the European Union as of 31 December 2021.*

## 2. Revenue

### REVENUE BY GEOGRAPHICAL REGIONS

| MEUR | Q2/2022 | Q2/2021 | Change | Change % | H1/2022 | H1/2021 | Change | Change % | 2021 |
|---|---|---|---|---|---|---|---|---|---|
| Nordics | 12.4 | 6.0 | 6.4 | 106% | 20.6 | 7.9 | 12.6 | 159% | 23.1 |
| Rest of Europe | 8.4 | 0.6 | 7.8 | 1,264% | 11.6 | 1.0 | 10.7 | 1,107% | 4.1 |
| Rest of the World | 0.9 | 0.0 | 0.8 | 1,803% | 0.9 | 0.1 | 0.8 | 870% | 0.2 |
| **Total** | **21.6** | **6.7** | **15.0** | **225%** | **33.2** | **9.0** | **24.1** | **268%** | **27.4** |

### REVENUE BY RECOGNITION TYPES

| MEUR | Q2/2022 | Q2/2021 | H1/2022 | H1/2021 | 2021 |
|---|---|---|---|---|---|
| Point in time | 21.4 | 5.6 | 32.8 | 7.9 | 25.8 |
| Over time | 0.2 | 1.1 | 0.4 | 1.1 | 1.6 |
| **Total** | **21.6** | **6.7** | **33.2** | **9.0** | **27.4** |

## 3. Tangible assets

| MEUR | Machinery and equipment | Right-of-use assets | Prepayments and construction in progress | Total |
|---|---|---|---|---|
| **1.1.2022** | 1.0 | 1.1 | 0.7 | 2.9 |
| Additions | 0.9 | 15.5 | 1.4 | 17.8 |
| Depreciation | -0.1 | -1.3 | | -1.4 |
| **Carrying amount, 30.6.2022** | **1.8** | **15.3** | **2.1** | **19.2** |
| | | | | |
| **1.1.2021** | 0.4 | 1.1 | 0.1 | 1.6 |
| Additions | 0.1 | 0.1 | 0.5 | 0.7 |
| Depreciation | -0.1 | -0.3 | | -0.4 |
| **Carrying amount, 30.6.2021** | **0.4** | **0.9** | **0.6** | **1.9** |
| | | | | |
| **1.1.2021** | 0.4 | 1.1 | 0.1 | 1.6 |
| Additions | 0.8 | 0.7 | 0.6 | 2.1 |
| Depreciation | -0.1 | -0.8 | | -0.9 |
| **Carrying amount, 31.12.2021** | **1.0** | **1.1** | **0.7** | **2.9** |

# 4. Financial assets and liabilities by category

The Group categorizes its financial assets and liabilities into the following categories:

| 30.6.2022 Balance, MEUR | Fair value through profit or loss | Amortised cost | Carrying amount | Fair value | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|---|---|---|
| **Current financial assets** | | | | | | | |
| Trade receivables | | 14.1 | 14.1 | 14.1 | | | |
| Other receivables | | 1.6 | 1.6 | 1.6 | | | |
| Other receivables, derivatives | 0.0 | | 0.0 | 0.0 | | 0.0 | |
| Other financial assets | 68.8 | | 68.8 | 68.8 | 68.8 | | |
| Cash and cash equivalents | | 13.1 | 13.1 | 13.1 | | | |
| **Total financial assets** | **68.8** | **28.8** | **97.6** | **97.6** | **68.8** | **0.0** | |
| **Non-current financial liabilities** | | | | | | | |
| Non-current lease liabilities | | 13.1 | 13.1 | 13.1 | | | |
| **Current financial liabilities** | | | | | | | |
| Current lease liabilities | | 2.3 | 2.3 | 2.3 | | | |
| Trade payables | | 10.4 | 10.4 | 10.4 | | | |
| Other non-interest-bearing liabilities | | 1.1 | 1.1 | 1.1 | | | |
| **Total financial liabilities** | | **26.9** | **26.9** | **26.9** | | | |

| 30.6.2021 Balance, MEUR | Fair value through profit or loss | Amortised cost | Carrying amount | Fair value | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|---|---|---|
| **Current financial assets** | | | | | | | |
| Trade receivables | | 5.1 | 5.1 | 5.1 | | | |
| Other receivables | | 0.0 | 0.0 | 0.0 | | | |
| Other receivables, derivatives | | | | | | | |
| Cash and cash equivalents | | 0.7 | 0.7 | 0.7 | | | |
| **Total financial assets** | | **5.9** | **5.9** | **5.9** | | | |
| **Non-current financial liabilities** | | | | | | | |
| Non-current interest-bearing liabilities | | 6.0 | 6.0 | 6.0 | | | |
| **Non-current lease liabilities** | | 0.4 | 0.4 | 0.4 | | | |
| Current financial liabilities | | | | | | | |
| Current lease liabilities | | 0.5 | 0.5 | 0.5 | | | |
| Trade payables | | 3.0 | 3.0 | 3.0 | | | |
| Other non-interest-bearing liabilities | | 0.3 | 0.3 | 0.3 | | | |
| **Total financial liabilities** | | **10.1** | **10.1** | **10.1** | | | |

The company has classified the hierarchies of financial assets according to the availability of data on market terms and other price data. The Group uses generally accepted valuation models to determine the fair values of these instruments, and the input data for these models are based in significant part on observable market data.

The level in the fair value hierarchy at which a certain item measured at fair value is classified overall is determined on the basis of the significant input data on the lowest level with regard to the entire item measured at fair value. The significance of input data is evaluated in its entirety in relation to the item valued at fair value.

Other financial assets include money market investments measured at fair value through profit or loss. Cash and cash equivalents include deposits with banks, which are measured at amortised cost.

The book value of trade and other receivables and trade payables, which are measured at amortised cost corresponds to their fair value due to their short maturities.

# 5. Related party transactions

The parties are considered to be related parties if the other party is able to exercise control or significant influence or joint control over the other party in decision making concerning its finances or business. Kempower's related parties include its subsidiaries and Kemppi Group Oy and its subsidiaries other than Kempower Group companies ("Kemppi Group companies"). Related parties also include members of Kempower's Board of Directors, CEO and members of Management Team as well as their close family members and companies under their control. Kempower's related parties also include the members of Kemppi Group Oy's Board of Directors and their close family members and companies under their control.

Business transactions between Kempower and and Kemppi Group are presented as related party transactions. Such related party transactions include purchases of materials from Kemppi Oy, purchases of administrative and support service (such as information technology and other expert services) from Kemppi Group companies and premises leased from Kemppi Group companies. Related party transactions have been carried out on an arm's length basis.

Kempower's headquarters and production facilities are located in rental properties. New production facilities and headquarters in Lahti have been leased from Kemppi Group Oy until 2031. One of the other production facilities has been leased from Kemppi Oy until 2023. Kempower's current headquarters have been leased from Kemppi Oy until 2022, and part of the outdoor area has been leased until 2023.

Kemppi Group Oy has financed Kempower's business earlier before IPO took place by paying group contributions and granting capital loans and other loans. These loans were repaid during the financial year 2021.

Kempower's related party transactions are presented in the table below.

| MEUR | H1/2022 | H1/2021 | 2021 |
|---|---|---|---|
| **Sales and purchases of goods and services to and from Kemppi Group companies** | | | |
| Products sold | 0.0 | 0.0 | 0.0 |
| Purchased materials | -9.4 | -2.5 | -6.7 |
| Purchased administration and support services | -0.5 | -0.3 | -0.6 |
| Office and facility lease | -1.2 | -0.2 | -0.5 |
| | | | |
| **Financial expenses** | | | |
| Interest expenses to Kemppi Group companies | | 0.0 | -0.1 |
| | | | |
| **Sales and purchases of goods and services to and from other related parties** | | | |
| Puchased services | 0.0 | 0.0 | 0.0 |
| Products sold | | | 0.0 |

| MEUR | 30.6.2022 | 30.6.2021 | 31.12.2021 |
|---|---|---|---|
| **Outstanding balances with Kemppi Group companies** | | | |
| Trade and other receivables | 0.0 | 0.1 | 0.1 |
| **Total current receivables** | **0.0** | **0.1** | **0.1** |
| | | | |
| Capital Loan | | 4.0 | |
| Non-current interest-bearing loan | | 2.0 | |
| Lease liabilities* | 12.3 | 0.1 | 0.0 |
| **Total non-current liabilities** | **12.3** | **6.1** | **0.0** |
| | | | |
| Lease liabilities* | 1.5 | 0.4 | 0.3 |
| Trade and other payables | 5.4 | 1.7 | 2.4 |
| Other current liabilitites | 0.6 | 0.3 | 0.1 |
| **Total current liabilities** | **7.4** | **2.4** | **2.8** |

** Lease liabilities in accordance with IFRS 16 reporting*

# 6. Personnel offering, stock options and long-term incentive program

## Personnel offering

In October 2021, the Company carried out a directed share issue made in deviation from the shareholders' pre-emptive subscription rights to engage personnel of Kempower by issuing 5,789 new Shares in a Personnel Offering. The subscription price in the Personnel Offering was EUR 100.00 per Share before the share issue without consideration registered on 26 November 2021, in which for each existing Share, 53 new Shares were given. The members of Kempower's personnel who participated in the Personnel Offering have signed a shareholder agreement in which they have, among others, committed to sell their Shares to the Company if their employment with Kempower ends in certain situations and committed to a lock-up period based on which they cannot sell, transfer, donate or pledge the Shares subscribed by them without a permission granted by the Board of Directors of the Company until 31 December 2024.

## Existing stock option program

In November 2021, Kempower launched a stock option programme, the target group of which is key employees working in Kempower's subsidiaries outside of Finland as well as selected employees who have been employed after the Personnel Offering. The programme aims to foster employee commitment, broaden the Company's ownership base and give the opportunity to Kempower's personnel to benefit from the potential increase in the Company's value. The number of options per employee is set so that the subscription price of the options does not exceed the respective employee's two months' combined gross salary. The subscription period for stock options is between 1 January 2025 and 15 December 2025 and the subscription price is EUR 1.85 per option. In total 107 946 options were given.

## New long term incentive program

Kempower launched in March 2022 share-based incentive programme for Kempower's management team and key employees. The aim is to align the objectives of the shareholders and key employees for increasing the value of the company in the long-term, to commit the key employees to work for the company and to offer them a competitive incentive scheme that is based on earning and accumulating shares.

The Performance Share Plan 2022–2024 consists of a three (3) year performance period, covering the financial years of 2022–2024.

In the plan, the target group is given an opportunity to earn Kempower's shares based on performance. The potential rewards based on the plan will be paid after the end of the performance period. The reward will be paid partly in Kempower's shares and partly in cash. During the performance period, the rewards are based on the Total Shareholder Return of the Kempower share in 2022-2024 and Group Revenue in 2024. The value of the maximum rewards to be paid on the targeted level will correspond to a total of approximately 130,000 Kempower's shares including also the cash proportion. However, if the targeted performance criteria will be significantly exceeded the ultimate maximum of the rewards to be paid will correspond to a total of approximately 165,000 Kempower's shares.

Approximately 20 persons, including the CEO and other Kempower Extended Management Team members, belong to the target group of the performance period. The Extended Management Team member is obliged to hold at least 50 per cent of the shares received as a net reward from the performance share plan, until the total value of the member's shareholding in Kempower equals to 50 per cent of their annual base salary of the preceding year. Such number of Kempower's shares must be held as long as the membership in the Extended Management Team continues.

KEMPOWER

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